We have a CIP… Now What?

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Handouts and presentations are available in the event app.

ISG

WE HAVE A CIP... NOW WHAT?

SEPTEMBER 18, 2025

INTRODUCTIONS

WHAT ARE YOUR CONSTRAINTS?

WHAT IS A CAPITAL IMPROVEMENT PLAN (CIP)?

A community planning and budgeting tool used to coordinate the identification, timing, and financing of capital improvements and non-recurring physical expenditures.

Project Estimating, Budgeting, and Prioritization

- **FACILITIES:** Buildings, structures, and components
- **INFRASTRUCTURE:** Utilities, services, and distribution
- **EQUIPMENT:** Vehicles, service materials, and spare parts

Five-Year Outlook for Capital Projects

- Annual update recommended
- Annual budget or typical maintenance items typically not included

WHY IS A CIP IMPORTANT?

- Proactive Identification of Priority Projects
- Scalability of Community Planning
- Compliance Requirements
- Readiness for Funding Opportunities

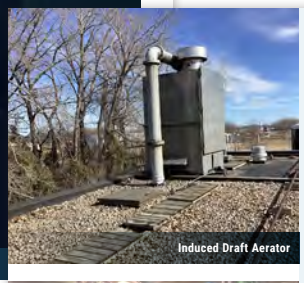
COMMUNITY IMPACT

- Helps a community strategically identify and plan for investments that address critical infrastructure needs
- Enables a community to respond quickly to new or unique funding opportunities
- Creates a recommended budget prior to yearly process

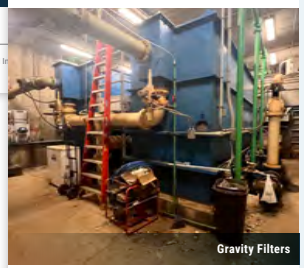
Table 1.4 shows I/I in the system, which is groundwater or rainwater that enters the collection system and into the lagoons for treatment. The overall system capacity is limited with significant I/I since I/I is not factored into wastewater treatment design.

Based on 2023 data from the National Oceanic and Atmospheric Administration (NOAA) at the Hayti weather station, 2023 rainfall was below normal values.

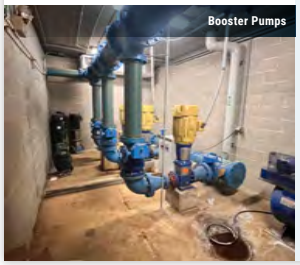
Lagoons



Induced Draft Aerator



Gravity Filters



Booster Pumps

Each stage of the treatment process has an effect on the overall capacity of the treatment plant. Below are the product and capacity information as provided by City Staff or determined through our facility review:

AERATION

- The induced draft aerator is made by USFilter.
- It has a capacity of 950 gpm and was installed in 2003 according to the data sheets provided by City Staff.

DETENTION

- Two (2) detention tanks are used by the plant.
- Detention Tank #1 is original to the construction and Detention Tank #2 was added with the 2003 expansion.

GRAVITY FILTRATION

- Three (3) gravity filter tanks are used in the plant.
  - One (1) filter was installed as part of the 2003 expansion, one (1) was replaced in 2011, and one (1) was replaced in 2019.
- One (1) has a capacity of **250 gpm.**
  - These tanks are backwashed separately, and take about 40 to 45 minutes to backwash.
- Two (2) tanks have a capacity of **350 gpm.**
  - These tanks are backwashed separately, and take about 55 to 60 minutes to backwash.
- Each filter is backwashed one (1) to two (2) times per week, as needed.

DISINFECTION

- The clearwell is an underground tank beneath the expansion section of the water treatment plant.
- Two (2) Borer Wholesale low-head pumps are used to fill the ground storage tank.
  - The capacity of each pump has a capacity of **600 gpm.**

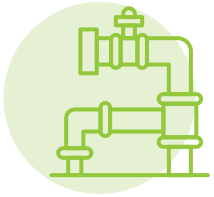
GROUND STORAGE

- An Aquastore glass-lined storage tank is rated for 107,000 gallons and is over 19-feet in height.
- The tank was installed with the original water treatment plant.
- Three (3) booster pumps are used to supply the distribution system.
  - They are Goulds eSV vertical multistage pumps and were replaced as part of 2019 upgrades.
  - Two (2) running pumps provide approximately **1,100 gpm**, while three (3) running pumps provide approximately **1,500 gpm** capacity.

WHAT IS INCLUDED?

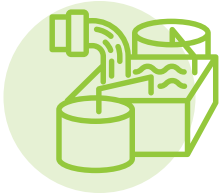
A complete and comprehensive evaluation of all publicly-owned infrastructure

Public Facilities



Water System

- Supply, Treatment, Distribution, and Capacity



Wastewater System

- Collection System + Lift Station, Treatment, and Capacity

Storm Sewer System

Streets + Sidewalk Infrastructure

Parks + Recreation Infrastructure

PROCESS OVERVIEW

Step 1

EVALUATION

- Establish goals and priorities for the CIP
- Technical team visits community to collaboratively and comprehensively assess all public infrastructure and facilities with the City

PROJECT PRIORITY LIST

- As improvements are identified through the evaluation process, a Project Priority List (PPL) with cost estimates will be developed and presented to City staff and City Council/Commission

BUDGET

- Once a PPL is approved, ISG, in coordination with City staff and a municipal advisor, will assist with establishing an improvement budget and identifying funding opportunities

FINAL PLAN

- A report is created noting findings, recommendations, and a five-year schedule of programmed improvements

PROCESS OVERVIEW

EVALUATION

- Establish goals and priorities for the CIP
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Step 2

