



Proprietary & Confidential

FINAL REPORT

City of Stockton

CAPITAL IMPROVEMENT PROGRAM PROCESS REVIEW

April 30, 2024

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I. EXECUTIVE SUMMARY

A. INTRODUCTION

The City of Stockton (the City) engaged its internal auditor, Moss Adams LLP (Moss Adams) to perform a best practice review of the City's current Capital Improvement Program (CIP) plan and plan development process within the City's Public Works Department (PW). The scope of this review includes capital planning, budgeting, prioritization, communication, and reporting. The goal of this assessment is to support efficient and effective operations.

This assessment was conducted between January and March 2024. Analysis was informed by interviews with City leadership and staff, a review of data and documents provided by the City, and a comparison of current practices to industry best practices. We also reviewed past assessments that included the CIP plan and plan development process.

B. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Detailed observations and recommendations are provided in Section III of this report.

OBSERVATIONS AND RECOMMENDATIONS		
Staffing		
1.	Observation	The City's CIP processes have been under-resourced for several years. PW lacks the staffing capacity to deliver capital projects efficiently and effectively. This has resulted in delayed project delivery, an expanding project backlog, increased turnover, and increased susceptibility to risk.
	Recommendation	Prioritize closing critical resourcing deficiencies in CIP-related processes to decrease workload, support high-quality operations, and mitigate operational, financial, and strategic risks.
Project Tracking and Reporting		
2.	Observation	The CIP processes lack modern technology solutions deliberately designed for capital projects.
	Recommendation	Invest in a modern project management system and the resources necessary to support its design, implementation, and maintenance to support capital projects and the overall program.
Project Planning and Prioritization		
3.	Observation	The City does not utilize a formal, documented capital project prioritization process, which creates risks that capital project prioritization and funding are not consistently aligned with the City's strategic goals.
	Recommendations	A. Consider developing a set of strategic goals or guiding principles to ensure that individual departmental projects align with the City's overarching vision for capital development.



OBSERVATIONS AND RECOMMENDATIONS		
		B. Use a scoring framework or other objective, documented decision-making approach to form the basis for prioritization.
Policies and Procedures		
4.	Observation	The City lacks updated policies to guide capital planning efforts and project management procedures for capital projects are not fully documented, resulting in inconsistent approaches to project management.
	Recommendation	Continue current efforts to develop a streamlined and up-to-date set of capital planning policies and procedures informed by best practices, including project management resources that provide standardized templates, checklists, forms, and best practice guidance.
CIP Book Best Practices		
5.	Observation	The CIP book aligns with many industry best practices, but there are opportunities to improve public transparency, accessibility, and understanding.
	Recommendation	Update the CIP book with best practice elements, including making changes to support accessibility, expanding on planning and prioritization process descriptions, and improving financial and project data clarity.



II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

The City engaged its internal auditor, Moss Adams, to perform a best practice review of its current CIP plan and plan development process compared to industry best practices. This assessment aims to support efficient and effective operations, and the scope includes capital planning, budgeting, prioritization, communication, and reporting.

B. SCOPE AND METHODOLOGY

This assessment was conducted between January and March 2024, and we completed our analysis through the following four major phases:

- **Project Initiation and Management:** This phase concentrated on comprehensive planning and project management. It included selecting employees to interview, identifying documents to review, and providing project status reports.
- **Fieldwork:** This phase included interviews, document review, and best practice research. We worked with PW leadership to obtain the most up-to-date information and insights.
 - *Interviews:* We interviewed key City staff to understand gaps or challenges in the internal processes that support this area of work.
 - *Document Review:* We reviewed the current CIP plans and policies, project tracking collateral, past assessments that included the CIP plan and plan development process, and other documentation related to the CIP planning process.
 - *Best Practice Research:* We compared the City's plan and planning process to industry best practices.
- **Analysis:** In this assessment phase, we evaluated the importance, impact, and scope of our observations within the context of the information we gathered to develop actionable recommendations.
- **Reporting:** We concluded the project by reviewing draft observations and recommendations with PW leadership to validate facts and confirm the practicality of our recommendations.

C. CAPITAL PROGRAM AT THE CITY

The holistic lifecycle of any capital improvement program includes activities related to (1) long-term capital planning, (2) capital budgeting and financial management, (3) capital project execution, and (4) infrastructure maintenance. Capital assets are of significant value and are used to operate the City's functions and provide services. They include land, infrastructure, buildings, equipment, and the construction projects necessary to create these assets. Given these capital assets' high value, long lifespan, and tangible nature, comprehensive and systematic planning, management, and maintenance efforts are especially important to meet the community's needs while maintaining a solid financial position.

The City developed a five-year CIP Plan that captures the projects necessary to maintain and improve the City's assets and physical property and implement the General Plan. The City categorizes capital projects into General Government, Transportation, and Utilities. In the fiscal year



2023–24 version of the document, the CIP Plan included a comprehensive list of projects with a total value of \$1.3 billion, including \$368.8 million in utility projects, \$697.5 million in transportation projects, and \$288.1 million in general government projects.

- General government projects include City-owned facilities such as police, fire, parks, golf courses, libraries, community centers, and City buildings.
 - Improvements to these pieces of infrastructure are expected to be funded from the General Fund and supplemented by dedicated funding sources such as Public Facility Fees, Measure M (Strong Communities), and other reimbursements such as federal relief funding.
- Transportation projects include investments made to build, expand, or improve the City's transportation infrastructure, including roads and highways, public transportation, and pedestrian projects.
 - Primarily funded from the California Department of Transportation (Caltrans) and other non-General Fund sources almost always restricted to transportation projects.
- Utility system projects include investments in the City's three utility systems: water, wastewater, and stormwater.
 - These are almost exclusively funded by non-General Fund sources such as utility user fees, connection fees, and public facility fees.

Each year, employees in PW coordinate the development of the CIP Plan document in conjunction with other City departments, including the Administrative Services Department (ASD), the Municipal Utilities Department (MUD), the City Manager's Office, and the departments across the City who submit capital projects for consideration.

The CIP Plan is a public document that contains information crucial to City operations. It is intended to link the City's comprehensive fiscal plans and the physical development of capital projects, and inform the public of the capital improvement projects that the City plans to begin in the next five years. Due to the plan's importance, ensuring that the plan itself and the CIP planning process are aligned with industry best practices is crucial.

