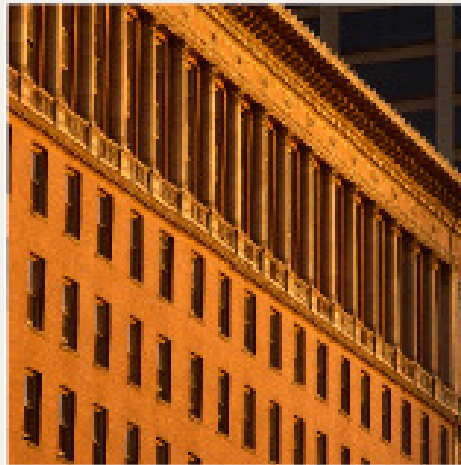


Public Sector Advisors





PRESENTATION TO

The Kansas Government Finance Officers Association

October 12, 2012

Presenter: Nick Dragisich, Executive Vice President
Bryan Kidney, Vice President

Asset Management Planning In Financially Hard times

- Asset management
 - Systematic process of operating, maintaining, upgrading, and disposing of assets cost-effectively
 - Management of the entire life cycle of the entity's assets
- Focus on the financing aspect of asset management
 - Used to replace existing assets not for financing growth

Asset Management Planning In Financially Hard times

- Financing asset management
 - Planning process is consistent regardless of fund and/or funding sources
 - Available funding sources vary
 - General fund
 - Other governmental funds
 - Enterprise funds

Asset Management Planning In Financially Hard times

- Planning process
 - Assessment of assets
 - Condition
 - Deferred maintenance
 - Needed improvements
 - Consequence of failure
 - Operational cost impacts
 - Cost of delay

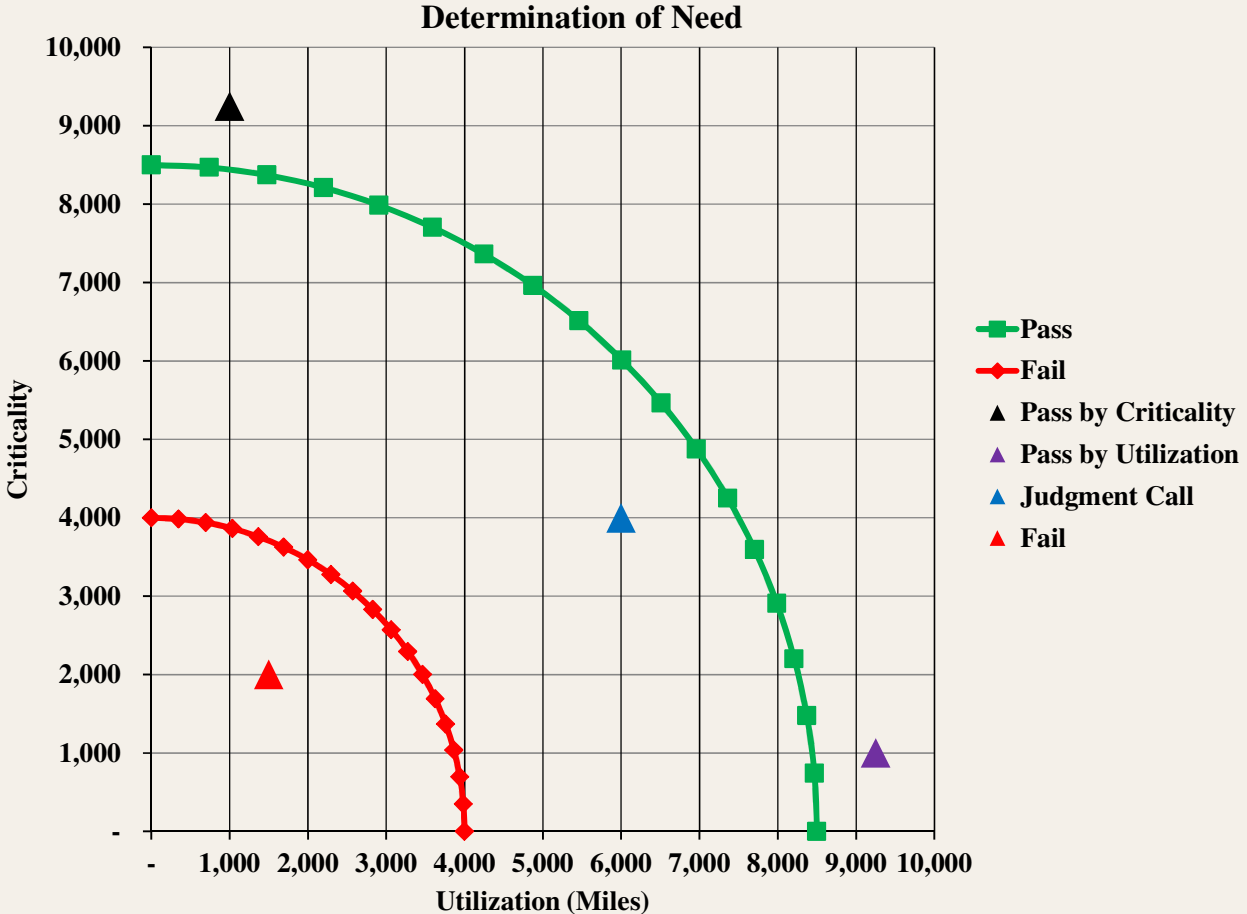
Asset Management Planning In Financially Hard times



