



dollars & sense

California Municipal Treasurers Association www.cmta.org

Travel card solutions for local government

—Paul Shanahan
Bank of America

WHAT'S IN THE NEWS ABOUT GOVERNMENT TRAVEL CARDS?

As a finance professional with local government you're certainly aware of the negative press government charge card programs have received in years past. However, the unreported good news about government travel card programs is that they work very well.

Public sector agencies are now using travel card programs to control T&E expenses, slash administrative costs, and increase employee accountability—while maintaining and improving control and accountability.

Today, highly effective travel card programs are common throughout the Federal sector, but the same is not true at the state and local government levels, according to the 2004 Corporate Travel Card Benchmark Survey Results by RPMG Research

Corporation (RPMG).^{*} A leading commercial card and e-commerce consulting firm, RPMG finds that state and local government travel card programs issue cards to just 13% of their employees versus 60% for Federal programs. This disparity cannot be entirely explained by differences in the numbers of employees traveling. State and local governments in the survey reported that 34% of their employees travel more than twice a year versus 45% for Federal agencies.

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How to fund that capital project?

—Jim Seagraves, Senior
Consultant with NBS

Local governments often need to obtain funding for new major capital facilities for various operating purposes, including expansion of and replacement of utility systems.

A municipality may be aware of impending capital needs through engineering studies or common-sense management that identifies future needs. It is incumbent on each government to have a plan for funding future capital needs that identifies the amount of funding required and the timing of the expenditures. That basic knowledge then forms the basis for a Capital Facilities Financing Plan.

A Capital Facilities Financing Plan is a series of analyses using public finance expertise to determine the lowest cost of funds needed to pay for proposed capital improvements to a system. The allocation of the costs of a particular capital expenditure among various funding sources may result in a more optimal cost of money. The Capital Facilities Financing Plan helps determine which funding sources are reasonably available to the local agency and which combination can be shown to be the most cost-effective.

The annual budget and utility rate schedules, if the capital facility is for a utility system, are used to determine sources of repayment of debt. A Capital Facilities Financing Plan is used in conjunction with a Utility Rate Study to determine the rates necessary to cover the capital and debt payments requirements of the facilities. It may be determined in the course of the studies that the proposed capital facilities are not cost-effective or financially feasible on the proposed schedule of implementation. That determination can be used to re-work engineering plans so that the proposed facilities can be developed or acquired on a reasonable schedule.

Ultimately, the Capital Facilities Financing Plan will show how the proposed new facilities can be funded from each funding source to the extent the municipality is qualified: state loan programs, state and federal grant programs, general obligation or revenue based debt issuance, and equity contributions through existing or new voter-approved taxes or utility rates.

The goal is to determine the optimal timing of a funding program and the lowest reasonable cost of accomplishing the Capital Plan.