PROJECT PRIORITY LIST

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BUDGET

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Step 3

BUDGET

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Step 4

FINAL PLAN

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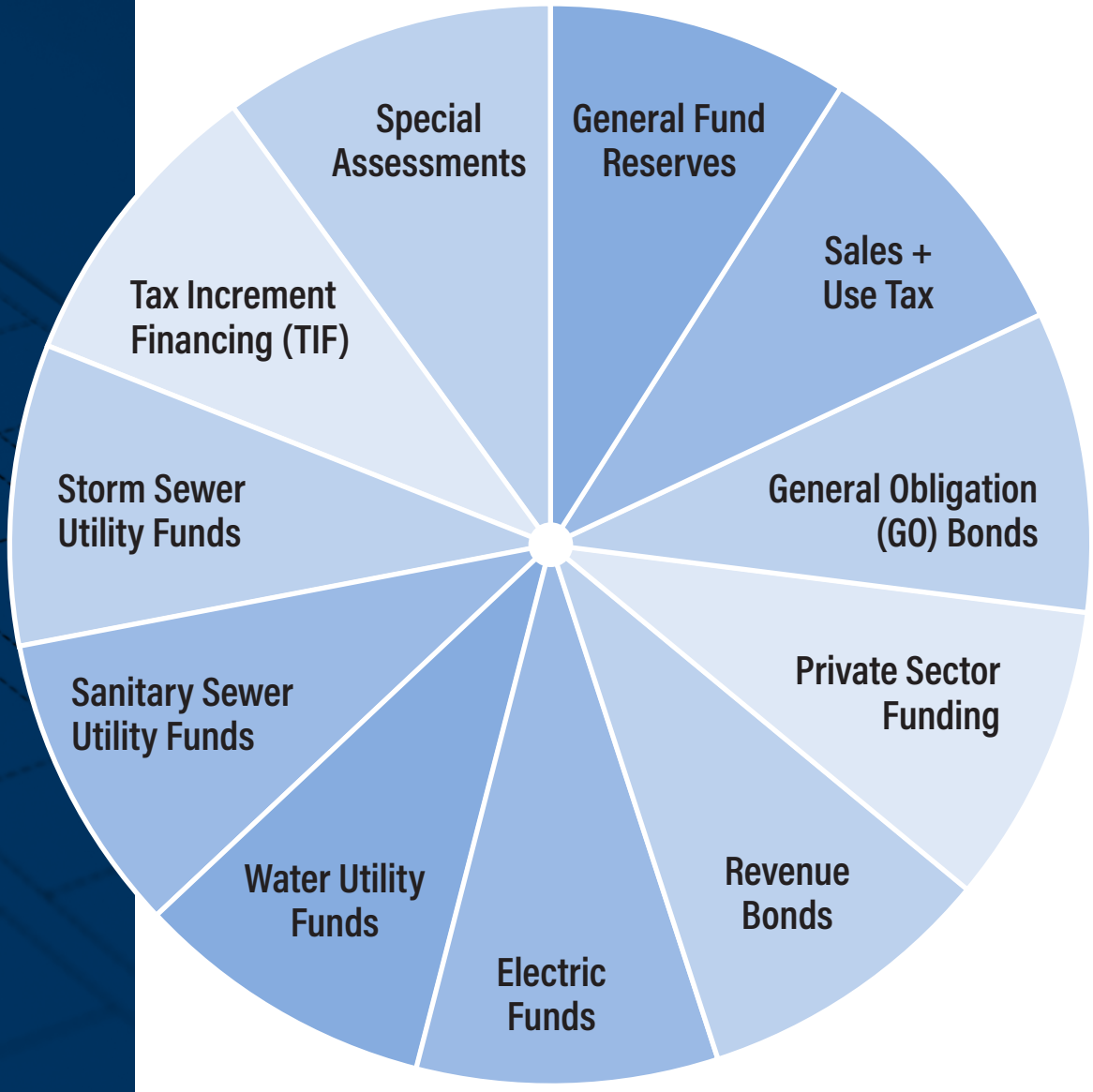
FUNDING STRATEGIES

Various sources are targeted to fund CIP projects

Each has specific purposes with requirements and allowable project types, expenses, and schedules

Funding sources identified for project financing vary by community



IMPLEMENTATION

A five-year CIP is designed to guide City budgeting conversations and move projects to implementation

- Determine priority
- Provide cost estimates
- Identify funding strategy

PROJECT CATEGORY – PARKS + RECREATION

Updates are primarily needed at the City's pool, with improvements including sandblasting the pool for repainting, replacing the diving board, and patching sections of the concrete deck. A pool assessment is also recommended to identify any required mechanical improvements.

IMPROVEMENT	SHORT DESCRIPTION	OPINION OF PROBABLE COST	PLANNED FISCAL YEAR	FUNDING RECOMMENDATIONS
Sandblast Pool	Sandblasting of the pool for repainting.	$6,000	2024	General Funds
Diving Board Replacement	Replacement of the diving board.	$10,000	2024	General Funds
Pool Assessment	A pool assessment is recommended to identify any required mechanical improvements.	$10,000	2024	General Funds
Pool Concrete Deck Patching	Concrete deck patching of selected panels to address health and safety concerns.	$15,300	2024	General Funds

SUMMARY

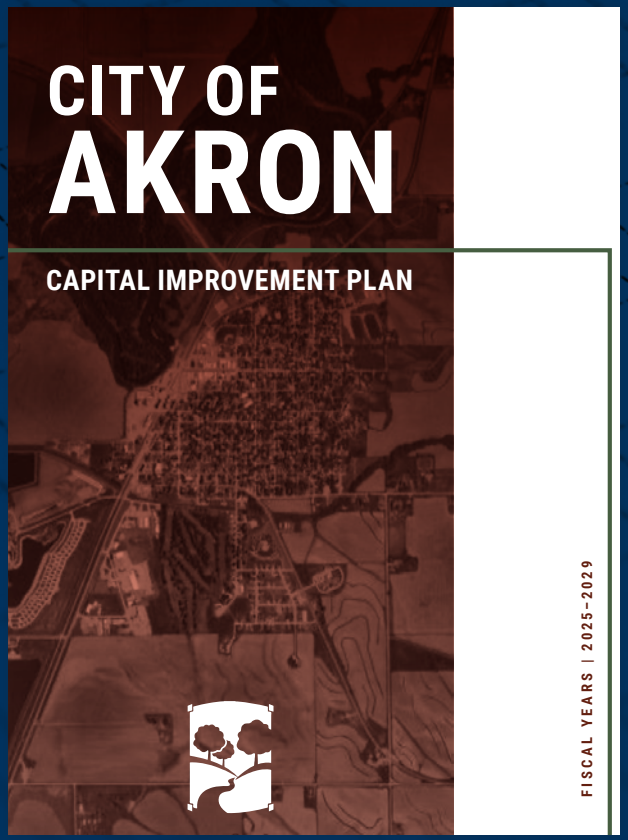
PROGRAM YEARS						
DEPARTMENT	2024	2025	2026	2027	2028	TOTAL
Electric	$130,000	$30,000	$25,000	$25,000	$25,000	$235,000
Water System	$275,000	$180,000	$852,400	$199,450	$30,000	$1,536,850
Wastewater System	$253,880	$350,000	$50,000	$3,200,000	$-	$3,853,880
Stormwater System	$391,700	$883,090	$-	$-	$-	$1,274,790
Public Facilities	$10,000	$-	$-	$-	$-	$10,000
Parks + Recreation	$41,300	$-	$-	$-	$-	$41,300
Streets + Transportation System	$68,500	$130,000	$89,950	$863,095	$185,140	$1,336,685
Equipment + Technology	$20,000	$28,000	$-	$-	$-	$48,000
Total Expenditures	$1,190,380	$1,601,090	$1,017,350	$4,287,545	$240,140	$8,336,505

UNPROGRAMMED IMPROVEMENTS	
Electric	$-
Water System	$422,480
Wastewater System	$2,672,300
Stormwater System	$3,000
Public Facilities	$-
Parks + Recreation	$-
Streets + Transportation System	$1,373,375
Equipment + Technology	$-
TOTAL	$4,471,155

Population: 1,545

AKRON, IA

FACILITY ASSESSMENT DISCOVERIES



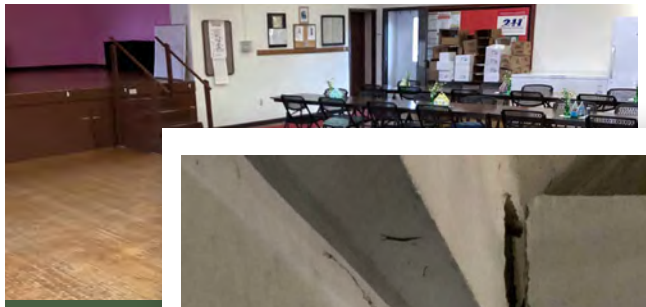
Senior Center

The Senior Center was originally built in the 1930s, adjacent to the old school. Finishes on the interior are dated, back to the 1970s. The electrical equipment is also from the 1970s, meaning all components will need to be replaced to bring it up to code. There are two (2) air handling units in the upper section of the building that were installed in 2003. These are past their average serviceable life of 20 years, and are due for replacement. They may be replaced together or individually. City Staff noted that the stage is used by groups that rent the building; however, the stage does not have an access or ramp that is ADA accessible.