D. COMMENDATIONS

Based on the insights gathered through interviews and document review, it is evident that the City and the PW Department have many commendable attributes pertaining to the CIP plan and planning process. Some examples include:

- **Commitment to the City:** Employees in PW continue to manage a significant workload delivering essential City capital projects under chronic conditions of limited resources for CIP projects.
- **Resourcefulness:** PW leadership has found alternative approaches to resourcing the delivery of unplanned discretionary projects through leveraging Operations and Maintenance (O&M) staff.
- **Collaborative Culture:** PW works closely with departments across the City and collaboratively within the department to prepare the CIP book.
- **CIP Book:** The content of the City's CIP book aligns with most industry best practices.

We want to thank PW leadership and staff for their willingness to engage in this project and actively assist in this assessment.



III. OBSERVATIONS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review, and comparisons to best practices, we prepared the following comprehensive set of observations and recommendations.

A. STAFFING

1.	OBSERVATION	The City's CIP processes have been under-resourced for several years. PW lacks the staffing capacity to deliver capital projects efficiently and effectively. This has resulted in delayed project delivery, an expanding project backlog, increased turnover, and increased susceptibility to risk.
	RECOMMENDATION	Prioritize closing critical resourcing deficiencies in CIP-related processes to decrease workload, support high-quality operations, and mitigate operational, financial, and strategic risks.

Observation

Over the last decade, Moss Adams has assessed elements related to the City's capital program, with the most recent findings identified in [Appendix A](#). PW staff and leadership have consistently reported across multiple engagements that the CIP processes' single most significant pain point is the under-resourcing of PW positions—especially engineering-related positions—tasked with delivering capital projects. The fiscal division within PW is primarily responsible for coordinating the development of the annual CIP book and supporting the capital program.¹ At the time of this report, PW reported two vacant positions out of the three intended to support the Fiscal division.

The City utilizes internal and external resources to implement its capital programs, and project-specific grants fund most PW engineering positions. Since exiting bankruptcy in early 2015, the City has restricted staffing level increases that are not associated with a dedicated funding source in accordance with its Long-Range Financial Plan.² Since first identified in the 2013 Capital Program Risk Assessment report by Moss Adams, the reliance on project funding for personnel has sometimes created additional challenges with employee retention. Many post-bankruptcy positions have been expanded to encompass additional job functions and duties. PW employees have consistently experienced high workloads that elevate the risk of employee burnout, turnover, and role confusion.

In PW, senior and associate civil engineers oversee all elements related to the delivery of capital projects across the full capital project lifecycle, functioning as project managers. The number of projects an individual can effectively oversee in a capital improvement program depends on various factors, such as the complexity of the projects, the size of the team, experience, and available resources. It is generally recommended that a project manager oversee an average of up to five to

¹ The Fiscal division supports capital project budget development and monitoring, fiscal oversight and assistance, grants program coordination and management, contract compliance, and capital project reimbursements.

² The Long-Range Financial Plan (L-RFP) is a 20-year spanning financial forecasting tool developed during the City's bankruptcy and is revised and updated as necessary to account for inevitable future changes. The City's adopted annual budget includes a summary of updates each year, as applicable.



seven projects at a time for optimal staffing efficiency. This allows the project manager to manage each project effectively, provide adequate attention and oversight, and ensure that each project is completed on time and within budget. PW leadership reports that some City engineering staff currently have double the appropriate workload for their position, and the City must assign junior engineers to significantly more projects than typically appropriate for someone earlier in their career. Additionally, large projects that exceed approximately \$10 to \$15 million are the exception to the standard workload guidance; projects at this scale should have a dedicated project manager (typically at least 0.5 FTE and sometimes 1.0 FTE). These sizable projects, therefore, can take a project manager out of the standard project workload rotation; the City Hall project is one such example.

The number of Engineer-title full-time equivalent (FTE) positions in PW—funded across all revenue sources—reveals that the number of engineer FTE positions increased by an average of 2.3% over the last 10 fiscal years. In contrast, the value of the projects identified in the CIP book has increased at an average annual rate of 8.1% during the same period. While not a direct measure of project workload, in general, an increase in total project value often correlates with an increase in the volume or size of a capital program's project portfolio.

In FY 23–24, only two of the 33 engineering-related positions were funded through the General Fund. Within the last year, PW leadership requested five additional project engineers, positions that would be fully funded by grant funding except for the nonallowable benefit costs that would require 15% of each FTE to be funded through the General Fund. The combined cost of these five positions equaled less than a full FTE position; however, the City did not approve all five positions, reportedly due to concerns about expenditures from the General Fund.

PUBLIC WORKS ENGINEERING FTES	FY 2013–2014	FY 2023–2024
Engineering Services Manager	2	3
Engineering Aide/Engineering Technician I/II/Sr ● Only funded by special revenues	1	1
City Engineer	1	1
Junior/Assistant/Associate Engineer/Civil Engineer ● Only funded by special revenues	14	22
Sr Civil Engineer	3	5
Civil Engineer Associate/Senior	1	0
Engineering Aide/Engineering Technician I/II/Senior ● Only funded by special revenues	4	1
Total	26	33

To augment staffing, PW has been increasing its staff use from the Operations and Maintenance (O&M) Division on capital projects. PW leadership considers O&M staff capabilities when assigning projects to O&M, which appears to enable this practice as a short-term solution when discretionary funding levels for projects surge. However, this method of staff augmentation takes needed resources



away from O&M's routine maintenance work and is not a viable long-term solution due to backlog of O&M projects required to maintain current City assets. The cost of repairing or replacing capital assets (particularly buildings and infrastructure) can be significantly higher than the cost of regular maintenance; capital assets not regularly maintained may also have a shorter lifespan and pose heightened safety risks.

