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# The Budget Officer's Role in Capital Projects

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# Topics of Discussion

- CIP Planning & Process
- Prioritizing the Projects
- Funding Sources
- Developing a Five Year Forecast
- Monitoring the Capital Program



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# CIP Planning

- Must be financially feasible
  - Statutory Citation defined in FS 163.3164(32)
- Demonstrate costs by Fiscal Year
- Develop Five Year Plan
- Identify available funding sources

Safe Neighborhoods



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# CIP Planning



**When you fail to plan, you plan to fail**



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# CIP Process

- **Financially Feasible CIP**
- **Coordinate timing with Budget Process**
- **Combine with Long Range Forecast**
- **Include associated operating costs with each project**
- **Prioritize Proposed Projects**



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# Prioritizing the Projects



**What's really a priority?**



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# Prioritizing Projects

- Expand Project Descriptions
  - Project names are insufficient
  - Detailed project elements are required
- Question Priorities/Timelines
  - Every project cannot be the top priority
    - What if there were no funds?
- Segregate by Categories
  - Water, Wastewater, Stormwater, Parks & Rec, Police, Fire, etc.



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# Prioritizing Projects by Necessity

- Capital Maintenance- a top priority
  - Need to keep fixed assets in good condition
  - More expensive to fix later if fall into disrepair
- New Needs ( “I NEED it” )
  - It’s a Safety Issue
  - Impacts a large number of citizens
- New Toys and Wants
  - Justification can be more creative
- “I’m getting a grant for it”



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# Prioritizing Projects by Future Financial Impact

- Operating Cost of the Improvement
  - Impact on rates and charges
  - Impact on cost of other government services
- Impact upon Future Revenues
  - Availability of cash, budgetary impacts
  - Impact on outstanding debt
- Life Cycle Cost Analysis
  - Ability to maintain the asset



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# Prioritizing Projects by Organizational Structure

- City vs. County
  - City programs shaped by Mayor and Council
  - Mayor can be dominating
  - May see Council impact for assistance on future issues
- County
  - Chairperson and Board Members-same dynamics as with City
- Constitutional Officers have needs as well



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# Prioritizing Projects by Organizational Structure

- Strong Mayor vs. City Manager System
  - Mayor's priorities are overriding factor
  - Focused on the electorate
  - Focused on legacy
- City Manager
  - Focused on maintaining existing services
  - Focused on needs and desires of elected officials as well as own priorities



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# Prioritizing Projects by Organizational Structure

- At large vs. District Representation
  - At large more likely to be tuned into community desires as a whole
- District Representation
  - Often feel compelled to bring improvement projects to their specific districts



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# Prioritizing Projects by Organizational Structure

- Large City vs. Small City
  - Large cities often have more diverse populations and needs, thus more balancing is required in the selection of projects geographically and otherwise
  - Small cities tend to be more homogeneous and have an easier time with prioritization of improvements



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# Prioritizing Projects –Other Considerations

- Coordination of infrastructure improvements
  - Road projects with underground utilities
- Collect stakeholder input
  - Meet with citizens and businesses
  - This increases buy in and overall satisfaction
- Funding philosophy of elected body
  - “pay go”- Cash
  - Debt
  - Dedicated Revenue source (sales tax)



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# Funding Sources



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# Funding Sources

Identify all available funding sources

- Match project type with funding source
- Gather funding source information (rules, forms, etc)
- Outline any necessary steps to utilize selected sources

Possible sources:

- Debt
- Grants
- Dedicated Revenue Streams
- Cash



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# Funding Sources



**To borrow or not to borrow: that is the question?**



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# Funding Sources-Debt

- Ensure the issuance fits within the parameters of your Debt Policy
- Professional Assistance required (Financial advisor, Bond Counsel)
- Debt funding requires the greatest precision and planning
- Identify revenue streams to be pledged
- Determine annual debt service payment affordability
- Will the issue be tax-exempt or taxable

# Funding Sources- Grants



Free money??? Where do I sign up?



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# Funding Source- Grants

How many times have we heard:

But, I'm getting a GRANT for the project!!!

Items to consider:

- Necessary matching funds
- “Strings” in the grant agreement
- Reimbursement schedule (cash flow)
- Monitoring & compliance
- Future costs



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# Funding Source- Dedicated Revenue Streams



# Funding Source-Dedicated Revenue Streams

## Types

- Impact Fees
- Sales Surtax
- Tax Increment Financing (TIF) District



“This guy knows how to find revenue streams.”



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# Funding Source-Dedicated Revenue Streams

- First order of business:
  - Make sure the expenditure projects are legally appropriate for the revenue source
- Is the revenue collected (on hand) or to be collected in the future?
  - Ensure forecasts are VERY conservative for any funds not currently on hand
  - Sales tax revenue CAN decline!!!!



