



# **Briefing: Overview of Capital Planning Policy Formulation**

**Long Term Financial Policy and Audit Subcommittee**

13 May 2021

# ***Capital Planning Policy***

## **Plan should include:**

- ✓ All City capital projects, equipment purchases, and major studies
- ✓ Companioned with construction and completion schedules
- ✓ Associated with an executable plan of finance
- ✓ Integrate long-term O&M impacts

- ❑ Synchronize capital and operating budgets
- ❑ Provide ongoing evaluation of competing demands for resources
- ❑ Identify, prioritize, and optimize the funding of capital projects, with consideration of highest and best use of sources/resources/strategies Pay-as-you-go (from existing sources)
  - One-time cap ex vs. regularly scheduled
  - Pay as You Go vs. Debt financing
  - Potential Federal and State grants
  - Operation, maintenance, R&R impacts
- ❑ Link strategic and comprehensive plans with fiscal and operational capacity
- ❑ Highlight for the public the City's investment in infrastructure

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***Key Principles:***

Capital investment & proposals are intended to reflect current and future needs of the community to promote and improve social, environmental and economic outcomes while considering questions of generational equity

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Maximize and protect public value of infrastructure – investment must be underpinned and informed by sound business decisions and quantification of risks

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Rigorous assessment of all proposals / considerations to ensure short- and long-term feasibility of proposed assets and Council's active decision-making around risk acceptance

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Best value for money should be strategic direction in the context of existing infrastructure

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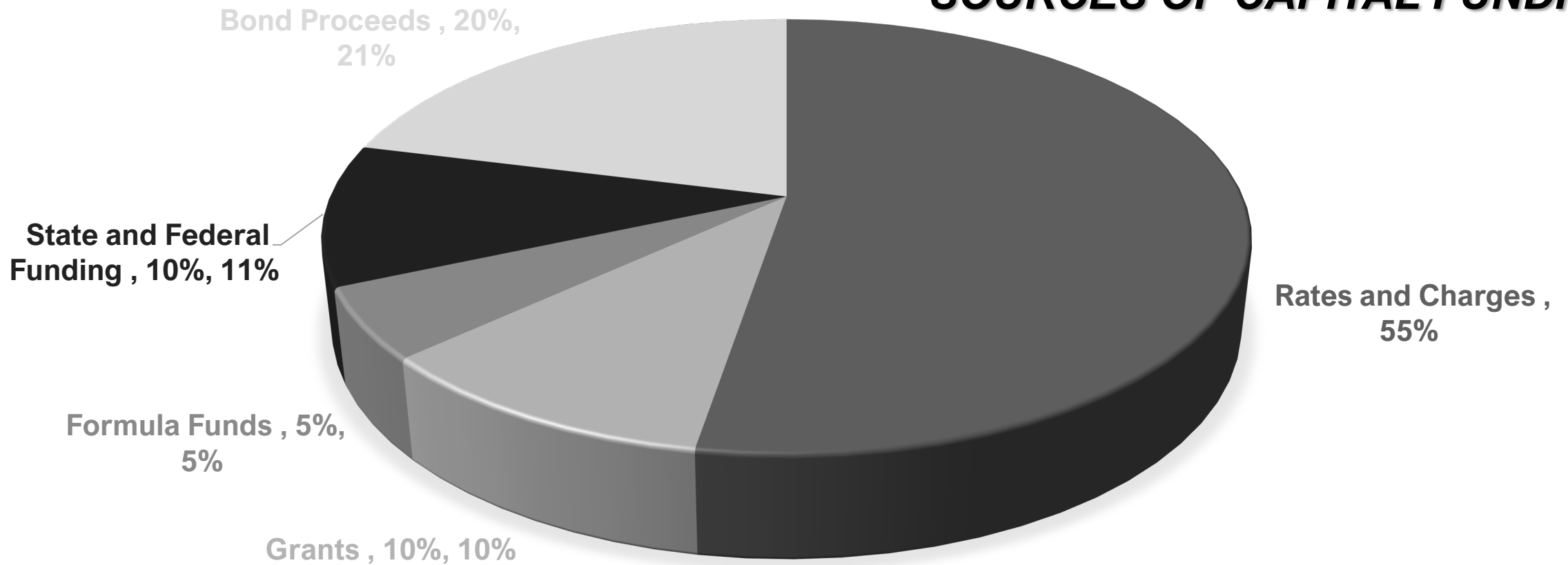
New capital investment options may be proposed after objective consideration of its merits relative to other more cost-effective alternatives. This supports effective project prioritization

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Transparency in the decision-making process surrounding the investment of capital

