

**PA 552**  
**PUBLIC CAPITAL BUDGETING AND FINANCE**

Fall 2010 - Tuesdays, 6-9 p.m.

Stevenson Hall 303

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This course examines governmental capital budgeting processes, linkages between the capital budget and capital improvement plan, and methods and techniques of financing capital projects including debt financing. Prerequisite: PA 504; and graduate or professional standing; or consent of the instructor.

A city's built environment begins with its underlying foundation or infrastructure. Historically, infrastructure had been built and financed by individuals and the private sector, but most infrastructure today is in the public domain. Governments plan, budget, and finance their fixed assets or capital facilities. The public document that authorizes public expenditures is the capital budget, which is the principal focus of this research seminar.

The seminar will examine the capital budgeting process and its evolution, the linkages between the capital budget and the capital improvement plan, methods and techniques of financing capital improvements (including debt financing and innovative financing), and recent changes in governmental budgeting, finance, and accounting (e.g., GASB 34). The seminar will also focus on contemporary issues of capital budgeting and finance, especially in light of the economic recovery/economic stimulus package approved by Congress and President Barack Obama and the State of Illinois' recent adoption of a \$31 billion capital budget.

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The final grade is based on several factors:

1. Active Participation	10%
2. Presentation and Critique of Scholarly Journal Article	10%
3. Capital Financial Plan Analysis. October 19	20%
4. Case Project Written Report. November 16	40%
5. Case Project Class Presentation. November 30	10%
6. Final Exam. December 7	10%

**Required textbook:**

Marlowe, et al. Capital Budgeting and Finance: A Guide for Local Governments Second Edition (Washington, DC: International City/County Management Association, 2009)

As a graduate level seminar, active participation is not only desired, it is expected. Please read the required readings prior to coming to class and be prepared to discuss their implications.

Additional readings will be distributed in class, except for those that are available on the UIC library website (marked by an asterisk [\*] on the syllabus) or available on Blackboard.

You are encouraged to bookmark Alan Steiss, Local Government Finance: Capital Facilities Planning and Debt Administration (Lexington: Lexington Books, 1975) and on-line at: <http://www-personal.umich.edu/~steiss/page49.html>

Due to numerous circumstances, the instructor reserves the right to alter the readings and the dates on the attached syllabus! We will provide ample warning when making such changes.

Please note that plagiarism and all other forms of academic dishonesty will not be tolerated. Anyone who violates the university's academic dishonesty policy will fail the course and will be reported to the dean and provost for disciplinary action. Consult the student handbook for a concise explanation of academic dishonesty and resulting penalties.

**Please sign up on Blackboard. We will be communicating via Blackboard and posting additional readings there as well.**

No make-up work will be allowed for this course.

*Required readings each week are in italics. The others are optional.*

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## CLASS CALENDAR AND ASSIGNMENTS

### **August 24/Introduction and Discussion of Class Project**

City of Chicago FY2009-2013 capital budget:

[http://www.cityofchicago.org/content/dam/city/depts/obm/supp\\_info/CIP%202009-2013.pdf](http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/CIP%202009-2013.pdf)

DuPage County FY2010 Capital Improvement Plan -

[http://www.co.dupage.il.us/finance/generic.cfm?doc\\_id=4373](http://www.co.dupage.il.us/finance/generic.cfm?doc_id=4373)

(See Bond Funded Capital Project & Debt Service Funds and Miscellaneous sections)

\* Willard Price, "Innovation in Public Finance: Implications for the Nation's Infrastructure," *Public Works Management & Policy* 7:1 (July 2002): 63-78.

American Society of Civil Engineers (ASCE), "Report Card for American Infrastructure: 2009 Grades," [http://www.infrastructurereportcard.org/sites/default/files/RC2009\\_exsummary.pdf](http://www.infrastructurereportcard.org/sites/default/files/RC2009_exsummary.pdf)

## **August 31/ Capital Budgeting: Rationale, Scope, Policy and Processes**

Marlowe, et al. *Capital Budgeting and Finance: A Guide for Local Governments Second Edition* (Washington, DC: International City/County Management Association, 2009) Chapter 1

Michael A. Pagano, "Grading the States' Infrastructure Management Performance: The Government Performance Project's Process and Results," in Adjo Amekudzi and Sue McNeil, eds. *Infrastructure Reporting and Asset Management* (Reston, VA: American Society of Civil Engineers, 2008), pp. 73-80. (Blackboard)

Pew Center on the States Government Performance Project - Infrastructure Performance Grades (<http://www.pewcenteronthestates.org/>). Please look at:

- 50 state infrastructure summary at <http://www.pewcenteronthestates.org/uploadedFiles/Infrastructure%20Performance.pdf>
- Grading Criteria at [http://www.pewcenteronthestates.org/template\\_page.aspx?id=35360](http://www.pewcenteronthestates.org/template_page.aspx?id=35360)

John Mikesell, *Fiscal Administration*, Ch. 5 (Blackboard)

\* Bunch, Beverly S. "Current Practices and Issues in Capital Budgeting and Reporting," *Public Budgeting and Finance* v16, n2 (Summer 1996): 7-25.