The understaffing of the PW engineering team has wide-ranging impacts and significantly increases risk to the City's CIP process. While the PW engineering team operates beyond maximum capacity, the City cannot scale up the volume of projects occurring if needed. Staff are at risk of becoming overwhelmed, burned out, and unable to provide the efficient delivery of services that the public expects from the City. Other risks of operating with insufficient staffing include:

- **Delays in Project Completion:** With fewer staff members, workloads will be distributed unevenly and some tasks may take longer. This can lead to delays in overall project completion.
- **No Capacity for Unplanned Work:** Unplanned and unexpected project work is unavoidable in any organizational environment, particularly in the construction industry. The City has no surge capacity to assign engineers to the inevitable unplanned needs that arise during the year.
- **Reduced Quality of Work:** When staff members are overworked and stretched thin, the quality of their work may suffer. This can lead to errors or oversights and may impact a project's success.
- **Ineffective Internal Controls:** In resource-scarce teams, there is an increased risk that internal controls will be bypassed so teams can meet pressing demands for work completion.
- **Decreased Morale and Increased Turnover:** When staff members are overworked and stretched thin, this can lead to decreased morale and job satisfaction. This can impact the overall team dynamic and lead to increased turnover rates. Some studies have suggested that the cost of employee turnover can range from 30% to 150% of an employee's annual salary.

In addition to engineering-related staffing challenges in PW, prior engagements have highlighted how the City's lack of staff capacity in its MUD and the ASD is an enduring issue in the City's ability to mitigate risk related to the delivery of capital projects. For example, Moss Adams' 2022 Enterprise Risk Assessment (ERA) Report recommended that the City adjust project schedules to account for delays due to labor constraints in budget and project schedules. Based on interviews, this does not appear to have occurred, and the expectations for staff remain the same. In ASD, the Budget Office has one position involved in developing the CIP book, who inherited the work abruptly after the departure of another budget analyst.

The 2020 Capital Program Effectiveness Review report by Moss Adams found that the City's decentralized administrative support model had created challenges around many administrative support processes for capital project activities, particularly contract management and change orders, grant compliance, budget amendments and encumbrances, and procurement activities.

PW leadership shared that the team could pursue more efficient CIP-related processes and reporting with additional staffing support systems. The 2020 report recommended that the City provide additional administrative support to ensure that PW engineers work at their highest and best use and that PW continue to develop comprehensive and consistent processes and procedures for capital projects. As noted in the 2020 report, PW's high dependency on grant funding combined with the City's decentralized approach to grants management has also resulted in higher levels of risk related



to grant compliance monitoring and reporting. During the current engagement, we observed that most prior-report recommendations have not been implemented and remain relevant.

Recommendation

City leadership in 2022 publicly communicated³ a desire to shift away from the post-bankruptcy recovery culture of minimal growth, and to “normalize” its budgeting process while retaining a core principle of sustainability. This presents an opportunity to address the identified staffing deficiency. We recommend City leadership prioritize addressing PW’s CIP-related staffing and resourcing deficiency. This deficiency has hindered CIP processes for several years and resulted in a perpetually expanding project backlog. While some of this resource deficiency can be addressed through hiring additional engineering positions, expanding the support staffing surrounding the CIP process may close the gap more efficiently.

Hiring support personnel such as project coordinators, procurement specialists, and administrative assistants could alleviate the pressure of excessive workloads burdening engineering positions. Effectively deploying project support resources could help shift hours from engineers to other project team members, positively impacting the workload deficit. Identifying and mapping support opportunities to available resources can help facilitate the delegation of duties, balance workloads, and promote consistency of operations throughout the project delivery team. It should be noted that there are unique aspects to managing capital projects, which means that some positions may require a more specific set of skills and knowledge that is often different from those needed for managing other types of projects.

In addition to workload balancing, there are several advantages to engaging a diverse case team. Compared to positions requiring professional certifications, there is likely a larger labor pool to hire supportive personnel such as administrative support, procurement specialists, and project coordinators.

B. PROJECT TRACKING AND REPORTING

2.	OBSERVATION	The CIP processes lack modern technology solutions deliberately designed for capital projects.
	RECOMMENDATION	Invest in a modern project management system and the resources necessary to support its design, implementation, and maintenance to support capital projects and the overall program.

Observation

As noted in the Staffing section, capital projects in PW are primarily managed by engineers who oversee all phases of a capital project from design through closeout. Engineers are responsible for managing several projects at once, and no existing system allows users to consolidate critical information about multiple projects in one place. Staff report challenges with generating timely,

³ Irwin, Ben. “Another sign of recovery, Stockton City Council approves nearly \$900 million budget.” *The Record*. 26 Jun. 2022. Accessed Mar. 2024 <www.recordnet.com>



consolidated, and comprehensive reports from the financial system. Project management tracking is conducted manually outside of any system. This creates a significant risk of errors, omissions, and inconsistencies in crucial data related to capital projects. PW staff have reported that the lack of a project management system creates operational inefficiencies in planning, managing, and reporting on all types of capital program activities. The [Policies and Procedures](#) section notes that the lack of standardized and documented project management procedures compounds these reporting challenges.

PW staff had hoped that transitioning to Tyler Munis, the City's new Enterprise Resource Planning (ERP) system, would solve some of the department's challenges in effectively tracking capital project budgets, grant compliance, costing data, and project expenditures as reported in the 2020 Capital Program Effectiveness Review (see [Appendix A](#)). However, City-wide challenges with the ERP implementation—as noted in the 2022 ERA—prevented PW from successfully implementing the full extent of desired functionality for capital projects. While capital project financial data such as budget activity, commitments, and expenditures are tracked in Tyler Munis, PW staff report ongoing challenges with reporting that include:

- Inability to automate/systematize reporting that reflects up-to-date budget-to-actuals for active projects, limiting the ability of project engineers and those in oversight roles to easily track project spending against budget quickly.
- Inability to implement the tracking of and reporting on meaningful project KPIs such as budget, forecast, change orders, commitments, expenditures, schedule, and procurement.

Because project management-related processes for the 140+ active capital projects are conducted manually and tracked through non-system tools such as Excel spreadsheets, PW cannot track and report on capital projects efficiently and effectively. The department is actively exploring opportunities to invest in possible technology solutions, but without consistent, timely, and consolidated reporting, the City's ability to make decisions and detect risks is impaired.

The reporting challenges noted here cannot be addressed without the City investing in a project management solution or a comprehensive reporting tool that can be designed and configured for capital projects (such as Procore, Tableau, or Domo) and, as recommended in [Staffing](#), without ensuring sufficient staffing to support the implementation and maintenance of the system. Although staff believe that efficiency improvements may be technically possible using Tyler Munis, the team's current capacity cannot support undertaking the additional work required to implement these improvements.

