



Annual Capital Improvement Plan Process Overview

Amy Lindsay
Don Bessler
Macy Walker





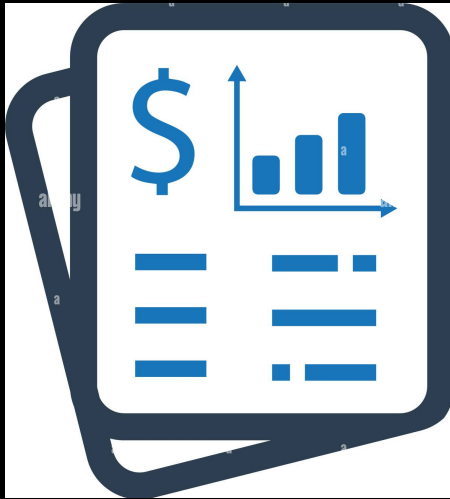
CIP – What goes into CIP?



- Capital Threshold
 - El Mirage \$30,000 and \$125,000 for groups of like assets
 - Glendale - \$50,000, and a useful life of 5 or more years
- Types of projects
 - Non Routine in Nature
 - Parks, Roads, Buildings, Water Treatment Plants, Heavy Equipment, Some Vehicle Replacements



CIP – Key Drivers



- Available Funding Sources
- Financial Policies
- Strategic Planning/Master Plans
- Department Priorities
- Role of Engineering Department



July – Start of Fiscal Year



- Engineering opens or amends P.O.'s
- Initiate priority projects
- Engineering completes letters of acceptance for previous FY
- Kick-off new priority projects



August – Fiscal Reconciliation



- Budget and Finance to initiate reconciliation of carryover.



September – Review Trends



- Phoenix area CPI
- Cost of labor
- Supply chain
- Technical Registrant availability
- Cost estimating



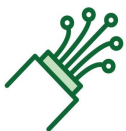
September – Supply Chain



- ✓ Larger electrical equipment have reached staggering **12-18 MONTH** lead times. **We recommend project teams and designers prioritize the design of electrical systems early** to release long lead procurement items and plan for the lead times in project schedules.















- ✓ **Mechanical equipment is maintaining long lead times.** Plan accordingly in procurement strategies and project schedules.



- ✓ **Fiber** – Lead times for some fiber products have risen to **20 weeks** for large customers and almost a **year** for smaller customers.



