

Overview of Capital Improvement Program Process

The Capital Improvement Program is a five-year plan for capital expenditures needed to replace, expand and improve infrastructure and systems. Other planning processes, the most significant of which are explained in this section, identify the need and provide funding for capital projects and related operating costs.

On April 3, 2007, the City Council reviewed the Preliminary 2007-12 Capital Improvement Program and forwarded the 2006 bond-funded portion for review and consideration by the 2006 Bond Committee. The bond committee met on April 24 and reviewed property tax assessed valuation results, planned sales of bonds and the 2006 bond-funded portion of the Preliminary Capital Improvement Program. The bond committee approved the plan presented. The Capital Improvement Program reflected here includes the preliminary plan presented to City Council in April updated for project timing and cost changes and the newly approved Airport Development Plan.

2007-12 Capital Improvement Program Development

The annual citywide Capital Improvement Program update process began in January when departments prepared revised 2006-07 estimates and updated their five-year capital improvement programs. 2006-07 estimates reflect updated construction cost estimates, project delays, awarded contract amounts, project carry-overs and other program changes. The 2007-12 program includes projects planned for authorized bond funding and the latest estimates for pay-as-you-go projects funded with operating funds, federal funds, impact fees and other sources. Also included are net new operating costs and/or savings. Budget and Research staff reviewed the departments' programs for funding availability, reasonableness and technical accuracy.

Presented in this citywide program are projects reviewed and adopted through several planning processes. These include capital projects funded through the most recently adopted multi-year rate plans for Enterprise funds such as Water, Wastewater and Solid Waste and from other planning processes including the five-year Arterial Streets Plan, infrastructure financing plans for impact fees and various multi-year facility maintenance plans. Also reflected are capital projects from sales tax and voter-approved bond programs including the \$878.5 million 2006 Bond Program approved by Phoenix voters in March 2006.

In conjunction with the CIP process, the Engineering and Architectural Services Department works with departments to level design and construction bid award dates evenly throughout the fiscal year. By avoiding bidding capital projects during the last quarter of the fiscal year, the city has controlled construction costs and increased project quality by making better use of locally available construction resources. The city also has achieved better bid prices and increased competition for city projects by avoiding busy periods for the construction industry.

As projects to construct building facilities are designed, they are reviewed by a Facilities Review Team made up of representatives from the Public Works, Engineering and Architectural Services, Information Technology, Development Services, Parks, and Budget and Research departments. This team reviews project designs for compliance with city standards for sustainability, maintainability and compatibility with enterprise-wide systems and to determine that the project is being designed within funding limitations. Information on the capital and operating costs and timelines are closely monitored and linked to the citywide annual operating budget through these reviews.

2006 Citizens' Bond Committee Program

Voter-approved bond authorizations are the major funding source for the general government portion of the Capital Improvement Program. The city generally seeks new voter-approved programs on five-year cycles. Consistent with that planning cycle, a Citizens' Bond Committee process was initiated by the City Council in June 2005. More than 700 community volunteers were appointed by the City Council to serve on 17 bond subcommittees to help shape the program.

Two of the committees evaluated the city's capacity to service new debt and to fund the operating costs of new capital facilities. These committees reviewed multi-year forecasts for assessed valuation and property tax levies and for General Fund revenues and expenses. They recommended annual bond and operating cost capacities before 14 service-related committees began their work to evaluate five-year capital facility needs identified by city departments as well as capital project funding requests by community nonprofit organizations. Through the work of these subcommittees, the Citizens' Bond Committee recommended nearly 200 capital projects to the City Council that would not require an increase in the city's combined property tax rate of \$1.82 per \$100 of assessed valuation or other tax rates to support the estimated \$12.5 million in new annual operating costs for the projects once complete.

City Council formed the \$878.5 million in projects into seven propositions all of which were approved by the voters in March 2006. Consistent with past practice to continue community oversight, the 2006 Bond Committee met on April 24, 2007, to review the 2006 bond-funded portion of the 2007-12 Capital Improvement Program. They recommended approval of the plan presented.





Enterprise Funds

Fees for the Water, Wastewater and Solid Waste enterprise funds are billed to customers on a single billing. As a result, all three of these enterprise funds complete annual updates to their multi-year rate plans on a similar timeline. These plans are first reviewed by the City Council Land Use, Environment and Natural Resources Subcommittee prior to action on the plans by the full City Council. Bond and pay-as-you-go funded capital projects, debt service and operating and maintenance costs of existing services and planned capital projects are all provided for in these multi-year rate plans. User fee rate changes are typically implemented in March of each year to support the updated plans.

In addition, a new 10-year Airport Development Plan (ADP) was presented to the City Council and approved in February 2007. The ADP identifies capital projects to be funded from airline rates and charges, passenger and customer facility fees, federal funds and other sources. Debt service and operations and maintenance of existing services and new facilities are also included in the financial plan.

