


SULTAN PLANNING BOARD
AGENDA ITEM COVER SHEET

ITEM NO: Discussion
DATE: March 20, 2007
SUBJECT: Capital Improvement Plan

CONTACT PERSON: Deborah Knight, City Administrator



SUMMARY:

The issue before the Planning Board is an introduction to the 2008-2013 Capital Improvement Plan and a discussion of evaluation criteria used to prioritize capital projects.

The City of Sultan is in the process of developing a set of evaluation criteria to prioritize capital project investments. A draft set of criteria are included as Attachment B. City staff are seeking feedback from the Planning Board on the proposed criteria prior to returning to Council.

BACKGROUND:

The Growth Management Act requires that communities prepare and adopt a Capital Facilities Element in their Comprehensive plans (Revised Code of Washington 36.70A.070). Revisions to the City's Capital Improvement Plan should be reassessed annually to confirm that long-term financial capacity exists to provide adequate capital facilities pursuant to Revised Code of Washington 36.70A.070(3)(e).

Funding alternatives for the Capital Improvement Plan (CIP) have both short- and long-term impacts on the City's annual stream of revenues to support the CIP. Decisions by the City to expand existing sources of revenue, take out short-term notes, or issue non-voter approved (councilmanic) bonds affects the City's ability to fund future projects. The flexibility of future CIP revenues and the City's ability to achieve its long-term goals depends on the financing strategies the City uses to fund its major priorities.

On February 22, 2007, the City Council directed staff to begin the annual CIP adoption process outlined in Attachment A.

DISCUSSION:

2008-2013 Capital Improvement Plan

The CIP is the tool for evaluating, planning and implementing the recommendations of individual studies such as the Industrial Park Master Plan, General Sewer Plan, Water System Plan, and Water Quality Report, and to meet concurrency requirements (public improvements made concurrent with growth) under the Growth Management Act.

The Capital Improvement Program (CIP) should not be confused with the capital budget. The capital budget represents the first year of the capital improvement plan. The capital budget is a city's annual appropriation for capital spending and is the legally adopted city budget. The capital budget authorizes specific projects and appropriates specific funding for those projects. The capital budget is usually adopted in conjunction with the the city's operating budget and provides the legal authority to proceed with specific projects.

Projects and financing sources listed in the CIP for years other than Year 1 (years 2-6) are not authorized until the annual budget for those years is legally adopted. Years 2-6 serve only as a guide for future planning and are subject to further review and modification in subsequent years.

With approval of the proposed 2007 Capital Budget, the City will be ready to begin the process of evaluating and prioritizing projects for the 2008-2013 Capital Improvement Plan.

In addition, the City needs to begin the process of preparing the 2008-2013 Six-Year CIP in order to have capital project expenses and funding sources identified for the 2008 budget.

Preparing and adopting a six-year capital improvement plan is a year long endeavor.

Capital Improvement Evaluation Criteria

Private sector capital budgeting decisions are determined by measuring the incremental cash flows associated with the project - the present value of cash outflows and cash inflows. If the net present value of a project is greater than or equal to zero, a company should invest in the capital project.

The costs of government projects can be expressed in dollars, but the benefits cannot always be expressed in dollars. For example, what is the dollar value of clean air, landscaped roadways, or a community center? While all of these consequences have value, not all of these values have a market price or monetary equivalent.

Governments use evaluation criteria as a tool to more objectively rank capital projects and establish capital project priorities. Evaluation criteria must be carefully developed to be workable and lead to meaningful results. Above all, the rating process should result in a selection of projects that reflect the community's highest priority needs; otherwise, the process should be revised.

There are several advantages to developing and using evaluation criteria

- Encourage agreement on priorities – Developing criteria encourages decision makers to focus on the goals they have set and to reach consensus on which of these goals are priorities.
- Provide an objective basis for assessing capital projects – A clearly defined set of evaluation criteria can help to make the process for prioritizing capital projects more rational.
- Facilitate comparisons among diverse types of projects – Governments compare a wide variety of capital projects. As the list of projects gets longer, the ability of decision makers to compare different projects in light of state policy objectives becomes more difficult. Evaluation criteria can make these comparisons easier.

Criteria are based on and support the goals and policies in the Comprehensive Plan. The Comprehensive Plan is the starting point for developing the evaluation criteria and determining community priorities.

Some governments use a process which results in numerical ranking of projects. Projects are scored with respect to each criterion, and these scores are summed and used to rank projects.

The types of evaluation criteria that are used will depend on the government's specific goals and policies.

The City of Bellevue has developed separate criteria for transportation (8 criteria), Parks (12), general government (7), public safety, neighborhood enhancement (annually adopted areas of focus), and surface water (8).

