

Capital Facilities Planning

Put Your Money Where Your Mouth Is



Department of Commerce
Innovation is in our nature.



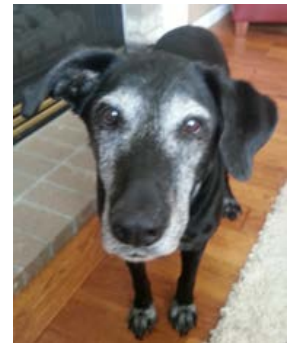
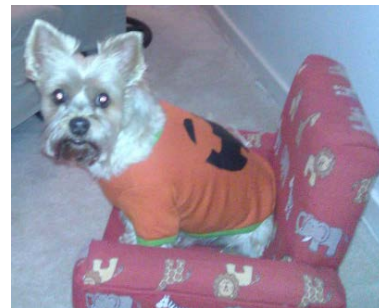
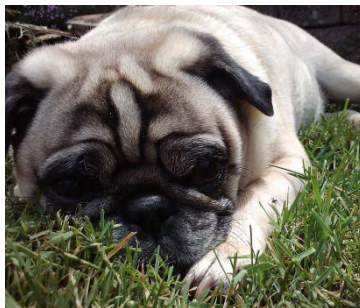
Washington State, Department of Commerce
Local Government & Infrastructure Division
Public Works Board



City of Redmond
WASHINGTON

Speakers

- **Joyce Phillips**, AICP, Senior Planner, WA State Dept. of Commerce, Growth Management
- **Lynn Kohn**, Regional Services Coordinator, WA State Dept. of Commerce, Public Works Board
- **Mike Bailey**, Director of Finance and Information Services, City of Redmond





Police Schools
 Stormwater Transportation
 Drinking Water Planning Recreation
 Budget Sanitary Sewer Capital Facilities
 Growth Management Public Buildings Financing
 CIP Implementation Parks Fire
 Library



Capital Facilities Planning



- Planning ahead is good management.
- Capital facility plans can help use limited funding wisely and most efficiently to maximize funding opportunities.
- Planning ahead to determine ALL needs can help prioritize projects, coordinate related projects, and be better prepared for loan and grant opportunities.
- Decide what you need - and what you want - to implement your community's vision.





Growth Management Act RCW36.70A.070(3)

A capital facilities plan element consisting of:

- **An inventory** of existing capital facilities *owned by public entities*, showing *locations and capacities*;
- **A forecast** of the future needs for such capital facilities;
- The **proposed locations and capacities** (expanded or new);
- **At least a six-year financing plan** within projected funding capacities that clearly identifies sources of public money; and
- **A requirement to reassess the land use element if probable funding falls short** of meeting existing needs and to ensure that the land use element, capital facilities plan element, and financing plan coordinated and consistent.





Guidelines/Rules – WAC 365-196-415

The WAC was updated in 2010.
Guidance to fulfill CFP requirements.

Related WACs: 365-196-

840 – Concurrency

850 – Impact Fees

340 – Lands Useful for Public Purposes

330 – Phasing Development within the UGA

320 – Providing Urban Services

305 – County-wide Planning Policies





The Investment Plan

The adopted Capital Facilities Plan is an investment strategy, defining:

- Which public facilities are needed,
- Where they will be provided,
- When projects will occur, and
- How they will be financed.





Funding the Vision

Short Term vs. Long Term

- Your comprehensive plan is a **commitment to provide services** at the levels identified in the plan (urban, rural)
- Identify a detailed plan for near term improvements (6-year CIP, budget)
- Include a general and reasonable plan for the improvements to implement the plan *and how to pay for them* (years 7-20)





Easier Said than Done



Tips:

- Start Early – land use & LOS decisions affect costs
- Involve the Right People – Get Finance, PW, and other Departments/Districts at the table early
- Use the same Assumptions and Timeframes (Population, Location and Density of Growth...)
- Address your jurisdiction's Needs and Priorities
- Analyze long term costs of alternatives
- Use the WAC as guidance, look for good examples





Invest Where You Want Growth

“One of the best ways to make a future land use plan come true is to use investments in public facilities to reinforce the plan. The community should invest in new roads, sewer and water lines and other facilities where it wants growth to occur. It should refuse to make investments in areas where it does not want growth to occur.”

Association of Washington Cities (AWC), 2011



Department of Commerce
Innovation is in our nature.



CFP Guidebook

Commerce is updating the CFP Guidebook **NOW**.

Primary chapters are drafted & posted on our website. www.commerce.wa.gov/growth

<http://www.commerce.wa.gov/Services/localgovernment/GrowthManagement/Capital-Facilities/Pages/CapitalFacilitiesPlanningGuidebook.aspx>

Please consider joining the CFP Guidebook Listserv.

Comment on the draft – still time to make it better!



Department of Commerce
Innovation is in our nature.



Calculate Costs Based On:

- Bring Existing Deficiencies up to Standard
- Operation and Maintenance (on-going)
- Repair and Replacement of Existing Systems
- Projected New Growth
- Existing Customer/Tax Base
- Conservative Assumptions – be clear about what they are.
- Meeting adopted Levels of Service for facilities needed to serve growth



Tips About Public Works Projects for the Purpose of Developing a Capital Facilities Plan

Lynn Kohn
Regional Services Coordinator
Public Works Board/Department of Commerce
360.725.3042
Lynn.kohn@commerce.wa.gov



Washington State, Department of Commerce
Local Government & Infrastructure Division

Public Works Board

Capital Facilities

- Sewer system
- Water system
- Storm Sewer system
- Streets
- Sidewalks
- Bridges
- Traffic systems
- Buildings & Land



Sewer System

- Where are backups occurring?
- I/I issues?
- Are roof drains or sump pumps connected to sewer system?
- Root intrusion problems?
- What needs to be cleaned annually?
- Useful life of lift stations and pump stations?
- Are sewage lagoons and sludge removal dealt with on a regular basis?
- Can WWTX facility handle projected loading from new development?



Water System

- Where are the oldest/smallest pipes?
- Where are low pressure problems?
- Where are complaints?
- Current system plans?
- Is there a water line replacement program?
- Is there a water meter and hydrant replacement program?
- Keeping current with new regulations & deadlines?
- What will the demand on the water system be with projected development?
- Do the wells produce enough water to serve projected development?



Streets

- Fix the worst first?
- Where are the funds best spent?
- Is there a pavement overlay cycle?
- Is it listed in the 6-yr. TIP?
- Can the access road take the additional weight required with projected development?
- Are street repairs & replacements coordinated with other utility needs?

Sidewalks

- Where are the defects/trip hazards?
- Where are missing segments?
- What is rate of deterioration?
- What funding is needed to keep up?
- Handicapped access?





Bridges

- Rating index in poor range?
- Will the upgrade improve the rating?
- Schedule improvements with adjacent roadway and bridge projects?
- Schedule to match state funding programs?

Traffic Systems

- When should traffic signals be upgraded?
- Do sign upgrade schedules maintain reflectivity and meet UTCD standards?
- What is rate of deterioration?
- Develop pavement marking program?



Buildings & Land

- Is there a schedule for building replacement?
- Appropriate timing for systems upgrades?
- Can maintenance costs be reduced?
- Do we need to purchase land for future use?