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# Funding Sources- Cash



Cash  
is  
King



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# Funding Sources-Cash



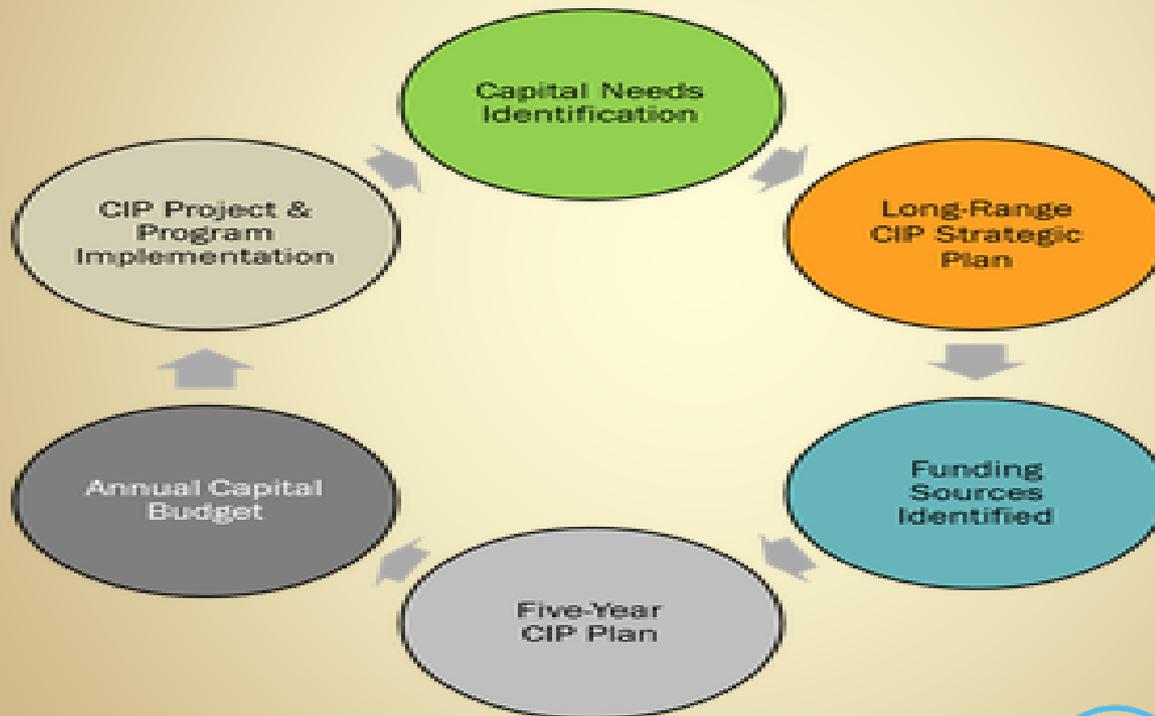
- Cash funded projects are the easiest to fund
- Main concern is about budgeting over multiple years



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# Developing a Five Year Plan

## The CIP Planning Process



Resource Protection and Sustainability



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# The Five Year Plan

- Capital Improvement Plan
  - 5-Year schedule
- Capital Improvement Budget
  - Year 1 of the Capital Improvement Plan
- Typically large and costly projects and often requiring financing.
- Be careful to think about the impact to the Operating Budget (add'l cost or savings).



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# The Five Year Plan

## Capital Assets (GFOA Policy)

- Capital assets are government facilities, infrastructure, equipment or networks
- Enable the delivery of essential public sector services
- Recommends governments establish a system for assessing their assets
- Plan and budget for any capital maintenance and replacement needs



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# The Five Year Plan

- Not All Capital Projects Can be Completed Due to Growing Demands and Increasingly Tighter Budgets
- Limited Resources Dictate Making a Choice Between Projects
  - Roads vs. Jails
  - Parks vs. Fire Stations
  - Community Centers vs. Police Stations
- Picking One Project Over Another Will Have a Lasting Impact on a Government & the Community it Serves
- The Goal is to Implement a System that Does not Pit One Project Against Another



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# The Five Year Plan

- It is Important that Capital Project Funding Decisions be Made with Clearly Defined Reasoning
- Projects Competing for the Same Funding Should be Judged by the Same Standards
- All Aspects of a Project Should be Weighed in the Decision Making Process
  - Initial Cost
  - Operating Costs
  - Public Safety Impacts
  - Outside Funding
  - Increased Efficiencies
  - Strategic Fit