The City of Kirkland has 11 criteria divided into six categories: fiscal, plan consistency, neighborhood integrity, transportation connections, multimodal and safety. A separate set of criteria are used for parks and surface water projects to prioritize projects within dedicated funding sources.

The City of Minneapolis uses five criteria: project priority, adopted 5-year plan, contribution to city goals and qualitative criteria (quality of life, public benefit, environmental quality, collaboration, job creation, and cultural impacts).

The District of Columbia uses nine criteria and a point factor system to evaluate transportation projects.

ANALYSIS:

There are some generally acceptable principles for developing evaluation criteria:

1. Criteria should clearly articulate the community's priorities. Council, community members and staff should understand how projects will be rated.
2. Criteria should result in a selection of projects that meet critical needs and rejection of projects which do not meet critical needs.
3. Criteria should be practical in terms of cost, time and available personnel. The types of data or information needed to assess projects should be readily available. Subjective judgment may be needed to estimate certain impacts.

The types of evaluation criteria that are used by local governments depend on the specific goals and policies. Harry Hatry and Annie Miller identified a number of criteria categories that are frequently used to evaluate capital projects in their *Guide to Setting Priorities for Capital Investment*. These are summarized as follows:

1. Legal mandates – Is the project needed to meet federal or state mandates?
2. Fiscal and budget impacts - What is the total capital costs, impact on the operating budget, and availability of federal/state assistance to fund the project?
3. Health and safety impacts – does the project reduce the number of deaths, injuries, or illnesses in the community?
4. Economic Development Impacts – Does the project promote the economic vitality of the community?

5. Environmental, aesthetic, and social effects – Does the project reduce noise or pollution levels, improve the appearance of the community or ensure community values are achieved?
6. Project feasibility – Does the project demonstrate that it can be implemented as planned? Is the timing, phasing and proposed funding reasonable?
7. Distribution effects – Do proposed projects contribute to balance in the program?
8. Disruption/inconvenience – How much disruption is caused by the project?
9. Impacts of deferral – What are the implications of deferring the project?
10. Uncertainty/risk – What is the degree of risk or uncertainty inherent in the project?
11. Interjurisdictional effects – What are the effects of the project on regional relationships?
12. Relationship to other projects – Are there advantages of the project accruing from its relationship to other projects?

FISCAL IMPACT:

None at this time

RECOMMENDED ACTION:

Discuss the proposed capital improvement plan evaluation criteria.

ATTACHMENTS

- A. 2008-2013 CIP Adoption Strategy and Timeline
 - B. Proposed evaluation criteria
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2008-2013 Capital Improvement Plan
Adoption Strategy and Timeline

1. CIP Staff Committee reviews evaluation criteria options – February
2. Evaluation criteria reviewed by public works committee – March
3. Open House showcasing CIP projects, distribute comment sheets – March 13, 2007
4. Press release with community “call-for-projects” – Friday, March 30, 2007
5. CIP Staff Committee prepares inventory of proposed projects – February/March
 - Capital Facilities Element
 - Transportation Element
 - Parks and Recreation Element
 - Water/Sewer Plan
 - Water Quality Plan
6. Council reviews and approves evaluation criteria – March/April
7. Staff presents proposed project list for evaluation to council committees – April/May
 - Get feedback on proposed project list for evaluation
8. Staff presents proposed project list to City Council - May/June
9. CIP team begins evaluation process – Team meetings
 - Motorized Transportation Evaluation
 - Non-Motorized and Parks
 - Water and Sewer
 - Surface Water and Facilities
10. Report back to council committees– June
 - Get feedback on preliminary CIP
11. Staff report to Council - July
 - Release Preliminary CIP for public comment - July/August
12. Open House – September
13. Presentations to Planning Board
 - Introduction of Preliminary CIP – July
 - Return to prepare for recommendation to City Council – August
 - Recommendation to City Council – September
14. Report back to council committees – September
 - Update on public process and feedback from Community
15. Council Presentations
 - Recommendation from Planning Commission – September
 - Discussion – October, November
 - Adoption - December

