Preparing the Five-Year Schedule of Capital Improvements

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Background

The **Five-Year Schedule of Capital Improvements** (Schedule) is one component of the Capital Improvements Element in the local comprehensive plan. (For more information on the other required components of the element, please see the *CIE Guidelines).* The Schedule is updated every year through an amendment to the comprehensive plan. The amendment must be adopted and transmitted to the Department of Community Affairs for review by December 1 of every year. The Schedule includes all capital improvements scheduled for construction within the community during the next five years.

Capital improvements are purchased or constructed physical assets which are large in scale and high in cost. Generally the cost is non-recurring and may require multi-year financing. The capital improvements that are required to be included in the Schedule are related to the facilities for which a **Level of Service Standard** has been adopted. These must include the facilities for which concurrency is required. (A community may also adopt a level of serve standard for its other facilities and services).

The facilities for which concurrency must be maintained are:

(1) Sanitary sewer
(2) Solid waste
(3) Drainage
(4) Potable water
(5) Parks and recreation
(6) Schools (beginning December 1, 2008)
(7) Transportation facilities, including mass transit.

The Level of Service Standards must be included in the Capital Improvement Element. A priority for your capital program will be ensuring that your facilities currently meet these adopted standards and that they will continue to do so in the future as growth occurs or other conditions change. A projection of future population is necessary, along with analysis that predicts where this population will be located.

You will need to compare the actual level of service at which these facilities are operating against the adopted standard. These data should be available through other parts of your local government or from state agencies, such as FDOT. If an outside entity provides some of these services (potable water, for example), the service provider should be able to provide current and projected level of service.

As you compare current and future level of service against the standard, take note of areas where deficiencies or shortfalls are occurring or may occur in the future.

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Providing funding for capital projects that will enable you to continue to meet the established level of service will need to be a priority as you thoughtfully allocate anticipated revenues against future needs.

The Schedule cannot be prepared until the local government has first identified the capital improvements that should be constructed to meet current and future needs. To identify these facilities, planners first prepare a **public facilities capacity analysis** to identify those facilities where demand exceeds capacity and those facilities where capacity exceeds demand. This analysis should address the current year and all future years through the long-range planning timeframe (at least 10 years).

The analysis should consider the demand created by development that has been approved by the local government even if that development has not yet been constructed. If the analysis identifies facilities that do not have enough capacity to meet existing or projected demand, projects that will increase capacity should be identified (alternatively, steps might be taken to reduce demand). Projects should be constructed in time to avoid issues with insufficient capacity. The plan amendment support document submitted with the annual update amendment should demonstrate that proposed capital improvements will maintain the adopted Level of Service Standards.

For those facilities where the backlog of needed projects is greater than the local government's ability to fund all the improvements in the five year schedule, include a long-term system or long-term planning strategies in the element that will address these deficiencies.

The location of development within the community should be examined to be sure that projects are targeted to the appropriate locations. Completing this analysis will result in knowing what facilities are needed, when they are needed, and where they are needed. The only other information that is needed to complete the Schedule is the estimated cost of each project and the source(s) of funds that will be used to finance the construction of each project.

Once this information is prepared, the following steps may be applied:

Step 1 - List Your Facility Needs That Are Identified in the Comprehensive Plan
Step 2 - List Your Facility Needs That Are Not Identified in the Comprehensive Plan
Step 3 - Identify Revenue Sources
Step 4 - Use of Fund Account System (if applicable)
Step 5 - Forecast Your Future Revenues
Step 6 - Expenditure Projections for Currently Scheduled Capital Improvements
Step 7 - Project Debt Service Funding Requirements for Current Capital Projects
Step 8 - Cost of New Capital Improvements
Step 9 - Project Your Increase in Operating Costs
Step 10 - Conduct a Fiscal Assessment
Step 11 - Deal with Revenue Shortfalls
Step 12 - Construct the Schedule of Capital Improvements

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Step 1 - List Your Facility Needs That Are Identified in the Comprehensive Plan

The Schedule must include the facility needs identified in the other elements of the comprehensive plan. Planners need to review each element of the plan and make a list of all the facilities that are identified as needed to be constructed during the next five years.

Very often, these facilities may be identified in the comprehensive plan's data and analysis or in its goals, objectives and policies section. Make a note of the section of the plan where the facility is identified as needed (page number, objective or policy number). Also make a note about when the facility must be completed in order to maintain the adopted Level of Service. Organize this information into a table. Include in the table the estimated cost of each capital improvement, and the construction start and finish dates.