\* Forrester, John P., "Municipal Capital Budgeting: An Examination," *Public Budgeting and Finance* v13, n2 (Summer 1993): 85-103.

\* Posner, Paul L., Lewis, Trina V. ; Laufe, Hannah, "Budgeting for Federal Capital," *Public Budgeting and Finance* v18, n3 (Fall 1998): 11-23.

## **September 7/ Capital Improvement Program**

Marlowe, et al. *Capital Budgeting and Finance: A Guide for Local Governments Second Edition* (Washington, DC: International City/County Management Association, 2009) Chapters 2 and 9

*National Advisory Council on State and Local Budgeting. Recommended Budget Practices* See [www.gfoa.org/services/nacslb/](http://www.gfoa.org/services/nacslb/) (Blackboard)

GFOA Recommended Practices (online at [www.gfoa.org](http://www.gfoa.org))

Alan Steiss, *Local Government Finance: Capital Facilities Planning and Debt Administration* (Lexington: Lexington Books, 1975) and on-line at: <http://www-personal.umich.edu/~steiss/page49.html>

\* Bland, Robert L., Nunn, Samuel "The Impact of Capital Spending on Municipal Operating Budgets" *Public Budgeting and Finance* v12, n2 (Summer 1992): 32-47.

Alan Walter Steiss and Chukwuemeka O'C Nwagwu, *Financial Planning and Management in Public Organizations* <http://www-personal.umich.edu/~steiss/page3.html>

\* Peter Lufkin, Anand Desai and Jay Janke, “Estimating the Restoration and Modernization Costs of Infrastructure and Facilities,” *Public Works Management & Policy* 10:1 (July 2005): 40-52.

**Guest Speaker:** Grace Gallucci, Deputy Executive Director for Research, Analysis & Policy Development, Regional Transportation Authority (Performance Management)

### **September 14/ Evaluation and Prioritization of Capital Projects**

*Marlowe, et al. Capital Budgeting and Finance: A Guide for Local Governments Second Edition (Washington, DC: International City/County Management Association, 2009) Chapter 3*

*Calia, Roland. “Are All Public Spending Programs Equal? Priority Setting Approaches for Government Budgeting.” Government Finance Review, August 2001. (Handout)*

### **In-Class Exercise: Setting Priorities in Capital Budgeting**

### **September 21/GASB 34**

*Calia, Roland. “The GASB 34 Reporting Guidelines for Government Financial Statements,” Civic Federation Issue Brief, August 2004. (Blackboard)*

*Finkler, Steven A. 2001. Financial Management for Public, Health, and Not-for-Profit Organizations (New Jersey: Prentice Hall) – Chapter 11: Accounting for State and Local Government (Handout)*

**Guest Speaker:** Lise Valentine, Board of Commissioners, Park District of Oak Park (CIP)

### **September 28/Financing the Capital Budget: Taxes, Fees, Intergovernmental Revenues**

*Christopher Hoene and Michael Pagano, City Fiscal Conditions in 2009 (Washington, DC: National League of Cities, 2009) (Blackboard)*

*John Mikesell, Fiscal Administration, Ch. 6 Taxation Evaluation Criteria (Blackboard)*

\* Michael Pagano, “Municipal Capital Spending During the ‘Boom’,” *Public Budgeting & Finance* (Summer 2002): 1-21.

\* James Fossett, “On Confusing Caution and Greed: A Political Explanation of the Flypaper Effect,” *Urban Affairs Quarterly* 26 (1990): 95-117.

**Guest Speaker:** Peter Matuszak, Senior Research Associate, the Institute for Illinois' Fiscal Sustainability at the Civic Federation (Illinois Capital Budget)

## **October 5/Financing Capital Assets: Guidelines and Requirements, Debt Instruments**

Marlowe, et al. *Capital Budgeting and Finance: A Guide for Local Governments Second Edition* (Washington, DC: International City/County Management Association, 2009) Chapters 5-8

## **October 12/ Financing Capital Assets: Planning, Structuring and Marketing Debt**

Marlowe, et al. *Capital Budgeting and Finance: A Guide for Local Governments Second Edition* (Washington, DC: International City/County Management Association, 2009) Chapter 5-8

Sample Official Statements (Handouts)

## **October 19/Bond Ratings and Debt Capacity Analysis**

Calia, Roland and Kavanagh, Shayne. *Long-Term Financial Planning* (forthcoming from Government Finance Officers Association). Chapter 6 (Blackboard)

\* W. Bartley Hildreth and C. Kurt Zorn, “The Evolution of the State and Local Government Municipal Debt Market over the Past Quarter Century,” *Public Budgeting & Finance* 25: 4s 25th Anniversary Issue (December 2005): 127-153.

