



City of Grand Island

Tuesday, March 17, 2015

Study Session

Item C2

Presentation on Capital Improvement Program Budgeting and Funding

Staff Contact: John Collins, P.E. - Public Works Director

Council Agenda Memo

From: John Collins PE, Public Works Director

Meeting: March 17, 2015

Subject: Capital Improvement Program Budgeting and Funding

Item #'s: 2

Presenter(s): John Collins PE, Public Works Director
William Clingman, Interim Finance Director/City Treasurer

Background

The current practice is to budget capital improvement program (CIP) funds each year, rather than with each project. Many CIP projects take multiple years to design and construct.

Discussion

City staff would like to establish a dedicated CIP fund with payments set to the fund each budget year to allow funds to persist through fiscal years. This would allow projects to continue through the full construction season, avoid the delays and reduce staff time. There would be no other change in the existing approval process for capital projects; construction contracts, design contracts, real estate acquisition, change orders, payments, etc. would be approved individually as is currently done.

The proposed CIP fund would be supported with the budget each year and funds would remain in the account until moved to a specific project. City Council's approval of the CIP would determine the amount deposited into the dedicated fund.

Conclusion

This item is presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand.

It is the intent of City Administration to bring this issue to a future council meeting for approval of a dedicated Capital Improvement Program Fund.

Capital Improvement Program Budgeting and Funding



Goal

- Persistent funding.
- Improve project delivery.
- Reduce unnecessary effort, especially during construction season.

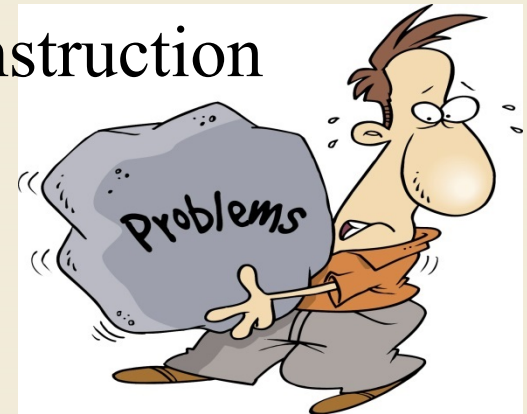
Capital funds vs Operating Funds




The primary difference between Capital Funds and Operating funds is:

- Operating funds may be used for any purpose and persist through the fiscal year.
- Capital funds may only be used for capital assets and persist through the life of the project.

Issues

- CIP is presented with mostly Conceptual Estimates.
- Many Capital Projects take more than 1 fiscal year to complete.
- The design and construction time is dependent on factors outside of the City's control.
- Budgeting occurs in the middle of Construction season.



-  The current fiscal year expenditures estimate occurs in May, which is the first part of construction season, prior to most construction or expenses; the estimate in May is little better than the one presented with the CIP.
-  At the May estimate, projects where expenditures may occur after September 30 are often delayed to the next year.
-  October, November and December payments are often from the prior fiscal year's budget and activities.



Consequences

- 🌊 Projects are cancelled or delayed
- 🌊 Significant effort by Public Works and Finance staff estimating expenses repeatedly/frequently through the construction season.
- 🌊 Frequent budget adjustments.



