

Capital Planning Overview: State and Local Government Summary

The following document provides an overview of the capital budgets and status of the capital improvement plans (CIPs) currently undertaken by the State of Illinois and other local governments monitored by the Civic Federation.¹

Although many governments approve new and reappropriated capital spending on an annual basis, few public entities in Illinois have based these expenditures on comprehensive CIPs.

According to best practices for capital budgeting a complete CIP includes the following elements:²

- A comprehensive inventory of all government-owned assets, with description of useful life and current condition;
- A narrative description of the CIP process including how criteria for projects were determined and whether materials and meetings were made available to the public;
- A five-year summary list of all projects and expenditures per project as well as funding sources per project;
- Criteria for projects to earn funding in the capital budget including a description of an objective and needs-based prioritization process;
- Publicly available list of project rankings based on the criteria and prioritization process;
- Information about the impact of capital spending on the annual operating budget of each project;
- Annual updates on actual costs and changes in scope as projects progress;
- Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project; and
- An expected timeframe for completing each project and a plan for fulfilling overall capital priorities.

Once the CIP process is completed, the plan should be formally adopted by the governing body and integrated into its long-term financial plan. A well-organized and annually updated CIP helps ensure efficient and predictable execution of capital projects and helps efficiently allocate scarce resources. It is important that a capital budget prioritize and fund the most critical infrastructure needs before funding new facilities or initiatives.

According to the National State Budget Crisis Task Force Report on Illinois, over the next 30 years it will cost more than \$300 billion to address the current infrastructure needs in the State of Illinois, including roads, bridges, aviation, government facilities, mass transit, aviation, water systems and public education facilities.

State of Illinois

The [FY2014 capital budget](#) marks the fifth year of the State's \$31 billion *IllinoisJobsNow!* capital program. The capital budget included the reauthorization of \$18.8 billion in previously

¹ The information included in this brief are summarized from the most recent Civic Federation budget analyses available and include data from varying fiscal years depending on each governments budget cycle.

² National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

approved projects and \$3.4 billion in new appropriations, bringing the total current spending authority to \$22.2 billion.

The total spending approved in the FY2014 capital budget includes funding from the State, as well as grants from the federal government and local matching funds to pay for projects. The State's annual capital budget is presented separately from the operating budget and is not part of the annual General Funds expenditures.

The State of Illinois does not have an established and publicly available capital improvement plan (CIP) to explain the prioritization of projects in the capital budget or an overall needs assessment for all state-owned assets. Although a [list of more than 4,000 appropriations](#) accompanies the capital budget document, no planning documents are available to explain the prioritization of projects or estimates of total capital needs for the State. The capital budget book describes a process coordinated by the Capital Development Board and the Governor's Office of Management and Budget to assemble and prioritize the projects in the capital program, but no documentation of the process, comprehensive needs assessment or final ranking of projects was included with the budget. Some of the important elements of a CIP that are missing from the Governor's proposed capital budget include:

- A comprehensive inventory of all state-owned assets, with description of useful life and current condition;
- A five-year summary list of all projects and expenditures per project as well as funding sources per project;
- Criteria for projects to earn funding in the capital budget including a description of an objective and needs-based prioritization process;
- Publicly available list of project rankings based on the criteria and prioritization process;
- Information about the impact of capital spending on the annual operating budget of each project;
- Annual updates on actual costs and changes in scope as projects progress;
- Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project; and
- An expected timeframe for completing each project and a plan for fulfilling overall capital priorities.

Although the current capital budget is not based on a statewide CIP many of the appropriations approved by the State fund capital expenditures by agencies and other governments that have approved and updated annual CIPs including the [Illinois Department of Transportation](#), the [Regional Transportation Authority](#) and other local governments.

City of Chicago

Mayor Emanuel announced a Building a New Chicago initiative in mid-2012. It is a ten-year infrastructure program that involves coordination and cooperation between the City, coordinate agencies such as the Chicago Public Schools and the private sector.

The City published a [five-year capital plan for FY2013-FY2017](#) as part of its most recent budget. This is the second CIP released by the Emanuel administration. No CIP was published for the FY2011-FY2015 period. The CIP provides a brief overview and extensive list of projects for the next five years of capital spending.

The FY2013-FY2017 CIP included \$7.9 billion of total project funding. The spending will primarily be paid for with bond funds (52.9% of the total or \$4.2 billion). City of Chicago pay-as-you-go funds will provide nearly \$2.2 billion or 27.1% of all funding. Federal funds will be used to finance 11.7% or \$930.1 million in projects. Smaller sums will be derived from the state, tax increment financing districts and other funds.

The CIP published by the City for FY2013-2017 lacked the following elements:

- A narrative description of the CIP process;
- Information about the impact of capital spending on the operating budget;
- Narrative descriptions of individual projects including purpose, need, history and current status of each project; and
- Formal public hearings including available time for stakeholders to testify.

The City of Chicago does not formally adopt its CIP and it is unclear if it is integrated into its internal long-term financial plan.