**Guest Speaker:** Richard Ciccarone, McDonnell Investments

### **Due: Capital Financial Plan Analysis**

## **October 26/Meetings on Projects**

## **November 2/Financing the Capital Budget: Innovative Finance**

Calia, Roland. *Tax Increment Financing (TIF): A Civic Federation Issue Brief (Excerpts)*, November 2007. (Blackboard)

The Fuel Tax and Alternatives for Transportation Funding (Washington, DC: Transportation Research Board, 2006), Ch 5 “Finance Reform Proposals: Toll Road Expansion and Road Use Metering” and Ch 6 “Finance Reform Proposals: Reforms Within the Present Framework”  
<http://onlinepubs.trb.org/onlinepubs/sr/sr285.pdf>

\* Rick Rybeck, “Using Value Capture to Finance Infrastructure and Encourage Compact Development,” *Public Works Management & Policy* 8:4 (April 2004): 249-260.

\* Tom Guevara, “Creative financing for infrastructure” *American City & County* 117, no. 7 (May 2002): 6 .

\* Clarke, Wes ; Evans, Jennifer, “Development impact fees and the acquisition of infrastructure,” *Journal of Urban Affairs* 21, no. 3 (1999): 281-288.

\* C. Kurt Zorn and Shah Towfighi, "Not All Bond Banks Are Created Equal" *Public Budgeting & Finance* 6:3 (Autumn 1986): 57-69.

**Guest Speakers:** Timothy J. Leahy, Director of Government Affairs and Chris Johnson, Business Development, Illinois American Water

### **November 9/ Public Private Partnerships**

*Marlowe, et al. Chapter 4 Capital Budgeting and Finance: A Guide for Local Governments Second Edition (Washington, DC: International City/County Management Association, 2009), Chapter 4*

*"Pros and Cons of Toll Road Leasing" (pp 1-3) "The Chicago Skyway Sale" (pp 4-10) Public Works Financing. (May 2006). (Blackboard)*

Richard G. Little. "Not the Macquarie Model: Using U.S. Sovereign Wealth to Renew America's Civil Infrastructure" The Keston Institute for Public Finance and Infrastructure Policy, University of Southern California (Blackboard)

\*William M. Leavitt and John C. Morris, "In Search of Middle Ground: The Public Authority as an Alternative to Privatization," *Public Works Management & Policy* 9:2 (October 2004): 154-163.

\*Special Issue: *Public Works Management & Policy* 13:2 (October 2008):

- William Leavitt, John Morris and John Lombard, "Developing Infrastructure Through the Use of Tax Increment Financing: The Case of the Virginia Beach Town Center Project," pp 92-100
- Sasha Page, William Ankner, Cheryl Jones and Robert Fetterman, "The Risks and Rewards of Private Equity in Infrastructure," pp 110-114.
- Dorothy Morillos and Adjo Ammekudzi, "The State of the Practice of Value for Money Analysis in Comparing Public Private Partnerships to Traditional Procurements," pp 114-125
- Iris Ortiz and Jeffrey Buxbaum, "Protecting the Public Interest in Long-Term Concession Agreements for Transportation Infrastructure," pp. 126-137
- R. Paul Battaglio and Ghassan Khankarli, "Toll Roads, Politics, and Public-Public Partnerships: The Case of Texas State Highway 121," pp. 138-148
- Aidan Vining and Anthony Boardman, "Public Private Partnerships: Eight Rules for Governments," pp. 149-161 (This article is available on Blackboard)
- Michael Garvin and Doran Bosso, "Assessing the Effectiveness of Infrastructure Public-Private Partnerships Programs and Projects," 1pp 162-178

**Guest Speaker:** Peter Skosey, Metropolitan Planning Council (Public Private Partnerships)

**November 16/ /Politics of Mega-Projects and Other Capital Projects**

Alan Altshuler and David Luberoff, *Mega-Projects* (Brookings Institution Press, 2003) (Blackboard)

“Aging Infrastructure: Is Neglected Maintenance Putting Americans in Danger?” *CQ Researcher* 17, no. 4 (28 September 2007): 793-816 (Blackboard)

\* Susan MacManus, “‘Bricks and Mortar’ Politics: How Infrastructure Decisions Defeat Incumbents,” *Public Budgeting & Finance* (Spring 2004): 96-112.

\* Michael A. Pagano and David Perry, “Financing Infrastructure in the 21<sup>st</sup> Century City,” *Public Works Management & Policy* 13:1 (July 2008): 22-38.

\*William F. Marcuson III, “Fixing America’s Crumbling Infrastructure: A Call to Action for All,” *Public Works Management & Policy* 12 (January 2008): 473-75.

Urban Land Institute and Ernst & Young, *Infrastructure 2007: A Global Perspective* (Washington, DC: Urban Land Institute, 2007) (Blackboard)

Bruce Katz, Christopher Geissler, and Robert Puentes, “America’s Infrastructure: Ramping Up or Crashing Down?” October 2007,  
[http://www.brookings.edu/papers/2008/01\\_infrastructure\\_katz\\_puentes.aspx](http://www.brookings.edu/papers/2008/01_infrastructure_katz_puentes.aspx)

**Draft Case Project Written Report Due in class**

**November 23/ Thanksgiving Holiday - No Class**

**November 30/Oral Presentations                      Final Case Project Witten Report Due in class**

**December 7/ Final Exam    Take-Home Exam Due**

**(Email to instructor at rolandcalia@yahoo.com)**