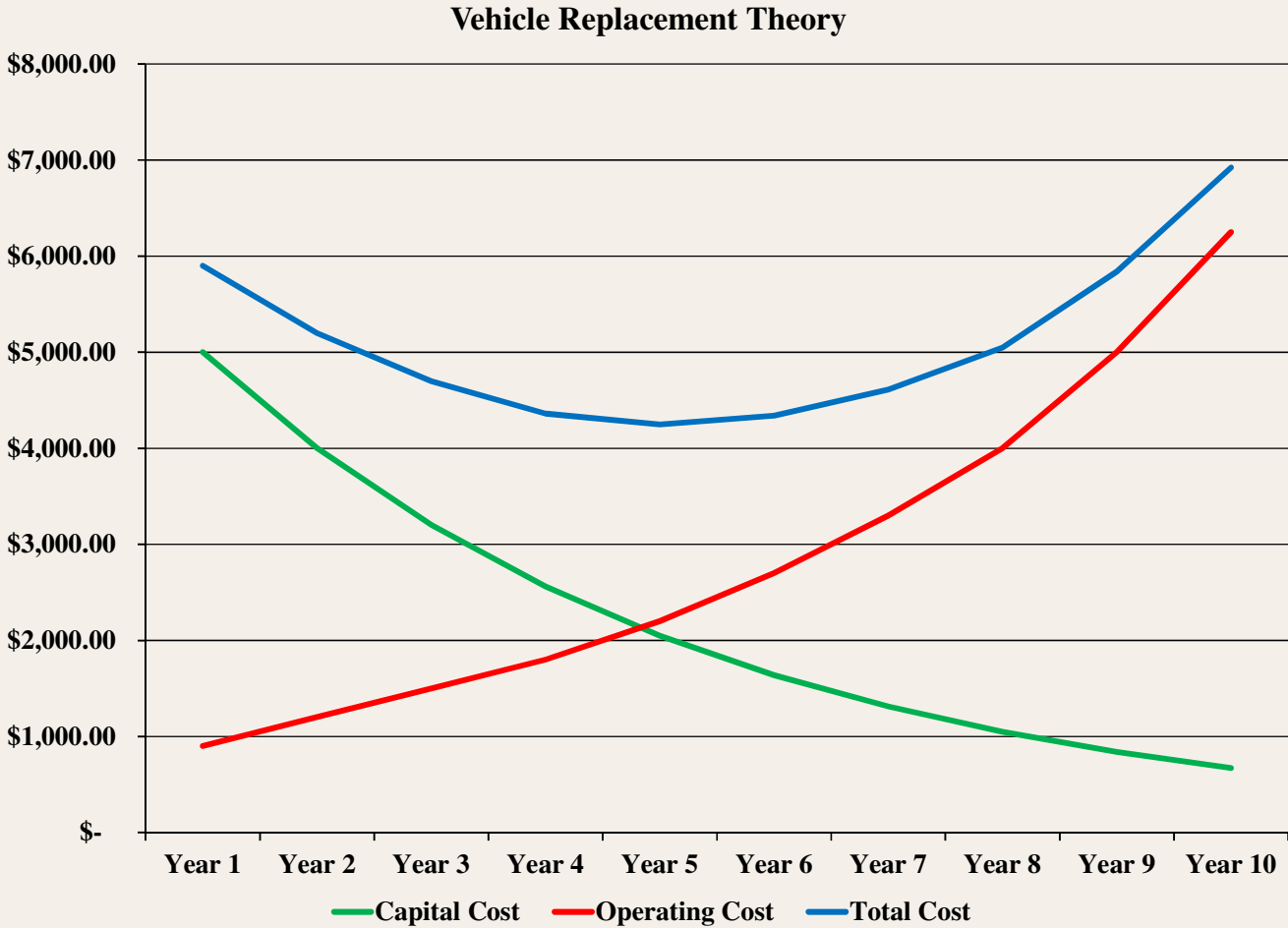
Asset Management Planning In Financially Hard times