Lessons Learned

- Check with PW staff and emergency management before approving projects with narrow cul-de-sacs or bulb-outs.
- Can all your projects be funded within the 6-year timeframe?
- Ask PW staff about life-cycle costs of all your facilities and project routine maintenance and replacement cost over 20-year planning period.



Lessons Learned (cont.)

- On-going maintenance is the biggest cost-saver for public facilities
- Regular maintenance will save 4X the cost of street reconstruction!





Funding Agency Requirements for Compliance with GMA

Public Works Board Loans

- Require compliance with GMA at time of contract
- Require CFPs

Department of Ecology Loans

- Require compliance with GMA at time of contract

Department of Health Loans

- Require project is consistent with the GMA at time of application. Also, proposed project must be included in a DOH-approved Water System Plan or Small Water System Management Program.



Funding Agency Requirements (cont.)

- ❑ Community Development Block Grant
 - Requires conformance with DOH and Ecology

- ❑ Department of Transportation
 - Requires 6-year TIPs which are incorporated into GMA plans





Where's the Money?

Water Systems

Department Of Health, Drinking Water State Revolving Fund (DWSRF) and Source Water Protection Grants

Public Works Assistance Account (PWAA)

Community Economic Revitalization Board (CERB)

USDA Rural Development (USDA RD)

Sewer & Storm Water Systems

Department of Ecology (Ecology)

Public Works Assistance Account (PWAA)

USDA Rural Development (USDA RD)





Where's the Money (cont.)

Streets & Bridges

Transportation Improvement Board (TIB)

WSDOT Highways and Local Programs

County Road Administration Board (CRAB)

Public Works Assistance Account (PWAA)

Freight Mobility Strategic Investment Board (FMSIB)

Community Development Block Grant (CDBG)

Parks & Recreation

Resource Conservation Office (RCO)

Community Development Block Grant (CDBG)

Heritage Capital Projects Fund Grants





Where's the Money (cont.)?

Buildings

Community Development Block Grant (CDBG)

Community Capital Facilities (Dept. of Commerce)

USDA Rural Development (USDA RD)

Department of Archeology and Historic Preservation (DAHP)

Heritage Capital Projects Fund Grants



Links to Resources

Association of Washington Cities (AWC), Grant Alert:
<http://www.awcnet.org/resourcesresearch/GrantsPurchasing/GrantAlertNewsUpdates.aspx>

Heritage Capital Projects Fund Grants:
<http://www.washingtonhistory.org/support/heritage/capitalprojectsfund/>

Infrastructure Assistance Coordinating Council (IACC)-
<http://www.infracfunding.wa.gov/>

Municipal Research & Services Center (MRSC)
<http://www.mrsc.org/subjects/finance/grants/grants.aspx>

Public Works Board (PWB) - www.pwb.wa.gov





Budgeting and Capital Facilities Plans

A Financial Perspective

**PAW 2014 Spring Conference
Lynnwood, WA**

By Mike Bailey, Finance Director
Redmond, WA

Objectives

- What are capital projects –
how is budgeting for capital projects different
- Discuss GMA theory to the CFP
- Understand Policy Issues and Options
- Explore Practical Ways to Implement your CFP
- Discuss Data Challenges
- Explore Funding / Financing Options

Terms

- Infrastructure
- Capital Facilities – capitalizable (usually)
- CIS – capital investment strategy
(also known as “Vision Blueprint”)
- LOS – level of service – a change lever
- Resources / Revenues –
- Debt – bonds and loans
 - Councilmanic vs. voted
 - Must be repaid!

Capital Facilities (projects)

- A “project” - characteristics
 - A dollar threshold
 - \$50,000 = capital project (road, building)
 - \$5,000 = capital expenditure (vehicle, furniture)
 - Life of asset
 - At least one-year (often the threshold is more - e.g. 3 years)
 - Part of a system
 - Street lights, fiber network
 - Capitalized on “the books” as an asset
- Routine capital – (e.g. replacing cars)

CFP / GMA Premise

- If we build it – they will come
 - Corollary – if they come, we will have to build it
- Same premise in good budget practice
 - Strategic plan sets broad goals
 - Interim goals point the way toward broad goals
 - Pay for the things that maximize progress on goals
 - Monitor, correct and repeat

Capital Facilities Plan

- A 6 year plan that:
 - Includes a list of capital facilities and contemplated capital projects
 - Identifies timing (usually by year)
 - Identifies funding (where known, otherwise a “best guess”)
 - The concept of resource constrained plans (not all projects but funded)
 - Is updated each year (or so – e.g. biennial budgets)
 - Is the basis for capital investment decisions by council
 - Intersects with other political decisions – a swimming pool may not be required under concurrency – but they are getting built

Financial Plan

See budget process summary:
www.redmond.gov/bp
Page 39

City of Redmond's financial plan

Relationship of the
financial planning
elements

There is an intentional logic in the design of the City's financial planning strategy. It is represented in the illustration below and referred to often in this budget.



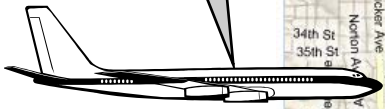
Long Range Financial Strategy

- Council adopted policy document
 - Scope is proactive management of fiscal issues
 - From a policy perspective
 - Includes parameters for decision making:
 - Price of Government / Budget by Priorities
 - Capital Investment Strategy – 20+ year plan
 - Capital Facilities Plan – 6 years
 - Biennial Budget – 2 years