Example of the product prepared as a result of completing Step 1:

Table 1: Capital Improvement Needs Identified in the Comprehensive Plan

Project Number	LOS Facility Type	Description	Target Dates	Estimated Cost	Source
1	Transportation	Widen 12th Street	Begin: 2007 Finish: 2008	$500,000	Transportation Element, Table 4.6
2	Transportation	Turn lanes on CR 790	Begin: 2007 Finish: 2008	$100,000	Transportation Element, Policy 3.2.1

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Step 2 – List Your Facility Needs That Are Not Identified in the Comprehensive Plan

In preparing the list from Step 1, you are likely to notice that certain capital improvements which are needed are not mentioned in the comprehensive plan. Make a list of any missing improvements which are necessary (from a concurrency perspective) for the local government to have in place or under construction during the next five years. Include a short justification or reason why each improvement is necessary. Also make a list of the capital projects that the local government is currently funding (under construction or scheduled for construction). Make a note of whether these projects are consistent with the comprehensive plan (if they are not, the plan element should be revised). Organize this information into a table.

Example of the product prepared as a result of completing Step 2:

Table 2: Other Needed Capital Improvements

Project Number	LOS Facility Type	Description	Target Dates	Estimated Cost	Source
1	Sanitary Sewer	Pump Station	Begin: 2008 Finish: 2008	$50,000	Special study completed in July 2006

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Step 3 - Identify Revenue Sources

Make a list of all the sources of revenue that your local government has available for financing capital improvements. Revenue sources include any source that can be used to fund capital projects. This list may include such revenue sources as property (ad valorem) taxes, public utility or user charges, general obligation bonds, revenue bonds, grants, gas taxes, enterprise funds, tax increment financing, developer contributions and impact fees. For each source indicate the amount actually collected during the past fiscal year. (Although they do not need to be listed, you will want to use the revenue level of several recent previous years in the course of projecting future revenues).

Example of the product prepared as a result of completing Step 3:

Table 3: Local Government Revenue Sources

REVENUE SOURCE	DOR Code	COLLECTIONS DURING FY 05-06
Ad Valorem Taxes	311000	$
Local Communications Services Tax		$
Local Occupational License Taxes[1]		$
Local Option Taxes	312100	
A. General Local Option Sales Surtaxes		
Charter County Transit System Surtax		$
Local Government Infrastructure Surtax		$
Small County Tax		$
School Capital Outlay Surtax		$
B. Local Option Fuel Taxes	312400	
County Local Option Fuel Tax (6¢ max.)		$
County Local Option Motor Fuel Tax (5¢ max.)		$
Ninth Cent Fuel Tax	312300	$
C. Discretionary Surtax on Documents		$
State Revenue Shared with Local Governments		
A. ½ ¢ Sales Tax (Cities and Counties)	335180	$
B. Municipal Revenue Sharing		$
C. County Revenue Sharing		$
Impact Fees		$
Stormwater Assessment		$
Stormwater Utility Fee		$
Public Service Tax		$
Franchise Fees		$
Private Funding		
A. Proportionate Share Contribution		$
B. Other Developer Contribution		$
C. Other (specify)		
Grants (specify)		
A. Federal (specify)	331390	$
B. State (specify)	334100	$
Other (specify)		$
TOTAL		$

Note: [1] Name changed to Local Business Tax by Legislature in 2006.

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Step 4 – Use of Fund Account System (if applicable)

The accounting system employed by most local governments record financial transactions in individual accounts which are called "funds." Records for each fund provide a complete accounting of fund assets, liabilities, reserves, equities, revenues and expenditures. Prepare a table listing the fund accounts used by your local government. Take the revenue sources listed in Table 3 and place them in the appropriate account and add the current revenues from Table 3.

Example of the product prepared as a result of completing Step 4:

Table 4: Fund Accounts

Funds and Revenue Sources	DOR Code	FY 05-06 (current budget)
General Fund		
Appropriate revenue sources from Table 3		$
FUND TOTAL		$
Capital Improvement Fund		
Appropriate revenue sources from Table 3		$
FUND TOTAL		$
Transportation Improvement Fund		
Appropriate revenue sources from Table 3		$
FUND TOTAL		$
Enterprise Funds		
Sanitary Sewer		$
Appropriate revenue sources from Table 3		$
FUND TOTAL		$
Solid Waste		$
Appropriate revenue sources from Table 3		$
FUND TOTAL		$
Potable Water		$
Appropriate revenue sources from Table 3		$
FUND TOTAL		$
Stormwater Drainage		
Appropriate revenue sources from Table 3		$
FUND TOTAL		$
TOTAL		$

Note: All figures in millions.

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Step 5 - Forecast Your Future Revenues

Take the fund accounts and associated revenue sources prepared in Step 4 and for each revenue source, project how much revenue you anticipate will be collected by that source for each of the next five years. For each forecast, write down the assumptions used in preparing the projection. It is likely that in some cases you will need to make estimates by looking at current levels and determining how local or economic trends will affect them.

