

Operating Costs for New Capital Facilities

On March 13, 2001, Phoenix voters approved a \$753.9 million bond program, as recommended by the Citizens' Bond Committee. As part of their recommendation, the bond committee included a careful analysis of the impact of operating costs, cost savings and revenues on the General Fund. To help offset the net operating costs associated with the new program, the bond committee recommended that \$7 million be shifted from secondary property taxes (used for the payment of debt service) to primary property taxes (a General Fund revenue source) in fiscal year 2003-04, and that an additional \$3 million be shifted from secondary property taxes to primary property taxes in 2004-05. This shift would then remain in place at no more than the combined \$10 million per year. The combined property tax rate would remain at the current \$1.82.

Then in 2003, in response to a projected shortfall in the General Fund, the bond committee recommended that 2003-04 projects requiring General Fund operating costs be delayed. Land acquisition, design and other non-operating cost projects were advanced with the overall bond program remaining a five-year program. The bond committee's recommended changes reduced General Fund operating costs for 2003-04 from \$9.5 million to \$3.6 million.

Based on the bond committee's latest schedule, the full year's impact of facilities operated with General Funds and opening in 2005-06 is \$2.4 million. Projects opening beyond 2005-06 are estimated to result in \$3.9 million in new General Fund operating costs.

Multi-year rate planning processes are used by enterprise operations to provide the City Council with the effects new capital facilities will have on future rate-payers. That is, each year, the City Council considers the impact of future capital facilities as it sets annual utility rates. Rates are increased today to pay for tomorrow's facilities.

Finally, for more than 20 years the energy conservation program has generated annual cost savings in excess of \$250,000. This program provides for energy efficient retrofits, energy efficient design and metering for efficient operations.

Each fall, departments are asked to review all capital projects, their estimated completion dates and any costs associated with operating new facilities and systems. The 2005-06 budget includes \$29 million in new operating and maintenance costs for new facilities and systems.

The schedule on the next page provides operating and maintenance costs for the 2005-06 budget, along with the full-year operating and maintenance costs for the 2006-07 fiscal year and the source of funds that would be used for these costs.





OPERATING COSTS FOR NEW CAPITAL FACILITIES

	2005-06	2006-07
Aviation		
Rental Car Center and Bus Maintenance Facility	\$22,340,000	\$22,206,000
Fire		
Fire Communications Operators	270,000	420,000
Human Services		
Westside Senior Center	206,000	224,000
Shadow Mountain Senior Center	198,000	216,000
Devonshire Senior Center	48,000	42,000
Parks and Recreation		
Memorial Hall Renovation	92,000	183,000
Indian Bend Wash Park	57,000	85,000
Community Park at 17th Avenue & Peoria	35,000	42,000
Cesar Chavez Park	98,000	196,000
HOPE VI Coleman Recreation Center and Park	133,000	212,000
Bethany Home Outfall Channel	116,000	122,000
Camp Colley	279,000	282,000
New Street Landscaping Maintenance	143,000	108,000
Police		
Twin Engine Helicopter - Operation and Maintenance	318,000	234,000
Public Works		
Phoenix Art Museum Expansion	93,000	82,000
Public Works - Solid Waste		
North Gateway Transfer Station	539,000	874,000
Water Services		
Arsenic Treatment Program (at 15 wells)	620,000	865,000
Chlorine Containment Phase 3	114,000	129,000
Well #296	133,000	133,000



OPERATING COSTS FOR NEW CAPITAL FACILITIES (continued)

	2005-06	2006-07
Wastewater Services		
23rd Avenue WWTP Security System	94,000	85,000
91st Avenue WWTP Unified Plant 1 Expansion	257,000	636,000
Tres Rios Constructed Wetlands Demo Project	646,000	672,000
North Gateway Pump Station	759,000	585,000
91st Avenue WWTP Chlorine Facility	80,000	110,000
91st Avenue WWTP Multi-Phase Digestion	40,000	56,000
23rd Avenue WWTP Chlorine Facility	43,000	55,000
91st Avenue WWTP Security System	65,000	65,000
23rd Avenue WWTP Headworks Improvement Project	41,000	56,000
Odor Control Sites (4 locations)	1,205,000	1,205,000
Net Total Costs	\$29,062,000	\$30,180,000
Source of Funds		
General	2,086,000	2,448,000
Aviation	22,340,000	22,206,000
Water	867,000	1,127,000
Wastewater	3,230,000	3,525,000
Solid Waste Disposal Operating	539,000	874,000
Total Source of Funds	\$29,062,000	\$30,180,000

