

CAPITAL PLANS AND PLANNING

Background

Local governments often make significant capital expenditures, including issuing bonds, without first analyzing the impact such expenditures may have on future operations and expenditures for other important capital projects. A capital plan is intended to assist municipalities in making choices about which projects should be implemented, how and when they should be financed and when.

What is a Capital Plan

A Capital Improvement Plan is a tool to assess the long-term capital project requirements of a government entity and establish funding of high-priority projects in a timely and cost-effective fashion. Development of a Capital Improvement Plan is intended to ensure that policy makers are responsible to residents and businesses of the community with respect to the expenditure of public funds. A Capital Improvement Plan also promotes the provision of continuous efficient services. The written plan identifies and describes capital projects, the years in which the funding each project will occur and the method of funding. While the Capital Improvement Plan may be designed to forecast any period of time, it generally extends beyond the current operating cycle and usually covers a 3-to-5-time frame.

Developing the Capital Plan

Development of a capital improvement plan general involves the following steps:

- Inventorying Assets
- Establish Priority Ranking Criteria
- Preparing Financial Forecasts
- Preparing Project Request
- Prioritizing Projects
- Draft the Plan

The following is a brief description of these steps:

Inventory Assets: The purpose of this step is to assess the condition of the capital assets already owned, controlled or maintained by the governing unit. Department Heads will complete this step. The department head prepares forms setting forth the information to be provided. Information derived through the inventory process to include a description of the capital asset being inventoried, name of the department controlling the asset, the location of the asset, purpose of use of the asset, when the asset was acquired or constructed, expected life of the asset, a description and date of any major renovations, and a description of the condition of the

asset. The description should include a discussion of any renovations or upgrades which will be required over the period covered by the capital plan and the year in which the assets should be replaced.

Establish Priority Ranking Criteria: Criteria must be established which will be used as a guideline for prioritizing project funding. The criteria should be put in writing and distributed to each Department Head involved in the capital planning process. The criteria established should facilitate ranking projects on a high, medium, or low priority basis. High priority projects may be those which are (I) required by law or specific order, (II) required by contract, (III) improve public safety, (IV) reduce currently operating, maintenance, or contract expenses, (V) increases revenue, (VI) contribute to job retention, or (VII) benefit all or the majority of the residents. Medium priority projects may include those which (I) prevent deterioration of assets, (II) improve delivery of services to the public, (III) contribute to job creation, or (IV) are non-essential but have a high degree of public support. Low priority projects may include those which (I) support delivery of a service for which there is a declining demand, (II) enable the provision of a new service not currently provided, or (III) improve the quality of life but non-essential.

Prepare Financial Forecasts: The purpose of this step is to determine the level of capital expenditures which the governing can make over the period covered by the capital plan. The analysis is made for each fund or account from which a capital expenditure will be made, considering historical operating results and future additional revenues or expenditures. Projections are made to determine net income (revenues, less expenditures, less existing debt service). Net income is the amount which will be available each year for payment of capital projects. The following will be used as options: 1) pay-as-go financing, 2) debt financing, 3) lease-purchase agreements, 4) grants/state and federal aid, 5) impact fees, 6) revolving loan fund, or 7) public-private partnership.

Financial forecasts should also be considered proposed new revenue sources including taxes, bonds, or user charges. Since bonding is often used as a finding source for capital projects, forecasts must also consider debt capacity and the impact bonds will have on tax rates or user charges.

Prepare Project Request: This step involves the preparation of forms to request capital funding for the repair, renovation, upgrading or replacement of assets identified through the inventory process. Requests are also made for the construction or acquisition of new capital assets. This step is typically completed by each department head within the governing body and submitted to the Finance Director. The Finance Director reviews request for completeness. The requests provide an opportunity to present to the governing body all capital projects deemed by departments to be desirable.

The information include in the request should facilitate the prioritizing of projects and include the following:

- **Project Description:** A description of the proposed construction project or the vehicle or equipment to be acquired.
- **Existing Condition:** A description of the existing condition to be alleviated by the project.
- **Goal and Benefits:** The goals and benefits to be derived through the construction or acquisition project.
- **Funding Schedule:** The estimated cost of the project and the timing for funding set forth, Project timing is based on the assessment of need by the department director and may be changed through the prioritizing process.
- **Project Funding:** Should identify whether the project will be funded by the governing body's own resources, through a grant or loan, or a combination of other sources.