For example, the amount of revenues that will be collected through ad valorem taxes will depend on the assessed value of property within the community (tax base), the assessment ratio and the millage rate. Make a note of the assumptions regarding these three variables that are used when preparing the forecast of ad valorem revenues.

In a similar fashion, keep good notes on the assumptions used to forecast each revenue source and the calculations used. The assumptions may change from year-to-year; for example, property values may be climbing one year and be relatively static the next. When updating the Schedule every year, it is important to know what assumptions were used to prepare the previous Schedule of Capital Improvements.

As a result of completing this step, you will have a forecast of expected revenues, by revenue source, for each fund for each of the next five years and extensive notes regarding the assumptions used to prepare the forecast.

Example of the product prepared as a result of completing Step 5:

Table 5: Revenue Projections Affecting Capital Improvements

FUND	DOR CODE	FY 05-06 (current budget)	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Same as Table 4		$	$	$	$	$
TOTAL		$	$	$	$	$

Notes: (1) All figures in millions. (2) The forecast of ad valorem revenue is based on the following assumptions:

Tax Base	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Taxable Value	5.456	6.002	6.602	7.262	7.988

Notes: All figures in billions. Projection assumes 10% growth rate per year for in the taxable value of property.

	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Ad Valorem Tax Yields	33.609	36.852	40.409	44.316	48.626

Notes: (1) All figures in billions. (2) Projection assumes a constant millage rate.

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Step 6 – Expenditure Projections for Currently Scheduled Capital Improvements

If your local government is currently financing some capital improvement projects, it is necessary to subtract the projected expenditures for these improvements from the total projected revenue in order to determine what fund has enough projected revenue to fund the new capital improvements listed in Tables 1 and 2. First determine the cost of the currently scheduled capital improvements (called Scheduled Capital Costs in Table 6).

Product prepared as a result of completing Step 6:

Table 6: Expenditure Projections for Scheduled Capital Improvements

FUND	FY 05-06 (current budget)	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Same as Table 4	$	$	$	$	$
TOTAL	$	$	$	$	$

Notes: (1) All figures in millions.

Step 7 – Project Debt Service Funding Requirements for Current Capital Projects

Project for the next five years the amount of revenue that will be used to meet your current debt payments for current bond issues or loans. These bonds probably relate to the capital projects currently being funded by the local government and which are included in the list of projects prepared during Step 6 or for past capital improvements that have already been completely constructed (and thus do not appear in Table 6).

Example of the product prepared as a result of completing Step 7:

Table 7: Loan and Bond Payments

Source of Funds to Pay Debt Service	FY 05-06 (current budget)	FY 06-07	FY 07-08	FY 08-09	FY 09-10	Total
Same as Table 4	$	$	$	$	$	$
TOTAL	$	$	$	$	$	$

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Step 8 – Cost of New Capital Improvements

The direct costs of the needed capital improvements included in Tables 1 and 2 represent additional costs the local government must incur in order to maintain adopted Level of Service Standards under projected growth conditions. These costs can be brought forward and displayed in a summary table by facility type.

Example of the product prepared as a result of completing Step 8:

Table 8: Needed Capital Improvements

Facility Type	FY 05-06 (current budget)	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Sanitary Sewer	$	$	$	$	$
Solid Waste	$	$	$	$	$
Stormwater Management	$	$	$	$	$
Potable Water	$	$	1.5	1.0	1.9
Parks and Recreation	$	$	0.065	$	$
Schools	$	$	$	$	$
Mass Transit	$	$	$	$	$
Traffic Circulation	$	$	$	$	$
TOTAL	$	$	1.565	1.0	1.9

Notes: (1) Cost data derived from Tables 1 and 2. (2) All figures in millions.

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Step 9 - Project Your Increase in Operating Costs

The capital improvement projects needed by the local government (Tables 1 and 2) have not only direct construction costs, but will also increase the total operating costs of the local government in order to maintain and operate these new facilities. Since these operation and maintenance costs are cumulative over time, as each new operating cost is incurred (following completion of the capital improvement) this operating cost must be carried forward and added to the costs incurred in successive years to assess the impact on total local government's operating costs. Prepare a projection of future operating costs based on the list of capital improvements prepared in Steps 1 and 2.

Example of the product prepared as a result of completing Step 9:

Table 9: Cumulative Operating Cost Increase Due to New Capital Improvements

Facility Type	FY 05-06 (current budget)	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Roadways	$	$	$	$	$
Sanitary Sewer	$	$	$	$	$
Solid Waste	$	$	$	$	$
Drainage	$	$	$	$	$
Potable Water	$	$	$	0.102	0.869
Recreation	$	$	$	0.003	0.006
Mass Transit	$	$	$	$	$
Total	$	$	$	$	$

Note: All figures in millions.