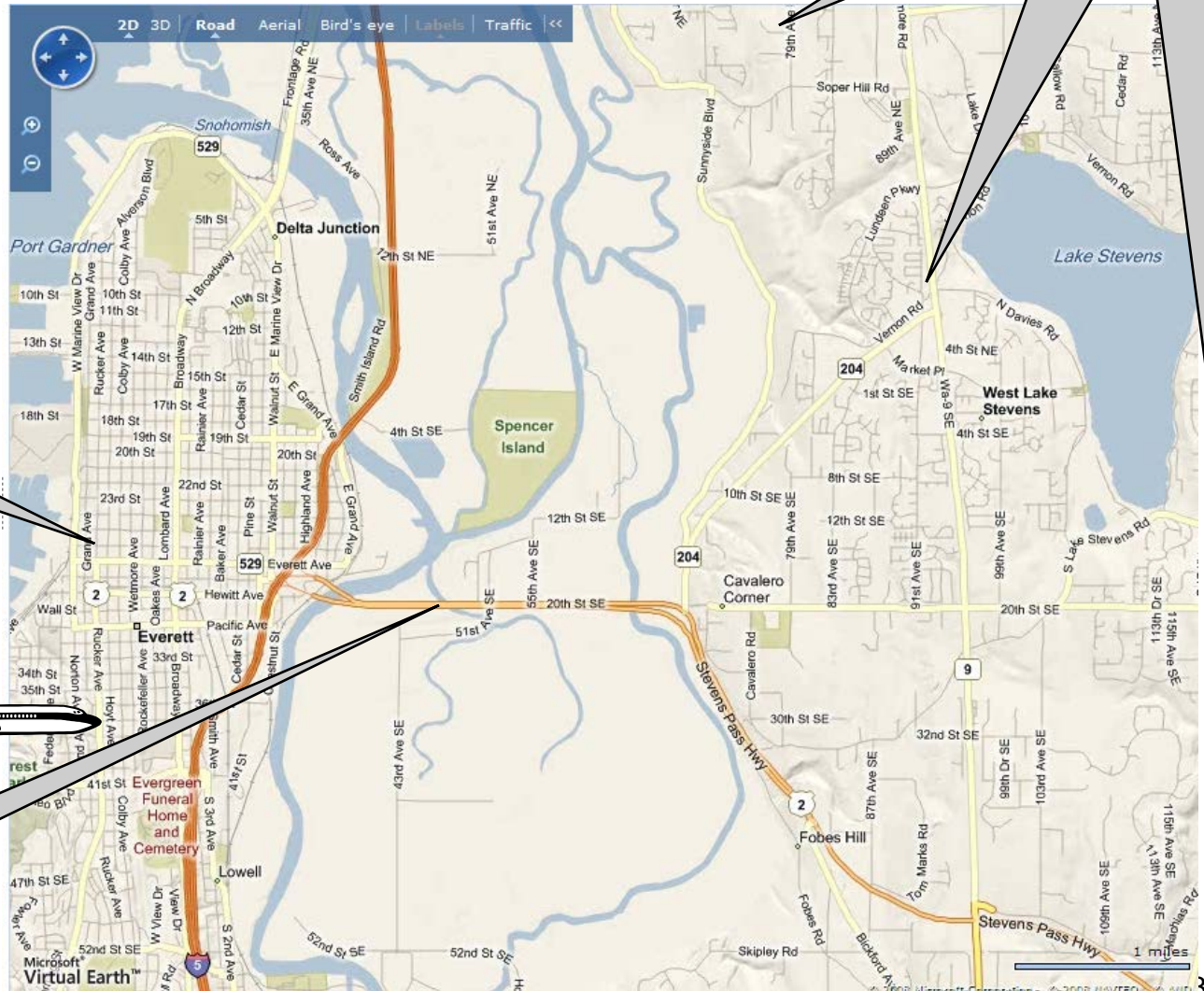
CFP Theory in GMA

Growing population center

Job center



Capital Facility



Basic Requirements

- The Comprehensive Plan must include a CFP
 - A Capital Facilities Plan (CFP) must:
 - Include an inventory of existing capital facilities
 - Forecast the future needs for capital facilities in context of land use plan
 - Propose the likely locations for necessary additional facilities
 - Cover a period of at least six years
 - Associate funding with capital needs as necessary to support projected growth

Concurrency

- GMA says:
 - The comprehensive plan permitted growth must be supported by needed facilities
 - The provision of the needed facilities should be “concurrent” with the growth
 - They should occur at the same time
 - There is a “window” to provide concurrent facilities

How To - Ideas

- Integrate your capital budgeting into the requirements for a CFP
 - Some cities have a CFP and “operating capital”
 - Difference is \$ threshold, or life of the asset, or related to a required element of CFP
 - The CFP theory found in GMA is a good approach for capital project planning
 - Focuses objectively on identified need - not wish list
 - Political priorities need to find a home as well

How To - Ideas

- Follow traditional budget building approach:
 - Obtain policy parameters first
 - Comprehensive Plan will provide much policy guidance - therefore it is important to track this
 - Include other goals of the city / council
 - Maintain an inventory of existing facilities including level of service capacities
 - Level of Service (LOS) is an important decision making criteria
 - LOS standards should also provide policy guidance

How To - Ideas

- Set LOS standards
 - Mandatory for transportation (utilities also)
 - Can include many others (parks, law enforcement, library, fire protection)
 - Typically uses population to drive facility needs - although not always the most logical
 - Use facility requirements to drive operating budget needs - more facilities = higher costs

How To - Ideas

- Stratify your LOS standards
 - Required concurrency
 - Transportation, water, sewer
 - Other priority services, but maybe not required concurrency standard
 - Police, fire, surface water
 - Other highly desired standards (parks, libraries)
 - Other standards for planning purposes (administrative office space)



