

WELCOME TO THE



**Michigan
Municipal
Executives**

2024 Winter Institute



Infrastructure Planning Best Practices

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Agenda

- Welcome
- Capital Improvement Plans (CIP's)
- Rates Studies
- Funding Options for Infrastructure
- Budgeting – Tying it together

Welcome/Introduction



- Why is Infrastructure Planning Important?



Capital Improvement Plans (CIP's)

- Why is it Important
- Good or great CIP
- Capital Assets vs CIP



CIP Things to Consider – Maintenance Programs



- Maintenance, repair and small improvements on current system
- Lining instead of dig and replace
- CCTV and root cutting
- Valve replacements
- Spot repairs



Rate Studies

- Budget analysis
 - Trend analysis
- Debt analysis
 - Refunding (“Refinancing”) availability
 - Maturity and early payoff analysis
- Proof of rates to revenue
 - Is everyone being billed correctly?
 - Outside customer treatment
 - Billable vs. pumped/treated flow analysis



Rate Studies (cont'd)

- Potential pitfalls
 - Not forecasting long term to avoid knee jerk reactions
 - Pre-planning for future needs (avoid hindsight regret)
 - Not analyzing large user fluctuations and changes
 - Need to have constant communication if you have a large user on system
- Long-term financial planning
 - User rates
 - Cash and debt funded capital improvements
 - Cash reserves



Rate Studies (cont'd)

- Administrative allocation best practices
- Cash reserve best practices
- Inflationary increases
 - Supplier system needs
 - Operating expense increases
 - Construction cost inflation
 - Inflation concerns
 - Staffing turnover
 - Covid
 - EGLE regulations
 - Employee wage increases
 - Unforeseen vs. controllable

Funding Options for Infrastructure

- Grants
 - Inflation Reduction Act (“IRA”) Rebates
- Earmarks
- Cash reserves
 - Long-term planning
 - Separate designated replacement fund?
- Debt financing