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Step 10 – Conduct a Fiscal Assessment

In order to pay for new capital improvements, sufficient revenues must be available during each of the next five years included in the Schedule. To see if there will be sufficient revenues, it is necessary to first determine how much the local government will spend for all non-capital improvement expenses.

These expenses would be the sum of general government expenses (salaries, etc., Table 9), expenditures from currently funded capital projects (Table 6) and debt service on existing capital projects (Table 7). This sum can be subtracted from the projected fund revenues shown in Table 5.

Table 8 summarizes the results of this process. To prepare Table 8, take the forecasts of revenues prepared in Table 5 and subtract from each fund the amount that will be used for:

(1) Non-capital improvement expenses
(2) Cost of currently funded capital projects (from Table 6)
(3) Debt service expenditures (from Table 7)
(4) The cost of the capital improvements (Table 8).
(5) Increased operating costs (Table 9) and

Before these subtractions can take place, a forecast of these non-capital improvement expenses (general local government operating expenses) will have to be prepared; this forecast is for the next five years, by year.

The result of subtracting these expenses from total revenue for each revenue source is the balance of funds from each revenue source. This will show whether sufficient revenues are forecast to be collected from each revenue source to

- Fund general government expenses,
- Pay for current projects,
- Repay outstanding debt, and
- Fund the needed capital improvements.

Thus, the balance for each revenue source indicates the difference between the projected revenues and expenditures. A negative balance indicates a revenue shortfall for that year.

Table 10: Product prepared as a result of completing Step 10. An identification of any projected revenues shortfalls.

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TABLE 10: Fiscal Assessment

FUND	FY 05-06 (current budget)	FY 06-07	FY 07-08	FY 08-09	FY 09-10
General Fund					
Revenues	$	$	$	$	$
- Non-Capital Expenses	$	$	$	$	$
- Debt Payments	$	$	$	$	$
- Operating Cost Increase	$	$	$	$	$
- Capital Improvements	$	$	$	$	$
Balance	+/-$	+/-$	+/-$	+/-$	+/-$
Capital Improvements Fund					
Revenues	$	$	$	$	$
- Non-Capital Expenses	$	$	$	$	$
- Debt Payments	$	$	$	$	$
- Operating Cost Increase	$	$	$	$	$
- Capital Improvements	$	$	$	$	$
Balance	+/-$	+/-$	+/-$	+/-$	+/-$
And so on for all funds used to finance capital improvements.					

Note: All figures in millions. Revenues are from Table 4. Expenditures are the sum of Table 5 and all non-capital improvement related expenditures (general operating expenditures, etc.)

Step 11 - Deal With Revenue Shortfalls

If Table 10 reveals a negative balance during any year for any funding source, it is necessary to determine the cause and possible cure for the shortfall. Possible solutions include moving the scheduled capital improvement to another year, stretching the project over more years (phasing), collecting more funds from the revenue source used to fund the improvement, funding the capital improvement with revenue from additional available revenue sources, and securing new revenue sources.

If new revenue sources are being considered, it is important to note that these new sources are considered to be "planned" revenue sources and can be used only to fund projects listed in the fourth and fifth years of the Schedule. Projects in years 1, 2 and 3 must be funded from existing revenue sources.

> Example of the product prepared as a result of completing Step 11: A revision to Table 10 where there are no negative balances.

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Step 12 - Construct the Schedule of Capital Improvements

As a result of Step 11 there is sufficient projected revenue to fund the capital improvements and the Schedule is financially feasible with existing revenue sources used to fund the projects in any year of the Schedule and planned sources used only to the extent necessary in years 4 and 5.

Example of the product prepared as a result of completing Step 12: A Five-Year Schedule of Capital Improvement.

Table 12: Five-Year Schedule of Capital Improvements

Project Number	Project Name	FY 05-06 (current budget)	FY 06-07	FY 07-08	FY 08-09	FY 09-10	Total Project Cost
TRANSPORTATION							
1	12th Street from 1st Avenue to 5th Avenue; add two lanes (1/2 mile)		$100,000 (A)† $100,000 (B)	$300,000 (C)			$500,000
2	CR 790 at Oak Street, add turn lanes		$50,000 (D)	$50,000 (D)			$100,000
Transportation Total			$250,000	$350,000			$600,000
SEWER							
1	Elevate 2nd Avenue Pump Station				$25,000 (E) $25,000 (F)		$50,000
Sewer Total					$50,000		$50,000
TOTAL ALL CATEGORIES			$250,000	$350,000	$50,000		$650,000

Note: The funding sources (A through F) and the funds shown in Tables 4 and 10.