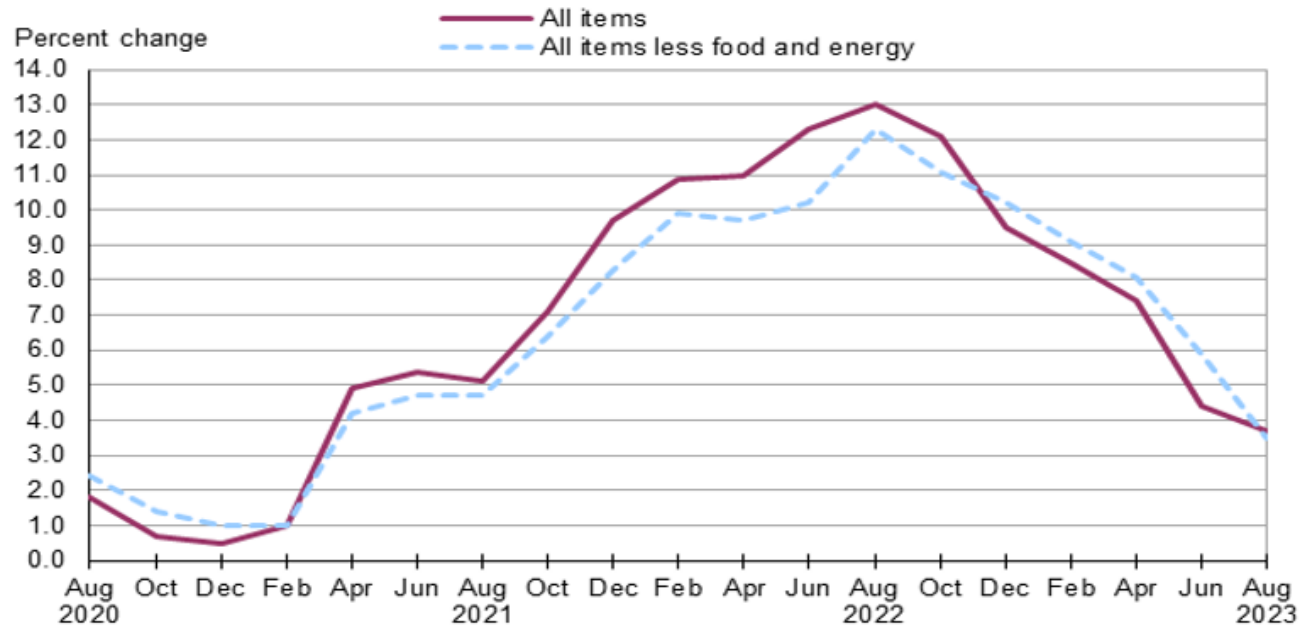
September – Supply Chain

	Material	 Pre-Pandemic Lead Time	 Current Lead Time
	Steel Joists	3-5 months	9-12 months
	Electrical Switchgear	3-6 months	10-14 months
	Roofing Membrane	3-6 months	9-12 months
	Roof Insulation	3-6 months	9-12 months
	Precast Concrete	6-10 weeks	14-18 weeks
	loading Dock Equipment	10-12 weeks	16-20 weeks
	Overhead Doors	10-12 weeks	16-20 weeks
	Hollow Metal Door Frames	4-8 weeks	10-12 weeks
	Wood Doors	6-10 weeks	12-14 weeks
	Casework/Millwork	6-9 weeks	12-16 weeks



September – Phoenix CPI

Chart 1. Over-the-year percent change in CPI-U, Phoenix-Mesa-Scottsdale, AZ, August 2020–August 2023



Source: U.S. Bureau of Labor Statistics.

Area prices were up 0.1 percent over the past two months, up 3.7 percent from a year ago

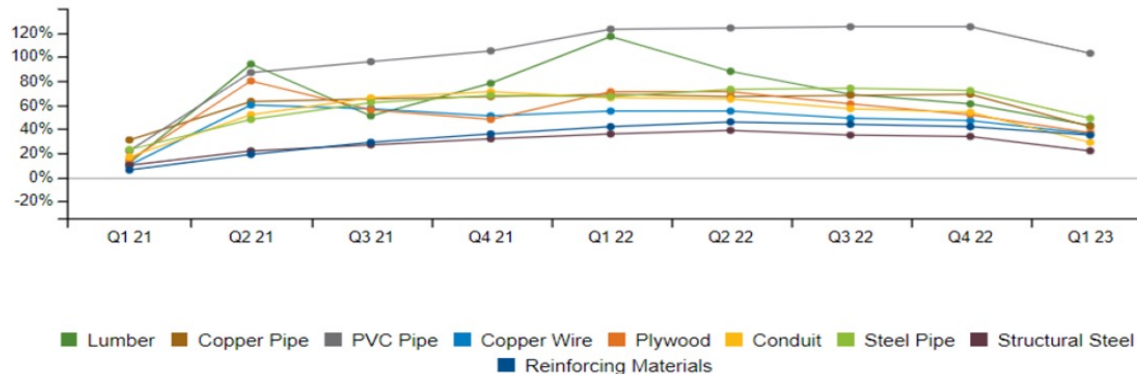


September – Raw Materials

RLB Rider
Levett
Bucknall

RAW MATERIAL PRICES BUILDING MATERIALS PRICE CHANGES

(Cumulative Q1 2021 to Q3 2023)



Costs for building materials remain escalated due to manufacturing issues, supply chain delays, and raw material shortages.

Q1 23	
PVC Pipe	103%
Steel Pipe	49%
Lumber	43%
Copper Pipe	42%
Plywood	37%
Copper Wire	36%
Reinforcing Materials	35%
Conduit	29%
Structural Steel	22%