Ten Year Capital Expenses

Capital Item	Type (Veh/Equip/Project)	Description	Existing Condition	Goal/Benefit	Finance Options/Funding Year

	Program	Goal	23-Mar	23-Jun	23-Sep	23-Dec
Police Department						
Number of Service Call	Police	Statistics	1875			
Number of traffic stops	Police	Statistics	1132			
Cost per service call	Police	Statistics	\$216.00			
Number of Sworn Police Officer per 1,000 pop is 2.1	Police	Statistics	3.2			
Average response time (call from dispatch to arrival)	Police	Performance	2.5 min			
Number of UCR Part 1 Offenses	Police	Statistics	65			
Percentage of UCR Part 1 cleared	Police	Performance	43			
Number of Warrants Served	Police	Statistics	312			
Cost per capita	Police	Statistics	\$372.79			
% of operational cost of General Fund	Police	Statistics	51.34			
FIRE and EMS						
Number of Service Calls for Fire	Fire	Statistics	18			
Number of Service Calls for Fire (Mutual Aid)	Fire	Statistics	14			
Number of EMS Calls for Service	Fire/EMS	Statistics	100			
Average response time for Fire Calls (dispatch to arrival)	Fire	Performance	4.45 min			
Average response time for EMS Calls (dispatch to arrival)	EMS	Performance	3.24 min			
Cost per service call	Fire	Statistics	\$1,140			
Number of Firefighters per 1,000 pop 1.5	Fire	Statistics	1			
%of operational cost of General Fund	Fire	Statistics	21.35			
Cost per capita	Fire	Statistics	\$155.00			
Building and Planning						
Number of Inspections performed	Building	Statistics	297			
Number of reinspections performed	Building	Statistics	6			
Cost per building inspection	Building	Statistics	\$59.44			
Number of Residential Building Permits	Building	Statistics	54			
Number of Commerical Building Permits	Building	Statistics	13			
Number of Subdivisions Reviewed	Planning	Statistics	1			
Number of LSD Reviewed	Planning	Statistics	7			
% of operating cost to revenue collected	Planning & Building	Statistics	9.81%			

% of code violations located proactively	Code Enforcement	Statistics	5		
Number of calls for code violations	Code Enforcement	Statistics	14		
General					
Debt ratio per capita	Accounting	Statistics	\$1,035		
% of total sales tax of general revenue	Accounting	Statistics	24.22%		
% of total property tax of general revenue	Accounting	Statistics	15.12%		
Total sales tax per capita	Accounting	Statistics	\$175.89		
% of total personal cost per revenue	Accounting	statistics	\$69.09		
% of total operational cost per revenue	Accounting	Statistics	\$105.31		
% of total revenue funds available for Capital Projects	Accounting	Statistics	\$3,484.88		
Bond Rating	Accounting	Statistics	AA		
Streets					
Cost per mile to maintain	Street	Statistics	\$10,358		
Total Miles of Paved Street	Street	Statistics	53		
Number of Street Employees per mile	Street	Statistics	0.03		
Paved miles assessed as Satisfactory per assessed	Street	Statistics	25.8		
% of operational cost of general Fund	Street	Statistics	12.80%		
Cost per Capita	Street	Statistics	\$98.04		
Number Stormwater basin and area to maintain	Street	Statistics	12		
Water					
Cost of Water purchased per 1,000 gallons	Water	Statistics	\$2.80		
Total Sales Revenue of Water per 1,000 gallons	Water	Statistics	\$9.66		
Total Water Customers	Water	Statistics	2,412		
Water Loss	Water	Statistics	29%		
Number of Water Line Breaks	Water	Statistics	6		
Number of New Services	Water	Statistics	154		
Total debt per Capita	Water	Statistics	\$1,941		
Sewer					
Total Sales revenue per 1,000 gallons	Sewer	Statistics	\$10.33		
Total Cost Sewer per 1,000 gallons	Sewer	Statistics	\$8.15		

Total Sewer Customers	Sewer	Statistics	1,482		
Number of Sewer Repairs	Sewer	Statistics	0		
Number of New Sewer Services	Sewer	Statistics	134		
Total debt per capita	Sewer	Statistics	\$1,392.86		