City of Sultan
Capital Improvement Plan
Evaluation Criteria

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Prioritization	3	2	1	0
	Protection of Public Health and Safety			
PUBLIC HEALTH AND SAFETY	Project needed to alleviate existing health or safety hazard.	Project needed to alleviate potential health or safety hazard.	Project would maintain current health or safety status.	No health or safety impact associated with project.
	Cost Effectiveness			
OPERATING BUDGET	Project is a viable alternative, which will result in decreased operating costs or contribute to revenues.	Funding is available for long-term maintenance and stewardship.	Project will have some additional operating costs and/or personnel additions, which might impact programs and services.	Funding this project would have negative impacts on other City projects, programs, or service delivery.
AVAILABILITY OF FINANCING	Project revenues will support project expenses and/or grants, partnerships, and mitigation are available to reduce City share.	Non-city revenues have been identified or applied for. Reduction in proportion of City revenues likely.	Potential for non-city revenue is marginal.	The project is not a candidate for private funding, grants, or partnerships.
COST TO BENEFIT RATIO	Return on investment for the project can be computed and is positive.	There may be some potential for return on investment.	Return on investment is unlikely.	Return on investment is negative.
	Benefit to the City and/or Region			
ENVIRONMENTAL QUALITY	The project protects key habitat values.	The project will improve environmental quality of the city.	Project may improve environmental quality of the city.	Project will have no effect on the environmental quality of the city.
EXTERNAL REQUIREMENTS	Project is required by law, regulation or mandate or is required to provide concurrency per GMA.	Project is required by agreement with other jurisdictions.	Project to be conducted in conjunction with other jurisdictions.	Project has no components which need to be coordinated with other jurisdictions or regulators.
RELATION TO ADOPTED PLANS	Project is identified as a priority in a formal plan which Council has approved and/ or is required to provide concurrency per GMA.	Project can be shown to meet goals and objectives listed in adopted plans.	Overall project is marginal with regard to meeting adopted goals and objectives.	Project has few components which meet goals and objectives of planning documents.
SUB TOTAL				

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City of Sultan
Capital Improvement Plan
Evaluation Criteria

Prioritization	3	2	1	0
ECONOMIC DEVELOPMENT	<p>Consistency With and Support of Economic Development Goals</p> <p>Project will support the vitality of the existing tax base and encourage capital investment, increase tax base, improve job opportunities, attract customers, or produce public or private revenues.</p>	<p>Project will encourage three or four of the following: capital investment, increase tax base, improve job opportunities, attract customers, or produce public or private revenues.</p>	<p>Project will encourage one or two of the following: capital investment, increase tax base, improve job opportunities, attract customers, or produce public or private revenues.</p>	<p>Project will not encourage any of the following: capital investment, increase tax base, improve job opportunities, attract customers, or produce public or private revenues.</p>
OPPORTUNITY	<p>Sharing or Reuse of Facilities, Timing, and Opportunity</p> <p>Deferred action will eliminate future opportunities to meet project objectives or significantly increase the project costs.</p>	<p>Deferred action may eliminate the opportunity to meet some project objectives.</p>	<p>Minor aspects of the project may require alteration if the project is deferred.</p>	<p>The project can be deferred without negative consequences.</p>
TIMELINESS	<p>The project has significant scheduling requirements; i.e. grant eligibility, mitigation availability, dependence on timely sharing or re-use of other facilities, and/or coordination with other projects.</p>	<p>Project will allow the city to take advantage of sharing or reusing available facilities or benefit from the timing of other projects.</p>	<p>Minor efficiencies would be realized by timely re-use or sharing of facilities and/or coordination with other projects.</p>	<p>Use of available facilities or coordination with other projects is not available on this project.</p>
VISION STATEMENTS	<p>The project will achieve nearly all of the following items:</p> <ol style="list-style-type: none"> 1) maintain Sultan's small town feeling 2) emphasize recreation opportunities 3) enhance the natural environment 4) improve the City's visual image 5) diversify retail services 6) encourage small business 7) improve employment opportunities 	<p>This project will achieve some of the following items:</p> <ol style="list-style-type: none"> 1) maintain Sultan's small town feeling 2) emphasize recreation opportunities 3) enhance the natural environment 4) improve the City's visual image 5) diversify retail services 6) encourage small business 7) improve employment opportunities 	<p>This project will achieve a few of the following items:</p> <ol style="list-style-type: none"> 1) maintain Sultan's small town feeling 2) emphasize recreation opportunities 3) enhance the natural environment 4) improve the City's visual image 5) diversify retail services 6) encourage small business 7) improve employment opportunities 	<p>This project is in conflict with or does not achieve any of the following items:</p> <ol style="list-style-type: none"> 1) maintain Sultan's small town feeling 2) emphasize recreation opportunities 3) enhance the natural environment 4) improve the City's visual image 5) diversify retail services 6) encourage small business 7) improve employment opportunities
QUALITY OF LIFE	<p>The purpose of the project is to improve the appearance of neighborhoods (residential/commercial), meet a community obligation to serve a special need population, and/or provide for stewardship of natural resources.</p>	<p>Project components will improve the appearance of neighborhoods (residential/commercial), meet a community obligation to serve a special need population, and/or provide for stewardship of natural resources.</p>	<p>Project components may improve the appearance of neighborhoods (residential/commercial), meet a community obligation to serve a special need population, and/or provide for stewardship of natural resources.</p>	<p>Project will not improve the appearance of neighborhoods (residential/commercial), meet a community obligation to serve a special need population, and/or provide for stewardship of natural resources.</p>