Cook County

Through the FY2013 budget cycle Cook County did not have a formalized CIP process outside of the proposed appropriations and limited information included in its annual budget documents. The [Civic Federation's analysis of last year's County budget](#) included a recommendation that the government undertake a CIP process with a needs assessment and prioritization of projects.

As part of the [recently released FY2014 budget](#), Cook County has [published the results](#) of a capital asset condition assessment, which includes a needs based prioritization process used to develop a new 10-year CIP. The proposed capital plan includes \$1.9 billion of infrastructure investment through FY2023, of which \$205 million would be spent in FY2014. These projects are ranked using a facilities condition index and include \$13.8 million of projects deemed to be currently critical and \$82.7 million of projects listed as potentially critical. The CIP includes an overview of the total \$1.9 billion proposed infrastructure investment by category of need and area of expense as well as some narrative description of the projects to be undertaken. The document also includes a list of all of the projects included in the CIP and the annual amounts needed for each to complete the plan.

The FY2014 capital budget proposes \$74.7 million in recommended capital equipment purchases based on \$145 million in requests from County Departments. These requests range from medical equipment for the hospital system to office furniture and county vehicles. A short description of

the process for vetting the requests is included as well as information about the County's Vehicle Steering Committee and mention of a 2013 condition assessment of the County's fleet. One criteria used in the process of qualifying equipment purchases for the 2014 budget was a usable life of over five years and the eligibility for tax-exempt bond proceeds to be used to make the purchases.

The final section of the FY2014 Cook County capital budget pertains to the five-year transportation plan for 2013 through 2017. The County maintains its own transportation and highway system that is 100 years old as of 2013 and includes 1,469 miles of paved roads, 134 bridges and 351 traffic signals. The transportation plan includes construction costs and maintenance cost of \$187.7 million of which \$47.0 million is proposed for FY2014. However, the total cost of the five-year transportation plan including engineering, bond service fees and other expenditures is estimated at \$330.7 million.

Although the additional planning, prioritization and long-term cost estimates are a significant improvement from previous capital proposals by the County, other elements of a comprehensive CIP still appear to be lacking. The budget document explains in detail how projects were ranked, but it does not provide the actual rankings of the proposed expenditures. The budget does not identify how the investments, outside of the transportation plan, will be funded. In the past the Civic Federation has been concerned with the use of long-term bond proceeds by the County to purchase short-term assets similar to the recommended equipment purchases included in the budget.

The Federation is currently preparing its analysis of the FY2014 County budget and its position regarding recommended capital spending proposals is forthcoming.

Forrest Preserve District of Cook County

The Forest Preserve District published a Final FY2012-FY2016 Capital Improvement Plan (CIP) in January 2012 and the District's FY2013 budget included additional information about capital expenditures. The District proposed \$134.3 million in projects over that five-year period. The CIP provided information on capital projects by location, category and timing. Opportunities were provided for public input on the CIP at six different County locations. Additional meetings were held with stakeholders and advocates in August 2011 and public comments have been posted on the District website.

However, the District's 2012-2016 CIP and the FY2013 Executive Budget Recommendation did not adequately explain the 2012 bond issuance totaling \$110 million prior to the bond sale. The Forest Preserve District released its [2013-2017 CIP](#) on December 5, 2012. The document was also produced with input from the public and included additional information on how the bond proceeds would be spent, such as a list of projects with costs and funding sources. The FY2013-FY2017 CIP included some narrative descriptions of projects and the costs of the proposed projects over the next five years.

To improve the District's CIP document and planning process the Civic Federation has recommended the following measures:

- The capital projects undertaken by the Brookfield Zoo and the Chicago Botanic Garden should be subjected to the same standards of disclosure as those initiated for the District, particularly those projects funded by taxpayer-supported bond issuances. The Zoo and the Garden have a "financially integrated relationship to the District" as the District owns the land sites and their annual property tax levy request is subject to Board approval;
- Each project page should have specific information about anticipated operating costs including the number of full-time equivalent (FTE) positions to be added or removed and dollar estimates of any changes in operating expenses. It is important that the District evaluate the potential operating costs or savings of new facilities before investing capital dollars;
- Each project page should have the current project status including whether it has been completed, is in progress or has not yet begun;
- A reader's guide should be added to explain the charts and terminology used in the report.
- The District should specifically describe how its capital needs are determined and identify on each project page where the project fits in terms of the prioritization criteria (guiding principles) set out in the initial pages of the CIP in addition to whom it will benefit; and
- The Board of Commissioners should formally approve the CIP, recognizing that it is a planning document; the time and date for this formal approval should be announced in the CIP.

Chicago Public Schools

Beginning in FY2013 a new State law, [Public Act 97-0474](#), required CPS to prepare and publish a five-year capital improvement plan. It was amended in [Public Act 97-1133](#) to also require the development of a [10-year Educational Facilities Master Plan](#). That plan was completed in September 2013 and used to guide the development of the FY2014 capital budget and five-year capital improvement plan. The District published its second Annual Capital Expenditure Report on September 29, 2013, which aimed at providing a comprehensive picture of the utilization, capital needs, and future direction for CPS's physical infrastructure.