- General Fund Assets
 - Vehicle management
 - Control number of vehicles in fleet
 - Criticality
 - Usage
 - Replace vehicles based on life-cycle cost analysis

Asset Management Planning In Financially Hard times

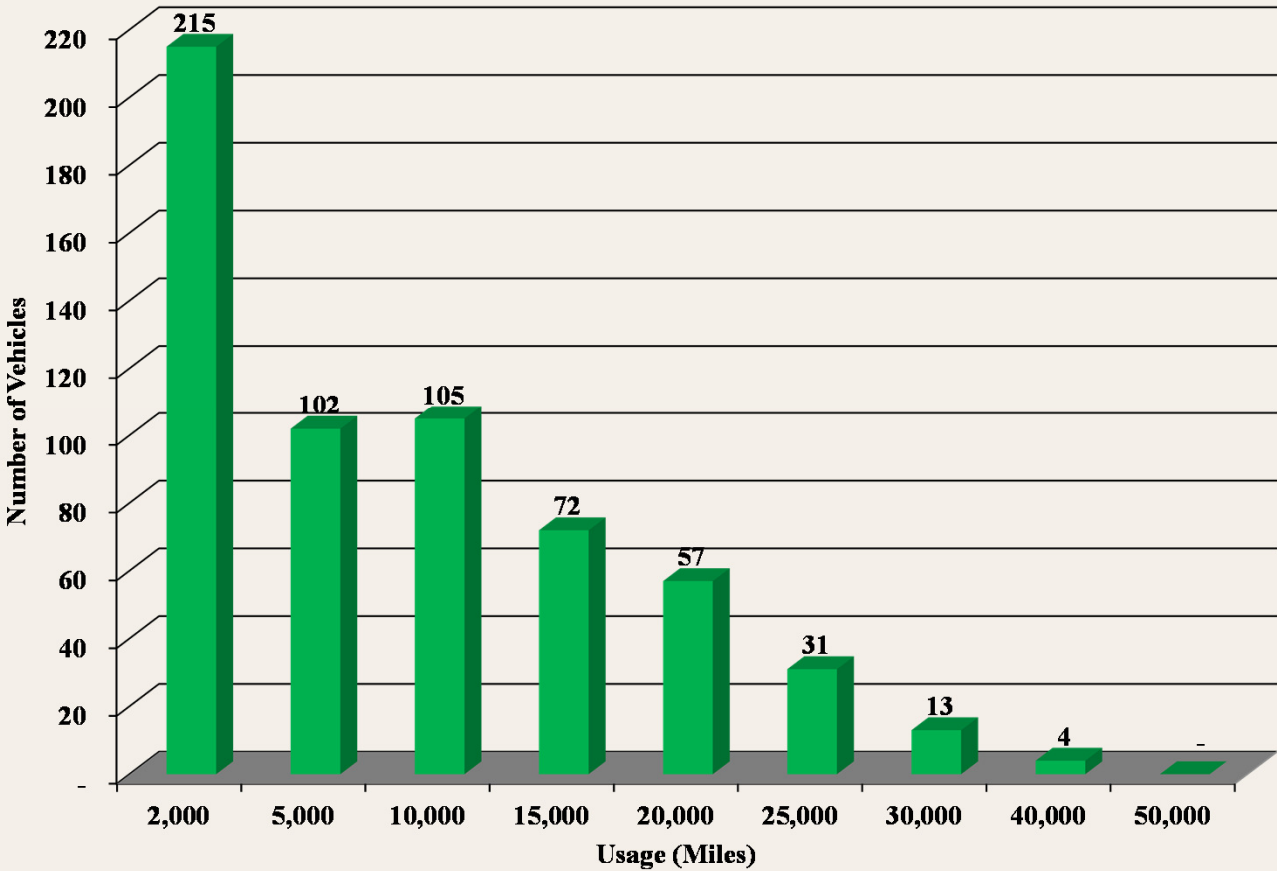


Asset Management Planning In Financially Hard times



Asset Management Planning In Financially Hard times

2009 Vehicle Usage Histogram