Recommendation

Comprehensive project tracking and reporting capabilities are essential to effective capital project operations. The City's capital program is large, complex, and requires a modern project management solution to manage projects, track progress, allocate resources, and facilitate communication. Capital programs, by default, have significant inherent risks, from cost overruns to delays. A project management solution can help PW to identify and manage risks, streamline processes, reduce administrative tasks, and increase overall efficiency. While a project management solution requires resource investment and time to implement and learn, the risk of continuing to operate without a modern solution likely outweighs the risk of investing in such a system.



The City should prioritize investing in a modern project management solution or comprehensive reporting tool for capital projects with sophisticated reporting capabilities. The management of capital projects is unique in several ways from other types of project management, and the tracking of related data must include consideration of the following factors:

- **Scale and Complexity:** Capital projects involve large-scale construction and infrastructure development, typically complex projects involving many stakeholders, extensive planning, and significant resources.
- **Budgeting and Financing:** Capital projects require substantial funding, which may come from various sources, such as bonds, grants, or capital reserves. Managing budgets and change orders, ensuring grant compliance, and generating meaningful reporting are critical aspects of capital project management.
- **Regulatory Compliance:** Capital projects must comply with various regulations such as building codes, environmental regulations, and public sector procurement rules. Ensuring compliance is vital to managing these projects.
- **Risk Management:** Given their scale and long-term nature, capital projects involve significant risks such as cost overruns, delays, and technical challenges. Effective risk management is, therefore, a crucial aspect of capital project management.
- **Asset Lifecycle Management:** Capital projects often involve the creation of assets that will need to be managed over their lifecycle. This includes planning for maintenance, upgrades, and eventual replacement.

The implementation of a project management solution requires sufficient staffing as well. If the City pursued using support staff as outlined in the [Staffing](#) section of this report, system capabilities could be implemented to support the City's ability to track and report project status accurately and efficiently. As the implementation plan is developed, the City should consider staffing this function to manage the technology investment effectively, provide expertise to users, and oversee training. If the City leveraged a model of utilizing support staff, as described in [Staffing](#), some positions, such as project coordinators or junior engineers, could support PW in building out and modernizing crucial program infrastructure, including designing, implementing, and documenting a project management system.



C. PROJECT PLANNING AND PRIORITIZATION

3.	OBSERVATION	The City does not utilize a formal, documented capital project prioritization process, which creates risks that capital project prioritization and funding are not consistently aligned with the City's strategic goals.
	RECOMMENDATION	<p>A. Consider developing a set of strategic goals or guiding principles to ensure that individual departmental projects align with the City's overarching vision for capital development.</p> <p>B. Use a scoring framework or other objective, documented decision-making approach to form the basis for prioritization.</p>

Observation

Capital project planning and prioritization occur during the annual process of compiling the CIP book. The PW Fiscal Division facilitates the development of a five-year CIP book that is updated each year and primarily used to communicate the current fiscal year budgeting decisions to the City Council and individual City departments. Projects are identified for inclusion in the CIP book through a variety of methods:

- PW consults with City departments to identify departmental project priorities.
- The identified projects are chosen for inclusion in the CIP book based on discussions about City priorities and considerations of health and safety needs.
- Ad hoc projects are occasionally identified by City Council to support specific strategic goals or economic development activities.

Most capital projects in the CIP are funded using restricted funding sources such as grants. As a result, the prioritization of capital projects with unrestricted funding has focused on critical health and safety needs and short-term priorities, not on what might best align with the City's strategic needs. The City has not developed a formal CIP planning framework to help ensure that the selection of capital projects with unrestricted funding is driven by a process that prioritizes selection based on the City's long-term strategies. Without a unified approach, the City risks haphazardly completing projects rather than identifying opportunities for projects that both mitigate risks and align with the City's priorities. In addition, the City is not currently utilizing a formal methodology to prioritize or reject projects. Instead, once all projects are submitted for consideration during the annual planning cycle, PW leadership submits project prioritization to the City Manager's Office for review. The City Manager's Office ultimately decides what projects to prioritize for the year and brings the CIP Book to City Council for approval based on available funds. Without a standard prioritization process, the City risks de-prioritizing important maintenance-related projects that would save the City money in the long run, and the public and City staff lack transparency in a critical process.

An example of the impact of the lack of a standard prioritization process is that the City has historically taken a deferred maintenance approach to asset management, as noted in the 2022 ERA. This means that the City prioritizes permanent or temporary infrastructure repairs only after significant issues are identified. A standard prioritization process, paired with sufficient financial support for basic infrastructure needs, would promote proactive maintenance.



Recommendations

To align the prioritization process with industry best practices, the City should develop a consistent methodology to identify and prioritize incoming projects and ensure that work is completed in alignment with the City's overarching strategic goals. The City should consider:

- Developing a set of strategic goals or guiding principles for the CIP planning and prioritization process and aligning them with the City's overarching vision for development, as laid out in the [One Page Strategic Plan](#).
- Developing and using a standard scoring framework that can be applied to all projects and form the basis for prioritization. The criteria used to determine capital project prioritization varies across the industry, with some cities simply using a list of general criteria that a project must meet to be approved, while others have developed more complex ranking systems. Best practice is to use a rating system that assigns a quantitative value to a project priority. A decision-making tool such as a weighted decision matrix can be useful in attributing value to high-priority criteria in the rating scale. A rating system helps facilitate appropriate personnel and/or committees' decision-making and standardizes the project prioritization process.

D. POLICIES AND PROCEDURES

4.	OBSERVATION	The City lacks updated policies to guide capital planning efforts and project management procedures for capital projects are not fully documented, resulting in inconsistent approaches to project management.
	RECOMMENDATION	Continue current efforts to develop a streamlined and up-to-date set of capital planning policies and procedures informed by best practices, including project management resources that provide standardized templates, checklists, forms, and best practice guidance.

Observation

While PW has developed an extensive and detailed Procedure Manual that was last updated in 2019, this manual does not include policies that guide the capital planning process. As identified in prior CIP-related reports, PW's project management processes for capital projects are not fully documented, resulting in inconsistent approaches to project management. Industry best practice recommends having complete and updated policies and procedures to ensure consistent processes, aid in onboarding new staff members, and provide the basis for partner department training.

