

Capital Improvements Planning: A Neglected Priority

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One-third to one-half of the total funds spent by local governments go to capital improvements or public facilities of one type or another. If better government is to be provided at lower cost, this is the area of expenditures most open to meaningful economies. Dollars saved on public facilities can be reflected in improved day-to-day services to a degree unmatched by the savings that result from any other source.

Despite these facts, local government administrators often find ourselves either unprepared—by formal training or personal avocation—or just unmotivated to devote our skills and time to adequate and direct judgment in the design of those facilities that absorb so much revenue. Ironically, we may involve ourselves deeply in the other half of the budget, seeking economies in operation, purchasing, and personnel assignment, and yet delegate basic decisions regarding a million-dollar public facility to a staff engineer or consultant.

Some Self-Examination

Top administrators need to become deeply involved in all public facilities projects of any consequence, with the dual objectives of saving money and finding better solutions to the right problems. What is the type of involvement being suggested here? All administrators should ask themselves, and others engaged in decision making, some questions like these, which might apply to any public facilities project from an underground trunk sewer line to a new city hall:

1. What is the problem or public need that requires the spending of so much money? Assuming that the need is valid, is it more pressing than the needs for other public facilities or services that might take financing priority—even if these other needs can be met by some other agency?
2. Is ours the local government agency that should finance and resolve this challenge? Or should it be financed and resolved, totally or cooperatively, by some other agency with a more equitable tax base, or by the private sector?
3. If it's really our problem, are we proposing to finance it in the most economical, the most equitable, or simply the most expeditious manner?

4. Are we planning, designing, advertising, or building before the facility is absolutely required for service, or at the wrong time for incurring the lowest financing cost or for attracting work-hungry bidders?
5. Is the necessary time and care being given to the selection of the engineer or architect who will design the facility, whether staff member or consultant?
6. Have all the data needed to enable proper and economic design been gathered and analyzed?
7. Has someone looked ahead to write guidelines for design flexibility in solving future problems?
8. Have all possible new methods, materials, and processes been winnowed from current technical knowledge and experience, then been evaluated for project application? Have unnecessarily tight specifications been eliminated?
9. Have hard-nosed limits for project cost been preset and adhered to;
10. owner-oriented contracts been used; pre-final design and pre-bidding conferences been set up and attended by administrative personnel; and tight job inspection controls and limits on change orders been established?
11. Has the completed project been systematically analyzed and dissected for the lessons that may be derived from it for application to future projects?

Strong Decisions Needed

For each of these questions, a few illustrative examples may bring into focus the essential facets of effective capital improvements administration.

The amounts of money spent each year for certain classes of capital improvements—streets, trunk sewers, and drainage—tend to become sacred and unchallengeable. Each department views its facilities needs as top-priority. Hard-boiled decisions about relative needs are an administrative responsibility that should not be shirked or passed on to people less able to evaluate them.

Assuming that someone, somewhere, at some time, has determined that a particular public facility is required, is that once-valid decision still valid? Or have circumstances changed? Could public funds be better used for another purpose? Is this still the place where taxpayers' money should be spent? Do you really need better storm drainage, or would a new hospital be more valuable?

Many capital projects tend to be financed by the agency "closest to the fire," that is, by the service provider traditionally deemed by the public to be responsible. Capital expenditure pressures tend to be brought by legislators anxious to please or, more frequently, by department heads busy doing their jobs as they see them, providing facilities in their prescribed fields.

In this way, some major capital projects are built by the wrong local government agency, with the tax burden applied to a group larger or smaller than the beneficiaries. Who should build city hall may be obvious. But who should build a hospital, a community auditorium, or a major flood-control project may be less obvious. In some cases, the traditional agency purveying a service may be unduly burdening a too-limited tax base, compared with the benefits derived.

In other cases, assessing costs directly against the specific geographic areas benefited by sewers, streets, storm drains, or parks may be fairer than whole-community financing. If different areas benefit to varying degrees, cooperation between agencies may not only equalize costs but also open new avenues of financing under joint-powers authority agreements.