During our inspection it was noted that a wall was beginning to separate from the beam supporting the roof. After review by our Structural Engineering team, it was determined that this is likely due to the old school acting as a support for the horizontal load, before being torn down in the 1960s. This separation has likely been occurring slowly since this time, but should still be addressed before any irreparable damage is caused.

RECOMMENDATIONS

- Clean gutters (leak was noted during our inspection)
- Perform structural investigation, which may include investigative demolition to determine the extents of the wall separation
- The results of this investigation will provide more information to determine needed repairs or improvements
- Upgrade electrical equipment
- Replace two air handling units
- Refinish interior spaces
- Provide ADA access to stage



Senior Center Interior

Senior Center Structural Wall

Population: 278

SUMMIT, SD

SEIZING FUNDING OPPORTUNITIES

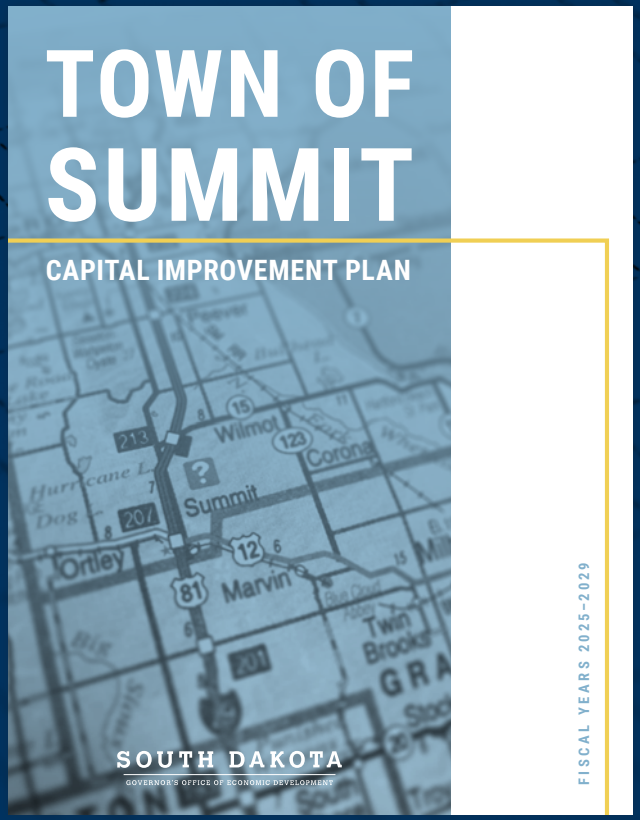


Table 1.5 Recommended Wastewater Improvements

Improvement	Category	Project Description	Opinion of Probable Cost
Televise Sanitary Sewer Pipes	Wastewater	Televising of sanitary sewer is recommended every 4 years. City should be divided into 4 areas or segments, and 1 area should be televised each year. Opinion of Cost represents approximately 1/4 of the City's sewer system being televised.	$17,500

WATER SYSTEM

Supply + Demand

The Town's water is supplied from multiple groundwater wells. Two deep wells were constructed in 2009 and 2010, with groundwater sourced from the Minnesota and Whetstone Rivers Basin and Pleistocene Unknown aquifer. These wells are the primary supply source for the Town. Another well is shallow, with water sourced from the Big Sioux River Basin, and only used for peak flow periods and flushing purposes. The wells produce up to 600 gallons of water per minute (gpm), or 864,000 gpd.

Table 1.4 Water Rights

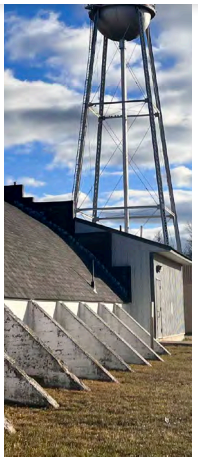
Water Right Permit	Permit Status	Well ID	Well Status	Casing Type	Casing Size (in)	Flow (gpm)	Volume (gpd)
1739-3	Active	Shallow	Standby	-	-	400	576,000
7226-3	Active	North (Deep)	In-Use	PVC	5	50	288,000
		South (Deep)	In-Use	PVC	8	150	

Treatment

Groundwater is treated by adding sodium hypochlorite for disinfection before it enters the distribution system. The Town's operator indicated that treated water is checked daily to ensure quality. The two deeper wells are the preferred source of water due to higher levels of iron and manganese in the shallow well. The Surface Water Discharge permit for water treatment activities is due for renewal in 2027.

tem using in-line booster
. The water tower was
e of 40,000 gallons, and
ff reported the tower is
ecoated internally and

mended Standards for Water
ot provide fire protection
on. This storage requirement
on from water remaining in



Facility	Storage (gallons)
Water Tower	40,000
Minimum*	36,000
Excess Volume	4,000

**Average daily consumption during weekdays only Monday through Friday, and not based on fire suppression minimums.*

Distribution

The distribution system is made up of entirely of PVC pipe, according to Town maintenance and Board personnel. The Town completed a replacement project for all water and sewer main piping in 2014 and 2015 to replace older and smaller lines. Water services were replaced to the curb stop for each property. The Town does not have a copy of the record plans; however, a request has been made to the engineer of record for this information.

Population: 1,475

HOLSTEIN, IA

VALUE OF ONGOING CAPITAL PLANNING

SOURCES OF FUNDING

To fund the anticipated capital improvements, the City can use a variety of sources for specific purposes. For instance, the water utility fund will finance water meter installations but not a street overlay. Therefore, it is important to identify the uses and limitations of the various revenue sources. A brief description of potential sources follows.

1. **COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)**
This funding source is based on average income levels for a community. Since Holstein's current low to moderate income (LMI) is at 41.3%, a new survey would need to be completed and result in a 51% LMI to be eligible for CDBG funding.

2. **CURRENT REVENUES–GENERAL FUND**
This funding source represents current year revenue collections in the general fund that support operations and capital outlay expenditures. Revenue sources include property tax levies, state aid payments, and various permit and license fees. This source of funding is generally used only for operation and small capital purchases or improvements.

3. **GENERAL FUND RESERVES**
This funding source is the amount available after subtracting cash flow and emergency amounts from the City's cash balance, sometimes referred to as a fund balance. The use of general fund reserves is not recommended for capital improvements without significant staff and council review.

4. **GENERAL OBLIGATION (GO) BONDS**
This funding source is backed by the full faith and credit of the subject municipality. GO Bonds typically have a lower interest rate than the revenue bonds. Issuing GO Bonds will impact the GO capacity of the City.

5. **LOCAL OPTION SALES TAX (LOST)**
Iowa has a sales tax of 6% and allows local governments to collect a local option sales tax of up to an additional 1% through a ballot measure. The City receives approximately $189,000 annually in LOST funding.

6. **PRIVATE SECTOR FUNDING**
This funding source consists primarily of payments made by developers for the purchase of land and the installation of water, sewer, streets, or other related expenditures. It can also refer to donations made to the City by individuals or groups.

7. **REVENUE BONDS**
These bonds are issued for improvements made for a specific revenue-producing facility or operation. The debt incurred is repaid from the revenue generated by the facility. If the revenue generated is insufficient, then the difference becomes an annual obligation of the taxpayers and becomes an additional tax levy. These are generally not subject to referendum.

8. **ROAD USE TAX FUND (RUTF)**
This funding source is the result of revenues received from the State of Iowa from gas taxes, license fees, and vehicle weight taxes. The State distributes some of the revenue back to cities on a per capita basis. The funding the City receives can be used on transportation related activities which involves operations, transportation maintenance, and transportation improvements. The City receives approximately $190,000 annually in revenue in RUTF funding.