There is currently an effort in PW to evaluate and update the policies and procedures in place and address the list of gaps identified in prior reports.

Recommendation

As part of the current effort to update capital project management policies and procedures, PW should consider developing the following policies to guide the capital planning process:

- Capital Planning Policy
- Capital Request and Project Prioritization Policy (high priority)



- Financial Planning Policy
- Financial Impact and Cost Estimation Policy
- Capital Asset Management Policy (high priority)
- Project Monitoring and Reporting Policy
- Project Management Procedures

Documenting policies and procedures often illuminates areas where processes can be improved. A list of Capital Planning Policy Best Practices can be found in [Appendix B](#). Throughout the policy development process, PW staff can reference the CIP Process Map ([Appendix D](#)) as the basis for continuing to clarify roles and responsibilities and understanding where duplicative efforts, manual steps, or too many hand-offs are occurring. As process improvements are made, updating the relevant policies to reflect the most up-to-date practices will be essential.

In addition, the 2022 ERA noted that the City can take advantage of state and federal infrastructure funding opportunities for deferred maintenance projects. It recommended that the City develop policies, procedures, and processes to leverage grant funding effectively. This type of policy is currently absent from the Procedure Manual, and the City should consider including this as it updates the manual.

E. CIP BOOK BEST PRACTICES

5.	OBSERVATION	The CIP book aligns with many industry best practices, but there are opportunities to improve public transparency, accessibility, and understanding.
	RECOMMENDATION	Update the CIP book with best practice elements, including making changes to support accessibility, expanding on planning and prioritization process descriptions, and improving financial and project data clarity.

Observation

The PW Fiscal Division coordinates the development of the annual CIP book - the process is outlined in [Appendix D](#). After multiple rounds of iteration between ASD and PW staff, the resulting document is printed from Tyler Munis.

The City's current CIP book comprises project details including a brief description, project justification, and estimated costs for projects slated to progress within the next five years. It includes both funded and unfunded projects related to City facilities and infrastructure, including buildings, parks, entertainment venues, golf courses, utility systems, and the transportation system. Individual projects must have an estimated cost of at least \$50,000 to be included in the CIP and provide long-term benefits to the community. CIP projects do not address ongoing repair or maintenance activities, which the City funds from its annual operating budget.

Each year, staff reviews the five-year CIP to identify any new City needs and to adjust for changing priorities and available funding. Funding sources include the General Fund, Entertainment Venues Fund, Fleet Internal Service Fund, gas tax, public facilities fees, proportionate share fees from development, Measure K, Strong Communities Initiative (Measure M), utility fees, enterprise funds, and various state and federal grants.



The City's current CIP book is aligned with many industry best practice elements, but there are opportunities to further align the book with best practices that will improve transparency and understanding. An easily understandable CIP book that paints a comprehensive picture of the City's projects promotes public engagement and helps build trust and confidence among residents and key stakeholders. For a complete analysis of the CIP book compared to best practices, see [Appendix C](#). The best practices used in this analysis are derived from OpenGov and the Government Finance Officers Association.

Recommendations

We recommend that the City update the CIP book in the following categories. Where relevant, examples are included.

Accessibility

- **Add PDF-Friendly Links:** In alignment with best practices, the CIP book is written with accessible language and includes a welcome message and description of what is included in the book. However, it is difficult to navigate within the book while viewing it electronically. To improve navigability, consider adding PDF-friendly links to the Table of Contents.
- **Reformat Project Summaries:** The format of project summaries is not intuitive. Consider reformatting project summaries to a more reader-friendly layout, like this example from the [City of Riverside](#):



DISTRIBUTION LINE EXTENSIONS

PRIORITIZATION CATEGORIES

- Risk to Health, Safety and Environment
- Regulatory or Mandated Requirements
- Asset Condition, Annual Recurring Costs, and Asset Longevity
- Community Investment and Economic Prosperity
- Level and Quality of Service
- Sustainability and Conservation
- Funding Availability
- Project Readiness
- Multiple Category Benefit and Bundling Opportunities

NEW OR EXISTING

- New Infrastructure or Facility
- Existing Infrastructure or Facility



PROJECT NUMBER 470601E **COUNCIL WARD** All Wards
PROJECT CATEGORY Electric Utility
PROJECT LOCATION Citywide

PROJECT DESCRIPTION

The Distribution Line Extension project includes the installation and extension of primary overhead and underground distribution lines to serve new residential, commercial, and industrial customers, as well as existing customer upgrades; installation and extension of primary overhead and underground distribution lines to serve new Electric Vehicle charging stations; and design of line extensions which complements existing facilities and considers overall area electrical load requirements.

PROJECT STATUS

This is an ongoing project to install new primary distribution lines which contributes to fulfilling the City's obligation to serve electric load requirements within the City's service territory.

OPERATING BUDGET IMPACT

This project replaces existing and/or adds new infrastructure to the electric system and will not require additional operating and maintenance costs.

PROJECT FUNDING OVERVIEW			
Total Project Cost	Prior Years Funding	Five-Year Plan	Remaining Needed
Ongoing	\$ 78,807,359	\$ 15,364,823	Ongoing

TWO-YEAR BUDGET AND FIVE-YEAR PLAN						
Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	Total
510 - Electric Fund	\$ 2,831,267	\$ 2,942,653	\$ 3,178,956	\$ 3,196,798	\$ 3,215,149	\$ 15,364,823
Total Funding	\$ 2,831,267	\$ 2,942,653	\$ 3,178,956	\$ 3,196,798	\$ 3,215,149	\$ 15,364,823

Riverside Public Utilities - Electric



Planning and Prioritization Process Description

- Describe the Role of Stakeholders:** CIP books should include a description of the role of the public, committees, and other external stakeholders in the standard planning process. The City's CIP does include information about the external agencies that are involved in the process, but it does not describe how the public or committees are involved. If applicable, consider adding a discussion about the extent to which the City involves all stakeholders in the CIP process. For instance, the City of Riverside includes this process description in a *Community Engagement* section of the CIP:

“Community engagement begins in earnest in March and continues through April, with the presentation of department budgets to their respective boards and commissions, where applicable. Presentations of department budgets to the Budget Engagement Commission (BEC) follow, where the departments receive feedback from BEC Commissioners on their proposed budget and budget strategies. A City Council Budget workshop takes place in April. A brief overview of the preliminary budget is presented, followed by presentations of departmental preliminary budgets from each City department. Council feedback is incorporated into the proposed budget for adoption.”