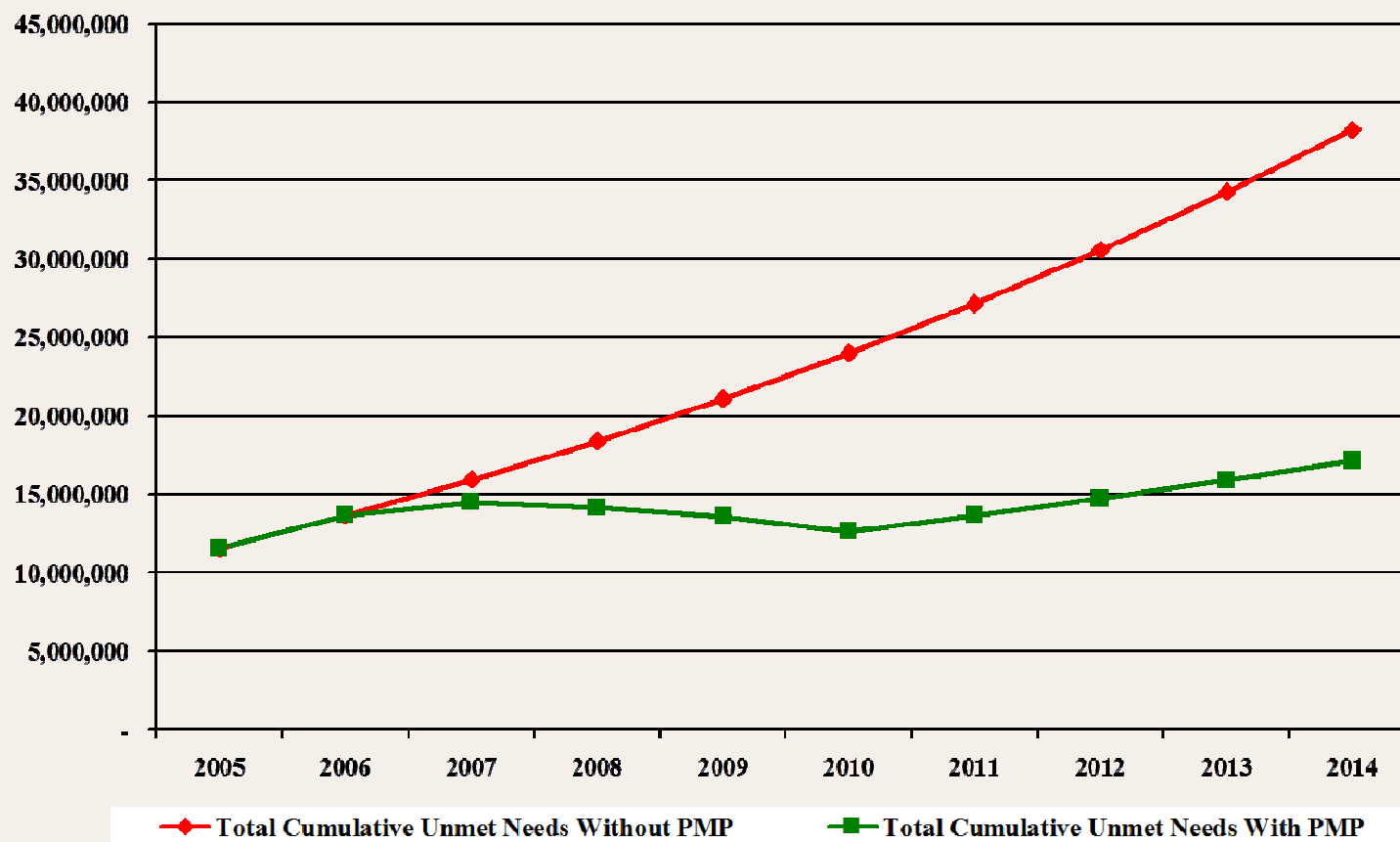


Asset Management Planning In Financially Hard times

- **General Fund Assets**
 - Streets
 - Pavement management plan
 - Optimize capital expenditures for streets
 - Improves road conditions
 - Reduces maintenance costs
 - Avoids further deteriorations and increased costs
 - Provides an objective & systematic system for street maintenance