VISION BLUEPRINT

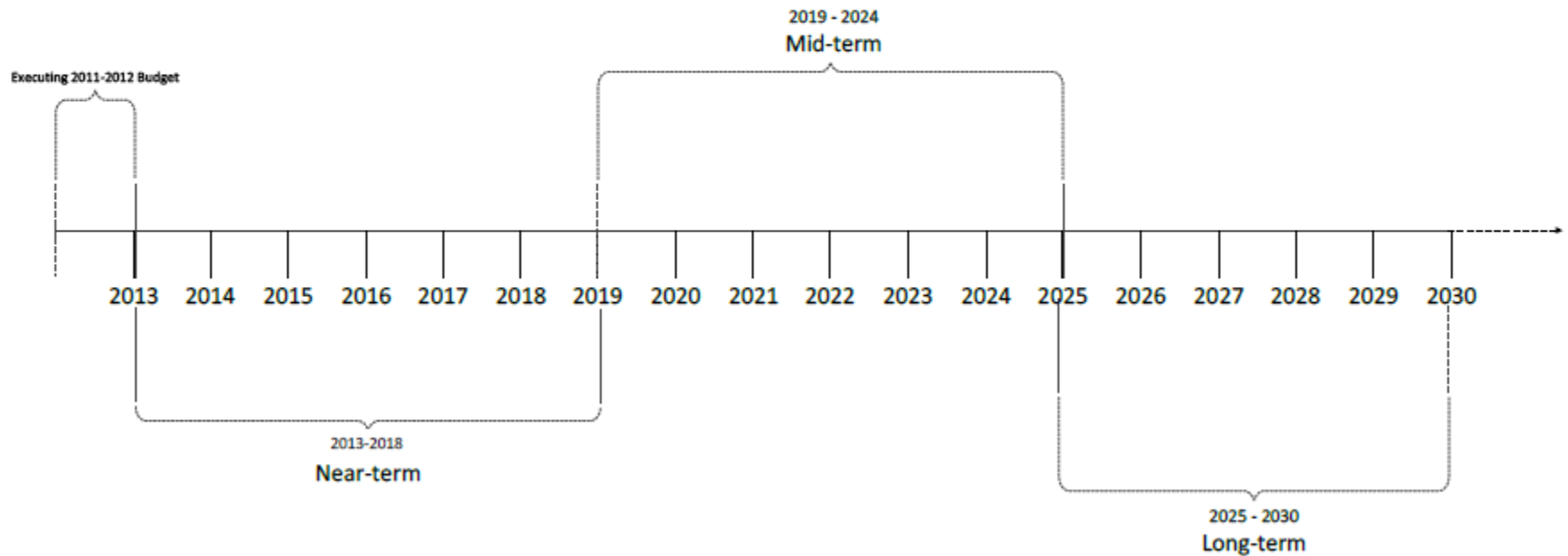
Redmond Example

Redmond's
Capital
Investment
Strategy
2013-2030

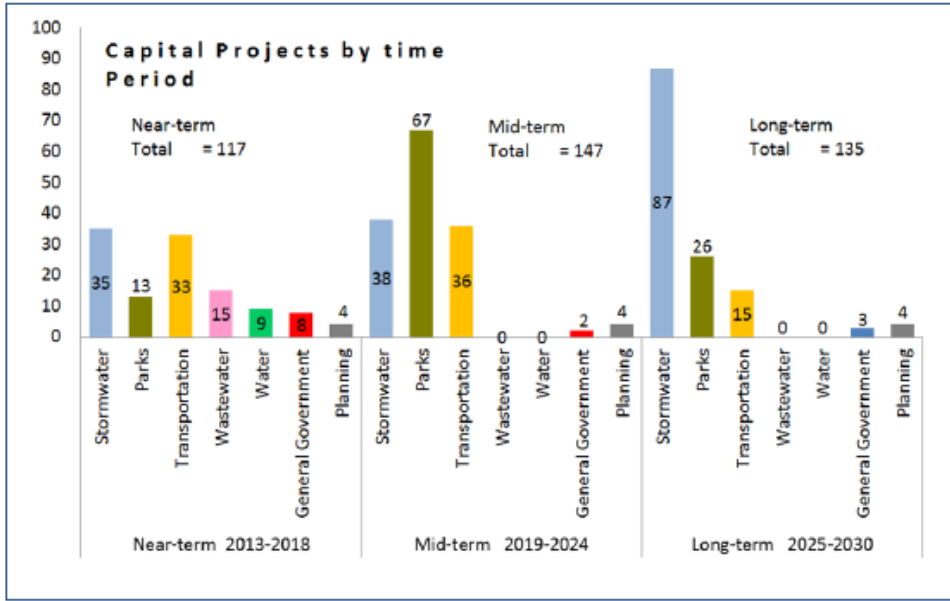
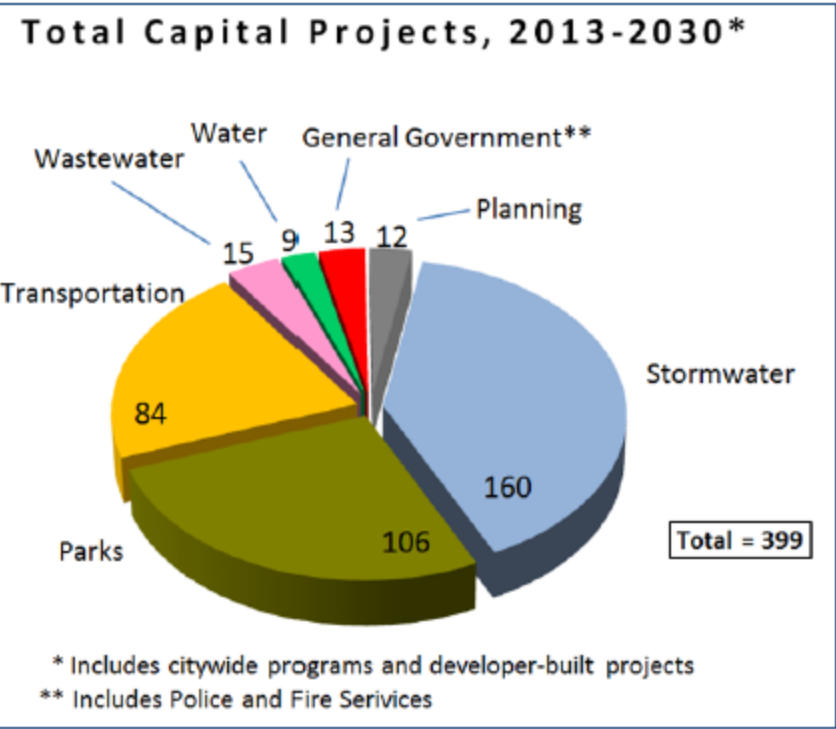


Redmond Example

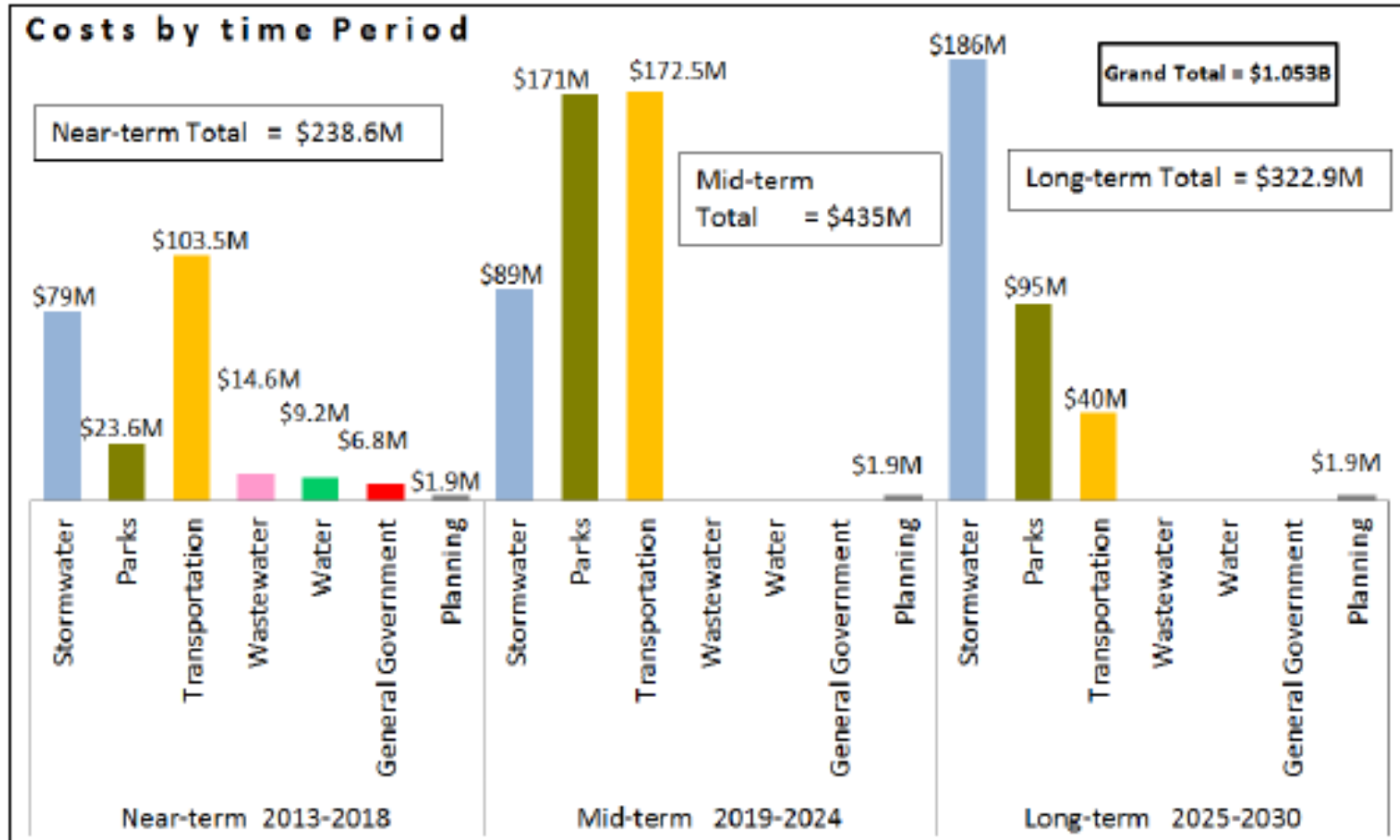
Figure 5: Capital Investment Strategy timeline



