

CAPITAL IMPROVEMENT PROGRAM (CIP)
Frequently asked questions (FAQ's)

CIP Overview General FAQ's

1. The Capital Improvement Program is a 20-year document compiling all the infrastructure needs for this planning time period.

Yes, the Capital Improvement Program compiles all anticipated project within the planning period. This allows the City to plan for its infrastructure replacement and repair needs over a longer timeframe and to gather additional information as needed before any funds are budgeted or spent.

2. Each Department (water, streets, wastewater, storm drain, electric, etc.) has a master plan. This plan outlines what subject matter consultants, independent of the city, recommend the city do to keep infrastructure functioning at high service levels.

Yes, a master plan, facility plan and/or a combination of assessments done outside of a master plan develop all of the maintenance/capital needs within a planning period. It includes a thorough analysis of current and projected capital repairs and investment needed to provide the same standard of service over time while meeting known regulatory requirements.

3. These plans are the source document for the full list of CIP projects.

Yes, City staff generate the Capital Improvement Program document utilizing the Council adopted master plans as the source to produce the full 20-year CIP.

4. The first two years has the most refined project estimates.

Yes and no. There is a mixture of project refinement within the 2-year CIP document, Projects that are under development in the preliminary or final engineering phase have had construction costs updated and these are accounted for in the CIP. Other projects' costs are still at the beginning planning level developed within the master plans themselves.

Examples include the storm drain projects recently discussed at the March 2, 2021 Council Study Session, which are considered class 5 level estimates and shown that way in the CIP document. On the other side, the East and West Forks Rehabilitation line project is in final engineering phase and the construction estimate is class 2. Classes become more refined the lower the number as noted in the chart below.

Generally, when project cost is estimated in a master plan there is a contingency (30%) and an accuracy range of -50% to +30% associated with the estimate. This accounts for the 30,000' high project level definition with a lack of specific scope

elements. This formal project scope is generated and defined as you move through the engineering phases (preliminary/final). See table below developed by the American Association of Costing Engineers to provide a better understanding of how costs can change from the start to finish of a project. Also, as a general rule if “right of way” or “easements” are required for a project, that cost is not estimated in a master plan as these costs can vary significantly based on market conditions and negotiations.

AACE Class	ANSI Classification	Typical Use	Project Definition	Expected Range of Accuracy		Other Terms
				Low Expected Actual Cost	High Expected Actual Cost	
Class 5	Order-of-Magnitude	Strategic Planning; Concept Screening	0% to 2%	-50% to -20%	+30% to +100%	ROM; Ballpark; Blue Sky; Ratio
Class 4		Feasibility Study	1% to 15%	-30% to -15%	+20% to +50%	Feasibility; Top-down; Screening; Pre-design
Class 3	Budgetary	Budgeting	10% to 40%	-20% to -10%	+10% to +30%	Budget; Basic Engineering Phase; Semi-detailed
Class 2	Definitive	Bidding; Project Controls; Change Management	30% to 75%	-15% to -5%	+5% to +20%	Engineering; Bid; Detailed Control; Forced Detail
Class 1		Bidding; Project Controls; Change Management	65% to 100%	-10% to -3%	+3% to +15%	Bottoms Up; Full Detail; Firm Price

5. The budget process only allocates funding to the two-year portion of the Capital Improvement Plan, not the full 20.

Yes. The budget includes the funding for projects to be tackled during the biennium.

- a. The out-year project cost estimates are conceptual. As the work scope is better defined, the estimates will be honed.

Yes, project costs are refined as the project moves through the engineering phases.

- b. Additionally, priorities and needs change. The out-year projects also change.

Yes. An example of this is includes the improvements to the wastewater treatment plant that were pushed past 2030 due to a reduction in water consumption by the community. The treatment capacity was not required

and thus the project itself was not originally required in the timeline developed in the wastewater master plan. This is also why it is important to update the CIP every two years as part of the budget cycle and to update the master plans/studies every 7-10 years to ensure system needs are addressed appropriately.

- c. Example, you know you need a roof in 5 years. In that year five, the roof may be doing great, but the furnace needs to be replaced. Clearly the plan gets shuffled. Similar on a larger scale with CIP.

Yes.

- 6. Our CIP list acts like an ideal list. The plan includes the projects the City Departments would like to accomplish, again, based on their respective master plans.

Yes. Projects are added or removed to the list dependent on the facilities needed to serve the community.

- a. Some are driven by regulatory needs, others by end-of-life cycle, others still are lower priority.

Yes, and therefore staff has added categories into the CIP spreadsheet that mark if the project is meeting a regulatory requirement, providing required capacity, eliminating a deficiency, and/or life cycle improvement. This information is meant to provide more context on what issue the project is resolving. Staff's expectation is to also update the narrative sheets in the next budget cycle to include this information and will provide this type of critical information in the staff reports that go before Council for award of engineering/construction contracts for the CIP projects.

- b. Not all will be approved and completed.

Yes, that is the reality of the situation.

- 7. It follows that, though the list is approved the projects on that list are NOT considered approved. Each project must come before council at all stages of the project, from concept, design, detailed engineering, contracting and build. At any point council can vote down the project.

- a. An example of this a few years ago was the Nevada Street Bridge project. The bridge was on the CIP list and had partial grant funding, however, the project was not approved to move forward by the City Council and was requested to be re-assessed in an update to the Transportation System Plan.