Asset Management Planning In Financially Hard times

City of Lino Lakes, Minnesota - Impact of PMP

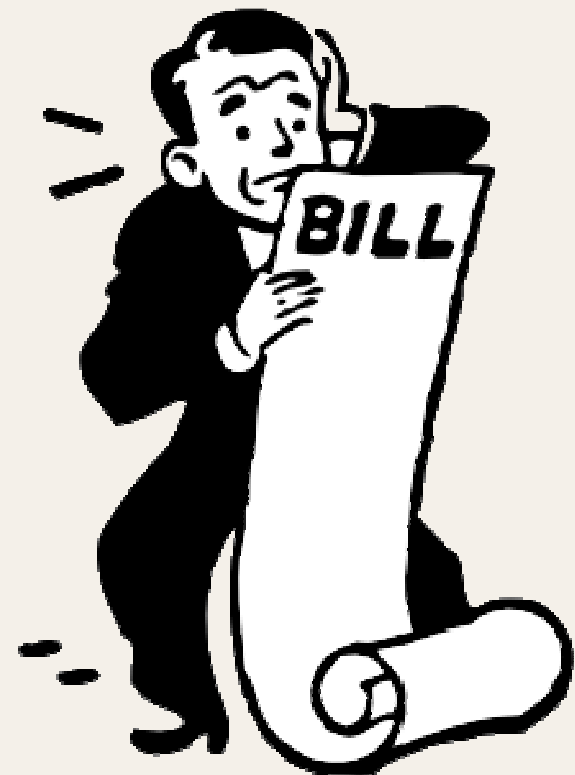


Asset Management Planning In Financially Hard times

- **General Fund Assets**
 - Streets
 - Minimize deterioration/degradation
 - Manage pavement intrusions
 - » Location
 - » Construction methods
 - » Appropriate restoration

Asset Management Planning In Financially Hard times

- **General Fund Assets**
 - Streets
 - Funding sources
 - Assessments for improvements
 - Special Tax levies
 - Motor Fuels taxes
 - Cost Recovery
 - Other



Asset Management Planning In Financially Hard times

- **General Fund Assets**
 - Streets
 - Cost recovery
 - Recover costs associated with utilities in the right-of-way
 - Not franchise fees
 - » Water
 - » Sewer
 - » Storm
 - » Other

Asset Management Planning In Financially Hard times

- **General Fund Assets**
 - Other assets
 - User fees
 - Cost recovery from benefiting non-general fund users
 - Charges for services
 - In short, alternative revenue sources to fund asset replacement
 - Identify operational savings from asset replacement

Asset Management Planning In Financially Hard times

	General Fund	G.O. Bonds or Temp. Notes	Special Assessments	1/8th Sales Tax	Capital Improvement Fund	KDOT	Road Excise Tax
2011	1,457,500	17,463,345	8,583,066	629,817	7,186,896	11,836,000	6,164,820
2012	630,000	13,791,062	4,936,000	4,097,957	9,079,262	15,849,000	7,909,477
2013	237,000	15,334,318	24,060	2,071,803	7,591,645	16,500,000	7,434,433
2014	305,500	9,393,096	2,693,060	230,000	6,007,510	8,900,000	4,492,499
2015	432,545	26,153,462	209,000	-	7,359,719	60,160,000	7,242,280
2016	500,470	12,602,750	849,060	-	6,531,421	8,500,000	4,317,680
Total	3,563,015	94,738,033	17,294,246	7,029,577	43,756,453	121,745,000	37,561,189

Asset Management Planning In Financially Hard times

	Special Parks Fund	Parks Sales Tax	Stormwater Fund	C.A.R.S.	S.M.A.C.	State Aid (BOCC)	Intergovernmental	Other
2011	-	-	1,719,814	19,791,568	8,858,281	-	12,927,969	3,970,946
2012	-	-	-	22,547,648	2,948,198	-	2,991,032	2,600,972
2013	-	-	1,915,810	22,698,045	3,532,584	-	8,864,318	1,687,638
2014	45,000	-	1,788,440	17,474,930	1,650,178	542,500	34,158,745	3,216,092
2015	-	-	1,559,000	23,057,495	3,481,313	-	8,098,960	3,194,000
2016	-	-	1,156,450	5,399,788	360,940	-	3,300,000	-
Total	45,000	-	8,139,514	110,969,474	20,831,494	542,500	70,341,024	14,669,648