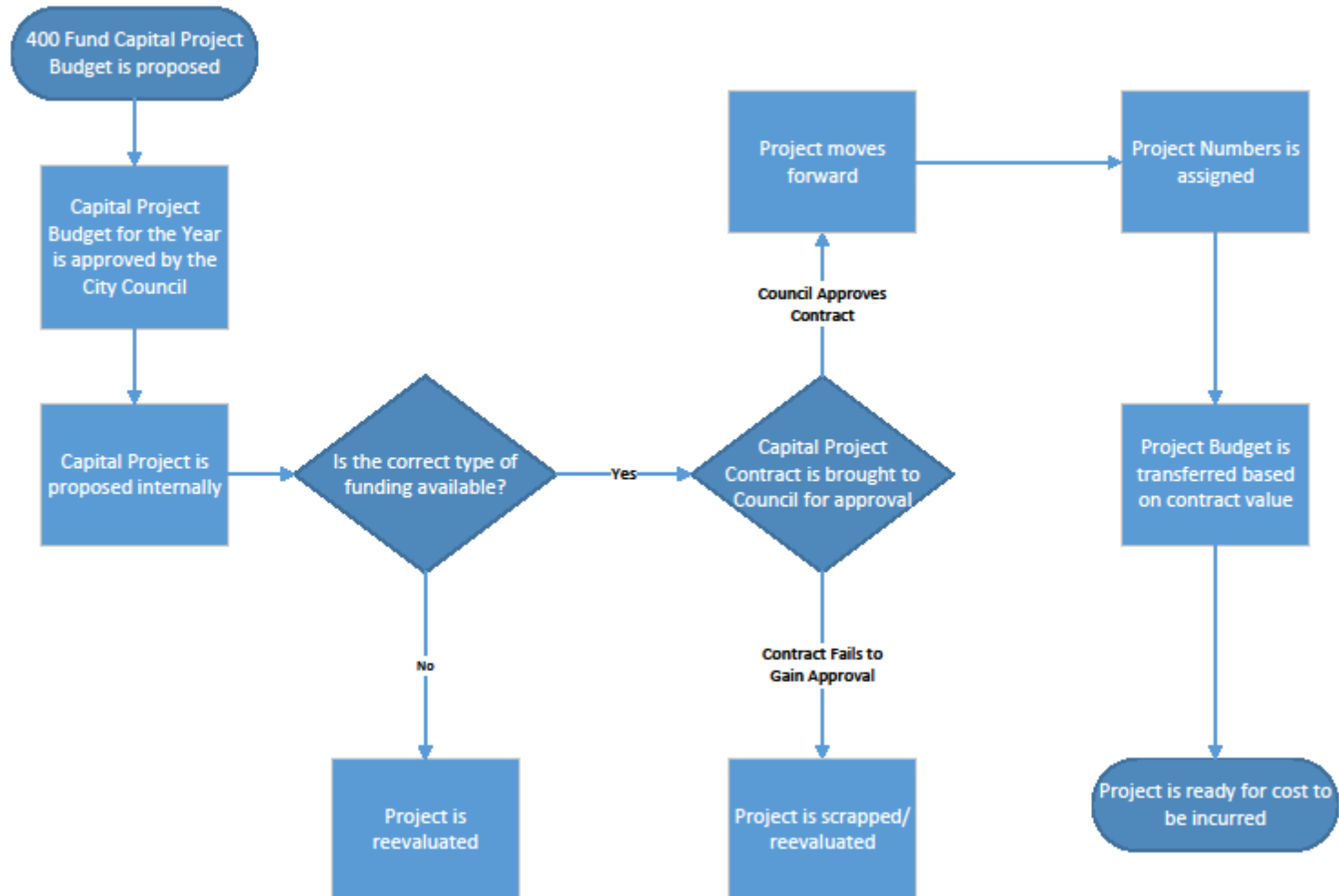
Establish a dedicated Capital Program Account

- Account funded with the budget each year.
 - Current cash balance
 - Projected expenditures for the coming year
 - Maintaining a minimum balance
- Funds (cash) remain in account until spent on an approved project.
- The amount transferred for the Capital Program will be approved by Council each year.
- Projects will be approved on a contract by contract basis

Restricted Revenue

- The Finance Department maintains separate cash account for dedicated funds (gas tax, bridge funds, etc.) within the dedicated Capital Improvement Fund.
- The Public Works Department specifies which projects (or portions thereof) are eligible for which types of funding

Establishing a Capital Project Budget



Recommendation

- Establish dedicated Capital Improvement Funding
- Set the transfers to the CIP fund with the budget each year.
- Funding will be tied to a project



MPO

- Will require City to be fiscally responsible on a program basis; meaning that we must be reasonably confident that sufficient funds will be available for all programed projects.
- Requires 5 year program
- Requires 20 year program

City Administration and Council Still Approve

- Annual Capital Program
- Individual projects
- Individual contracts for design, construction, receipt of funds, real estate acquisition, etc...
- Individual payments
- Un-programmed projects (Grand Generation, Delta drainage, etc.)