

WELCOME TO THE



Michigan
Municipal
Executives

2026 Winter Institute

Leveraging Forecasting During the CIP Process

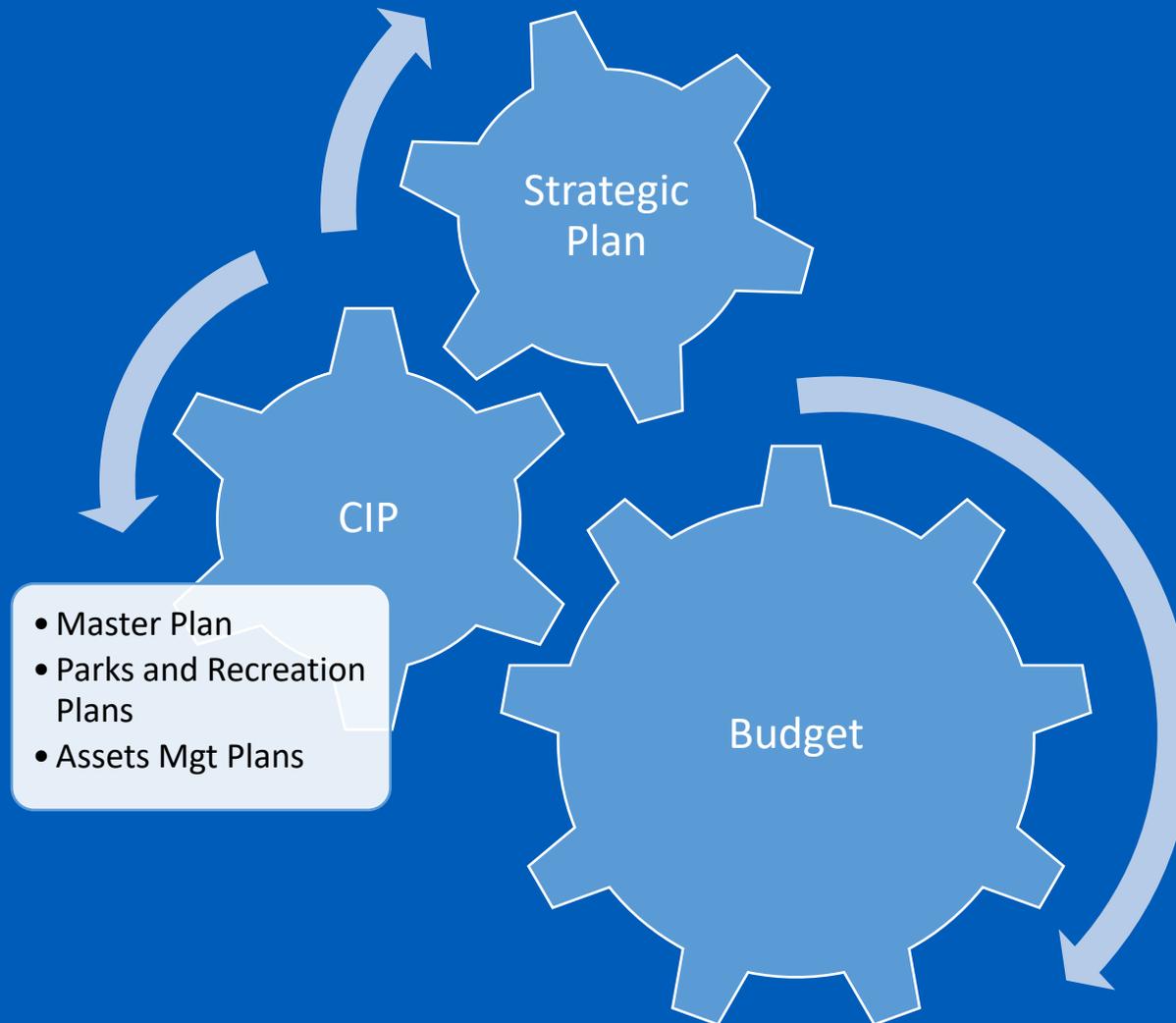
Rod Taylor



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Why Capital Planning Matters in Michigan