Redmond Example



Redmond Example



Redmond Example

Near term has sufficient revenues

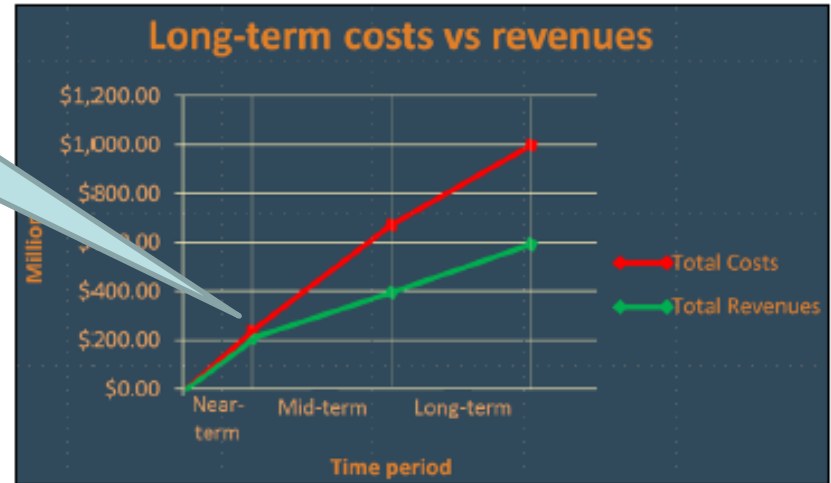


Figure 1: 2013-2030 Capital Investment Strategy Revenue Estimates - All Funds

	Near Term 2013-2018	Mid Term 2019-2024	Long Term 2025-2030	Total
General CIP Est.	\$97.07	\$108.55	\$122.40	\$328.01
Water/WWW Est.	\$49.72	\$52.47	\$52.47	\$154.66
Stormwater Est.	\$61.79	\$25.56	\$21.75	\$109.09
Total	\$208.58	\$186.57	\$196.61	\$591.75

Redmond Example

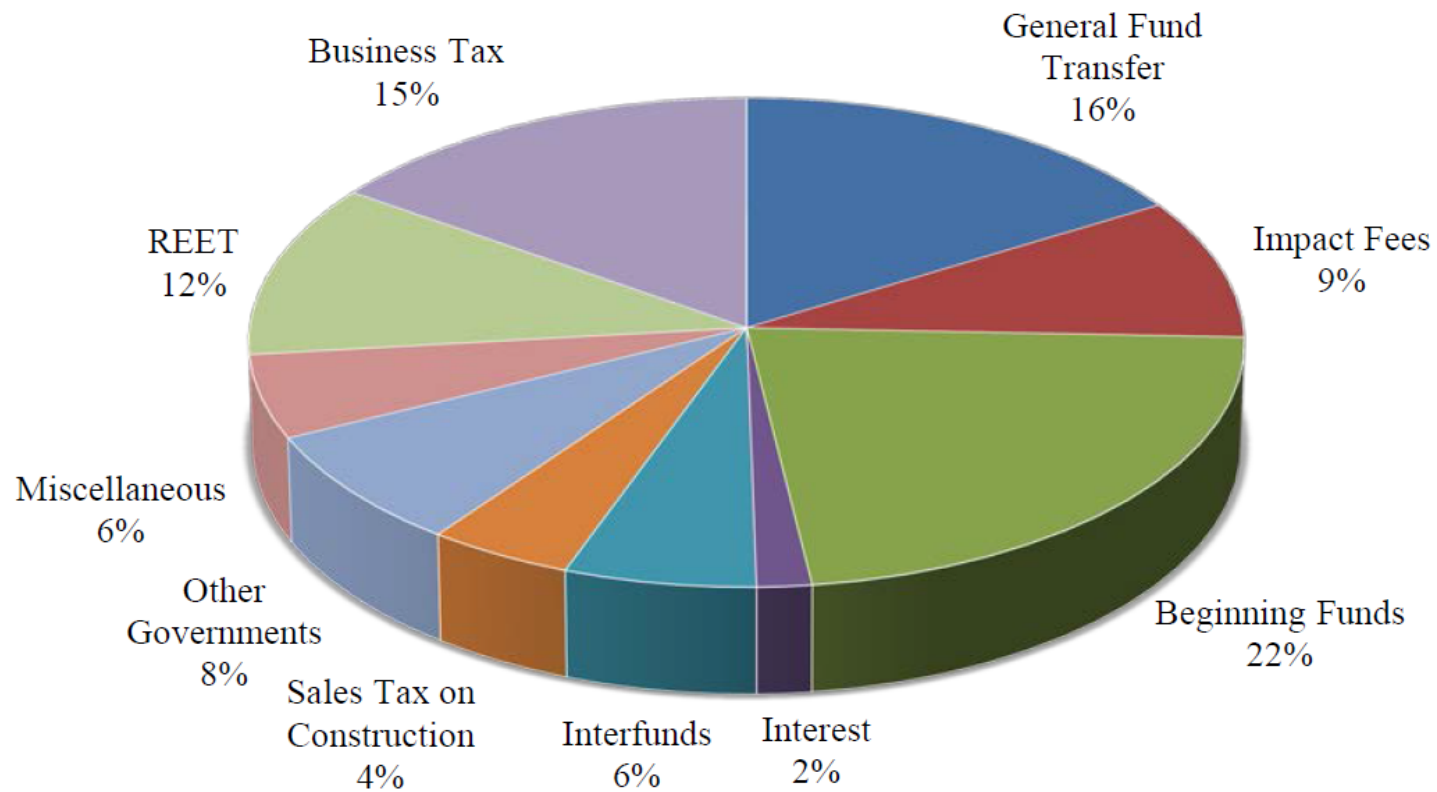
(Introduction to CFP)

The City will continue to direct its limited resources, as well as federal and state funding requests, to those areas which are key to its future. The City of Redmond CIP is broken down into four sections – Downtown, Overlake, Redmond Neighborhoods and Citywide Projects which outline the long range plan for addressing capital needs in specific geographic areas of the City. The purposes and goals of the Vision Blueprint are to:

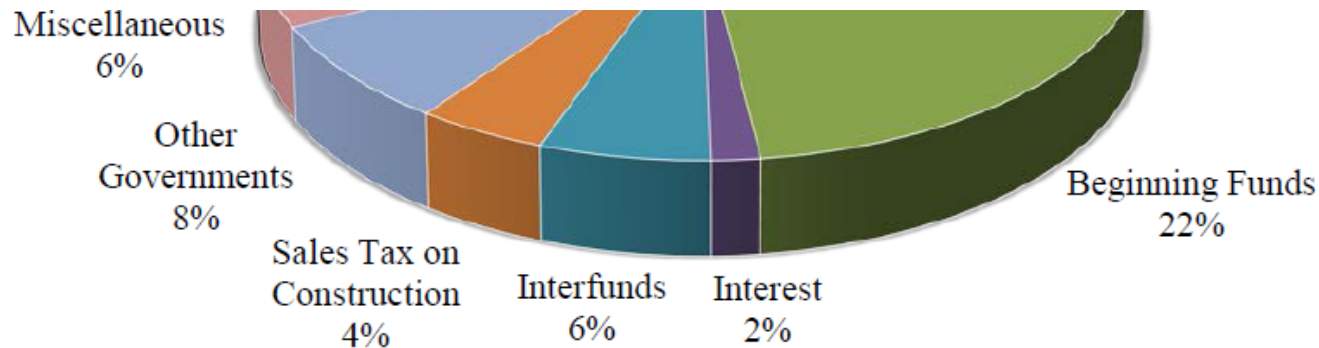
- Implement the Comprehensive Plan vision for Downtown, Overlake and Redmond Neighborhoods;
- Identify key strategic actions needed to carry out the vision;
- Summarize planned capital facility improvements sequencing and costs for the next 18 year period;
- Guide future decisions about priority infrastructure projects and programs in each of the CIP areas;
- Address deficiencies such as level of service requirements;
- Address maintenance, repair and upgrades as needed.