- Describe the Prioritization Process:** CIP books should describe how decisions are made, including a structured process for prioritizing need and allocating limited resources as well as how various departments submit detailed project proposal for consideration. While the CIP book does briefly mention that proposed projects are prioritized for inclusion in the CIP based on Council and City priorities, there is no formal prioritization process, and projects are not ranked in the CIP. The City should formalize a prioritization process (as recommended in the [Project Planning and Prioritization](#) section), then include a robust description of that process in the CIP book. The [City of Oakland](#) provides a good example in its graphic depicting the nine City-wide prioritization factors and weighing systems:





Capital Maintenance Projects Narrative

- Clearly Explain Major Maintenance Projects:** In alignment with best practices, the CIP book includes the City's significant capital maintenance projects. However, it is difficult for a layperson to quickly grasp the relative significance of each project. To support broader understanding of the work the City is doing to be a good steward of its assets, the City can consider adding a narrative description of the current year's most significant capital maintenance projects with an explanation of how investing in maintenance projects will save the City money in the long-term.

Financial and Project Data Clarity

- Adjust Future Costs for Inflation:** For projects programmed beyond the first year of the plan, the City includes cost projections in accordance with best practices. The City should ensure that these cost projections are adjusted for inflation and add a description of the consistent method used to do so.
- Include Estimated Lifecycle and Ongoing Maintenance Costs:** It is best practice to include in each project summary a clear estimate of project life cycle costs (including land acquisition needs, design, construction, contingency, and post-construction costs) and estimated anticipated ongoing impacts to the City's operating budget stemming from operations and maintenance costs. The City should consider building out project summaries to include this information, as in this example from the [City of Sacramento](#):

City of Sacramento
Capital Improvement Program **C13000100**

Project Name FUEL MANAGEMENT AND SUPPORT EQUIPMENT PROGRAM

Project Description Fuel management, dispensing, storage, and monitoring systems require ongoing testing, maintenance, and upgrading to ensure environmental protection. This program provides funding for upgrades and implements alternative fuel infrastructure.

Project Objectives Expand technology and resources for all fueling requirements, including compressed natural gas, gasoline, diesel, and oil by replacing and updating failing or outdated fueling equipment, storage, and supporting infrastructure.

Existing Situation This program implements the City Council's fleet sustainability goals, which expands the use of alternative fuels and GPS telemetrics.

Operating Budget Impact Ongoing maintenance costs are recovered through a fuel surcharge.

Fund	Fund Description	As of 2/2023						
		Budget	Unobligated	2023/24	2024/25	2025/26	2026/27	2027/28
6501	FLEET MANAGEMENT	\$3,438,599	\$144,033	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Total		\$3,438,599	\$144,033	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000

2023 - 2028 Funding	\$250,000
Est. Project Cost	\$3,688,599
FY2023/24 Funding	\$50,000
Prior Expenditures	\$3,294,566

- Include the Status of Major Multi-Year Projects:** It is best practice to include in each project summary a clear report of the project's status, if applicable (for example, the project justification, estimated overall cost of each project, estimated project timeline, and total revenues for each project with associated funding sources). While the CIP book does this to some extent, it does not clearly describe the status of major multi-year projects. To support wide understanding of the City's major multi-year projects, the City can consider adding a narrative description of major projects' timelines and statuses to the CIP book introduction. For example, pages 14 through 22 of the [City of Long Beach's](#) CIP provide a narrative description of the City's major projects in each program section.



APPENDIX A: PRIOR OBSERVATIONS ANALYSIS

This table summarizes prior observations that, based on inquiry, remain relevant and unresolved from two recent reports conducted by Moss Adams: 1) the 2022 Enterprise Risk Assessment and 2) the 2020 Capital Program Effectiveness Review. The table provides context to themes discussed in the report results above.

SUBJECT	REPORT	OBSERVATION	RECOMMENDATION	SEE SECTION
Grant Management	2020 Capital Program Effectiveness Review	High dependency on grant funding combined with a decentralized approach to grants management has resulted in challenges City-wide, including compliance for monitoring and reporting.	Continue to strengthen a centralized, integrated approach to grant pursuit, management, and reporting to maximize attainment of grant funding and compliance with grant management activities.	Staffing
Planning and Prioritization	2022 ERA	The City has historically taken a deferred maintenance approach, where it prioritizes permanent or temporary repairs of infrastructure after significant issues are identified.	Begin to redirect focus on long-term improvements.	Project Planning and Prioritization
Planning and Prioritization	2020 Capital Program Effectiveness Review	The City does not leverage a cross-departmental, holistic programmatic approach for capital program activities, resulting in the City lacking a unified and strategic framework.	Form a cross-departmental team to define and document a comprehensive capital planning strategy, along with related processes and guidelines.	Project Planning and Prioritization
Planning and Prioritization	2020 Capital Program Effectiveness Review	The City's current funding model for capital program activities does not provide sufficient financial support for basic infrastructure needs across the City, and the City has not assessed the risks of its rising levels of deferred maintenance backlog.	<ul style="list-style-type: none"> a. Conduct a City-wide capital infrastructure inventory and consolidate existing data for a high-level needs assessment in order to develop a capital renewal reinvestment model. b. Define major infrastructure maintenance expenditures and establish policies designating the funding sources for maintenance expenditures. 	Project Planning and Prioritization
Policies and Procedures	2022 ERA	The City is regaining financial stability and can begin to take advantage of state and federal infrastructure funding opportunities	Develop policies, procedures, and processes to effectively leverage grant funding.	Policies and Procedures



