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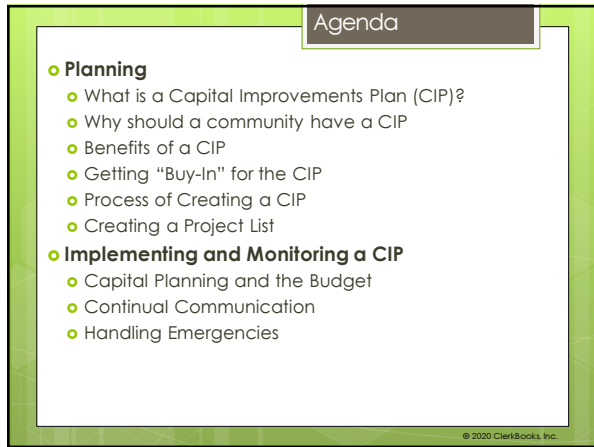
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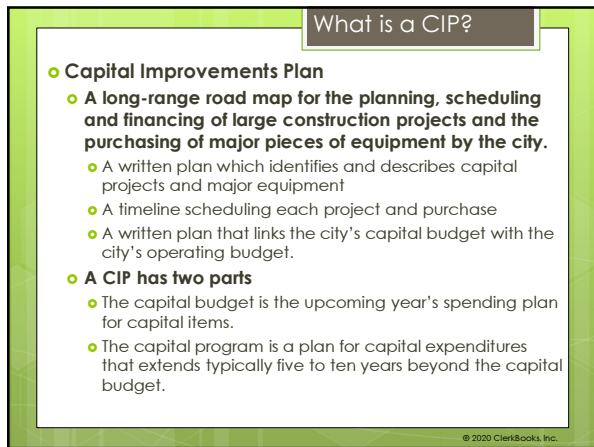
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**Why Have CIP?**

- o **The principal of Economic Scarcity defines the issue**
  - o Society has limited resources
  - o Society has unlimited wants and needs
- o **Therefore, one of a community's primary responsibilities is the effective allocation and wise use of financial resources.**
  - o Capital expenditures should be planned carefully and assessed for their impact on fiscal resources
  - o We need to meet as many wants and needs as possible using as little resources as possible
  - o A CIP Plan is an excellent tool to help accomplish these goals

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**Benefits of a CIP**

- o **Saves money**
  - o Identifies, prioritizes, and optimizes the financing of capital projects by choosing the financing method most appropriate for the project.
  - o Allows you to group smaller projects to create a larger project more apt to receive grants and contributions
  - o Allows you to link with other entities to complete shared goals
  - o Synchronizes capital and operating budgets
- o **Accomplishes long-term goals**
  - o Allows time to plan and evaluate projects and avoid "crisis" decision making
  - o Systematically evaluates competing demands for resources based on community priorities reflecting the entity's long-term goals and objectives
  - o Breaks larger, un-accomplishable goals, into smaller obtainable tasks
  - o Informs the public about the government's investment in infrastructure
  - o Increases coordination between department and committee decision makers

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**Process**

- o **Organize the Process**
  - o This must be the Council's plan – not the City Clerk's plan, not a group of concerned citizen's plan – Council must take the lead
  - o Establish a CIP Committee to do the footwork for the Council
  - o Choose members based on their knowledge of what needs to be done
    - o Should not be department leaders (too biased)
    - o Should be a mix of elected officials and community leaders
  - o Select one member of the committee to coordinate the process
    - o Usually the City Clerk – since they have the time to do all the detail work
- o **Develop CIP Plan Policies**
  - o Standards and forms to keep each version of project requests consistent
  - o Define criteria – what projects or equipment will qualify to be in the plan

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**Process**

- o **Inventory Existing Facilities**
  - o Evaluate your existing equipment and facilities so you can determine what needs to be done.
  - o 1<sup>st</sup> ask the Council for their areas of priority and any specific projects they would like in the plan
  - o 2<sup>nd</sup> ask Department heads for the projects they feel should be in the plan
    - o include your different departments so there is coordination of activities.
  - o Get everything on the list regardless of cost!
- o **Forecast the Demand or Growth**
  - o Keep an eye toward the future when developing projects
  - o Don't put in 6" line and need 8" line 10 years from now
- o **Seek advice** – Engineers, Bond Counsel, Insurance, Utilities, County, School District, Neighboring Cities, State Dept of Economic Development, USDA Rural Development, League of Cities, etc.
- o **Prepare and Submit Project Proposals**
  - o Standardized one page summary of each project

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**Process**

- o **Dept Leaders and Committee Ranks the Projects**
  - o I = Immediate (Should not be postponed in order avoid undesirable consequences)
  - o II = 2-5 years out (Could be postponed without undesirable consequences)
  - o III = 5-10 years out (Benefits the community but can be delayed without harm to services)
- o **Questions to ask when ranking projects**
  - o Does the project increase the quality of life for residents
  - o Will project increase revenues (tax revenue, utility revenue, etc)
  - o How many people will receive benefits from the project
  - o What is the cost vs the benefit
- o **Review City Finances**
  - o Assign funding options to each project proposal that preserves or improves the City's bond rating and helps to stabilize tax rates
- o **Council Ranks the Projects**
  - o Based on Dept Leader and Committee recommendations
  - o Based on Financing options
- o **Prepare Draft CIP**
  - o Based on CIP Committee recommendations
  - o Based on Council ranking
- o **Publish and Hold a Public Hearing and Revise Plan if Necessary**
  - o Let the public have input.
- o **Final Draft – Approved by Council Resolution**