Asset Management Planning In Financially Hard times

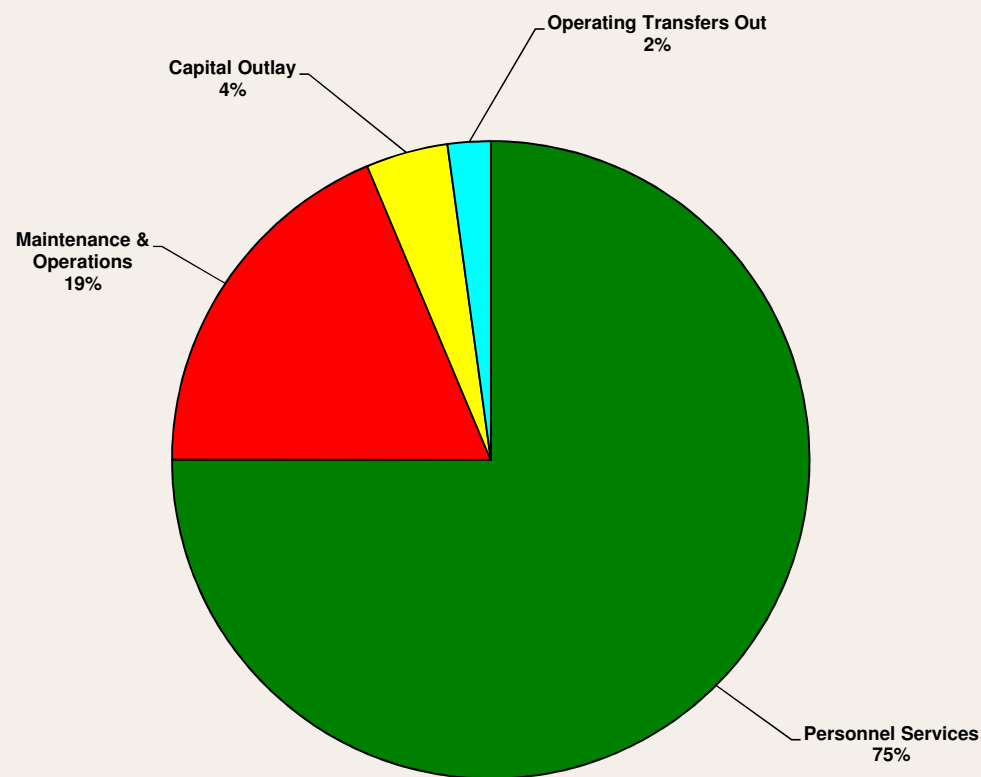
Year	Project	Department
2012	Modular Office Furniture	Alerus Events Center
2012	Portable Chairs	Alerus Events Center
		Alerus Events Center Total
2012	Bikeway Capital & Maintenance	Bikeway Capital Project
		Bikeway Capital Project Total
2012	Ongoing Street Projects: Mill & Overlay Streets	Current Year Capital Projects
		Current Year Capital Projects Total
2012	Communications Upgrades	E911
		E911 Total
2012	Fire Engine for SouthEast Fire Station	Fire
		Fire Total
2012	Ongoing Street Projects: Minor Street Repair	Highway Tax Distribution Fund
2012	Ongoing Street Projects: Street Maintenance Program	Highway Tax Distribution Fund
2012	Ongoing Street Projects: Traffic Signal Maintenance	Highway Tax Distribution Fund
2012	Paving & Lighting(increase 2%/yr)	Highway Tax Distribution Fund
		Highway Tax Distribution Fund Total
2012	32nd Ave S (15th to 25th St S Rehab)(\$2,150,000/\$215,000 local)	Infrastructure
2012	S Columbia Rd - Demers to 22nd ROW & Design-Phase 1	Infrastructure
		Infrastructure Total
2012	Books/Audio/Periodicals/Reference Materials	Library
		Library Total

Asset Management Planning In Financially Hard times

Year	Project	Department
2012	Changeover vehicle costs(Increase each yr 3.5% for inflation)	Police
2012	Mobile Data Computer Replacement(7 vehicles)	Police
2012	Replace 7 Vehicles(Increase each yr 3.5% for inflation)	Police
		Police Total
2012	Bus Shelter Replacement & Renovation	Public Transit
2012	Replacement of Non-Revenue Vehicles	Public Transit
2012	Replacement of Rolling Stock	Public Transit
		Public Transit Total
2012	Baling Facility & Landfill Renewal & Rehabilitation Fund	Sanitation Landfill
2012	New Site Development (Phase 1)	Sanitation Landfill
		Sanitation Landfill Total