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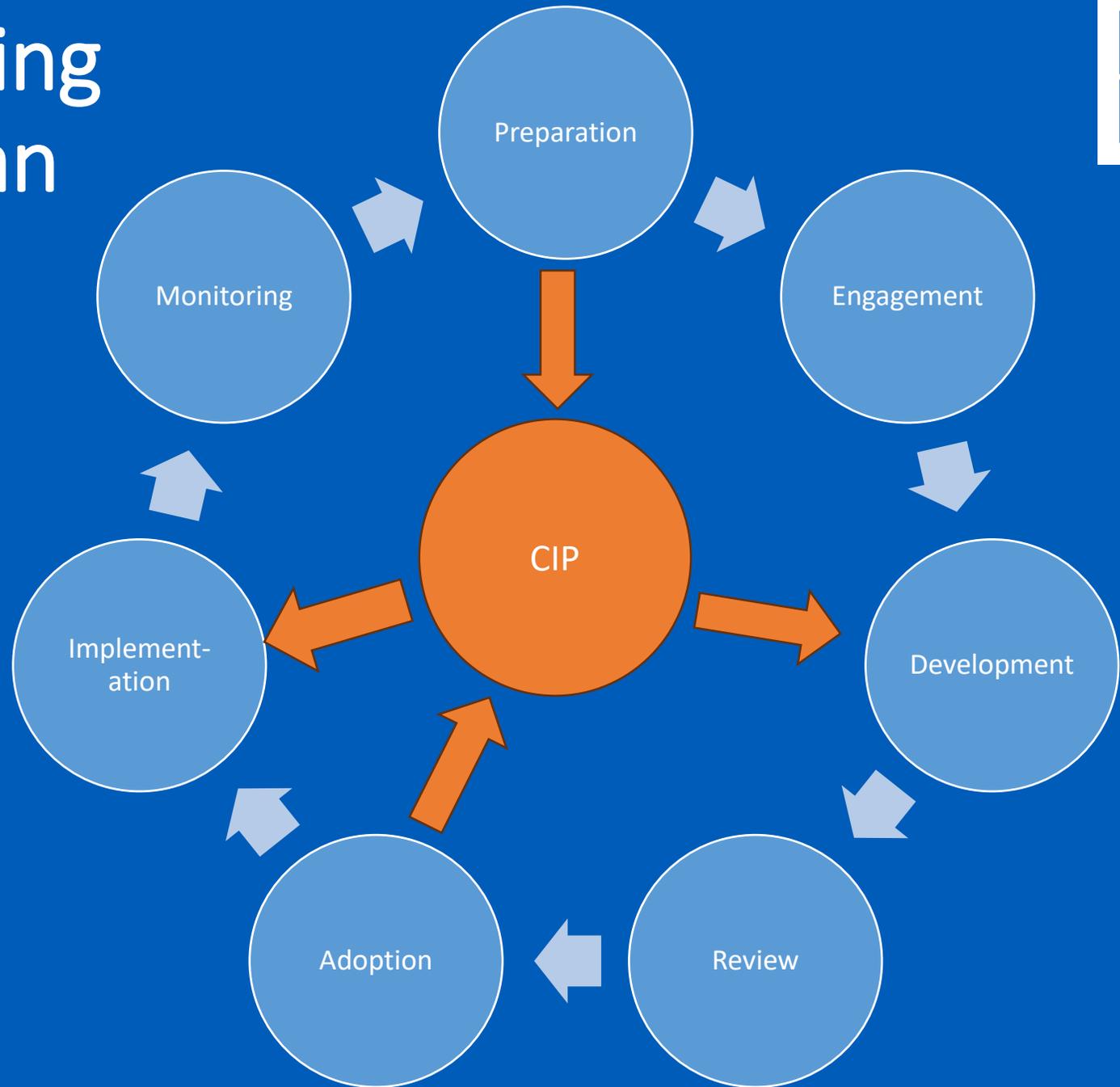
- Capital improvement planning requirements under PA 33
- Benefits of CIP
 - Planning
 - Informing the public
 - Better decisions
 - Keep boards from overspending
 - Establish utility rates
- Who can prepare a CIP
 - Staff driven
 - Committee based
 - Consultant supported