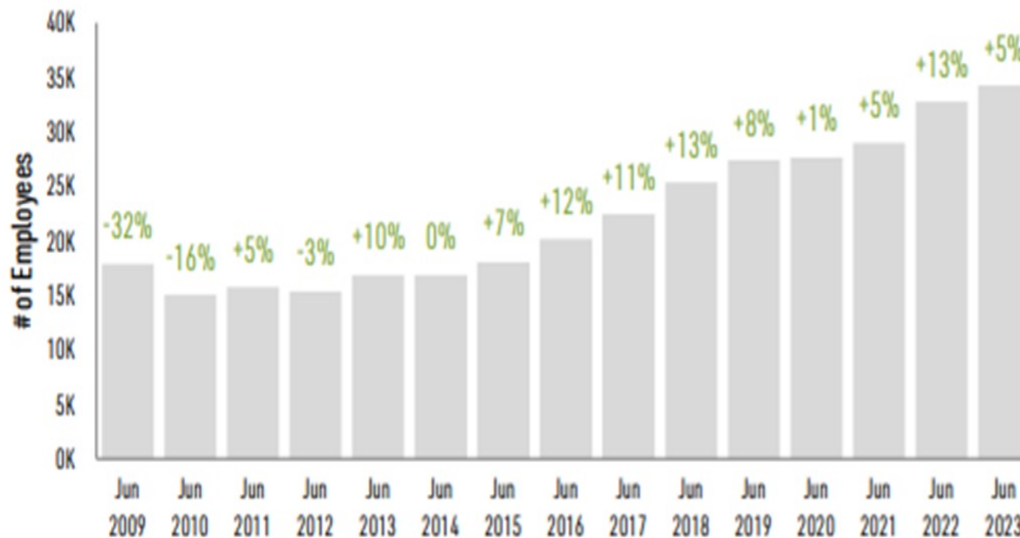
Source: Mortenson Construction Cost Index, Phoenix



September – Labor Availability

PHOENIX CONSTRUCTION EMPLOYMENT

(Number of Employees and 12-Month Change)



Building construction employment in the Phoenix metro region totaled 34,300 in June 2023. This is an increase of 5% (1,500 jobs) compared to June 2022. Availability and cost of qualified workers is a continued challenge for the industry.

Source: Bureau of Labor Statistics



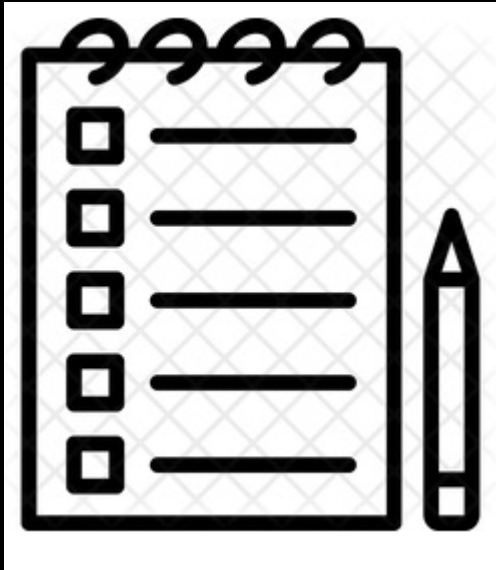
October – Pre-Planning



- Meet with Departments to review:
 - Changes to projects
 - Draft new projects
 - Align projects with master plans
- 5-Year Forecast for Affordability of Projects
 - Focus on Scope, Budget
 - Review and evaluate staffing resources



October – CIP Kickoff



- Budget and Finance hosts CIP Kickoff
 - Debt and bonding constraints
 - Discuss department priorities
 - Process & timeline
 - CIP Evaluation Committee
 - Review Scoring System and criteria for new project rankings



November – Submittal's Due



- Draft CIP Projects Due
- Review the spend analysis for reasonableness
- Review of project descriptions



December – 5-Year Forecast



- Budget and Finance to present 5-Year Forecasts to Council
- All Funding Sources are Balanced to Available Funding within the 5-Year Forecast



December – Department Meetings



- CIP Committee to work with Departments on Submittals
- Review the spend analysis for reasonableness
- Begin Drafting Charters for New Priority Projects
- Request On-Call Firms to Submit Annual Statement of Qualifications *



Project Charter



Project Charter Initiation

The Engineering Department has created this form to help departments initiate new projects. At this stage, the department is asked to provide some basic information. When completed, the form will be received by Engineering and you will be contacted shortly by David Beard or Tom Kaczmarowski to arrange a time to complete additional information collaboratively.

Project Name *

When possible, the title should mirror that in the CIP budget book.

Project Description ***Vertical Project? ***

Is the work primarily of a facility/vertical/architectural purpose?