Asset Management Planning In Financially Hard times

General Fund Expenditures 2012



Asset Management Planning In Financially Hard times

- **Enterprise funds**
 - Identify need based on condition assessment
 - Probability of failure vs. consequences
 - Better align depreciation and asset life
 - Fund depreciation
 - Establish capital replacement reserve
 - Evaluate fees and charges
 - Identify alternative revenue sources

Asset Management Planning In Financially Hard times

- **Enterprise funds**
 - Identify need based on condition assessment
 - Probability of failure vs. consequences
 - Better align depreciation and asset life
 - Fund depreciation
 - Establish capital replacement reserve
 - Evaluate fees and charges
 - Identify alternative revenue sources

Asset Management Planning In Financially Hard times

- **Enterprise funds**
 - Evaluate fees and charges
 - Connection
 - Shut-off and turn on
 - Out-of-town customers
 - Seasonal customers
 - Other



Asset Management Planning In Financially Hard times

- **Enterprise funds**
 - Identify alternative revenue sources
 - Redevelopment upsizing
 - Plan review
 - Other

Asset Management Planning In Financially Hard times

	Water Utility	Water Trunk Fund	G.O. Water Revenue Bonds	Sanitary Sewer Utility	Sanitary Sewer Trunk Fund	G.O. Sewer Revenue Bonds	Street Light Utility	G.O. Street Light Revenue Bonds	Storm Sewer Utility	Storm Sewer Trunk Fund	G.O. Storm Sewer Revenue Bonds
2012	3,083,000	700,000	-	150,000	4,000	-	44,500	-	30,000	-	-
2013	1,128,800	200,000	-	155,000	4,000	-	70,500	-	30,000	-	-
2014	608,000	-	-	660,000	-	-	44,500	-	30,000	-	-
2015	608,000	170,000	-	660,000	1,100,000	-	57,000	-	30,000	-	-
2016	608,000	-	-	660,000	-	-	41,500	-	30,000	-	-
2017	4,000,000	-	-	500,000	200,000	-	50,000	-	30,000	120,000	-
2018	500,000	-	-	500,000	-	-	50,000	-	30,000	120,000	-
2019	1,200,000	-	-	500,000	-	-	50,000	-	30,000	-	-
2020	500,000	-	-	500,000	-	-	50,000	-	30,000	-	-
2021	500,000	-	-	500,000	-	-	50,000	-	30,000	-	-
2022	-	-	-	-	-	-	-	-	-	-	-
Total	12,735,800	1,070,000	-	4,785,000	1,308,000	-	508,000	-	300,000	240,000	-

Asset Management Planning In Financially Hard times

	Expansion & Modification Fund 1125	Renewal & Replacement Fund 1126	Water Quality Dedication Fund 1127	G.O. Water Quality Revenue Bonds	Special Assessments (Bonds)	Special Assessments (Non-Bonds)	Other	Totals
2012	650,000	150,000	150,000	-	-	20,000	50,000	5,031,500
2013	300,000	150,000	150,000	-	-	40,000	-	2,228,300
2014	500,000	250,000	150,000	-	-	60,000	50,000	2,352,500
2015	400,000	200,000	150,000	-	-	270,000	50,000	3,695,000
2016	350,000	290,000	150,000	-	-	100,000	50,000	2,279,500
2017	200,000	100,000	150,000	-	-	-	-	5,350,000
2018	200,000	100,000	150,000	-	-	-	-	1,650,000
2019	200,000	100,000	150,000	-	-	-	-	2,230,000
2020	200,000	100,000	150,000	-	-	-	-	1,530,000
2021	200,000	100,000	150,000	-	-	-	-	1,530,000
2022	-	-	-	-	-	-	-	-
Total	3,200,000	1,540,000	1,500,000	-	-	490,000	200,000	27,876,800