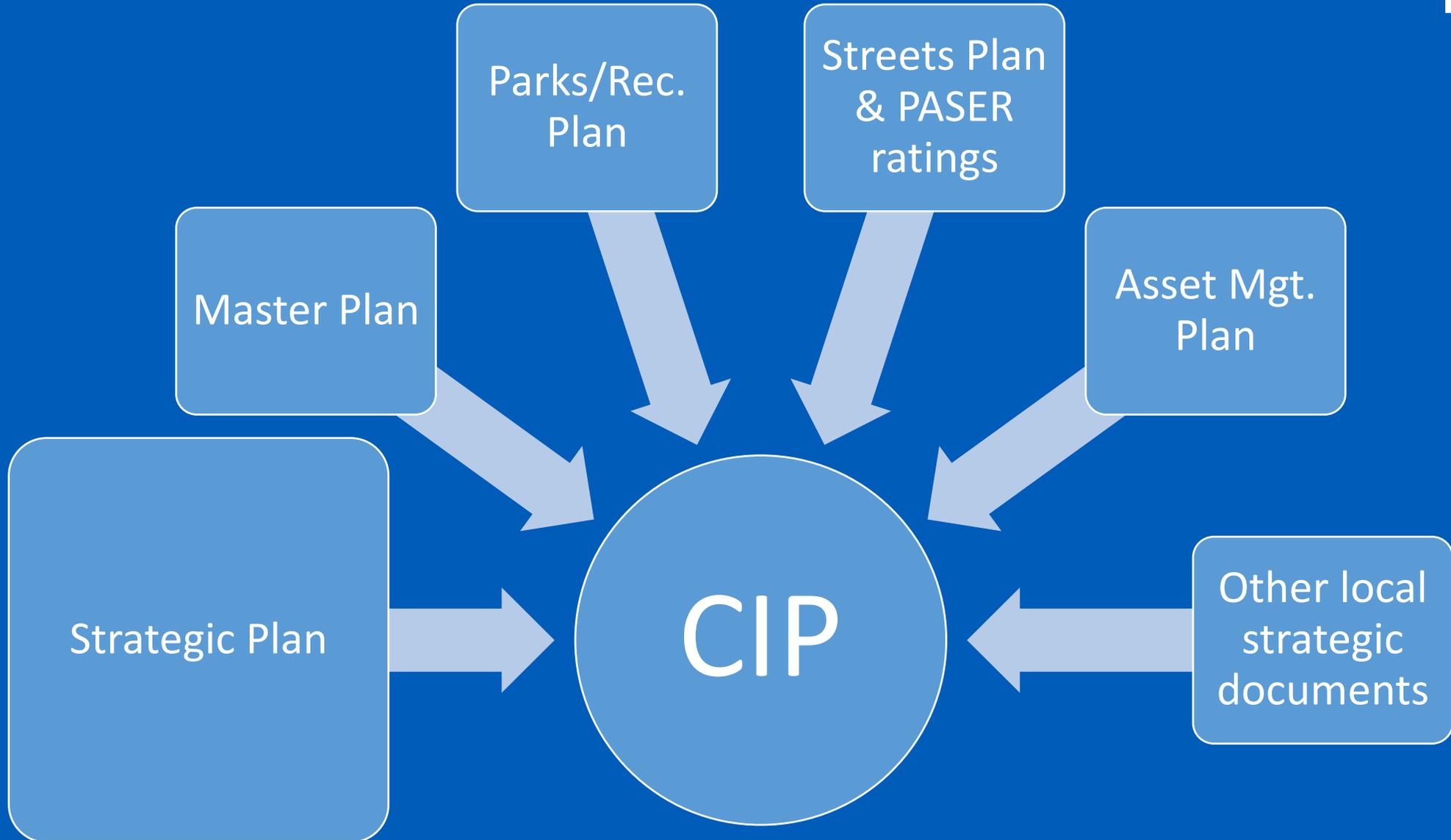
CAPITAL IMPROVEMENT PLAN

CIP PRIORITIES					
SIPET	PLIOCT	PROGEICS	PROJITES	COMMUNIT	PLAN
COMMUNY CNEAN PLUAT	COMMUNITY INPUCT	CREMLEERT IAGCLEVENT	CAMMERRACY AEPODMEN	LIEEN RGAIMELOW	PLLAN PLEW
MPVOEST	REAT	RAADEE	COMMUNITY CEPULIN NDOPKED ILBDES IMPDRANNT	DEKFBALL PLAN	DOAKED PNLUD