9. **SANITARY SEWER FUNDS**
This funding source is generated from charges made for sewage disposal. The cost of operations plus system (capital) improvements determines the ultimate charge levied for the service provided. The City sets aside $40,000 each year for capital improvements to the sanitary sewer system.

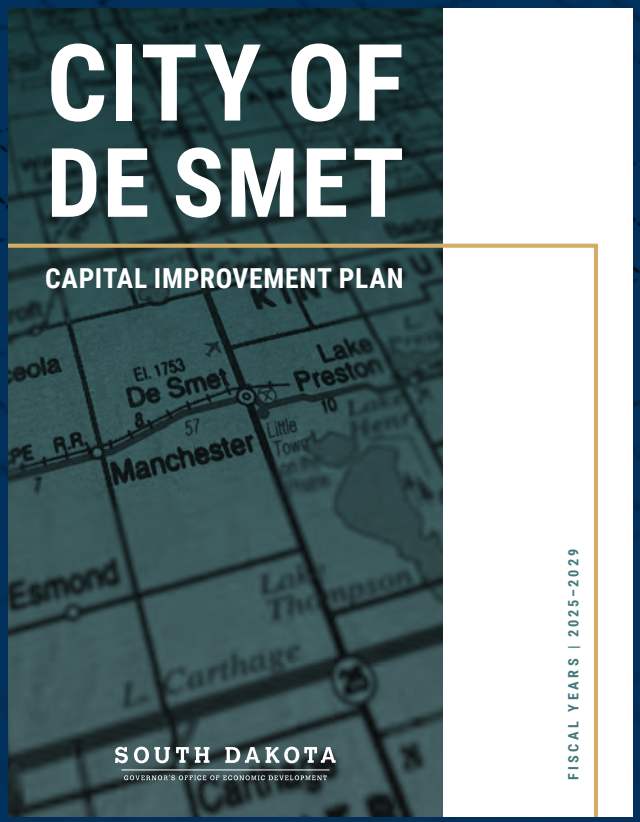
...new pieces to assist in daily

				FUNDING RECOMMENDATIONS
				General Funds
				General Fund
Dump Truck	Purchase of new dump truck.	$180,000	2024	Debt Issued–Lease Purchase Agreement
Ambulance	Purchase of new ambulance.	$383,000	2024	General Funds + Local Loan
Payloader	Purchase of a new payloader.	$150,000	2024	Debt Issued–Lease Purchase Agreement
Half-Ton Pickup Truck #1	Purchase a half-ton Pickup for the City's truck rotation program	$40,000	2025	General Funds
Plow for Payloader	Purchase of a plow for the City's payloader.	$12,000	2026	General Funds
Half-Ton Pickup Truck #2	Purchase a half-ton Pickup for the City's truck rotation program.	$40,000	2026	General Funds
Half-Ton Pickup Truck #3	Purchase a half-ton Pickup for the City's truck rotation program.	$40,000	Unprogrammed	General Funds
Mini Payloader	Purchase of a new mini payloader.	$130,000	Unprogrammed	General Funds
Grass Attack Fire Department Equipment	Purchase of equipment to convert an existing chassis.	$75,000	Unprogrammed	General Funds

Population: 605

DE SMET, SD

PRIORITIZATION CLARITY + ALIGNMENT



APPENDIX A: PROGRAMMED IMPROVEMENTS + PROJECT PRIORITY LIST

ISG recommends the City Council review the CIP on an annual basis to adjust priorities accordingly. A project priority list shows the five-year schedule of programmed improvements by year beginning in 2025.

Table 1.9 Project Schedule

No.	Project	2025	2026	2027	2028	2029	Future
1	Well #7 Replacement	$1,029,000					
2	Industrial Park Expansion		$610,190				
3	NW Development			$1,249,000			
4	SE Development		$100,000				
5	Prairie Avenue Street and Utility Reconstruction						$2,464,000
6	Lift Station Generators				$96,000		
7	Lagoon Improvements				$258,060		
8	New Water Tower						$3,505,090
9	Main Lift Station Replacement					$1,014,000	
10	Event Center Parking Lot Paving						$909,000
11	City Shop Expansion						$230,000
12	Pedestrian Crossing Improvement				$77,000		
13a	City Hall Expansion						$792,000
13b	City Hall Improvements		$32,604				
13c	City Hall LED Lighting Upgrades						$18,480
14	Library Improvements						$46,596
15	New Riding Mower			$75,000			
16	EWS System Relocation						$29,700
17	Existing Pool Deferred Maintenance						$191,334
18a	Fire Hall Heating + Cooling Upgrades						$49,566
18b	Fire Hall Flooring						$7,656
18c	Fire Hall LED Upgrades						$62,832
19	Lagoon Valve Replacement					$110,000	

We have a CIP…Now What?

From A Financial Perspective

2025 Iowa League of Cities Conference

September 18, 2025

Presenter Information + Contact Info

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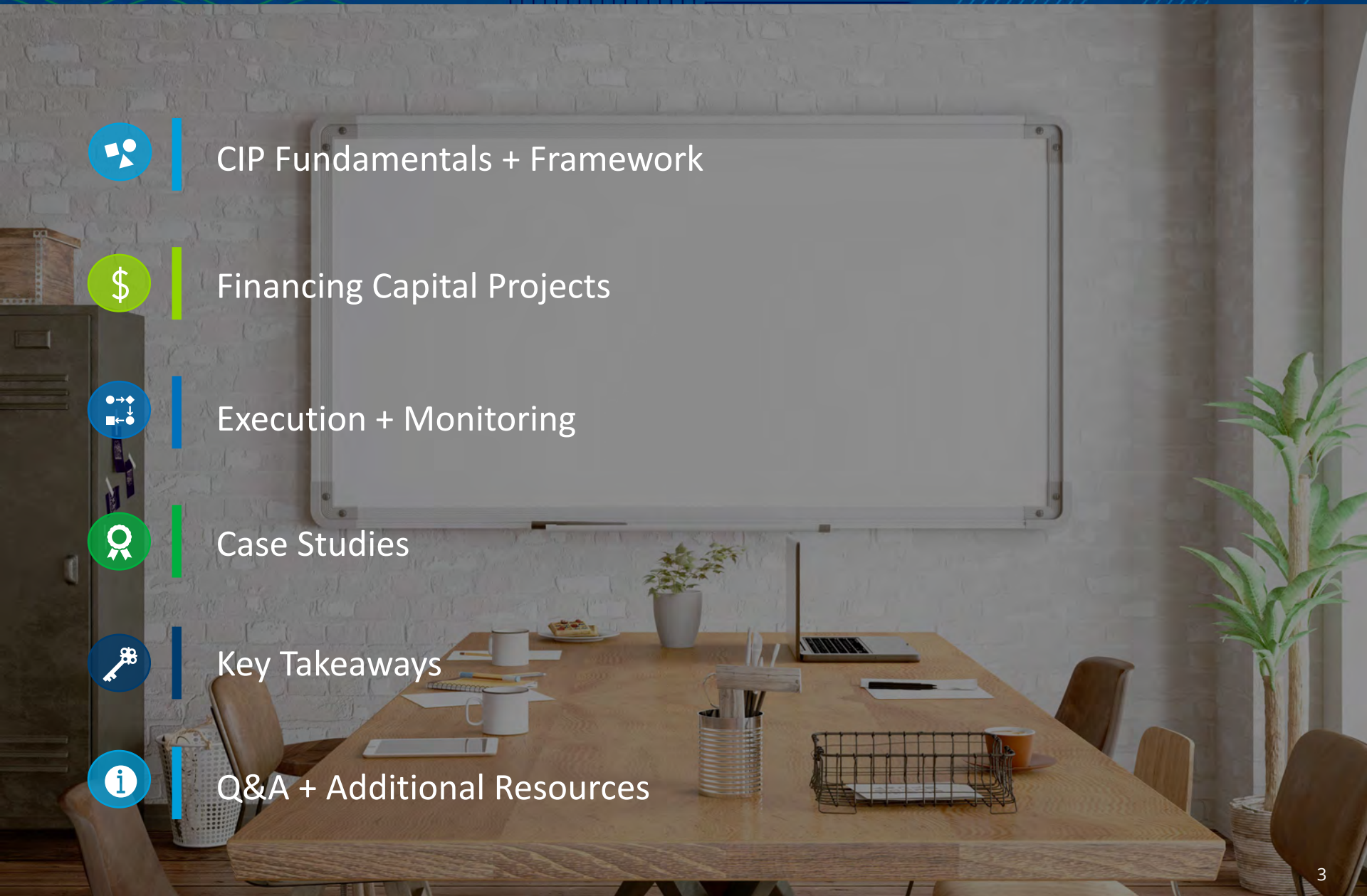
- UMB Public Finance Group
  - Municipal Advisory, Underwriting, Private Bank Placements
- West Des Moines office with Iowa focus
- UMB has been in the Iowa public finance market for two-plus decades
- Nate brings 15 years of public finance experience in Iowa
- Grew up in Aplington, Iowa (population 1,095)