Asset Management Planning In Financially Hard times

Year	Project	Dept. or Fund
2012	Lining for root and I&I	Sanitary Facilities & Operations
		Sanitary Facilities & Operations Total
2012	I/I Improvements	Sewer - Trunk Conveyance
		Sewer - Trunk Conveyance Total
2012	Fish Lake - Alum Basin Construction	Storm Sewer - Operations & Facilities
2012	Fish Lake - Direct Drainage Treatment Imp 2	Storm Sewer - Operations & Facilities
2012	Fish Lake - Storm Basin Improvements 1	Storm Sewer - Operations & Facilities
2012	General Pond Maintenance	Storm Sewer - Operations & Facilities
2012	LeMay Lake - Direct Drainage Treatment Imp 2	Storm Sewer - Operations & Facilities
2012	Schwanz Lake - Direct Drainage Treatment Imp 2	Storm Sewer - Operations & Facilities
2012	Schwanz Lake - Storm Basin Improvements 1	Storm Sewer - Operations & Facilities
		Storm Sewer - Operations & Facilities Total
2012	Install Streetlights	Streetlights
2012	Traffic Signal Painting	Streetlights
2012	Upgrade Various Streetlights	Streetlights
		Streetlights Total
2012	Water Quality Stewardship Programs	Water Quality Improvements
		Water Quality Improvements Total
2012	Deerwood Reservoir General Maintenance	Water System Operations
2012	Pull & Inspect Wells #7, #8, #11 & #16	Water System Operations
2012	South Water Treatment Facility Upgrade	Water System Operations
2012	Southern Lakes Water Tower Maintenance	Water System Operations
2012	Upgrade Cliff Booster controls & pressure-storage	Water System Operations
		Water System Operations Total
2012	Cliff Road Pt J	Water Trunk Distribution System
		Water Trunk Distribution System Total
		Grand Total

Asset Management Planning In Financially Hard times

Beginning Cash Balance					
From Individual Funds*	39,881,171	36,057,171	38,600,170	41,050,637	44,097,061
In Public Utilities Fund	459,583	459,583	459,583	459,583	459,583
Net Income	(1,519,700)	2,877,384	3,061,229	3,545,723	3,714,163
Depreciation	3,477,100	3,473,816	3,455,637	3,429,602	3,417,289
Acquisition and Construction of Assets	(4,257,500)	(1,984,300)	(2,242,500)	(2,105,000)	(2,129,500)
Proceeds from New Long-Term Debt	-	-	-	-	-
Payments on New Long-Term Debt	-	-	-	-	-
Payments on Existing Long-Term Debt	-	-	-	-	-
Ending Cash Balance	38,040,654	40,883,653	43,334,120	46,380,544	49,558,596
Minimum Cash Balance					
For ongoing operations	3,929,375	3,679,129	3,873,972	3,899,811	4,020,029
Restricted Cash	26,067,042	26,383,242	26,715,242	27,047,242	27,379,242
For debt service	-	-	-	-	-
Minimum Cash Balance Required	29,996,417	30,062,371	30,589,214	30,947,053	31,399,271
Amount Over (Under) Minimum	8,044,237	10,821,282	12,744,906	15,433,491	18,159,325

Asset Management Planning In Financially Hard times

- **Pay-As-You-Go vs. Pay-As-You Use financing**
 - Matching Beneficiaries with Payers (Equity);
 - Total Financing Cost (Cost);
 - Disruption of Project Construction Schedule (Schedule Disruption);
 - Disruption of Revenue Sources or Erratic Effect on Payers (Revenue Disruption); and
 - Credit Rating Consideration (Credit)

Asset Management Planning In Financially Hard times

- **Pay-As-You-Go**
 - Costs paid for by past and current users
 - Future users may benefit without contributing
 - Minimizes costs by avoiding expenses related to issuance of debt
 - Can delay necessary improvements due to lack of funds
 - Can result in volatility in tax rates, fees, and charges
 - Can be a positive for credit rating

Asset Management Planning In Financially Hard times

- **Pay-As-You-Use**
 - Costs paid for by future users
 - Includes funding both the capital improvement and expenses related to issuance of debt
 - Reduces cancellation of necessary improvements due to lack of funding
 - Minimizes volatility in tax rates, fees, and charges
 - Can be both a positive and a negative for credit rating

Asset Management Planning In Financially Hard times

- **Pay-As-You-Go vs. Pay-As-You-Use**

- Use of both methods

- Take advantage of the best features of each method
- Minimizing the disadvantages which are possible under each method
- Smaller improvements lend themselves to Pay-As-You-Go financing
- Larger improvements generally lend themselves to the Pay-As-You-Use financing