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**Project Proposals**

- o **Start with an existing inventory**
  - o **City Hall** – roof, foundation, structure, size, appearance, technology, office equipment
  - o **Library** – roof, foundation, structure, size, appearance, shelving, technology, office equipment
  - o **Fire Station** – roof, foundation, structure, size, appearance, technology, equipment, vehicles
  - o **Water Towers** – age, size, paint & interior condition
  - o **Water Filtration & pumping** – age, size, condition
  - o **Wastewater Plant** – age, capacity, condition & cost of operation
  - o **Parks** – condition of facilities, appearance, safety
  - o **City Vehicles**– age, condition, ability to do job safely
  - o **Roads, Bridges, Sidewalks, Street Lights**

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**Project Proposals**

- **Title & Description**
  - Should be brief but have enough information to accurately describe the project
- **Justification**
  - Why should the project be done now rather than later.
- **Location**
  - Include maps, blueprints, drawings, pictures, etc.
- **Department Priority**
  - Get their buy-in
- **Revenue Impact** (positive or negative)
  - Current budget
  - Property tax rates

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**Project Proposals**

- **Upfront and Annual Costs**
- **Financing Options**
  - Current Budget
  - Additional Levies
  - Other Funds: LOST, Emergency, TIF, etc.
  - Increased Fees
  - Grants
  - Bonds and Loans (GO, Special Revenue, Assessment)
- **Relationship to Other Projects**
  - Does this need to be done before something else gets done?
- **Status**
  - Length of project and progress made
- **Dept Leader, Committee and Council Priorities**
  - Grade I, II, III

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**Implementing**

- **Identify players and roles**
- **Private sector players and roles**
  - Developers
    - Most often take the lead
    - Respond to an unmet market need
    - Create market demand
    - Respond to public sector initiatives & incentives
    - Receive a "Developer's Fee" as compensation to manage the project
  - Investors – recruited oftentimes by developers
  - Lenders
  - Architects, Engineers, Contractors, Attorneys
  - Property Managers
  - Tenants

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**Implementing**

- o **Public Sector Roles**
  - o **Facilitator Role (Reduces Risk)**
    - o Regulatory
    - o Infrastructure
    - o Streetscaping
    - o Façade Improvement
    - o GAP Financing
  - o **Initiator Role (Participant)**
    - o Land Assembly
    - o Feasibility Analysis & Conceptual Designs
    - o Selecting a Developer
    - o Providing Partial Financing
    - o Selling or Leasing Land
    - o Building Project Specific Infrastructure
  - o **Initiator Role Checklist**
    - o A strong need to develop a specific property or area where private sector is unwilling or unable to invest
    - o Political will to withstand the risks of development
    - o An agency or organization (e.g. economic development corporation) with expertise and resources to prepare properties for development
    - o Smaller communities – partner out to surrounding larger communities with existing agencies or organizations

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**Implementing**

- o **Development Project Process**
  - o Predevelopment
    - o Defining the specifics of the project
    - o Assigning the players and roles
  - o Market, financial, physical and political feasibility
    - o Will it increase quality of life?
    - o How are we going to pay for it?
    - o Can we actually do it?
    - o Will the public support it?
  - o Site engineering & analysis
  - o Secure Financing
  - o Contractor negotiations & final public approval
  - o Construction
  - o Marketing
  - o Occupancy & management

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**Implementing**

- o **Methods for Structuring a Public-Private Deal (Developer Agreements)**
  - o Front end assistance without any offsetting guarantees (land write-down, direct subsidies)
    - o Reduce the development cost to lower a developer's front end costs and reduce the amount that needs to be financed
  - o Front end assistance with guarantees to repay all or part of the financial assistance (RLF, bonds)
    - o Reduce mortgage / financing costs to lower the debt service of a project
  - o Performance-oriented assistance with explicit contractual limits (TIF "pay-as-you-go," forgivable loans or credits)
    - o Reduces operating costs to improve the cash flow of the project
  - o Performance-oriented assistance that is open-ended
    - o Facilitate the process of redevelopment through programs and policies

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**Monitoring**

- Review and update each year
  - Make sure you leave enough time to complete all the steps before your budget is approved
- When unexpected costs ruin the budget – use the grading system to determine which other projects can be put on hold
- When Council members push projects – use the grading system to remind them of the big picture
- When citizens complain about certain projects not getting done – show them the schedule of projects

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**Conclusion**

- A capital improvement plan (CIP) is a dynamic community planning and fiscal management tool used to coordinate the location, timing, and financing of capital improvements over a multi-year period.
- It is critically important and one of the major responsibilities for a government entity.
- The CIP is a working document and should be reviewed and updated annually to reflect changing community needs, priorities, and funding opportunities to ensure that the infrastructure exists to advance the community's strategic and long-term goals and objectives.

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