

# Best Practices in Capital Budgeting

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# Topics

- Setting Priority
  - Greatly helps decision making, if available
- Funding Sources
  - Essential
- Operating Budget Impact
  - Nice to have , but less important

# Prioritization

## Cupertino

- Categories
  - A – For Public Safety, Regulatory Mandate, or Grant Commitment
  - B – Preventive Maintenance / Resource and Cost Efficiencies
  - C - Enhancement

# Prioritization

## Cupertino

- Priority Level

- 1 – Ongoing or Imminent upon Budget Adoption
- 2 – Near-term, but contingent on resources available from Priority 1 projects
- 3 - Planned, but contingent on resources available from Priority 1 and 2 projects
- 4 - Proposed to be deferred past 2012-13, moved to unfunded list, or dropped due to being no longer necessary

# Cupertino 2012-13 Annual Pavement Management Project



*Scope:* Recurring annual pavement repair, patching, slurry seal, cape seal, and overlay throughout the City.

*Category:* B – Preventative Maintenance

*Priority:* 1

# Project Information Sheet

## Sunnyvale Pavement Rehabilitation

- Project Evaluation and Analysis

- “The only other alternative is to not fund this project and delay needed repairs. Since street maintenance has already been reduced, the backlog of streets in need of repair will only increase in the future.....If repairs are delayed for too long it might be necessary to spend even larger amounts in the future...”



# Pavement Condition Index (PCI)

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Street Type	2010 PCI	2012 PCI
Arterial	77	75
Collector	74	69
Residential Local	68	67
TOTAL STREET SYSTEM	71	69

Rating	PCI	Treatment
Very Good	70-89	Crack fill / sealing / slurry
Good	50-69	Crack fill / slurry / thin overlay

# Pavement Condition Index (PCI)

- **\$1.25 M Annual Funding – PCI Decreases by 4**
  - From 71 PCI in 2010 to 67 PCI in 2016
  - Deferred Maintenance: Increases from \$7.72M in 2010 to \$32.1M in 2016
- **\$2.4 M Annual Funding – Maintains PCI of 71**
  - Deferred Maintenance: Increases from \$7.72M to \$24M
- **\$3.5 M Annual Funding – PCI Increases by 5**
  - From 71 PCI in 2010 to 76 PCI in 2016
  - Deferred Maintenance: Increases from \$7.72M to \$19.9M



## Source of Funds for Sewer Projects (San Jose)

	2013	2014 ...	5 Yr Total
<u>Sewer Connection Fund</u>			
Beginning Fund Balance	\$10	\$5	
Revenues / Transfers	5	x	
Fund Subtotal	15	x	
<u>Sewer Use Fund</u>			
Beginning Fund Balance	\$20	\$0	
Revenues/Transfers	10	x	
Fund Subtotal	30	x	
TOTAL SOURCE OF FUNDS	45	x	

## Use of Funds for Sewer Projects (San Jose)

	2013	2014	5 Yr Total
Sewer Improvement Project	\$10		
Sewer Rehab Project	10		
Transfers to Other Funds	10		
Designated Reserve	10		
Ending Fund Balance	5		
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TOTAL USE OF FUNDS (= SOURCE OF FUNDS)	45		

## Capital Projects by Funding Source (Cupertino)

<b>FY 2013</b>	General Fd Capital Reserve	Enterprise Fund	Grants
State Grant	----	----	\$50
BEGINNING RESERVE	500	300	50
Dog Park Project	(200)	----	(50)
Recreation Center Remodel	(100)	(200)	
ENDING RESERVE	200	100	----

## Stevens Creek Corridor Park Phase 2 (Cupertino)



### *Proposed Budget:*

FY 12/13 - \$2,940,179 (650,000 Park Dedication & 2,213,179 Grants & 77,000 General Fund)

FY 11/12 - \$1,400,000 (200,000 Park Dedication & 207,000 Recreation Fund & 215,000 Grants & 778,000 General Fund)

# Detail of Construction Projects (San Jose)

## Project Information Sheet (Sunnyvale)

Show:

- Expenditures or Project Costs per year
- Matching Funding Sources or Transfers-In per year

# Operating Budget Impact

- On Stevens Creek Corridor Park Project Sheet
  - *Maintenance:* Increase ~\$5,000 - \$10,000 annually
- On Detail of Construction Projects and Project Information Sheet
  - Operating cost or annual operating budget impact shown per year
- Cupertino Operating Budget
  - Specific line for total operating cost of all new projects