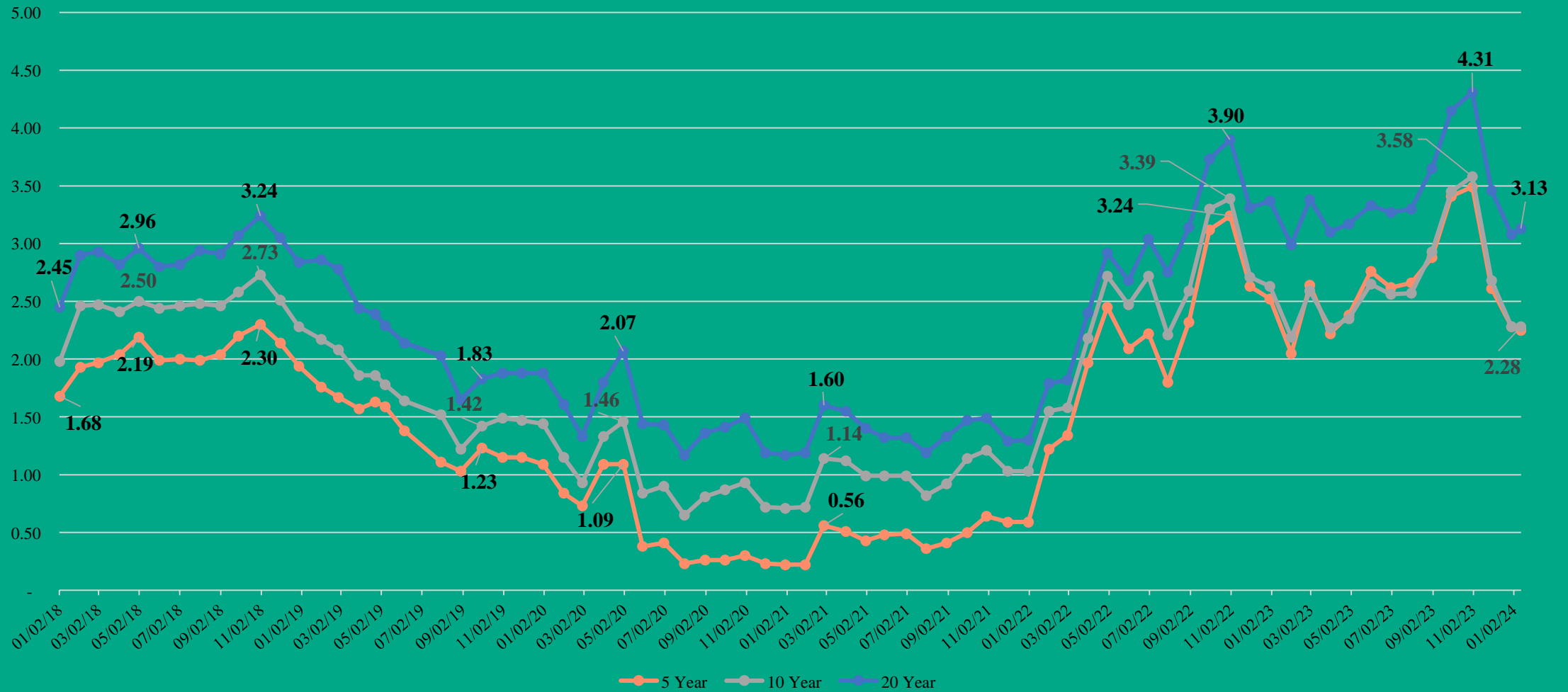


Cash vs Debt – Pros and Cons

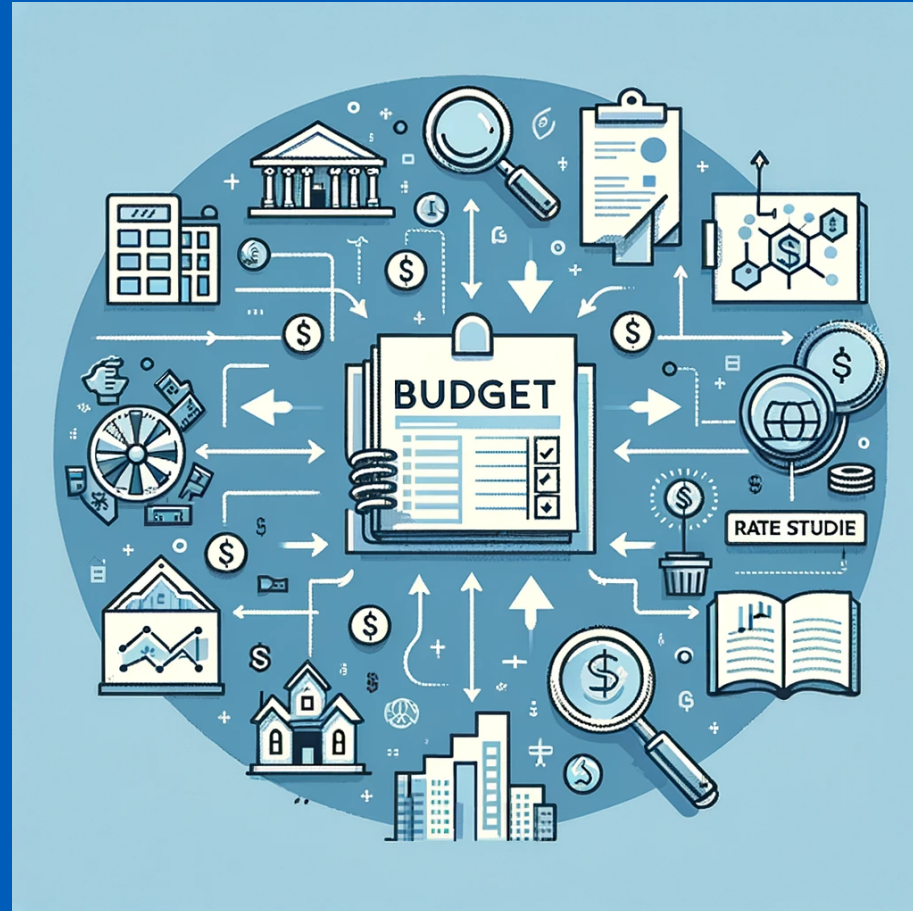
- Cash funding pros and cons
 - Pros
 - No interest cost to borrow
 - No bond fees
 - Cons
 - Generally, user rates are higher for current customers
- Debt funding pros and cons
 - Pros
 - Limits initial user rate impact
 - Spreads out cost of improvement over time to customers utilizing asset
 - Immediate improvement of system without needing past reserve savings
 - Cons
 - Interest and fees