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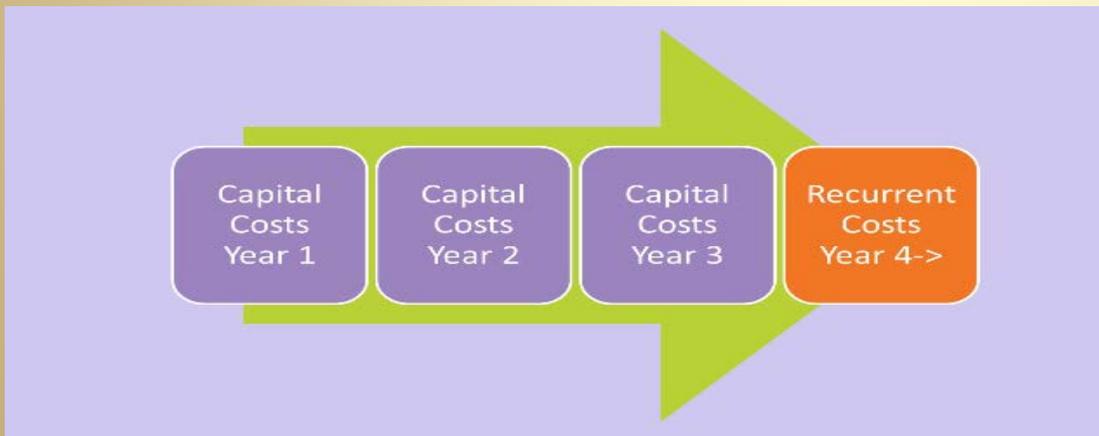
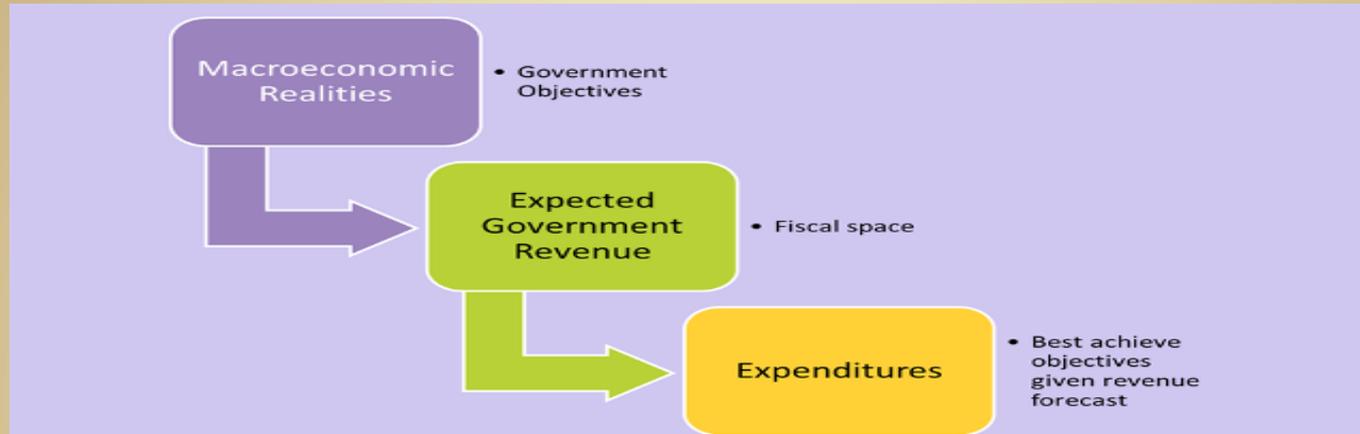
# The Five Year Plan

- Should be included in budget document and approved by the governing body
- Is a decision-making tool – future considerations outside scope
- Is a financial management tool
- Is part of long-term strategic plans but doesn't drive them
- Includes projects approved by key officials (manager, council) waiting for funding
- Projects are typically placed in out years and move up until they are included in the current year's capital budget



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# Monitoring the Capital Plan



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# Monitoring the Capital Plan

- Once the CIP is approved we move into the execution phase
- Debt funded projects need to be carefully planned to ensure appropriate timing of debt issuance
- Share approved CIP plan with Procurement Department to ensure timely work flow
- Monitor, measure, and evaluate performance of projects
- Make adjustments as needed



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# Monitoring the Capital Plan

- Update forecasts of revenue sources to reflect actual collections
- Maintain monthly update of CIP progress
  - Institute procedures to review budget periodically (actual-to-budget comparisons)
  - Consider use of Performance measurement to determine how a program is accomplishing its mission
  - Updated elected body via monthly progress reports
- Plan and budget for any capital maintenance and replacement needs in the coming years



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# Monitoring the Capital Plan

- Provide a comparison of actual results to the project plan , including:
  - Percent of project completed
  - Percent of project budget expended
  - Progress on key project milestones
  - Contract status information
  - Revenue and expenditure activity
  - Explain variances and implications



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# Monitoring the Capital Plan

- Project Implementation review process
  - Identify problems early
  - Recommend corrective actions
- Amending the capital budget
  - Change of scope
  - Change in cost projections/start dates
- Debt financed projects
  - Arbitrage concerns
  - Reliable cash flow projections



# Questions ???



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**Thank you!**