Agenda



- CIP Fundamentals + Framework
- Financing Capital Projects
- Execution + Monitoring
- Case Studies
- Key Takeaways
- Q&A + Additional Resources

CIP Fundamentals + Framework

CIP Creation Process

Identify & Scope Projects

Gather project ideas from departments, community input, and strategic plans

Develop initial project scope and preliminary cost estimates

Evaluate & Prioritize

Apply objective criteria (urgency, ROI, strategic alignment, mandates, etc.)

Use CIP Committee or ranking tools for transparent prioritization

Develop Multi-Year CIP

Create a balanced multi-year schedule (typically 5+ years)

Match projects strategically with available funding sources

Approve + Fund

Secure formal approval from management and elected officials

Align funding mechanisms (budget, bonds, reserves, etc.)

Implement + Monitor

Execute year-one projects with assigned managers, timelines, and budgets

Regularly track project progress and financial compliance

Annual Updates + Adjustments

Review CIP annually; remove completed projects and add new priorities

Adjust the plan to respond to changing conditions and community needs

Practical Realities: Actionable Tips

Clearly Define Capital Projects

- Establish a clear dollar threshold to define a capital project.
- Ensure consistent understanding across all departments (prevents departmental bias or confusion).

Centralize CIP Management

- Reinforce that there's one unified CIP – no multiple departmental capital budgets.
- Avoid "double dipping": Capital expenditures are solely funded via CIP, not individual department budgets

Cross-Departmental Involvement

- Involve representatives from all relevant departments in the CIP committee.
- Promote shared responsibility and collective decision-making.

Leverage Policies to Minimize Politicization

- Establish transparent policies that outline decision-making processes and accountability.
- Protect against politically-drive "pet projects" by using objective criteria.
- Align resource allocation clearly with community goals, enhancing overall transparency.

More Actionable Tips

INSIGHT

Use scenario analysis.

- Identify potential funding shortfalls.
- Maintain a capital reserve for unplanned needs.

GFOA also suggests accumulating reserves for capital replacement.

INSIGHT

Leverage policy documents.

- Align the CIP with your Long-Term Financial Plan and Comprehensive Plan .

GFOA explicitly recommends using Master Plans as a framework for CIP.

Financing Capital Projects

Mix of Funding Sources

PAY-AS-YOU-GO (CASH)

Uses existing revenues, reserves, or annual budget appropriations.

Ideal for smaller, short-term projects without incurring debt.

Think about deploying LOST, RUT, Hotel/Motel Tax, etc.

GENERAL OBLIGATION BONDS

Non-voted **OR** voter-approved, backed by full taxing authority.

Lowest interest rates, suitable for broad community-benefit projects.

Debt service levy is unlimited (within constraints of debt limit).

REVENUE BONDS

Repaid from dedicated revenue streams (e.g. utility fees, sales taxes, airport revenues, etc.).

Does not require voter approval in Iowa. Used when stable revenue streams exist.

Does not count against debt limit.

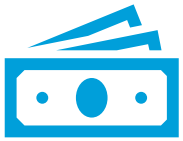
CAPITAL LEASES

Lease-based financing without voter approval.

Flexible but slightly higher interest cost due to annual appropriation risk.

Mix of Funding Sources (Cont'd)

GRANTS (FEDERAL, STATE, & LOCAL)



Valuable for infrastructure, transportation, and environmental projects.

Often requires matching funds and strict compliance conditions.

DEDICATED TAXES OR FEES

Sales taxes, impact fees, or special utility charges earmarked specifically for capital projects.

Provides steady revenue; often requires voter-approval or dedicated outreach.

PUBLIC-PRIVATE PARTNERSHIPS (P3s)

Collaboration with private sector entities for capital projects (e.g. parking garages, utilities, etc.).

Can distribute risk and accelerate project timelines; requires careful structuring.

OTHER INNOVATIVE APPROACHES

Intergovernmental partnerships, joint ventures, state loans, or lease financing.

Useful tools to complement traditional funding methods.

When to Use Cash vs. Debt

1. Project Size:

Use pay-go (cash) for smaller, routine capital expenses that can be covered with current funds. Use debt financing for large-scale projects that would otherwise exhaust available cash or exceed annual budget capacity . (e.g., fund vehicle replacements with cash; issue debt for a new facility or major infrastructure upgrade.).

2. Asset Life:

Short-lived assets or maintenance projects are best funded with cash (avoid borrowing for assets that will need replacement soon). Reserve debt financing for long-lived infrastructure – ensure the debt term does not exceed the asset's useful life so costs are spread to future beneficiaries . This aligns debt repayment with the asset's service life (future users help pay).

3. Urgency:

If a project can be deferred or phased in over time, pay-go allows you to save up funds and avoid interest costs. If a project is urgent or time-sensitive, debt lets you build now and deliver benefits sooner – borrowing accelerates construction, whereas pay-go delays project delivery (immediate or rapid construction is limited under pay-go).

4. Budget Impact:

Pay-go requires using cash on hand – no future interest or debt payments – but can cause large one-time outlays that strain the budget or draw down reserves. By contrast, issuing debt spreads costs over multiple years, smoothing out expenditures and preserving fund balance for other needs . Keep in mind that new debt adds a fixed debt service obligation, which limits future budget flexibility as a portion of revenues must go to repayment.

5. Financial Policy Goals:

Follow your municipality's financial policies and targets. Use cash funding if it keeps reserves at or above policy minimums and avoids unnecessary debt (helping maintain low debt ratios and saving interest costs). Utilize debt financing in line with adopted debt policies – for example, only for capital projects (never for operating costs), with debt within legal limits and manageable debt-service levels . Consider policy objectives like intergenerational equity: long-term debt can ensure that future taxpayers who benefit from a project share in paying for it , while excessive debt could violate policy thresholds or credit rating goals.