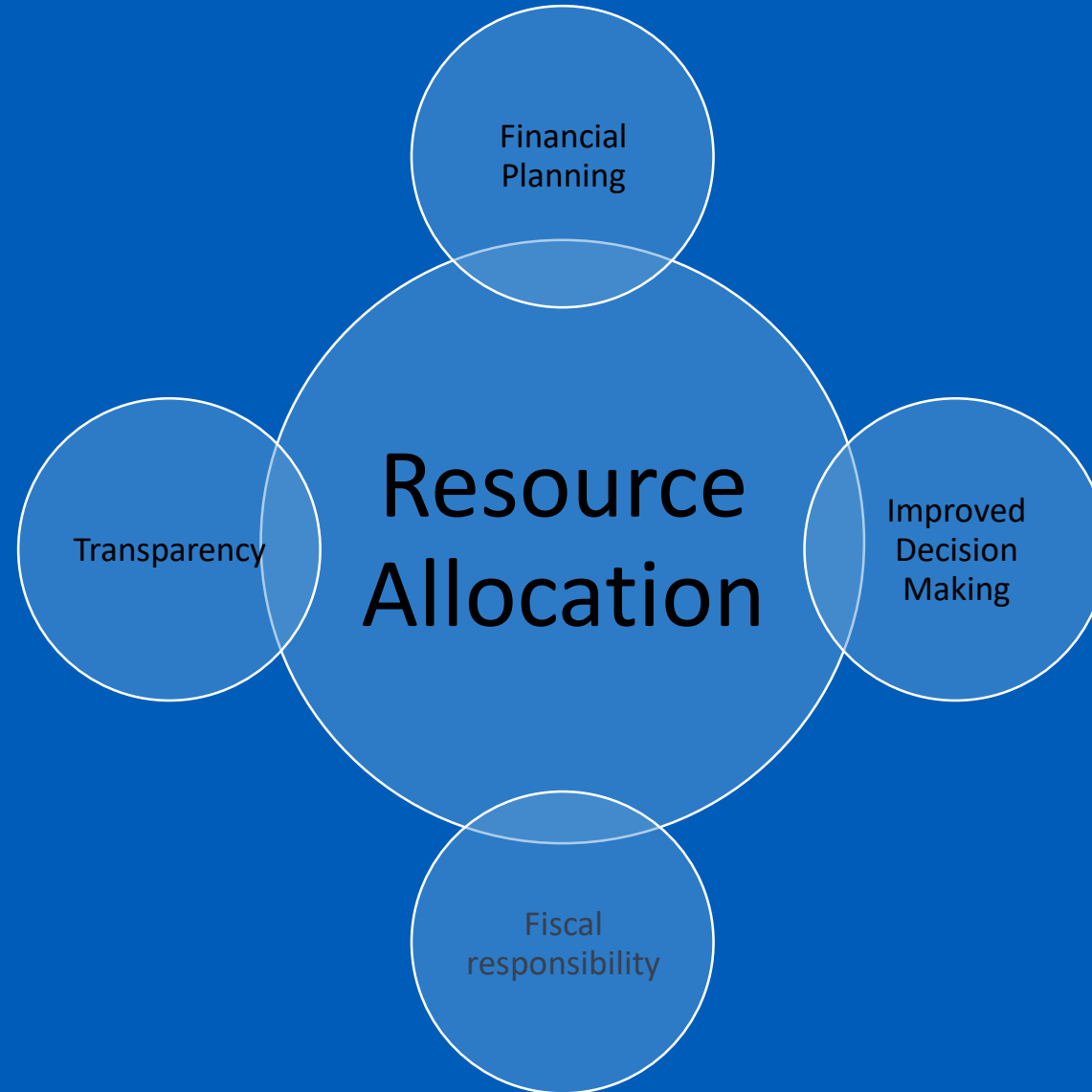
Tax-Exempt Interest Rate Trend



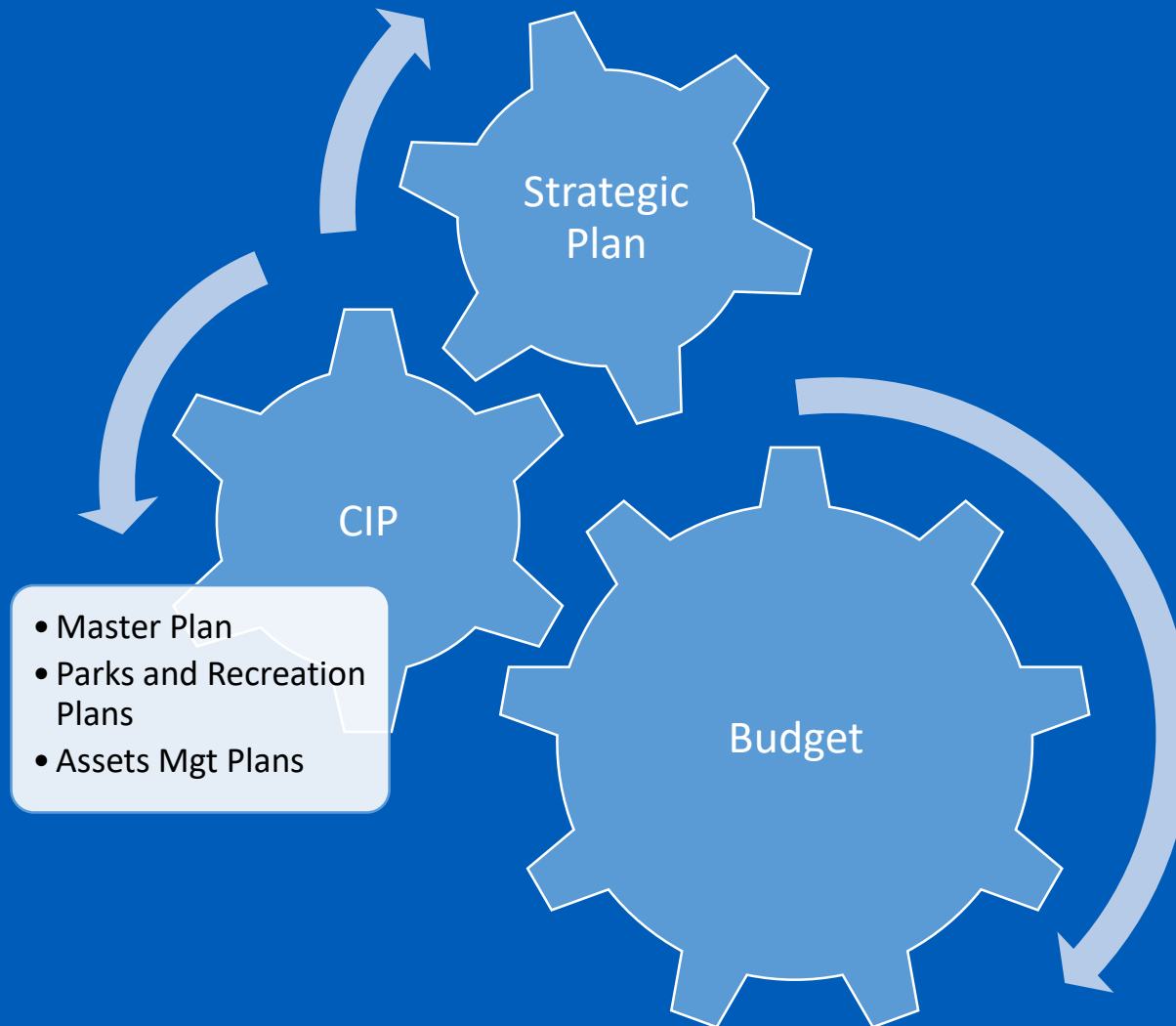
Budget – Tying it together



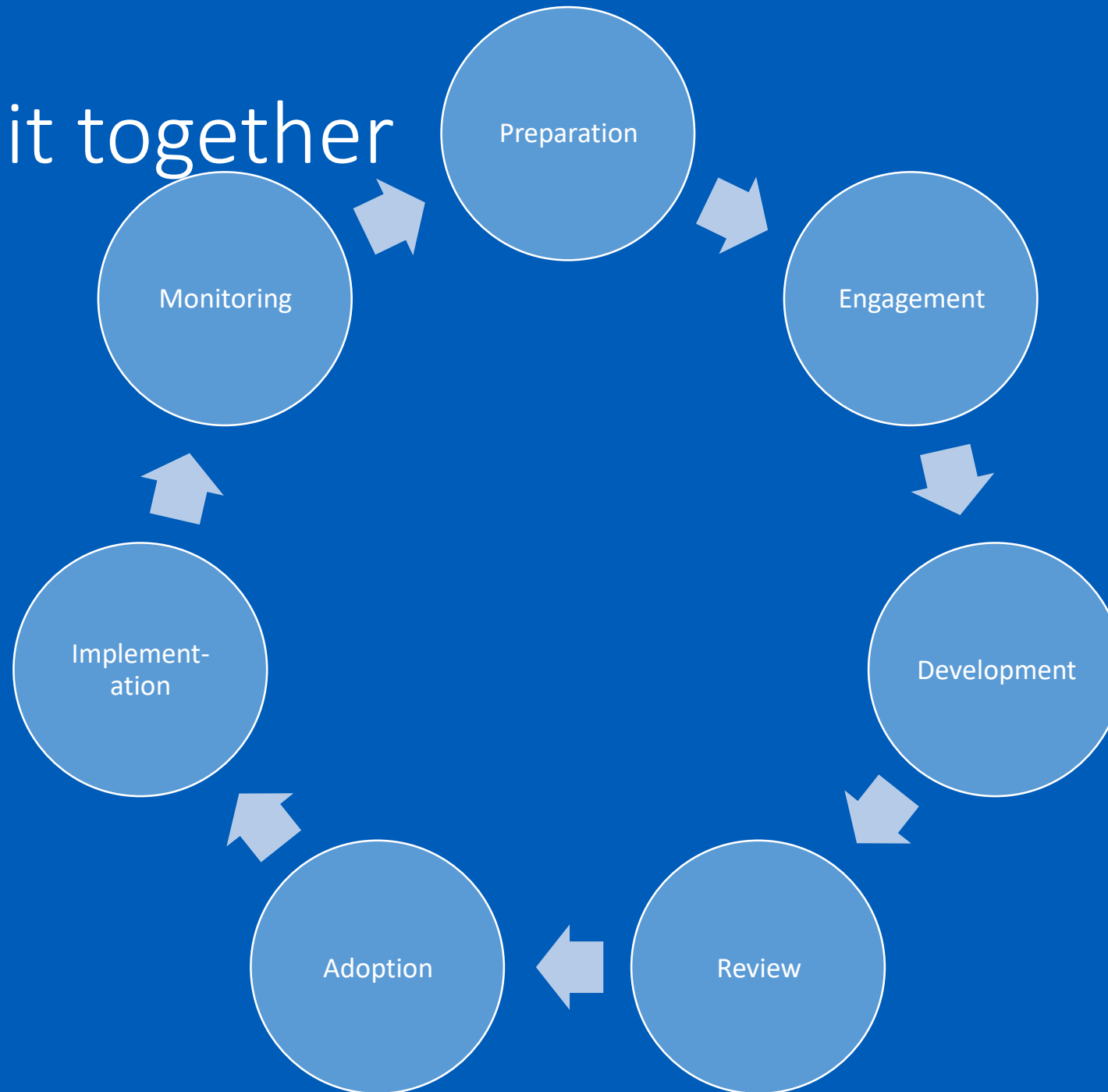
Budget – Tying it together