Pay-as-you-go advocates and “bond-issue bureaucrats” can be equally guilty of shortsightedness through excessive or improper use of their favorite means of local agency financing. Rapid increases in population are suited for bond issues, to let future citizens share in the costs of facilities built for their benefit. Projects subject to stage construction like treatment plants, however, are ideal pay-as-you-go facilities. Units can be added as required, avoiding the interest costs and unused facilities investment resulting from the “make it big enough, we can’t pass a bond issue every year” approach.

Without completely denigrating the need for financing-at-almost-any-cost when pay-as-you-go funds or general obligation bond funds are not available for critically needed facilities (hospitals, waste treatment plants, and the like), local government has the clear responsibility to obtain the lowest-price financing available for public facilities. A difference of one-quarter percent in interest rate may effect more project cost savings than could possibly be attained by better facilities design. Unhappily, most administrators will confess, if pressed, to a too-limited knowledge of the factors that permit the design and sale of bond issues to achieve the lowest rates.

No responsible local government today can overlook the availability of funds from federal, state, and other local governments. But these funds are extracted from taxpayers, who are entitled to receive their share of the benefits. Even considering philosophical opposition, a local council’s failure to seek such funds does nothing to stay the programs or to save money but only cheats its constituency by assuring that these funds will be spent elsewhere.

The people represented by a local government have no other legislative advocate, and it is incumbent upon managers and local legislators to effectively represent them by obtaining all possible funds that allow substantial retention of local control and that do not involve excessive costs in paperwork. In no other way can local taxpayers be assured of the lowest-cost financing for their projects and public facilities.

Other Decisions to Be Made

Timing of the bond sale itself, factored with timing of construction bids, can effect the most significant cost savings, and juggling the two requires the best in administrative knowledge and judgment. When to advertise for street construction, for example, can make a 25 percent bid difference between the normal time, early summer, when most public agencies are doing this, and late winter, when contractors are hungrier for business. A drastic gear change in the engineering department's regular and convenient schedules might be required to accomplish this kind of shift, but the results are worth it.

Probably, no decision as important as the selection of a design authority—architect, engineer, or staff—is given so little time or executive-level judgment. Consultants might be selected because they are close geographically; because the person in charge of impressing prospective clients does his or her sales job well; because a particular company “has always done this kind of work for our agency”; or because the company has had extensive experience with this kind of work. The hazards of several of these bases for decisions are obvious; the danger in relying on past experience is not so clear.

Major firms may develop considerable reputations in the design of particular types of facilities, based upon the abilities of particular designers or project managers. Loss of these persons, or their unavailability for assignment to our own project, may mean that the firm's experience record is meaningless to us.

Design for recurring capital projects can be assigned to staff personnel, but the best results in economy and in sound design can be obtained only if the public agency is willing to pay top salaries and always offer those inducements needed to attract and retain a qualified and creative professional staff. Design of nonrecurring capital projects that require non-payroll skills can be contracted out.

Most civil engineers feel that, by virtue of their professional registration, they are qualified to do any phase of civil engineering. Architects, in general, share this concept with respect to their profession. But a public agency need not share these beliefs.

A broad and carefully selected list of consultants with apparent experience in the design of a particular type of facility should be invited to submit preliminary and brief proposals on any project, listing their qualifications and experience.

Preliminary proposals should be based on a carefully client-prepared description of the work to be performed—its function, scope, location, and fund availability. The proposals should be evaluated by the administrator, and a limited number of proposers selected for interview.

Here are a few precepts to guide the interviewing process:

- Client decisionmakers should be assisted by their own, competent professional or technical staff.
- No less than two hours should be allowed for an interview on a project of any significant scope.
- The candidate firm should present for evaluation at the interview the person or persons who will actually design the capital project.

In brief, the basic premise is this: local government administrators can best serve our agencies by increased and more knowledgeable participation in decision making for every major capital project, including project selection, timing, funding, consultant selection, and design.

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