***Consider benefits of tax-exempt interest vs. construction inflation.**

How CIP Impacts Credit Ratings

RATING AGENCIES VALUE A STRONG CIP

- Seen as the hallmark of strong management and forward-looking governance.
- Lack of a robust CIP can negatively affect credit ratings.

S&P EMPHASIZES CIP IMPORTANCE

- Requires a realistic, annually updated multi-year CIP for high credit ratings.
- Demonstrates proactive management of infrastructure and fiscal responsibility.

SHOWCASE CIP DURING RATING REVIEWS

- Highlight your rigorous capital planning, alignment with strategic priorities, and prudent financial policies.
- Demonstrate transparency, responsiveness, and fiscal sustainability.

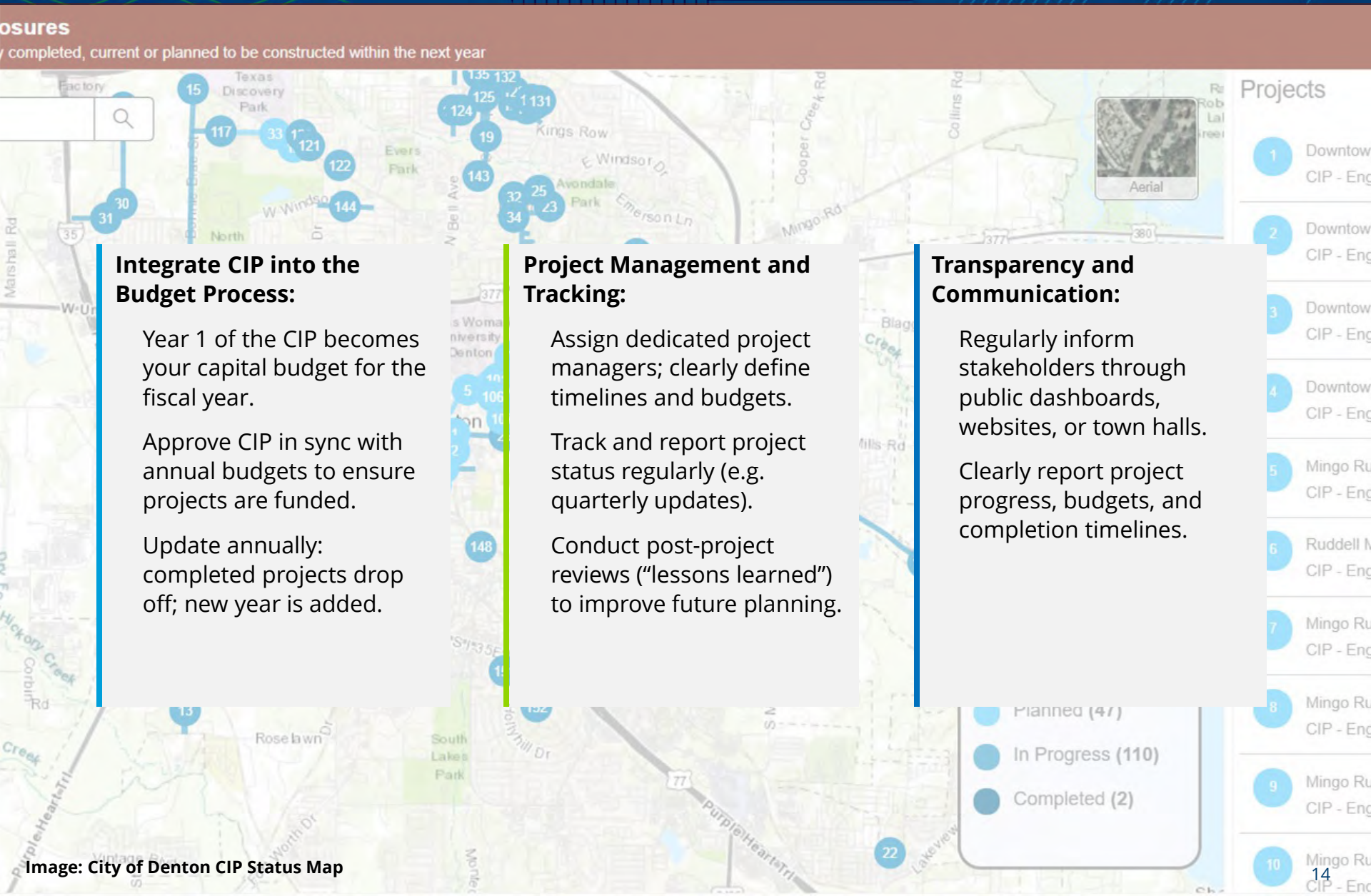
"Highly rated credits will have a long-term capital improvement plan that comprehensively assess the infrastructure requirements of the government and a plan to fund these requirements over a five-year (or longer) timeframe. ***Having a realistic plan that is comprehensively developed and updated annually is a requirement of all highly rated local governments."*** *– Standard & Poor's "Top 10 Ways to Improve or Maintain a Municipal Credit Rating" (2002)*

Bond Rating		Grade	Risk
Moody's	Standard & Poor's		
Aaa	AAA	Investment	Lowest Risk
Aa	AA	Investment	Low Risk
A	A	Investment	Low Risk
Baa	BBB	Investment	Medium Risk
Ba, B	BB, B	Junk	High Risk
Caa/Ca/C	CCC/CC/C	Junk	Highest Risk
C	D	Junk	In Default

Source: S&P, Moody's

Execution + Monitoring

Executing + Monitoring the CIP



Integrate CIP into the Budget Process:

- Year 1 of the CIP becomes your capital budget for the fiscal year.
- Approve CIP in sync with annual budgets to ensure projects are funded.
- Update annually: completed projects drop off; new year is added.

Project Management and Tracking:

- Assign dedicated project managers; clearly define timelines and budgets.
- Track and report project status regularly (e.g. quarterly updates).
- Conduct post-project reviews ("lessons learned") to improve future planning.

Transparency and Communication:

- Regularly inform stakeholders through public dashboards, websites, or town halls.
- Clearly report project progress, budgets, and completion timelines.

Image: City of Denton CIP Status Map

The Rules of the Road for Effective CIP Management

Leverage Tech & Tools

- Excel is useful for small-scale CIP tracking, but large-scale programs from dedicated CIP management software or professional assistance.
- Modern tools centralize data, facilitate collaboration, provide tracking, and visualization to communicate with stakeholders.