The Phoenix Convention Center enterprise fund receives most of its resources from earmarked sales taxes. To support a significant expansion and renovation of the Phoenix Convention Center, an extensive multi-year forecast was developed to establish pay-as-you-go, bond and related debt service, and operations and maintenance cost capacities without a tax rate increase. The first phase of the expansion is now open for business and the next project phases are moving forward. The capital and financial plan was critical to securing \$600 million in bond funding split equally between the city and state of Arizona to expand and modernize the facility.

Capital Construction Funds

The Capital Construction fund was established in 1998-99 and provides about \$23 million each year for critical infrastructure improvements in the right of way. Citizen input from a series of public meetings supported using these funds for neighborhood street rehabilitation, sidewalks and wheelchair ramps, traffic safety and traffic calming projects and neighborhood traffic mitigation projects.

Funds are programmed in these project categories for each year of the Capital Improvement Program. Individual projects will be determined during the first year of the program based on traffic engineering data and neighborhood input.

Parks and Preserves Funds

In September 1999, the voters approved a 10-year, one-tenth of one percent sales tax to purchase state trust lands for the Sonoran Desert Preserve and for the development and improvement of regional and neighborhood parks. The 2007-12 Capital Improvement Program includes \$169.4 million of these funds, which are programmed for regional, community and neighborhood parks, and Sonoran Preserve land acquisition. Land acquisitions are planned and timed to take advantage of state grant funding opportunities. These funds are programmed only through 2009-10 reflecting the expiration of the 10-year sales tax.

Transit 2000 Funds

The voters approved Proposition 2000 on March 14, 2000. This initiative authorized a four-tenths of one percent sales tax to implement the Transit 2000 plan. The plan provides funding for light rail, buses, right of way improvements, passenger facilities and related operating costs. The

2007-12 Capital Improvement Program includes \$218.0 million of these funds, which are programmed for:

- Additional vehicles and upgrades to existing vehicles (\$7.7 million)
- New and expanded passenger and maintenance facilities (\$63.0 million)
- Bus pullouts, left-turn arrows and bicycle lanes (\$14.1 million)
- Technology upgrades (\$7.2 million)
- Light rail, bus rapid transit and related support services (\$123.0 million)
- Contingencies (\$3.0 million)

Five-Year Arterial Streets Plan

Each year the Street Transportation Department updates its five-year plan and funding for major street and storm drain construction. This program is primarily funded through Arizona Highway User Revenue (AHUR) including state-shared revenue from gas taxes and vehicle license taxes. The update begins with the Budget and Research Department providing an updated current year and five-year forecast of AHUR revenue and requirements for AHUR to support operating expenditures and debt service to determine the amounts available for pay-as-you-go capital projects. Also included in the plan are any needed updates to voter-approved bond projects as well as funding sources from other government agencies in projects such as flood control. The plan is then presented to the Transportation, Parks and Seniors Subcommittee before forwarding on to the City Council.

This program reflects the five-year Arterial Street plan approved by the City Council on May 1, 2007.

Programming of Impact Fees

In 1987, the City Council adopted an ordinance requiring new development in the city's peripheral planning areas to pay its proportionate share of the costs associated with providing public infrastructure. An impact fee program was developed that is based on projected infrastructure requirements within several planning areas. Impact fees collected for a specific planning area must be expended for capital infrastructure in the plan for that area and may not be used for any other purpose. In addition, impact

fee-funded projects must directly benefit the parties that paid the fees.

Impact fee collections initially progressed slowly because of a slowdown in construction in the late 1980s and early 1990s. In recent years, impact fee collections have become more significant. However, because the revenue streams are dependent on what can be volatile development activity, only impact fee revenues that have been collected are planned in the Capital Improvement Program.

The underlying infrastructure financing

plans and fees are updated every three years with the most recent update having been completed and new fees implemented in mid-February 2007. In upcoming years, the plan and related fees will be updated for approximately one-third of the impact fee programs each year on a three-year cycle. Fees for programs not subject to a plan update will be updated annually using an appropriate cost index.

Operating costs for impact fee-funded projects are included in the rate planning process for Water, Wastewater and Solid

SUMMARY OF 2007-12 CAPITAL IMPROVEMENT PROGRAM (In Thousands of Dollars)

Program	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total
Arts and Cultural Facilities	\$26,188	\$10,327	\$28	\$238	\$-	\$36,781
Aviation	435,257	650,541	200,679	244,839	693,290	2,224,606
Economic Development	27,490	39,920	12,830	10,230	2,000	92,470
Energy Conservation	1,575	1,250	1,388	1,450	1,450	7,113
Facilities Management	27,384	13,446	13,863	14,978	5,352	75,023
Fire Protection	29,074	14,800	20,103	19,197	-	83,174
Freeway Mitigation	5,157	-	-	-	-	5,157
Historic Preservation	5,618	3,085	1,730	3,054	-	13,487
HOPE	11,122	2,017	3,363	858	-	17,360
Housing	23,973	8,281	11,909	12,330	3,150	59,643
Human Services	13,568	5,400	6,000	5,900	-	30,868
Information Technology	13,706	9,551	9,927	6,233	-	39,417
Libraries	21,844	7,500	3,487	8,931	200	41,962
Neighborhood Services	15,300	7,850	7,850	8,119	-	39,119
Parks, Recreation and Mountain Preserves	243,056	57,908	35,210	20,145	-	356,319
Phoenix Convention Center	61,910	12,386	13,379	10,262	4,350	102,287
Police Protection	36,407	22,725	35,210	18,619	-	112,961
Public Transit	268,211	92,257	118,393	94,697	89,282	662,840
Solid Waste Disposal	36,802	17,340	20,746	20,999	9,383	105,270
Street Transportation and Drainage	196,014	155,105	135,335	158,035	128,960	773,449
Wastewater	388,374	114,330	159,737	87,534	164,214	914,189
Water	368,958	289,214	242,589	142,724	201,220	1,244,705
Total	\$2,256,988	\$1,535,233	\$1,053,756	\$889,372	\$1,302,851	\$7,038,200