SUBJECT	REPORT	OBSERVATION	RECOMMENDATION	SEE SECTION
		for deferred maintenance projects.		
Project Management	2020 Capital Program Effectiveness Review	The City's project management processes for capital projects are not fully documented nor aligned across all groups, resulting in inconsistent approaches to project management.	Develop and distribute project management resources that provide standardized templates, checklists, forms, and best practice guidance, and provide City-wide training on a regular basis.	Project Tracking and Reporting
Resourcing	2022 ERA	The City lacks staff capacity in MUD, PW, and internal services departments to execute projects; high vacancy rates in MUD and PW affect project completion.	In budget and project schedules, account for additional delays or increased costs due to labor constraints.	Staffing
Resourcing	2020 Capital Program Effectiveness Review	Administrative support activities for capital projects do not always align with the unique elements of the capital project world to provide efficient and effective support.	Continue to develop comprehensive and consistent procurement processes and procedures (including templates) for capital projects, including guides and manuals for non-procurement staff and stakeholders.	Staffing
Resourcing	2020 Capital Program Effectiveness Review	The major groups involved in capital program activities are not dedicated solely to capital projects, and often have a wide range of responsibilities in addition to those related to capital program activities.	Perform a workload analysis to assess the adequacy of staffing and develop a workforce plan for capital project positions to proactively identify needs, develop employees, and support operational continuity.	Staffing
Systems	2020 Capital Program Effectiveness Review	The City's current accounting system (SunGard HTE) has served as its system of record and is outdated. While progress toward the replacement system (Tyler Munis) is underway, capital program activities will continue to face technological challenges for at least the next several years.	<ol style="list-style-type: none"> Ensure that PW and MUD are adequately involved in the scoping, testing, and implementation phases for new ERP modules. As critical system and process changes are implemented, document and update key procedures related to all phases of capital projects. 	Project Tracking and Reporting



APPENDIX B: CAPITAL PLANNING POLICY BEST PRACTICES

This table details the elements that should be covered in key capital planning policies.

POLICY CATEGORY	POLICY	BEST PRACTICE ELEMENTS
CIP Planning	Capital Planning Policy	<p>Capital planning policies should provide:</p> <ul style="list-style-type: none"> ● A requirement that a multi-year capital improvement plan be developed and that it include long-term financing considerations and strategies ● A clear definition of what constitutes a capital project ● A requirement that the plan include significant capital maintenance projects ● A description of how an organization will approach capital planning, including how stakeholder departments will collaborate to prepare a plan that best meets the operational and financial needs of the organization ● Identification of how decisions will be made in the capital planning process, including a structured process for prioritizing need and allocating limited resources ● A description of the role of the public and other external stakeholders in the process ● Establishment of a CIP review committee and identification of its members ● A requirement that the planning process include an assessment of the government's fiscal capacity so that the final capital plan is based on what can realistically be funded by the government—rather than being simply a wish list of unfunded needs ● A procedure for accumulating necessary capital reserves for both new and replacement purchases ● A policy for linking funding strategies with the useful life of an asset, including identifying when debt can be issued and any restrictions on the length of debt ● Provisions for monitoring and oversight of the CIP plan, including reporting requirements and how to handle changes and amendments to the plan
CIP Planning	Capital Request and Project Prioritization Policy	<p>Capital request prioritization policies should help evaluate capital requests so they can be prioritized based on the following:</p> <ul style="list-style-type: none"> ● Health and Safety: Priority should be given to high-risk safety issues that require a capital project to correct ● Asset Preservation: Capital assets that require renewal or replacement based on the capital asset life cycle ● Service/Asset Expansion: Infrastructure improvements needed to support the government's policies, plans, and studies <p>These policies should include:</p> <ul style="list-style-type: none"> ● Guidance for when the initial prioritization process may be impacted by legal requirements and/or mandates



POLICY CATEGORY	POLICY	BEST PRACTICE ELEMENTS
		<ul style="list-style-type: none"> ● Procedures for coordination with related entities ● Procedures for allowing submitting agencies to provide an initial prioritization ● Guidance for collecting and incorporating input and participation from major stakeholders and the general public ● Policies for considering the impact on operating budgets resulting from capital projects ● A practice of applying analytical techniques for evaluating potential projects (e.g., net present value, payback period, cost-benefit analysis, life cycle costing, cash flow modeling) ● Details for a rating system that will facilitate decision-making ● Procedures for ensuring CIP projects align with and support the City's Master Plan
CIP Planning	Financial Planning Policy	<p>Policies for developing a viable multi-year capital financing plan should include:</p> <ul style="list-style-type: none"> ● Guidelines for determining if the proposed capital plan is achievable within the proposed timeline with expected available resources ● A procedure for anticipating expected revenue and expenditure trends, including their relationship to multi-year financial plans and ongoing impacts to the operating budget due to the capital plan ● Requirements for preparing cash flow projections of the amount and timing of capital financing ● A practice of ensuring continued compliance with all established financial policies ● A practice of recognizing all appropriate legal constraints ● Policies for considering and estimating funding amounts from all appropriate funding alternatives ● A practice of considering sources and uses for debt service ● A procedure for evaluating the reliability and stability of identified funding sources ● A procedure for evaluating the affordability of the financing strategy, including the impact on debt ratios, applicable tax rates, and/or service fees
CIP Planning	Financial Impact and Cost Estimation Policy	<p>Policies to ensure that the full extent of capital projects/assets and the associated life cycle costs are determined when developing a multi-year capital plan should include:</p> <ul style="list-style-type: none"> ● Procedures for defining the scope and timing of a planned project in the early stages of the planning process ● Guidance for identifying and using the most appropriate approaches when estimating project costs and potential revenues ● Procedures for procuring outside assistance if internal resources are not sufficient to estimate a capital project's costs, revenues, and/or life cycle costs ● A practice of adjusting cost projections based on anticipated inflation for projects programmed beyond the first year of the plan