Keep CIP Dynamic

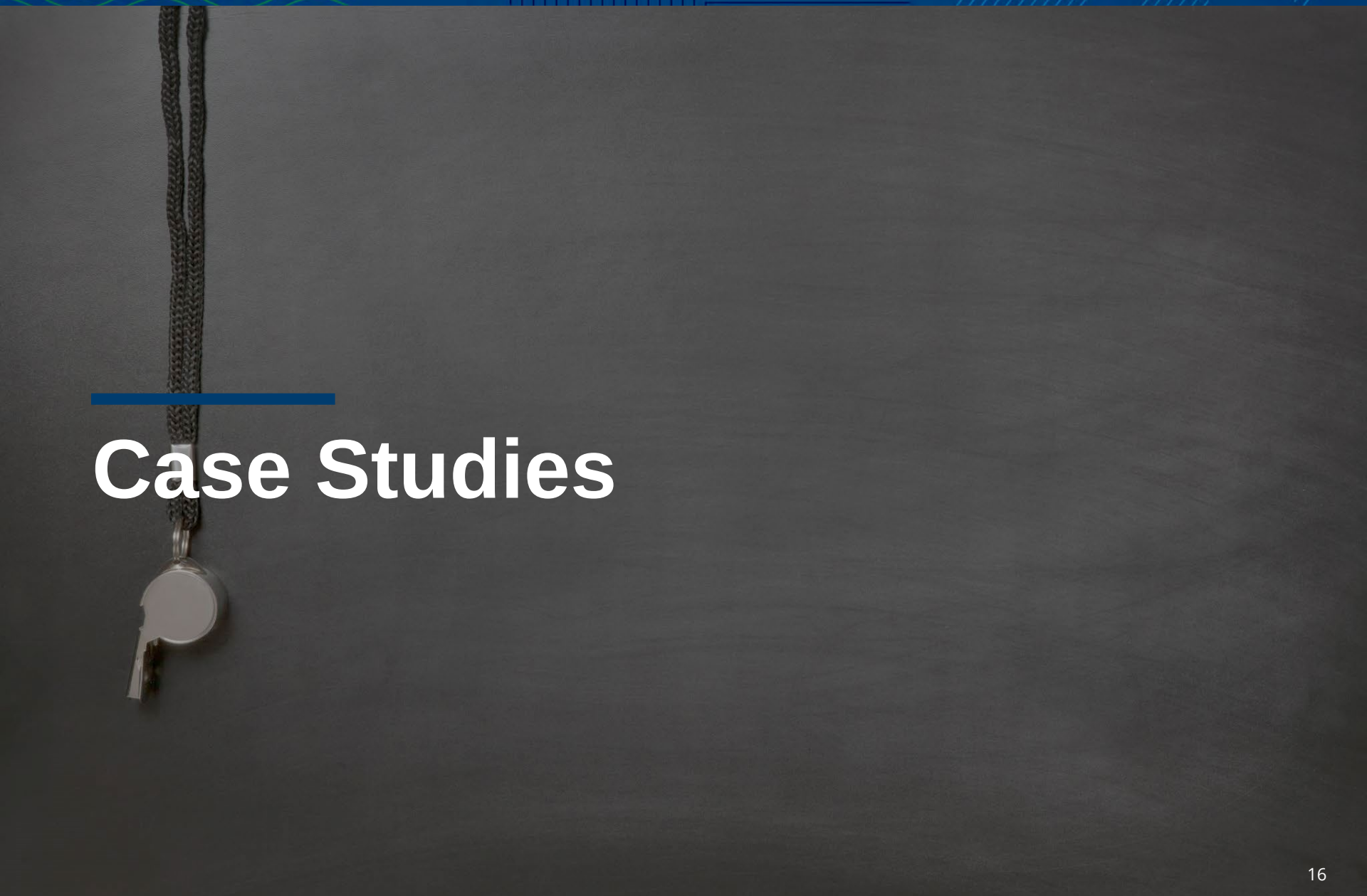
- Regularly update your CIP (at least annually) to reflect completed projected, changing priorities, and evolving fiscal conditions.
- Conduct annual reviews to ensure CIP relevant & responsiveness to community needs and funding realities.
- Maintain flexibility to accommodate mid-cycle amendments and new opportunities.

Align CIP with Strategic & Comprehensive Plans

- Verify during implementation that projects remain aligned with adopted strategic, comprehensive, or master plans.
- Conduct cross functional oversight (planning, finance, project teams) to prevent scope drift and ensure the CIP consistently advances broader goals.

Reporting + Oversight

- Provide regular CIP updates to elected officials and the public, clearly highlighting project progress, budget adherence, and key performance indicators.
- Ensure compliance with bond covenants and disclosure requirements for debt-funded projects, safeguarding credit and fiscal responsibility.



Case Studies

City of San Diego, CA - Pitfalls

Key Drivers:

- **Premature Approvals:** Projects were added to CIP before fully scoped and accurately costed, leading to severe overruns and delays
- **Insufficient Vetting + Planning:** Lack of robust project gatekeeping allowed unrealistic budgets and incomplete funding plans.
- **Process Gaps**: Projects recommended with partial information or political pressure, ignoring technical feasibility.

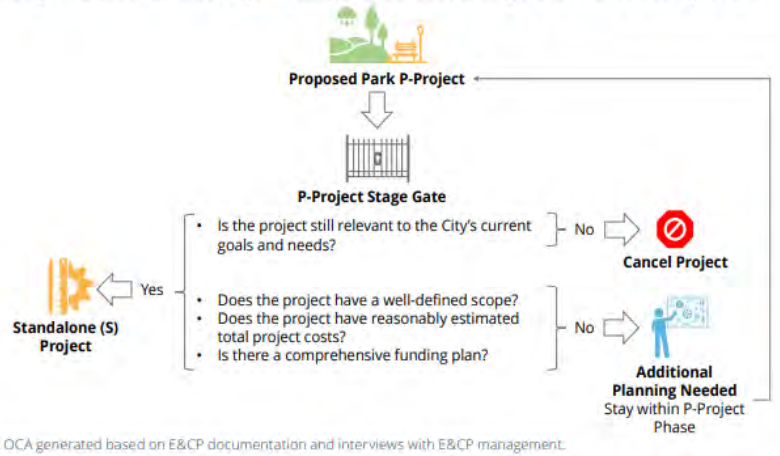
Outcomes

- *Severe cost overruns (avg. >3x initial estimates)*
- *Project delays of 4+ years on average*
- *Damaged public trust and reduced budget capacity for future projects*

Lessons Learned

- **Require thorough upfront project review ("stage gate") before CIP inclusion**
- **Mandate realistic cost estimates and well-defined scopes early**
- **Clearly communicate risks of premature project listing to leadership**

Exhibit 21: The P-Project Phase Could Help Ensure Project Proposals Have Fully Developed Scopes, Reasonably Accurate Estimated Project Costs, and Realistic Funding Plans Prior to Moving Forward



Source: OCA generated based on E&CP documentation and interviews with E&CP management.

Source: City of San Diego 2023 Performance Audit of the City's Capital Improvement Project Approval Process

Wake County, NC – Best Practices

Key Strengths:

- **Clear strategic Vision:** Aligns CIP with long-term community goals balanced with annual objectives
- **Disciplined Financial Policies:**
  - Targets 80% debt /20% cash funding mix
  - Adheres to conservative debt limits and maintains capital reserves
  - Uses real-time dashboards to monitor debt service and capital ratios
- **Rigorous Capital Planning**:
  - Maintains a rolling 7-year CIP, updated annually
- Reviews and adjusts cost estimates and project schedules regularly
- **Structured Review + Approval:**
  - Cross-Departmental CIP Advisory Committee reviews projects using formal scoring
  - Requires approved master plans for project inclusion
- **Strong Community + Board Engagement**
  - Transparent public communication ensures broad support
  - Board involvement from the outset, fostering political and community buy-in

Outcomes

- **Achieved AAA credit rating**
- **Stable tax rates, successful voter bond referendums**
- **Methodical, sustainable approach to infrastructure funding**

Exhibit 1 | Policy Dashboard from Wake County's Debt and Capital Financial Model

	POLICY GOAL	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Combined Fund Balance as % of Total Revenues	≥ 30%	30.5%	31.6%	32%	31.7%	30.7%
% Debt Paid off within 10 Years	≥ 70%	73%	72%	71%	70%	70%
Ratio of Debt/Cash used to Fund Capital	Strive for 80/20 *(Debt/Cash)*	80%	79%	78%	80%	79%
Total Debt as % of Assessed Valuation	≤ 2.5%	1.6%	1.5%	1.6%	1.6%	1.7%
Debt Service as % of Total Expenditures	Strive for ≤ 20%	20%	19%	20%	21%	21%
Variable Rate Debt as % of Total Debt	≤ 20%	10%	9%	5%	6%	6%