City General		2022 Actual	2023 Budget
A	Debt Ratio per capita	1,051.79	1,051.79
	% of total sales tax of general revenue		
B	revenue	20.53%	24.22%
	% of total property tax of general revenue		
C		13.28%	15.12%
D	Total Sales Tax per Capita	194.00	175.89
	% of total personal cost per revenue		
E		30.33%	69.09%
	% of total operational cost per revenue		
F		72.05%	105.31%
	% of Total revenue funds available for Capital Projects		
G		2,670,434.02	3,484,876.39
H	Bond Rating		Ins Agency AA Rating, No Underlying Rating

Water/Sewer		2022 Actual	2023 Budget
A	Debt Ratio per capita	3,348.61	3,348.61
	% of total sales tax of general revenue		
B		31.78%	32.99%
D	Total Sales Tax per Capita	278.90	245.54
	% of total personal cost per revenue		
E		6.77%	11.52%
	% of total operational cost per revenue		
F		81.20%	111.49%
	% of Total revenue funds available for Capital Projects		
G		3,058,997.70	2,758,439.54
H	Bond Rating		Ins Agency AA Rating, No Underlying Rating

General		2022 Actual	2023 Budget
	capita	5,600	5,600
	Debt	5,890,000.00	5,890,000.00
	Total 60% SUT	1,086,405.00	985,000.00
	Total Revenue	5,291,161.71	4,066,500.00
	Total Property Tax	702,619.62	615,000.00
	Total Personnel Cost	1,604,632.50	2,809,475.00
	Total Operational cost	3,812,352.94	4,282,275.00
	Total revenue funds avail for Capital Impr	2,670,434.02	3,484,876.39

Water/Sewer		2022 Actual	2023 Budget
	capita	5,600	5,600
	Debt	18,752,196.00	18,752,196.00
	60% SUT from City	543,202.50	475,000.00
	Excess 2022A&B SUT	1,018,646.88	900,000.00
	Total Revenue	4,913,834.14	4,168,000.00
	Total Personnel Cost	332,871.51	480,000.00
	Total Operational cost	3,989,807.52	4,647,000.00
	Total revenue funds avail for Capital Impr	2,918,411.61	2,758,439.54

	2022 Actual	2023 Budget
Police		
Operational Cost	1,451,254.46	2,087,650.00
City General Fund Budget	5,291,161.71	4,066,500.00
% of Oper cost of City		
Fund	27.43%	51.34%
Cost per Capita	\$ 259.15	\$ 372.79

	2022 Actual	2023 Budget
Fire		
Operational Cost	625,294.30	868,100.00
City General Fund Budget	5,291,161.71	4,066,500.00
% of Oper cost of City		
Fund	11.82%	21.35%
Cost per Capita	\$ 111.66	\$ 155.02

	2022 Actual	2023 Budget
Building and Planning		
Operational Cost	378,881.72	398,800.00
City General Fund Budget	5,291,161.71	4,066,500.00
% of Oper cost of City		
Fund	7.16%	9.81%
Cost per Capita	\$ 67.66	\$ 71.21

	2022 Actual	2023 Budget
Streets		
Operational Cost	779,627.22	549,000.00
City General Fund Budget	3,812,352.94	4,066,500.00
% of Oper cost of City		
Fund	20.45%	13.50%
Cost per Capita	\$ 139.22	\$ 98.04

	Amount	Annual Pmt
City Debt		
Fire-Community 1st-5 Yr	230,000.00	50,042.15
Fire-2022A Bond Issue	5,300,000.00	172,000.00
Police-First Capital- 4 Yr		
Lease	360,000.00	100,112.43
Total City Debt:	5,890,000.00	

	Amount	Annual Pmt
Water Sewer Debt		
2022B Bond Issue 1.00 SUT	11,470,000.00	325,325.00
F&M Water Trans Bond	5,215,000.00	.75% SUT Sunset
USDA RD Loan 91-01	1,280,000.00	
USDA RD Loan 91-02	700,000.00	
ANRD Loan (Regions)	87,196.00	19,340.00
Total Water Sewe Debt	18,752,196.00	