POLICY CATEGORY	POLICY	BEST PRACTICE ELEMENTS
		<ul style="list-style-type: none"> ● Guidance for providing a clear estimate of all major components required to implement a project, including acquisition needs, design, construction, contingency, and post-contingency costs ● Guidance for quantifying the ongoing life cycle costs associated with each project and identifying funding sources for those costs
Capital Asset Management and Deferred Maintenance	Capital Asset Management Policy	<p>Policies related to capital asset management practices should include:</p> <ul style="list-style-type: none"> ● A requirement for a complete inventory and periodic measurement of the physical condition and existence of all capital assets ● A requirement to establish condition/functional performance standards to be maintained for each type of capital asset ● A requirement to evaluate existing capital assets to determine if they still provide the most appropriate method to deliver services ● Consideration of developing financial policies that identify and dedicate fees or other revenue sources to help maintain the expected service levels of capital assets ● A requirement to allocate sufficient funds in the multi-year capital plan and annual operations budget for condition assessment determination and reporting, preventative maintenance, repair, renewal, and replacement of capital assets in order to continue providing services that contribute to public health, safety, and quality of life ● A requirement to monitor and communicate progress toward stated goals and the overall condition of capital assets, with appropriate controls to ensure the validity and accuracy of this information ● A requirement to provide, at least once every three years, a “plain language” report on capital assets to elected officials that is also made available to the general public
Capital Project Monitoring and Reporting	Project Monitoring and Reporting Policy	<p>Policies related to project status/activity monitoring should include a minimum requirement that regular reports will:</p> <ul style="list-style-type: none"> ● Provide a comparison of actual results to the project plan, including: <ul style="list-style-type: none"> ○ Percent of project completed ○ Percent of project budget expended ○ Progress on key project milestones ○ Contract status information, including time remaining and percentage used ○ Revenue and expenditure activity ○ Cash flow and investment maturities ○ Funding commitments ○ Available appropriation ○ Comparison of results in relation to established performance measures



POLICY CATEGORY	POLICY	BEST PRACTICE ELEMENTS
		<ul style="list-style-type: none"> ● Highlight significant changes to project scope, costs, schedule, or funding <p>An annual snapshot of a project’s key schedule, cost estimate, and available funding information should be taken to establish baseline data for performance measures and report components.</p>
Project Management	Project Management Procedures	<p>In addition to the policies listed above, we recommend that Project Management Procedures include tactical guidance on the following topics:</p> <ul style="list-style-type: none"> ● Contract administration and management ● Bid and procurement management ● Change order and scope management and controls application ● Expenditure management controls ● Design and construction budget management controls ● Project close-out controls



APPENDIX C: CIP BOOK BEST PRACTICE COMPARISON

This table compares the CIP book with best practices. Where changes are recommended, see [CIP Book Best Practices](#) for examples.

POLICY CATEGORY	SOURCE	BEST PRACTICE	CITY OF STOCKTON CURRENT CONDITION	RECOMMENDATION
Accessibility	Industry Best Practice, GFOA	CIP books should be written in plain English (avoiding jargon when possible) and include a welcome message and/or guide to how to read and use the report. This is done to make the document more accessible to members of the public.	The CIP book is written with accessible language and includes a welcome message and a description of what is included, but it is difficult to navigate within the book.	<ul style="list-style-type: none"> • Add PDF-friendly links to the Table of Contents. • Consider reformatting project summaries to a more reader-friendly layout.
Timeline	GFOA	CIP books should document at least three to five years of upcoming projects. While only the current year will be approved/funded, this long-term planning provides transparency for City leadership and enables more strategic decision-making.	The CIP book is aligned with best practices.	
Definitions of Terms	GFOA	CIP books should include a clear definition of what constitutes a capital project and what constitutes a significant capital maintenance project.	The CIP book is aligned with best practices.	
Planning and Prioritization Process Description	GFOA	CIP books should include a description of how an organization will approach capital planning, including how stakeholder departments will collaborate to prepare a plan that best meets the operational and financial needs of the organization.	The CIP book is aligned with best practices.	
	GFOA	The process should include a description of the capital improvement program review committee and identification of committee members, and a description of the committee's and its members' responsibilities.	The CIP book is aligned with best practices.	



POLICY CATEGORY	SOURCE	BEST PRACTICE	CITY OF STOCKTON CURRENT CONDITION	RECOMMENDATION
	GFOA	The process should include a description of the role of the public and other external stakeholders in the process. (The level and type of public participation should be consistent with community expectations and past experiences.)	The CIP includes information about the external agencies who are involved in the process, but does not mention the role of public.	If applicable, add a discussion about the extent to which the City involves the public in the CIP process.
	GFOA	The process should note how decisions will be made in the capital planning process, including a structured process for prioritizing need and allocating limited resources.	The CIP book briefly mentions that proposed projects are prioritized into a CIP based on Council and City priorities.	<ul style="list-style-type: none"> • Build a chart showing the capital planning and prioritization process. • Consider adding priority level to project summaries.
	Industry Best Practice	CIP books should include a description of the budget process.	The CIP book is aligned with best practices.	
Capital Maintenance	GFOA	CIP books should include significant capital maintenance projects.	The CIP book is aligned with best practices, but there is opportunity for improvement to support increased transparency.	Consider adding a narrative description of the current year's most significant projects.
Financial and Project Data	Industry Best Practice	CIP books should include a description of the funding sources used to support CIP projects.	The CIP book is aligned with best practices.	
	Industry Best Practice	CIP books should include a summary report of total dollar amount (for both sources and uses) of the capital program for the current budget year. Funded projects can be presented in a variety of ways, including project by funding source, project by department, and project by project category.	The CIP book is aligned with best practices.	
	Industry Best Practice	CIP books should include a description of unfunded capital improvement projects, including overall estimated costs. Many cities	The CIP book is aligned with best practices (all future years are unfunded).	The CIP book is aligned with best practices.



POLICY CATEGORY	SOURCE	BEST PRACTICE	CITY OF STOCKTON CURRENT CONDITION	RECOMMENDATION
		include a full inventory of all unfunded projects in an appendix.		
	Industry Best Practice	For projects programmed beyond the first year of the plan, cost projections should be adjusted for inflation.	It is not clear if the CIP book meets best practices.	Ensure that a consistent method is used to adjust for inflation for anticipated costs.
	Industry Best Practice	<p>For each funded project, CIP books should include project information, including at a minimum:</p> <ul style="list-style-type: none"> ● Project title ● Category ● Short project description ● Project status ● Funding source ● Clear estimate of life cycle costs (including land acquisition needs, design, construction, contingency, and post-construction costs) ● Estimated anticipated ongoing impacts (operations and maintenance costs) to the City's operating budget (including costs to operate, maintain, administer, and renew or replace the capital asset) 	Although some of this information is included, the CIP book does not include estimates of anticipated ongoing operations and maintenance costs or lifecycle costs. In addition, it does not clearly describe the status of major multi-year projects.	<ul style="list-style-type: none"> ● Build out project summaries to include this information. ● Consider adding a narrative description of major projects' timelines.

City of Stockton – CIP Budget Book Development