Source: Wake County, NC GFOA Case Study

City of Avoca, Iowa – Best Practices

Examination of Current Reality:

- **Overutilization of TIF:**
  - Impact to General Fund, and ensuring proper and legal uses of TIF revenues
- **Lack of Direction:**
  - Ad-hoc, reactionary projects
  - Varying perspectives on what projects should be pursued

Planning Implementation:

- **Rigorous Capital Planning**:
  - Maintains a rolling CIP, updated annually
  - Reviews and adjusts cost estimates and project schedules regularly
  - Financial plan included for funding of identified priority projects
  - Annually presented to and approved by City Council
  - TIF revenue utilized intentionally on projects with greatest community benefit and mitigation of impact to General Fund
- **Strong Community + Board Engagement:**
  - Transparent public communication ensures broad support
  - Board involvement from the outset, fostering political and community buy-in
- **Objectives Achieved:**
  - Public Safety Facility
  - Avoca Community Center Project
  - Street, Water, Sewer, Stormwater projects

Key Takeaways

GFOA Best Practices

Start with Strategy & Data:	Align CIP projects directly with community goals and master plans.
	Base decisions on accurate asset inventories, condition assessments, and realistic growth forecasts.
Institutionalize a Robust Process:	Adopt clear CIP policies and criteria-driven processes.
	Engage cross-departmental teams early for comprehensive vetting and stakeholder buy-in.
Prioritize Ruthlessly:	Use clear, objective criteria (e.g. safety, regulatory mandates, ROI, etc.).
	Resist politically-driven projects that aren't supported by data or planning documents.
Integrate Financial Realism:	Clearly identify funding sources for every project; confirm affordability and debt capacity.
	Maintain prudent pay-go vs. debt ratios and adhere strictly to adopted financial policies.
Plan for Execution (and the Unexpected):	Implement rigorous project tracking and regular status reporting.
	Build contingency plans and flexibility into your CIP to accommodate unforeseen changes.
Learn and Improve:	Perform "lessons learned" reviews after major projects to refine future CIP processes.
	Keep the CIP dynamic and responsive – regularly update based on evolving community needs.

Source: GFOA

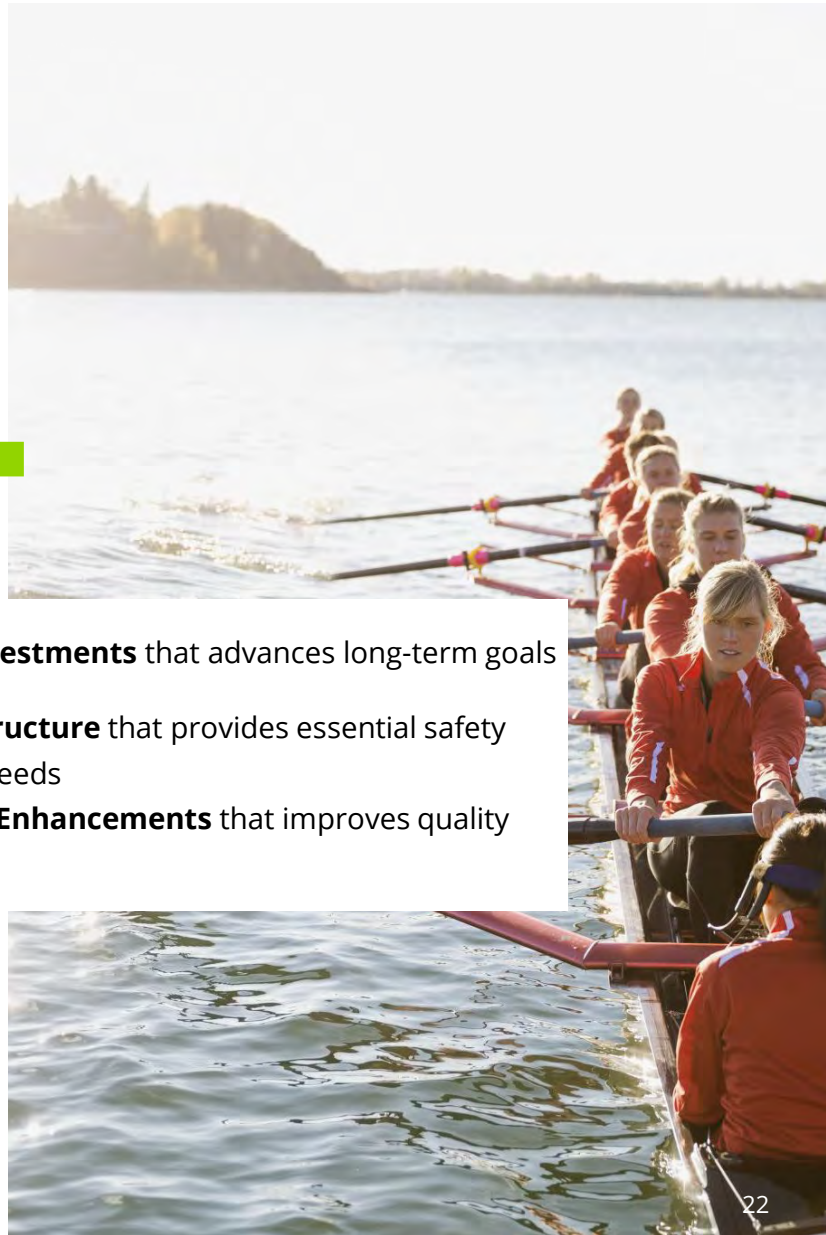
Capital improvement planning is a team sport - it thrives on collaboration between finance, operating departments, leadership, and the community.

Turning Vision into Reality: A well-crafted CIP translates strategic goals into tangible improvements (bridges, facilities, technology) that enhance citizens' quality of life.

Stewardship & Trust: Following best practices (sound policies, prudent funding, diligent execution) demonstrates fiscal stewardship, bolsters credit ratings, and builds public trust.

Leadership Role: As finance professionals, we helm this process – by providing insight, discipline and foresight, we help steer our communities toward a sustainable and vibrant future.

- **Strategic Investments** that advances long-term goals
- **Core Infrastructure** that provides essential safety and service needs
- **Community Enhancements** that improves quality of life



Q & A

Additional Resources

Additional Resources

- Iowa League of Cities:
  - https://iowaleague.org/workshops-events/small-city/
  - https://iowaleague.org/resource/capital-improvement-plans/
- Government Finance Officers Association (GFOA) Best Practices and Advisories on Capital Planning – *Multi-Year Capital Planning*, *Capital Planning Policies*, *The Role of Master Plans in CIP*, etc. gfoa.org
- GFOA Government Finance Review articles on Capital Planning (e.g. *Financially Sustainable Capital Planning* gfoa.org).
- Credit Rating Agency Guidance: S&P's "Top 10 Ways to Improve a Credit Rating" (see point on formalized CIP) epa.gov; Fitch and Moody's commentary on the importance of capital planning in financial management (often found in rating reports).
- Audit Reports: City of San Diego Performance Audit of CIP (June 2023) for pitfalls and recommendations sandiego.gov.
- Industry Resources: "10 Ways to Strengthen Your CIP" – OpenGov (2024) opengov.com

The above references provide further reading on each subtopic discussed.

You are also encouraged to delve into GFOA's best practice papers and leverage peer examples from other municipalities to continually refine CIP processes.

UMBFSI
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