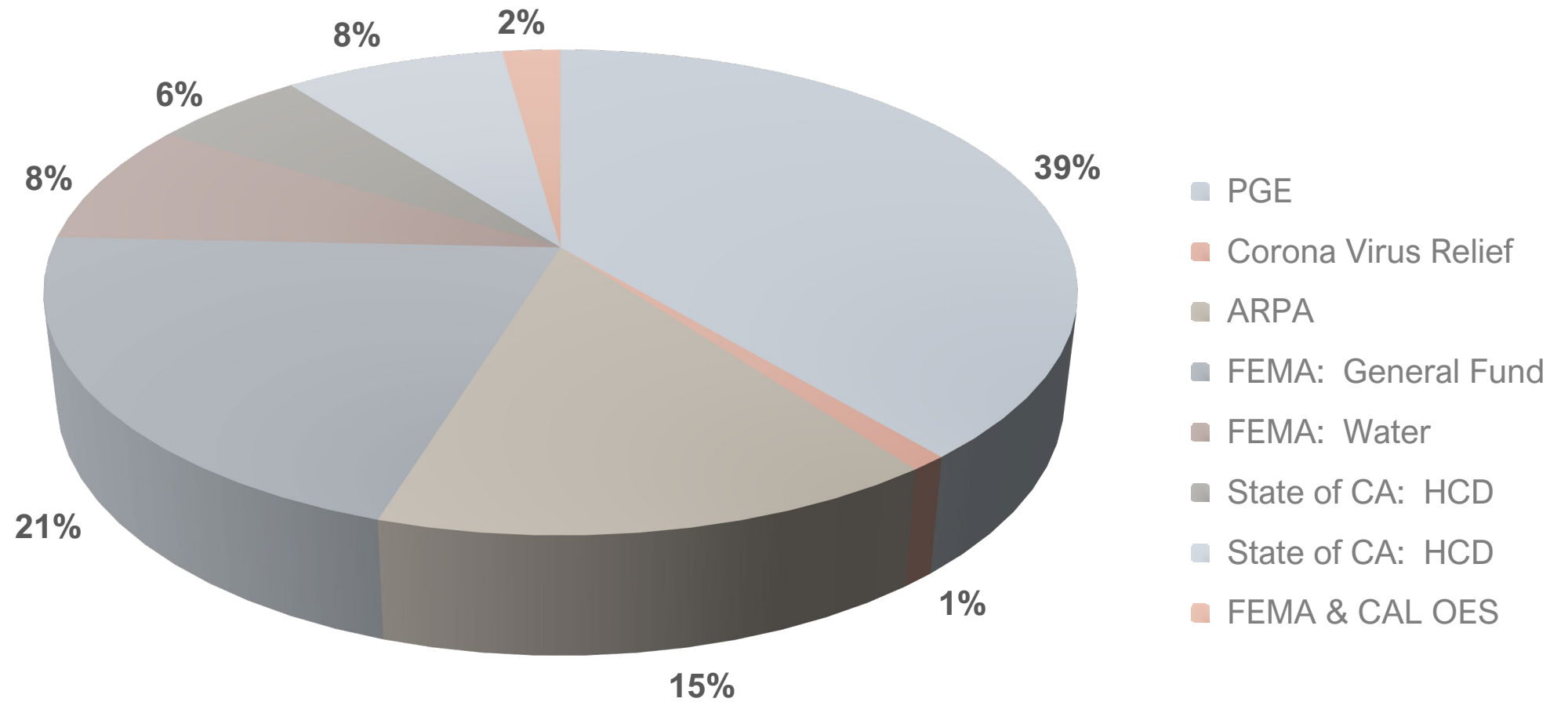
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## ***SOURCES OF CAPITAL FUNDING***

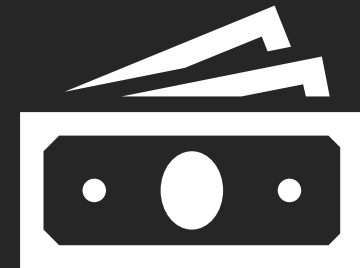


***Capital Planning must consider:  
Annual Spending Requirements  
as well as One-Time Revenues***

***Priorities  
Allocation  
Highest & Best Uses***



***One-time revenues are substantial: \$244 million***



# ***Capital Plan Objectives: Growth & Protection of Infrastructure***



Address Council priorities; align programs to service needs within finite resources



Facilitate effective planning, achieve consolidated view, resulting in implementation of capital investment projects



Guide decisions relating to construction, repair/asset replacement for City-owned assets: public safety facilities, libraries, recreation centers, swimming pools, parks, sewers, street improvements, etc.



Assess, consider, and require accountability for projects considered to be financially sustainable



Require life cycle cost evaluation that accounts for assets' design, construction and maintenance, operating cash flow requirements and depreciation, over the course of a long-term financial plan



***SEIZE OPPORTUNITIES FOR IMPACT***

**Health, Welfare and Safety**

*Intention around improving safety and fostering more health living practices*

**Condition of asset**

*High annual recurring cost; desirability of asset longevity; maintenance*

**Economic**

*Investment and economic impact / enhancement / prosperity*

**Service Enhancement**

*Service quality and level of service quantifiable improvements*

**Environment**

*Sustainability and conservation orientated*

**Funding Risk Diversification**

*availability; interest rate environment offers low cost of capital opportunity*

**Collaboration**

*Multiple funding sources and corresponding benefit categories*

**Economies of scale**

*utility and infrastructure; fire equipment and fire bricks and mortar*

***Consider grouping like types into categories for greater impact and transparency in rankings***

# ***Prioritization by Funding Category***

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## **Ongoing Funding: Category #1**

Projects organized by ongoing funding categories

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## **Restricted Funding: Category #2**

Projects organized by restricted funding categories  
(American Rescue Plan Act)

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## **Uniqueness of One-Time Funding: Category #3**

Projects organized by unique funding categories  
(PG&E Funds, Other)

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## **Asset Classification: Category #4**

Enterprise-funded mandated; mobility assets; public safety assets;  
neighborhood assets

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## **Scoring**

Develop priority scores for CIP projects: High, Medium, Low







# ***Policy Development***

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Capital Planning is only one policy, and there are additional policies that should be considered in connection with capital planning and execution

- ❑ Liquidity and Reserve Fund Policy
- ❑ Capitalization Policy and Procedures
- ❑ Investment and Cash Management Policy
- ❑ Debt Policy





# *Next Steps*

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1. If concurrence, prepare policy draft
2. Timing: End of May