This is correct, generally each project on the list requires numerous specific Council actions from start to finish. These include approval of preliminary engineering, final engineering, and construction contracts. In addition, if the project has grants or a

debt service mechanism the Council accepts grants and approves the financing for the projects (revenue bonds/loans).

What Council's Vote to Accept the CIP Means:

- Regardless of Council's vote, the plan is still loaded into the Budget.

Yes, the 2-year CIP is part of the BN 2021/23 request for appropriations.

- Regardless of Council's vote, the first two years of the plan are allocated funds.

Yes, if approved through the budget process. However, if approved in the budget process, there is not blanket approval to move forward. As discussed above, Council will need to take several distinct actions regarding capital projects.

CIP Funding FAQ's

Impacts Ashland's ability to access funding resources:

1. Lenders and grantors look at the council's acceptance or rejection of the CIP plan in their funding decisions. Many institutions require a commitment to the CIP plan from the local jurisdiction to secure funding.
 - If the Council does not support the plan lenders may charge higher rates for funding and revenue bonds may be harder to secure.
 - Funding institutions may deny funding applications all together
 - Conversely, rejection of the plan makes the city a higher credit risk, increases the cost to borrow, and may result in not receiving funding at all.
2. Would grant funding similarly impacted?

When the City goes after grant funding, the primary component that requires an answer is, "is this project in an adopted plan?". If the recommended CIP (current information) is not accepted, then the answer to this question for staff is no. You could fall back to the acceptance of the original master plan document to say yes, but that is disingenuous and would not be indicative of the current policy established by Council from non-acceptance.

3. With the current Federal Administration focus on infrastructure including potential low interest and grant funding for infrastructure projects, having master plans and the approved CIP likely will be key to obtaining funding?

Yes, having adopted plans including the CIP and potentially shovel ready projects go to show commitment and support for infrastructure projects. This support benefits any application for low interest or grant funds provided through the Federal Government as part of any infrastructure package.

The second critical component of this is having the appropriate rate structure approved and in place, which shows the City has a dedicated and stable funding source to make the required debt service payments over the course of the note.

4. Projects in the CIP include tasks needed to prepare property for designation as surplus and subsequent sale. Such sales generate one-time revenue resulting from disposition of the property, if and when approved by Council.

Yes, this includes Hardesty site development and building construction project that spans across the Street Fund, Wastewater Fund and Storm Drain Fund. Once complete the City can move forward with a surplus action for the B Street yard property. This also includes potential discussion and planning moving forward with the Imperatrice property. Surplus of both Imperatrice and the B Street yard could provide additional un-accounted for revenue.

Increased cost due to regulatory non-compliance, deferred maintenance, and emergency repair FAQ's:

1. Failing to meet regulatory requirements due to deferred maintenance results in fines and potential lawsuits.

Yes. Federal and State agencies can levy fines and file lawsuits against the City for noncompliance with standards and for failing to maintain assets in a manner that protects against noncompliance.

2. Emergency repairs, as compared to pre-planned repairs, have greater adverse impacts on rate payers due to their emergent nature and unpredictable timing.
 - Similar to if a homeowner's cleanout cap is broken and the homeowner puts off repair. When the line backs up, and it is a holiday, it will be comparatively more expensive to have the plumbing issue repaired.
 - The expense is driven not only by timing but a repair that is more complex than the initial broken cleanout cap.

Yes. When repairs are delayed, the costs increase due to increased complexity of the repair and increases costs of goods and services. When an emergency repair is needed, the costs are higher than when planned and it is harder to manage the competitive procurement process because fewer options are available in the time needed.

CIP funding assumptions as they pertain to Food and Beverage (F&B) allocation FAQ's:

1. The current CIP assume that the F&B allocation will reimburse the Wastewater Fund or go to the Street Fund.

Yes, currently the Street Fund budget and associated CIP projects were built under the existing F&B ordinance. Staff has recommended that the City not use future F&B revenues to repay the wastewater fund the one years' worth of debt payment (saving the fund over \$100k). The CIP also includes the presumed percentage allocation developed in the existing ordinance between Streets (73%), Parks (25%) and the Administration fee (2%).

2. With the assumption the allocation will go to the Street Fund, what projects were added or which projects are supported, by the funding originally intended for Wastewater?

No projects were added to the Street CIP that were not currently defined. The projects in the CIP were already developed and/or postponed from the current biennium due to the loss in revenue overall, including Gas Tax and F&B. The projects are essentially re-allocated for the BN21-23 budget with minor bicycle and pedestrian changes as recommended by the Transportation Commission. Not repaying the WW fund the one-year debt payment back is a way to backfill the Street Funds loss of overall revenue and starts to put projects back on track, specifically the much needed roadway rehabilitation projects for Ashland Street and North Mountain Avenue. All revenue sources for the Street Fund would be used to cover debt service payments associated with these capital projects.

3. By accepting the CIP plan with the F&B assumptions baked in, before the Council takes up the F&B allocation, may be using funds that Council has not yet had a chance to address.

Staff can adjust to the City Council's policy decisions in the coming months on the source and amount of funds going to Streets and generate recommendations on how best to proceed with a change in project revenues. Staff will continue to recommend and state that current funding levels do not adequately address capital needs, allowing the City streets to continue to deteriorate.