Redmond Example

Total 2013-2018 General CIP Revenues
(\$168 million)



Redmond Example



Real Estate Excise Tax (REET)

REET is a 0.5% tax on the sale of real estate inside Redmond city limits and is restricted to expenditures on capital projects. Due to the economic recession causing a lack of real estate activity in the City, REET declined by approximately 50% from its historical base of \$4 million during the 2009-2010 biennium. This revenue grew slightly (3%) in 2011-2012 and is expected to have the same growth pattern in the 2013-2014 biennium.

Business Tax (BTTI)

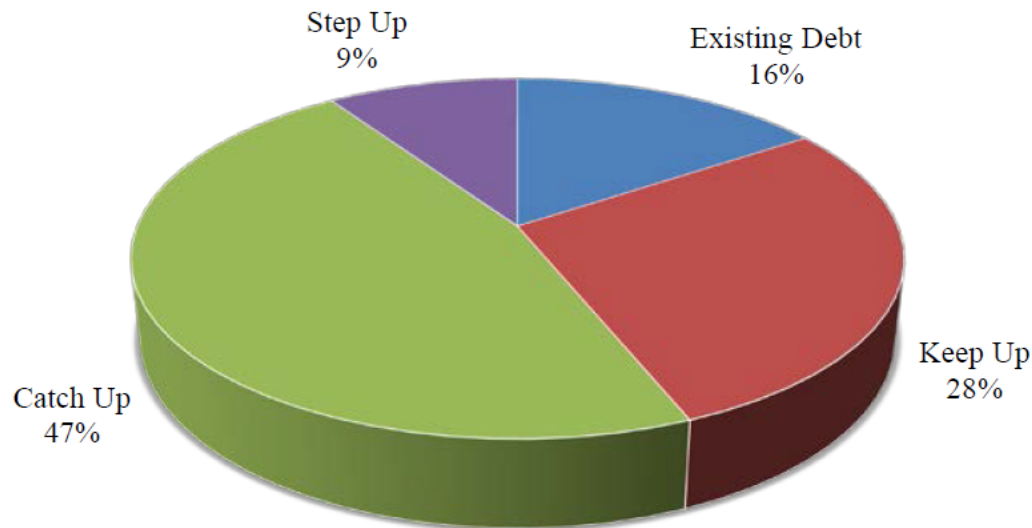
Currently, a \$57.00 fee is assessed per employee to businesses operating in Redmond to support transportation and transportation demand management projects. These revenues have stayed relatively stable and are projected to grow by approximately 1.2%, commensurate with projected employment growth in the City.

Redmond Example

Consistent with the framework shared with Council in 2012, the CIP projects for the next two years have been classified to describe how an activity supports the vision. These classifications include:

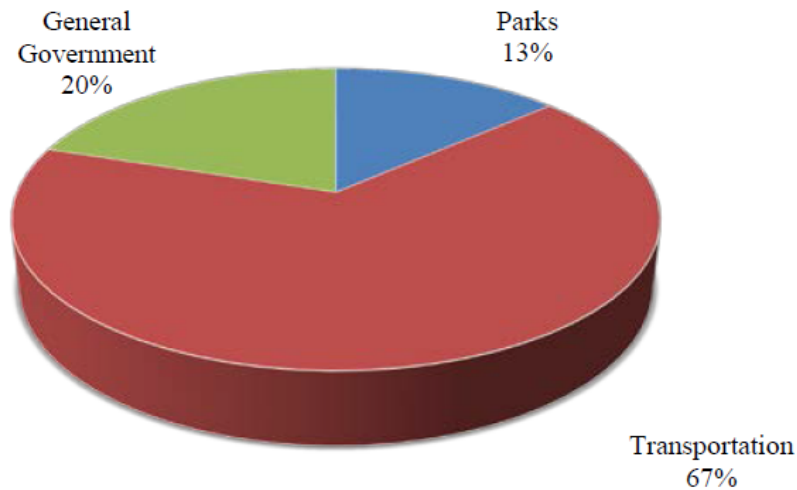
- Existing debt – loan obligations for prior projects
- Keep up – maintain or preserve existing infrastructure
- Catch up – resolve existing deficiencies and support current service levels
- Step up – enhance the City

**2013-2014 Project Cost by Classification
(\$119.4 Million)**

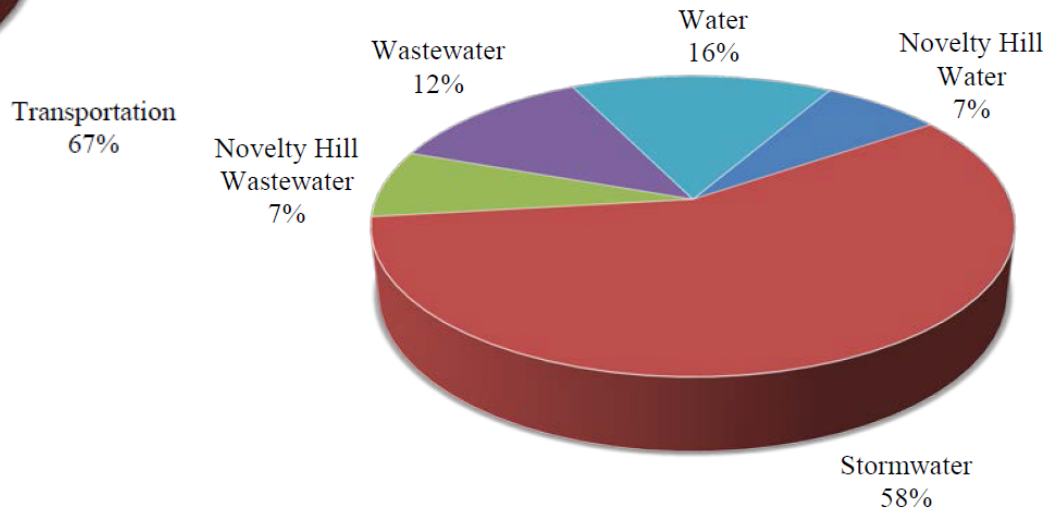


Redmond Example

2013-2014 General CIP Expenditures (excluding ending fund balances)



2011-2016 Revenues by Utility (*\$137.7 million*)



Redmond Example

Estimated Maintenance and Operation Costs

Proposed CIP Project	Budgeted Project Investment (through 2018)	Estimated Impact of Capital Investments on Operating Budget
<i>Downtown Urban Center</i>		
164th Ave NE Extension	\$3,500,000	Approximately \$8,250 per year including ten new street lights, medium landscaping with trees, street maintenance.
164th Ave NE Rechannelization	\$654,000	Approximately \$1,000 per year for street maintenance.
Bear Creek Rehabilitation	\$11,529,507	Approximately \$25,000 for permit compliance monitoring (10 years), vegetation maintenance and invasive weed control.
Cleveland Streetscape	\$6,322,000	Approximately \$9,500 per year including new street lights and additional landscaping.