Waste. Operating costs for the other impact fee programs are identified in the Capital Improvement Program and are funded through the annual operating budget as costs for operating and maintaining new capital projects.

Budget and Research staff have worked

with Planning and operating department staff to appropriately program \$160.7 million in available impact fees in the 2007-12 Capital Improvement Program. Additional impact fees will be programmed in future capital improvement programs as these fees are collected.

**SUMMARY OF 2007-12 CAPITAL IMPROVEMENT PROGRAM
BY SOURCE OF FUNDS
(In Thousands of Dollars)**

Source of Funds	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total
General Funds	\$15,106	\$6,932	\$5,675	\$4,302	\$3,302	\$35,317
Parks and Preserves	119,116	36,984	13,301	–	–	169,401
Transit 2000	42,920	42,386	50,488	54,054	28,139	217,987
Development Services	25	89	250	134	–	498
Capital Construction	28,415	20,175	22,135	22,556	22,919	116,200
Arizona Highway Users	96,358	71,868	77,901	82,467	84,747	413,341
Public Transit	15,428	3,037	8,675	8,488	34,249	69,877
Community Reinvestment	6,547	1,130	2,000	2,000	2,000	13,677
Community Development Block Grants (CDBG)	3,672	600	600	600	200	5,672
HOPE Grant	8,325	1,347	–	–	–	9,672
Other Restricted	1,363	–	–	–	–	1,363
Grant Funds	9,485	–	–	–	–	9,485
Enterprise Funds:						
Aviation	34,320	122,942	53,000	34,706	76,901	321,869
Water	68,678	93,827	78,993	113,286	98,518	453,302
Wastewater	45,652	39,190	40,391	56,779	42,276	224,288
Solid Waste	5,674	3,073	3,643	3,680	3,214	19,284
Convention Center	39,830	5,848	4,728	4,600	4,550	59,556
Total Operating Funds	\$540,914	\$449,428	\$361,780	\$387,652	\$401,015	\$2,140,789
Property Tax Supported:						
2006 Various Purpose	\$160,727	\$191,080	\$168,273	\$158,728	\$–	\$678,808
2001 Various Purpose	78,742	–	817	–	–	79,559
1989 Historic Preservation	217	–	–	–	–	217
1988 Various Purpose	2,684	–	–	–	–	2,684
Revenue Supported:						
1981 Various Purpose	6,825	–	–	–	–	6,825
Nonprofit Corporation Bonds:						
Aviation	258,089	493,508	132,887	190,807	499,701	1,574,992
Convention Center	19,727	–	–	–	–	19,727
Solid Waste	32,465	13,090	15,695	16,224	4,500	81,974
Transit 2000	176,591	33,500	14,000	–	–	224,091
Wastewater	239,417	48,560	98,726	15,152	93,304	495,159
Water	267,304	163,784	162,310	23,332	99,455	716,185
Other	28,222	1,268	792	–	–	30,282
Total Bond Funds	\$1,271,010	\$944,790	\$593,500	\$404,243	\$696,960	\$3,910,503

SUMMARY OF 2007-12 CAPITAL IMPROVEMENT PROGRAM (continued)
BY SOURCE OF FUNDS
(In Thousands of Dollars)

Source of Funds	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total
Impact Fees	\$138,088	\$17,145	\$500	\$5,000	\$ –	\$160,733
Passenger Facility Charge	83,473	15,784	7,038	16,572	112,995	235,862
Other Cities' Share -						
SROG and Val Vista	95,942	46,822	23,361	17,719	32,381	216,225
Solid Waste Remediation	3,023	1,218	1,520	1,156	1,668	8,585
Capital Grants	82,646	35,073	57,300	38,576	33,537	247,132
Federal, State and Other Participation	19,788	2,535	7,881	18,454	24,295	72,953
Parks Capital Gifts	1,068	–	–	–	–	1,068
Private Participation	3,750	2,000	876	–	–	6,626
Capital Reserves	15,064	20,438	–	–	–	35,502
Other Capital	2,222	–	–	–	–	2,222
Total Other Capital Sources	\$445,064	\$141,015	\$98,476	\$97,477	\$204,876	\$986,908
TOTAL	\$2,256,988	\$1,535,233	\$1,053,756	\$889,372	\$1,302,851	\$7,038,200