Why Capital Planning Matters in Michigan



Start With Strategy Not Projects



Turning Strategy Into Priorities



- Defining what belongs in a CIP
 - Physical infrastructure only?
 - CIP overview
 - Last CIP project status
 - Time period
 - Details on project
- Capital Assets
 - GASB 34
 - Threshold used to recognize asset for tracking on financial statements
 - For accounting purposes
- CIP
 - Budgeting and planning tool
 - Considering reviewing the value used for capital assets and CIP





Ranking System

- Public Safety and Health (20%)
- Maintain existing service or infrastructure (20%)
- Impact on operating cost or revenue (15%)
- Timing/Location (15%)
- Quality of life (13%)
- Economic Development and Growth (12%)
- Useful Life (5%)

Linking CIPs to Financial Forecasts and Rates



- Integrate the CIP in a long-range financial model
 - Enables a better understanding of capital needs on overall budget
 - Test impact of cash-funded or debt-funded capital
 - Establish capital reserve fund or committed/assigned fund balance to preserve unspent capital allocations
 - Include capital costs in short- and long-term utility rates
- Added value
 - Allows smoothing of rate impacts over time
 - Helps plan for and manage “spikey” capital schedules
 - May help illustrate why insisting on paying cash for large purchases is not advisable (requires significant time and pushes other needed projects out even further)

Debt is Bad! (perception vs. reality)



- Perception: government budgets are just like personal budgets
 - Avoid debt
 - Save & pay cash (or don't buy it!)
 - Interest is an unnecessary expense
- Reality: debt can be an effective and efficient tool to pay for government capital
 - Government debt is relatively affordable
 - Long service life assets should be paid by current and future rate/taxpayers (generational equity)
 - Debt payments help smooth annual spending (less cash volatility)
 - Allows critical needs to be met today while enjoying the benefits over time