Projects Worksheet (truncated)

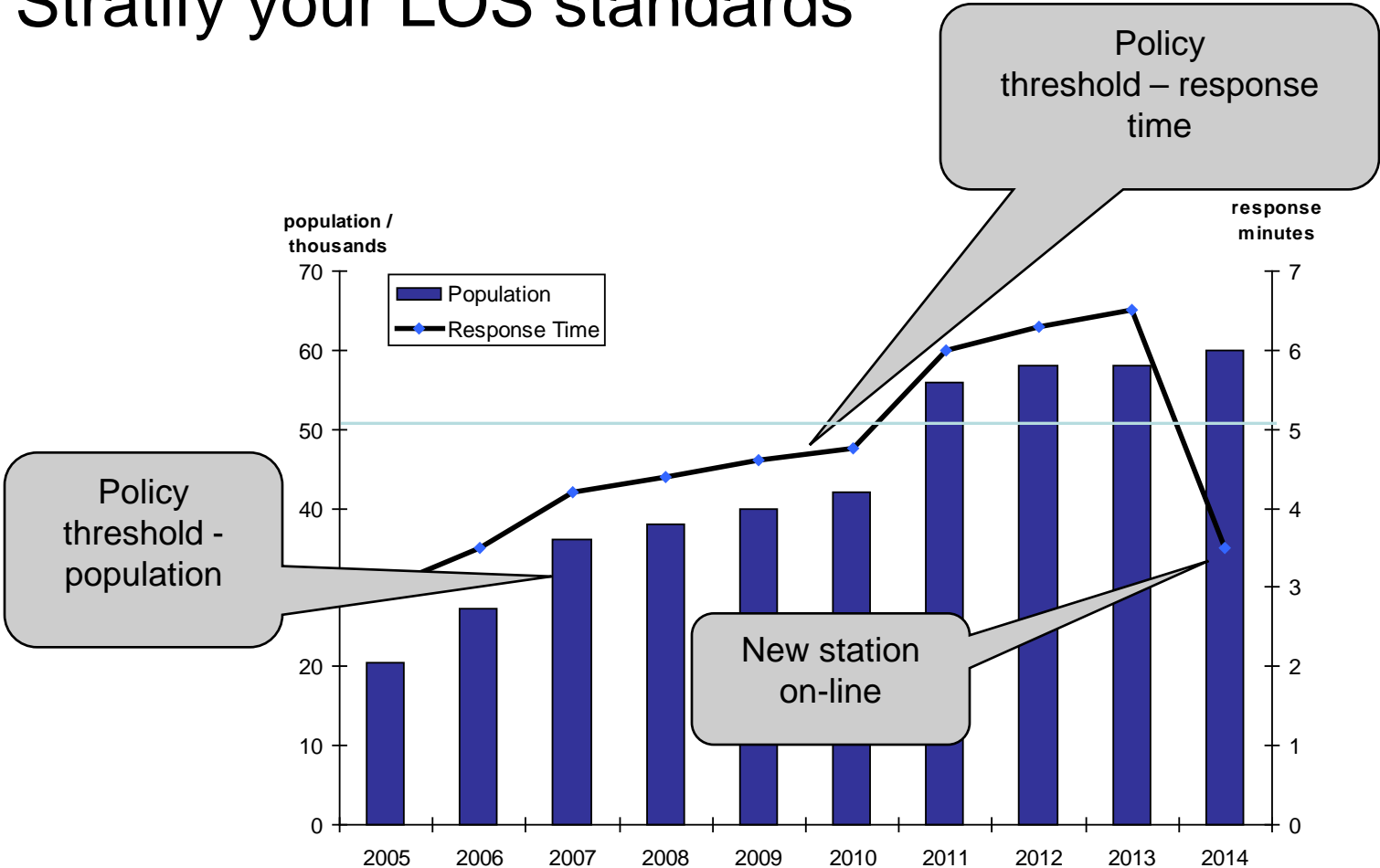
Appendix B

Note: Table data sorted by time period, location

Time Period	Location	MAP ID	Functional area	Name	Description	Type					Cost	Impact to Operating Budget	Strategic Ac		
						Partner	Package Name	Driver	Program	Maintenance			Further Study/Planning	Pursue Partnership	Pol Deci
Near	Bear Creek	53	Sewer	Pump Station 10 Upgrades	Replace control panel, electrical system and emergency generator						\$300,000				
Near	Bear Creek	18	Transportation	Bear Creek Bridge Rehabilitation	Repair deteriorating wooden piles and other work.						\$100,000				
Near	Citywide	1	Planning	Housing Trust Fund	Funds construction of affordable housing through ARCH				Yes		\$150,000 to \$200,000 per year requested	None			
Near	Citywide	2	Planning	Community Treasures Fund	Provides funds for improvements to historic structures				Yes		\$50,000 per year requested	Needs include maintenance of City-owned structures. Need to estimate \$			
Near	Citywide	3	Planning	Neighborhood Matching Fund	Provides grant funds for neighborhood projects on a match basis				Yes		\$25,000 per year requested	Minimal to none			
Near	Citywide	4	Planning	Neighborhood Spotlight Fund	Provides funds for small scale improvements in neighborhoods				Yes		\$50,000 per year requested	Could involve some impacts to operating budget though would likely be minimal			
Near	Citywide	116	Police/Fire/General Govt	Building preservation program	Increase to address needed renovations?				Yes		\$150,000 per year requested	\$75,000/yr			

How To - Ideas

- Stratify your LOS standards



How To - Ideas

Analysis of LOS

Parks / Open Space	Existing Acres /1000	LOS acres /1000	Surplus	Need
Mini Parks	0.13	0.15	-	0.66
Neighborhood Parks	1.28	1.5	-	7.26
Community Parks	2.86	3.35	-	16.17
Parks Sub-Total	4.27	5	-	24.09
Open Space	3.04	3	1.32	-
Special Use	2.45	2	14.85	-
Grand Total	9.77	10	-	7.59
Trails (miles)	0.21	0.25	-	1.32

Note: definitions are important - this does not include other park and open space such as schools, etc.

How To - Ideas

Analysis of LOS

Transportation	Level of Service Rating	Volume / Capacity Ratio (Peak)	Intersection Delays	Needs Rating Points
Most Desireable	A	.00-.59	Never Stop	0
	B	.61-.70	Hesitate	0
	C	.71-.80	Short Waits	0
	D	.81-.90	1/4 Cycle	1
Desireable	E	.91-1.00	1/2 Cycle	2
Acceptable	F	1.01-1.10	1 Cycle	3
Less Desireable		1.11-1.20	2 Cycle	4
Not Desireable		1.21 +	4+ Cycle	5

Note: Actual acceptability differs by region of city.