Design Involved? *

If you are not sure, please select 'yes'

Department Priority Level *

Level 1 Criteria • Council or CM directed priority • Addresses a known public health and safety issue • Integrates with other CIP (ie reconstructs) Level 2 Criteria • Part of an ongoing Asset Management program "take care of what we have" Level 3 Criteria • System expansion • New Services

Submitter's Name ***Submission Date *****Who will you need at the Charter Meeting?**

Please list anyone from your department who should be on the invite list.

☐ Send me a copy of my responses



February – Council Workshops



- Receive and review Council & Manager priorities
- Review Fiscal outlook and Long-Range Forecast
- Continue Charter development
- Identify long lead procurements



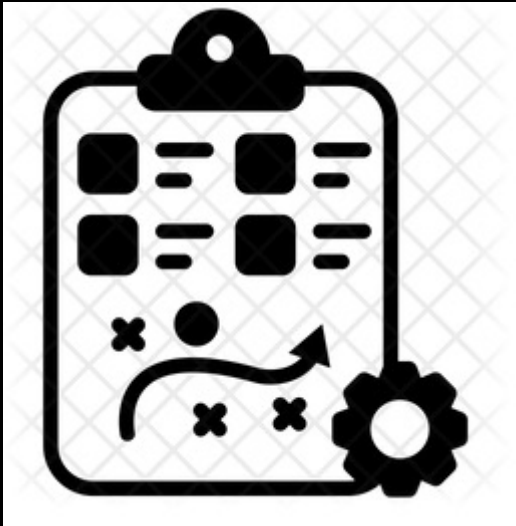
March – Council Workshops



- Continue updating DRAFT CIP based on Council feedback
- Continue perfecting Charters and identifying long lead items
- Carryover estimating



April – Operational Planning



- Continue legislative process
- Complete Charters
- Begin pre-procurement process for priority projects
 - Professional Services
 - Construction Procurements

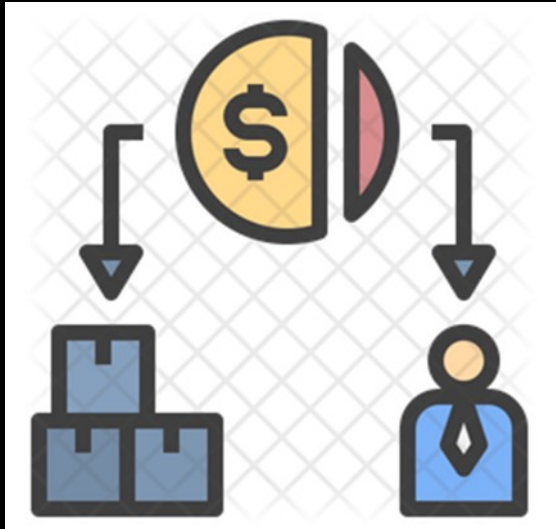
May – Tentative Budget Adoption



- Tentative Budget Adoption
- Early Procurement Contracts



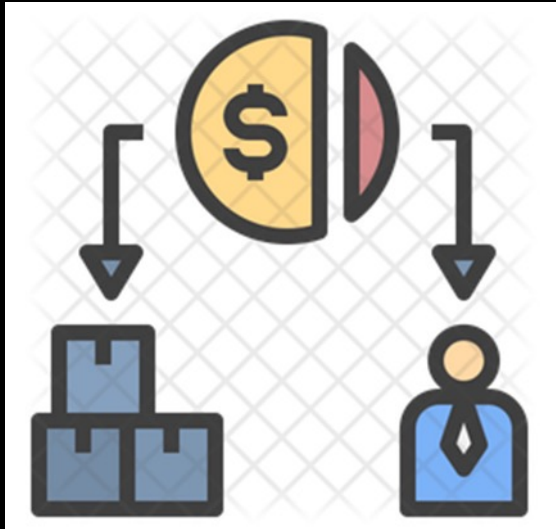
June – Final Budget Adoption



- Final Budget Adoption
- Priority project awards
- Align staffing resources to kickoff new priority projects in July