[CPS maintains a CIP website](#) featuring a summary page for each project. The project summaries provide information regarding a project's type and category, status, amount budgeted and corresponding budget year, anticipated start and completion dates, funding source and the purpose and scope of the project.

Overall, the CPS capital improvement plan meets the requirements of P.A. 97-0474 for a five-year capital plan as well as most of the best practice requirements as defined by GFOA and the National Advisory Council on State and Local Budgeting Practice.

In April 2013, [CPS approved an amended FY2013 capital budget](#) which added \$363.7 million on top of the original FY2013 capital budget of \$109.7 million. The supplemental spending is intended to address the needs of schools that will experience an influx of new students coming from schools that will be closed as a result of the District's School Utilization plan. CPS refers to these schools as "welcoming schools" and will spend \$155.0 million in investments and

improvements including furniture and cosmetic upgrades, air conditioning, libraries and computers labs, building repairs, increased food service capacity, improvements to ADA (Americans with Disabilities Act) accessibility and expansion of the STEM (Science, Technology, Engineering, Mathematics) programs.

As a result of the increased spending in FY2013, CPS proposed making some changes to the FY2014-FY2017 capital budget. Capital funding in FY2014 increases from \$98.0 million to \$162.0 million. However, in years FY2015 through FY2018, [the capital plan](#) will be scaled back to approximately \$156.0 million or \$157.0 million per year, reflecting the district's ongoing financial difficulties.

Metropolitan Water Reclamation District

The MWRD annually updates and appropriates funding for projects in a five-year capital improvement program. The FY2013-FY2017 CIP proposed nearly \$1.2 billion in funding for a variety of projects. The first year of the new CIP was the FY2013 capital budget, which totaled \$248.4 million in annual spending.

The MWRD's CIP includes a comprehensive list of ongoing projects and new proposed projects over the next five years (FY2013 to FY2017) as well as funding sources. The District manages its capital resources by means of a needs-based prioritization process that includes details regarding the total cost and timeframe for completion of all infrastructure improvements and expansions.

The largest portions of MWRD's capital spending will be used for Water Reclamation and Solids Management projects, which totaled \$509.4 million. Approximately 19.0% of all capital spending, or \$220.9 million, will be earmarked for Replacement of Facilities; 14.7%, or \$171.2 million, is earmarked for the Tunnel and Reservoir Plan; 12.1%, or \$140.4 million, is reserved for Stormwater Management; and 10.5%, or \$122.5 million, will be used for the District's Collection Facilities.

The majority of funding for the MWRD capital program comes from capital improvement bonds, which will make up 80.7% of all funding between FY2013 and FY2017, or \$939.8 million. The remaining funding will consist of pay-as-you-go funding from the Stormwater and Construction Funds.

City Colleges of Chicago

The City Colleges originally developed a CIP in 2006. It included a comprehensive survey of all existing capital assets conducted by a team of architects and engineers, a condition assessment of all existing capital assets and a cost estimate related to the ongoing replacement and maintenance of those assets. Since then the [CIP has been updated annually as part of the budget process](#).

At the direction of Chancellor Hyman and Board of Trustees Chair Paula Wolff, an Ad Hoc Construction Committee was created in 2012 with the purpose of overseeing the progress of the capital and construction projects for the new Malcolm X College campus and the new Olive-Harvey Transportation, Distribution and Logistics (TDL) Center. Since its formation in July 2012, the Committee has met every other month. At the meetings, updates on the progress of the

capital projects are presented, and the Committee asks questions and provides input. Similar to the City Colleges Board of Trustees meetings, the Ad Hoc Construction Committee meetings are open to the public and notice of upcoming meetings is provided on the District's website. The Civic Federation commends City Colleges for maintaining transparency in its decision-making practices as it undertakes significant capital advancements throughout the District.

In its [FY2014-FY2018 CIP](#) City Colleges has identified \$554.7 million in capital needs. Construction of the new Malcolm X College will require 45.3% of this amount or \$251.2 million.

Chicago Park District

As part of the Park District's capital planning process, it annually publishes a list of ongoing projects and new proposed projects for the next five years along with funding sources. The [FY2013-FY2017 CIP was published in spring 2013](#), although a summary of the forthcoming plan was included in the District's FY2013 Budget Summary released in November 2012.

The CIP proposes \$284 million in projects over the next five years. Of that amount, \$150 million will be obtained from new general obligation bond proceeds. The remaining \$134 million is expected to come from a variety of outside sources, including city, state and federal grants as well as private grants and donations. The largest anticipated source of outside funds will be City of Chicago grants at \$81.2 million.

Although the Chicago Park District publishes an extensive list of projects and a description of the major projects to be undertaken, similar to the City of Chicago, the District's CIP does not include the following elements:

- A comprehensive inventory of all District-owned assets, with description of useful life and current condition;
- A narrative description of the CIP process including how criteria for projects were determined and whether materials and meetings were made available to the public;
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