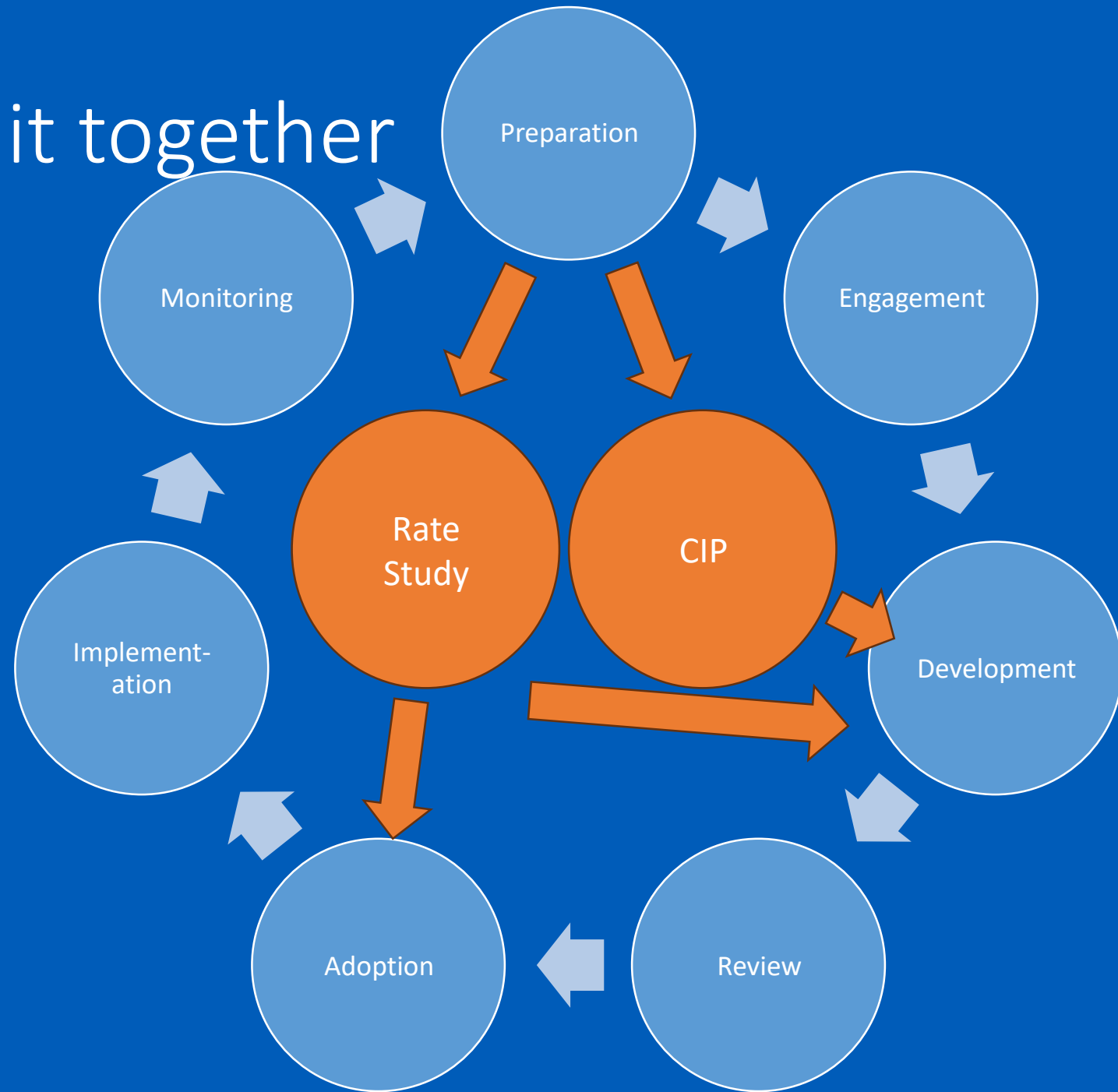
Budget – Tying it together



Budget – Tying it together



Budget – Tying it together





Wrap-Up

- Consistently updating CIP is vitally important to understand and adequately fund utility systems
 - Do a deep dive and see the whole picture
 - Conservative estimates on capital improvement forecasts
 - Consistently review outstanding debt and perform in-depth/holistic cash flow analysis
- Important to have engineer and/or financial advisor in your corner always assessing and reassessing grant options
- Inflationary rate increases

Questions?



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