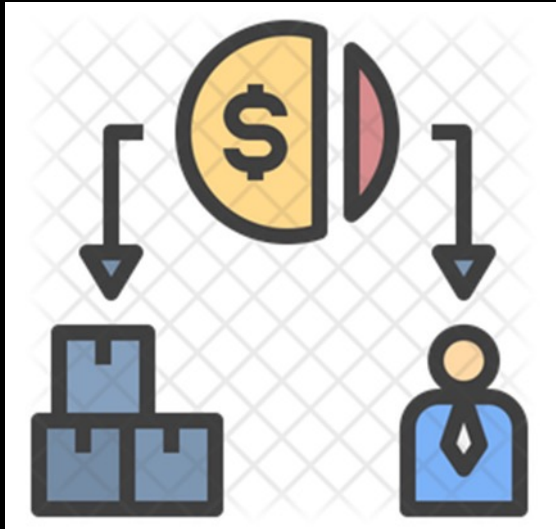
Managing Projects



- Project Management Software or Excel Sheets
- Monthly Review Meetings
- Project Specific Meetings



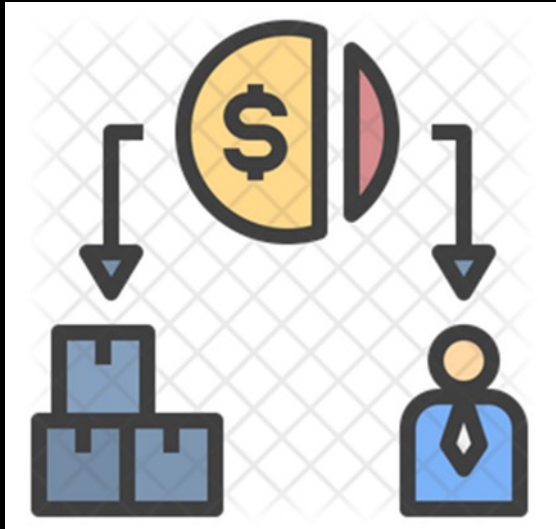
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Managing Expectations



- Pain Points
- Council Communication
- Projects with poorly conceived budgets, rarely recover
- Bad news does not get better with time

10 Steps

TO BETTER COLLABORATION BETWEEN FINANCE OFFICERS AND FIRE CHIEFS

1 **For both:** Go to lunch or have coffee together without specific work-based tasks in mind. Get to know each other as individuals, which allows you to build a relationship and earn each other's trust, an important precursor to effective collaboration.

2 **For Fire Department staff:** Get Finance involved early with purchases that are outside the norm. If you need to purchase a new fire engine or fire truck (yes, Finance folks, there is a difference), talk to your Finance colleagues as soon as the need arises. Even better, work with Finance to develop a long-term equipment replacement schedule for all gear and apparatus.

3 **For Finance Department staff:** Ask questions and do some basic due diligence to learn more about firefighting. Start by learning the difference between a fire engine and a fire truck! (In the simplest terms, an engine holds water and hoses, and a truck is a mobile toolbox that can include large ladders that extend from the truck and don't come off.)

4 **For both:** Express your gratitude and appreciation for each other's work. It demonstrates that you're paying attention and genuinely appreciate each other's contributions.

5 **For Fire Department staff:** Invite Finance Department staff to get an up-close-and-personal view of your department. Invite them to come out and see new equipment when it arrives. Ask them to go on inspections with you. These efforts will give finance folks a much better understanding of your job and the challenges you face.

6 **For Finance Department staff:** Build a more collaborative budget process and involve the Fire Department early on. Ask them to provide a representative to participate in any multi-department committee work, opportunities, or initiatives. When a department makes you aware of a concern and wants to work together to develop solutions, embrace the opportunity. Make sure you understand the need and urgency, so you can assist with developing a plan.

7 **For both:** Hold monthly meetings with members of both departments. Review Fire Department budget reports and performance indicator reports to better understand how the money is being spent and how the community benefits. Also, share information about revenue collections, expenditures, and community priorities across the entire government so the Fire Department staff can see how they fit into the bigger picture.

8 **For Fire Department staff:** Don't be afraid to ask for advice from Finance staff when needed. If you anticipate a need for additional funding or foresee a decrease in revenue, reach out to Finance right away so they can help develop solutions.

9 **For Finance Department staff:** Know your fire department's staffing model. Fire suppression, rescue, and emergency medicine are 24/7 jobs, and the Fire Department may need to use more overtime and acting pay than you'd expect. If you really want to see this schedule in action, ask to do an extended ride-along with a fire crew.

10 **For both:** Be open to questions and finding new ways of doing things. Don't be offended if someone asks questions about processes. Model this behavior at all levels of your department to promote an organizational culture that fosters curiosity, learning, and innovation.



Questions?