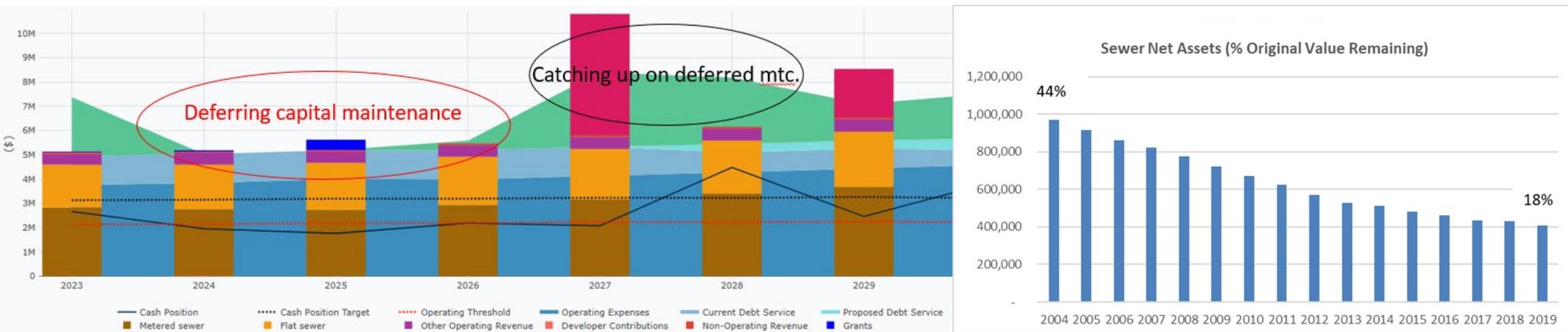
CITY OF MITOWN															
CAPITAL IMPROVEMENT PROGRAM															
PROJECTS AND FUNDING SOURCES															
Inflation multiplier		1.04		FYE 6/30:	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
PROJECT (Fund Name)	Fund #	Est. Cost Now	Est. Year	Funding											
GF	Depot Renovations Phase 1	101	800,000	2032	Debt	-	-	-	-	-	973,322	-	-	-	
GF	Depot Renovations Phase 2	101	1,000,000	2033	Debt	-	-	-	-	-	1,265,319	-	-	-	
GF	Park Amenities	101	50,000			-	-	-	-	-	-	-	-	-	
GF	Walkability Trails	101	100,000			-	-	-	-	-	-	-	-	-	
GF	Tot Lots - Cyclone & Lakeside Parks	101	27,000			-	-	-	-	-	-	-	-	-	
GF	Parking Upgrades - neighborhood parks	101	50,000			-	-	-	-	-	-	-	-	-	
GF	Pickle Ball	101	50,000			-	-	-	-	-	-	-	-	-	
GF	General Fund Capital Projects	101	150,000	Annual	Cash	150,000	156,000	162,240	168,730	175,479	182,498	189,798	197,390	205,285	213,497
MS	Major Street Project	202	300,000	Annual	Cash	300,000	312,000	324,480	337,459	350,958	364,996	379,596	394,780	410,571	426,994
LS	Local Street Project	203	475,000	Annual	Cash	475,000	494,000	513,760	534,310	555,683	577,910	601,027	625,068	650,070	676,073
DDA	Re refurbish Light Poles/Garbage Cans	248	60,000	2027	Cash	60,000	-	-	-	-	-	-	-	-	-
DDA	New Public Restrooms	248	150,000	2028	Cash	-	156,000	-	-	-	-	-	-	-	-
SWR	Sewer Lining	590	125,000	Annual	Cash	125,000	130,000	135,200	140,608	146,232	152,082	158,165	164,491	171,071	177,914
SWR	Generators at Pump Station #2	590	247,800	2033	Cash	-	-	-	-	-	313,546	-	-	-	
SWR	South Clarifier Refurbishment	590	354,000	2027	Cash	354,000	-	-	-	-	-	-	-	-	
SWR	Rotating Biological Contactor (RBC) Replacement	590	7,080,000	2029	Debt	-	-	7,657,728	-	-	-	-	-	-	
SWR	Pump Station #1 Replacement	590	849,600	2030	Cash	-	-	-	955,684	-	-	-	-	-	
SWR	Pump Station #2 Replacement	590	849,600	2034	Cash	-	-	-	-	-	-	1,118,016	-	-	
SWR	Pump Station #3 Replacement	590	1,132,800	2036	Cash	-	-	-	-	-	-	-	-	1,612,328	
WIR	Main Replacement Program	591	850,000	Annual	Cash	850,000	884,000	919,360	956,134	994,380	1,034,155	1,075,521	1,118,542	1,163,284	1,209,815
WIR	Filter Media Replacement	591	1,203,600	2031	Debt	-	-	-	-	1,408,042	-	-	-	-	
WIR	Backwash Tank Improvements	591	120,360	2027	Cash	120,360	-	-	-	-	-	-	-	-	
WIR	SCADA Upgrades at WIP	591	354,000	2036	Cash	-	-	-	-	-	-	-	-	503,852	
WIR	Decommission 1962 Storage Tank	591	566,400	2031	Cash	-	-	-	-	662,608	-	-	-	-	
WIR	Generator	591	21,240	2029	Cash	-	-	22,973	-	-	-	-	-	-	
WIR	Lead Service Line Replacement (complete by 2030)	591	500,000	Annual	Cash	500,000	520,000	540,800	562,432	-	-	-	-	-	
	TOTAL					\$2,934,360	\$2,652,000	\$10,276,541	\$3,655,358	\$4,293,381	\$3,284,963	\$3,982,971	\$3,618,286	\$2,600,281	\$4,820,472

- CIP in long-term financial model
- Identify estimated year of outlays
- If no specific projects identified, use estimated values for planning purposes
- Account for inflation
- Test impact of cash vs. debt financing

Using the CIP to Support Better Decisions and Communication



- Illustrate the consequences of deferring capital
- Use the CIP to plan new debt as existing debt rolls off
- Build a foundation for effective communication and transparency





Tools to Implement a CIP

- Examples of CIP evaluation/scoring systems
 - Capital request forms
 - Alignment with strategic priorities
 - Funding
 - Timing
 - Need
 - Scoring matrix & tools
- Moving from plan to adopted budget
 - Once prioritized, capital needs are assigned a plan year based on funding capacity and alignment with other projects
 - Align with existing debt schedules



Why the CIP Matters



- Communicates long-term priorities and tradeoffs
- Manages expectations for timing and funding
- Demonstrates due diligence and fiscal discipline
- Connects strategy to budget decisions
- Builds transparency and trust in capital decisions



Q&A Discussion