Pwks - proposing to change method of traffic analysis

How To - Ideas

- Financing the Plan
 - Projects identified as needed to support LOS standards must have funding identified
 - Therefore, CFP is not an accurate statement of **total** capital needs
 - Not all projects able to be funded with “ready” resources

How To - Ideas

Illustration - summary

Project	Cost	Funding Source	Location	LOS Trigger
Road A	385,000	301	R6	0
Water B	297,000	401	E2	1
Sewer C	320,000	401	E2	2
Road D	292,500	note 1	E8	5
Park E	64,000	101	L4	N/A

note 1: \$100,000 from cip, balance unknown

How To - Ideas

Illustration - sorted by project year

Project	2013	2014	2015	2016	2017	2018
Road A	385					
Water B		297	320			
Sewer C	292.5					
Road D						293
Park E		64				
Total	677.5	361	320	0	0	293

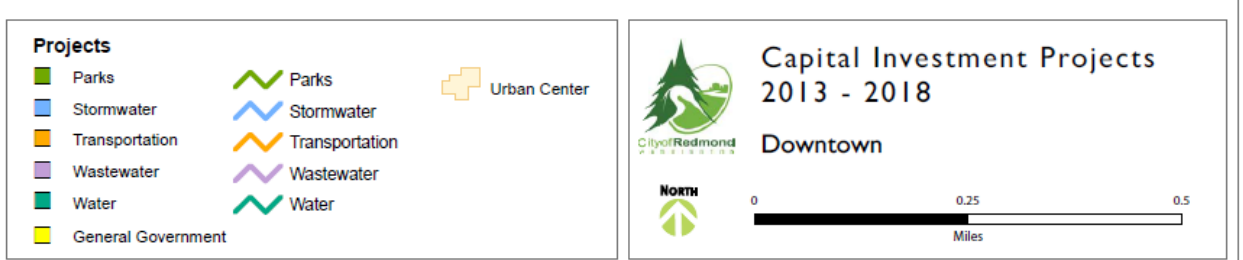
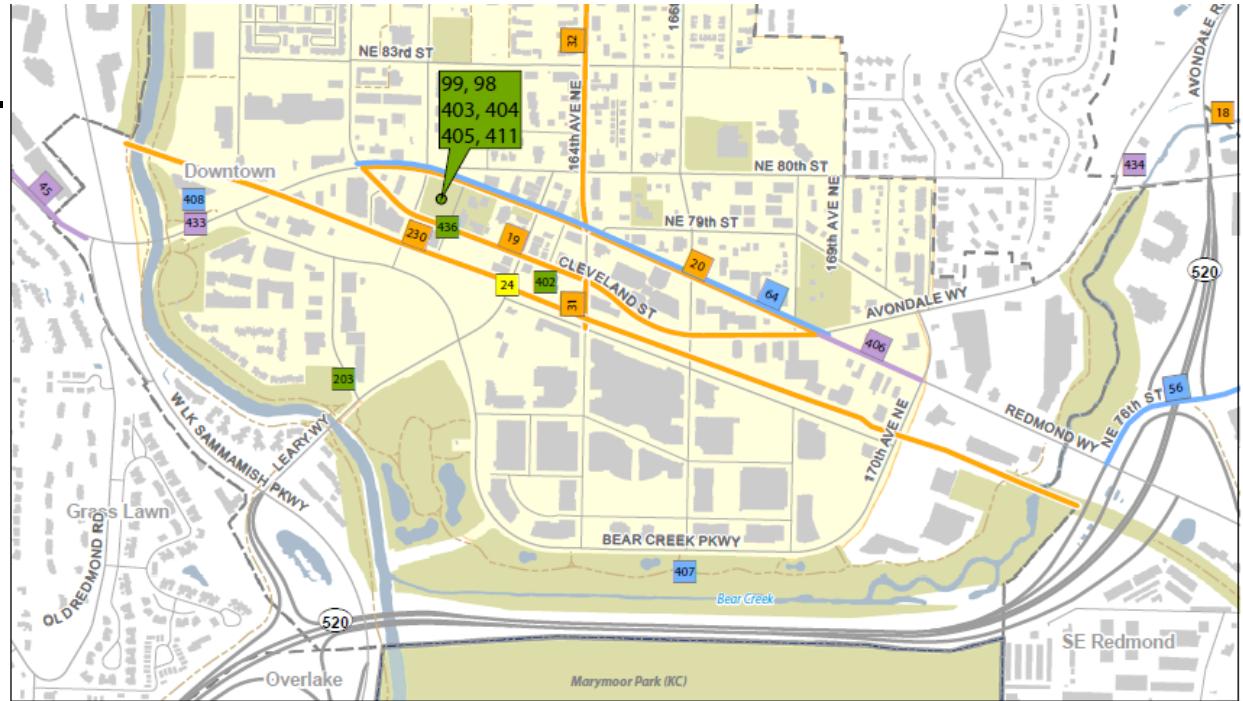
How To - Ideas

Illustration - by funding source

Project	101	CIP	301	401	Unknown
Road A			385		
Water B				297	
Sewer C				320	
Road D		100			193
Park E	64				
Begin Cash	125	150	392	785	
New Balance	61	50	7	168	-193

How To - Ideas

Illustration -
by location
nature



How To - Ideas

- Structure your decision making process
 - Establish criteria for making decisions
 - LOS impacts
 - Funding - simplify your funding strategies
 - Funding - including operating budget impacts
 - Integrate other processes
 - 6 year street plan
 - Parks master plan
 - Information Services plan

How To - Ideas

- Establish a decision making process:
 - Establish a prioritization
 - Some have special committees, I would recommend a staff review.
 - Hold public meetings
 - Create a capital plan of both funded and unfunded projects
 - Allocate available dollars
 - Seek additional dollars

Integration into Budget Process

- Similarities covered in previous slides
- Differences:
 - Part of the comprehensive plan
 - Amended annually (or every other year)
 - Could be “lost” (overlooked) in the plan update
 - Based on LOS
 - Drivers are LOS issues, not unrelated priorities
 - Understand and use LOS to design plan

Integration into Budget Process

- Differences continued
 - Can affect grants, loans and state money
 - Must include any potential project to preclude loss of state funds
 - Potentially dilutes effectiveness of the CFP as a budget tool
 - Will have operating budget impacts
 - Must plan for operating budget impacts such as debt service, loan repayments, operating costs of new facilities...

Explore Funding / Financing Options

- Funding Options
 - Create a list
 - Align it with applicable uses (i.e. gas tax, REET)
- Financing
 - Debt policies (when using debt makes sense)
 - Debt limits (legal and financial)
 - Accessing debt markets

Risks / Challenges

- CFP can get lost in budget process
- CFP is different and not easy to track
 - What projects are already approved / underway
 - What projects are really being proposed
 - What projects would be nice to have if we had money
- Different elements (transportation, parks, etc.)
- Tracking status of existing projects
(on time, cost overruns, changes in resource allocations)
- Politics (communication)

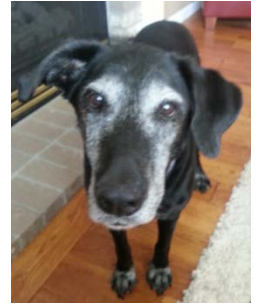
GASB Statement 54

(a topic your accountant will be thinking about)

- **GASB 54 Clarifies:**
 - Proper use of accounting funds (including capital funds)
 - Proper classification of fund balances
- **Limits use of capital funds to:**
 - Financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).
- **Effective in 2011**

Thank you

Joyce Phillips: joyce.phillips@commerce.wa.gov



Lynn Kohn: lynn.kohn@commerce.wa.gov



Mike Bailey: MEBailey@redmond.gov

