



## 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 9, 2013, the City Council reviewed the Preliminary 2013-18 Capital Improvement Program. The Capital Improvement Program reflected here includes the preliminary plan presented to Council, with a \$1.5 million adjustment from the Arizona Highway User Capital Reserve Fund for street bicycle infrastructure and street repair. The preliminary plan, as adjusted, has been updated to reflect cost or timing changes identified since the preliminary program was developed.

### 2013-18 Capital Improvement Program Development

The annual citywide Capital Improvement Program update process began in January when departments prepared revised 2012-13 estimates and updated their five-year capital improvement programs. The 2012-13 estimates reflect updated construction cost estimates, project delays, awarded contract amounts, project carry-overs and other program changes. The 2013-18 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 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 2006 Bond Program approved by Phoenix voters in March 2006.

In conjunction with the CIP process, city engineering staff work 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.

As projects to construct building facilities are designed, they are reviewed by a Facilities Review Team made up of representatives from the Public Works, Information Technology, Planning and Development, Parks and Recreation, 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.

The City Council formed the \$878.5 million in projects into seven propositions all of which were approved by voters in March 2006. The decline in the local real estate market from the recent recession resulted in a decline in property tax revenue, which placed a strain on the property tax supported GO Bond Program. As a result, a portion of this program is indefinitely deferred until the city has the bond capacity to move forward with these projects.

### **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 Transportation and Infrastructure 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. If necessary, user fee rate changes are typically implemented in March of each year to support the updated plans. 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 which was completed in 2008, 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 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 \$20 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. This tax was renewed by voters in May 2008 for 30 years. The 2013-18 Capital Improvement Program includes \$37.8 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.





### **Transit 2000 Funds**

The voters approved Proposition 2000 on March 14, 2000. This initiative authorized a four-tenths of one percent sales tax for a period of 20 years 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 2013-18 Capital Improvement Program includes \$42.3 million of these funds, which are programmed for:

- Additional vehicles and upgrades to existing vehicles (\$1.3 million)
- New and expanded passenger, maintenance and administrative facilities (\$24.3 million)
- Bus pullouts (\$5.2 million)
- Technology upgrades (\$9.7 million)
- Light rail, bus rapid transit and related support services (\$1.3 million)
- Contingencies (\$0.5 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.

### **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. The impact fee program is also regulated by state law. The impact fee program was developed to address 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.

Only impact fee revenues that have been collected are planned in the Capital Improvement Program.

Operating costs for impact fee-funded projects are included in the rate planning process for Water, Wastewater and Solid 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 has worked with the Planning and Development Department as well as operating department staff to appropriately program \$112.6 million in available impact fees in the 2013-18 Preliminary Capital Improvement Program. Additional impact fees will be programmed in future capital improvement programs as these fees are collected.





## SUMMARY OF 2013-18 CAPITAL IMPROVEMENT PROGRAM

By Program  
(In Thousands of Dollars)

<b>Program</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5-Year Total</b>
Arts and Cultural Facilities	\$ 329	\$ 1,074	\$ -	\$ -	\$ 376	\$ 1,779
Aviation	320,349	70,278	51,283	37,189	17,945	497,044
Economic Development	9,488	12,900	5,400	5,400	20,452	53,640
Energy Conservation	4,500	1,000	1,000	1,000	1,000	8,500
Facilities Management	10,021	1,290	1,501	1,075	7,761	21,648
Finance	2,793	3,569	2,040	231	67	8,700
Fire Protection	7,548	-	-	-	15,628	23,176
Historic Preservation	1,618	100	-	-	1,449	3,167
Housing	47,238	5,960	7,243	6,455	7,675	74,571
Human Services	972	-	-	30	12,632	13,634
Information Technology	11,575	13,422	11,534	9,277	14,417	60,225
Libraries	2,034	200	200	200	13,122	15,756
Neighborhood Services	7,602	30	25	-	6,898	14,555
Parks, Recreation and Mountain Preserves	59,085	3,025	1,383	154	19,027	82,674
Phoenix Convention Center	26,370	3,467	5,165	3,805	4,266	43,073
Police Protection	9,167	-	-	-	22,754	31,921
Public Transit	107,344	48,203	32,884	47,108	30,634	266,173
Regional Wireless Cooperative	11,146	10,970	10,970	6,000	6,000	45,086
Solid Waste Disposal	26,143	13,976	16,861	16,290	15,460	88,730
Street Transportation and Drainage	218,019	83,738	82,728	86,375	111,071	581,931
Wastewater	121,033	51,764	109,120	120,191	95,473	497,581
Water	200,878	137,212	146,099	102,865	139,662	726,716
<b>Total</b>	<b>\$ 1,205,252</b>	<b>\$ 462,178</b>	<b>\$ 485,436</b>	<b>\$ 443,645</b>	<b>\$ 563,769</b>	<b>\$ 3,160,280</b>





## SUMMARY OF 2013-18 CAPITAL IMPROVEMENT PROGRAM

By Source of Funds  
(In Thousands of Dollars)

Funds	2013-14	2014-15	2015-16	2016-17	2017-18	5-Year Total
<b>Operating Funds:</b>						
General Funds	\$ 2,442	\$ 3,325	\$ 4,631	\$ 4,195	\$ 3,040	\$ 17,633
Parks and Preserves	33,710	3,000	1,100	-	-	37,810
Transit 2000	27,037	3,223	4,468	3,349	4,227	42,304
Development Services	59	261	-	-	-	320
Capital Construction	20,285	19,305	19,872	20,279	21,679	101,420
Arizona Highway Users	59,323	67,110	57,972	60,248	59,363	304,016
Public Transit	19,719	10,022	6,350	8,037	4,527	48,655
Sports Facilities	2,540	-	-	-	-	2,540
Community Reinvestment	5,890	10,000	2,500	2,500	2,500	23,390
Other Restricted	5,818	3,900	3,650	3,150	1,250	17,768
Grant Funds	63,226	22,652	24,258	36,569	25,591	172,296
<b>Enterprise Funds:</b>						
Aviation	35,631	18,689	21,680	28,404	16,159	120,563
Convention Center	3,371	2,082	2,935	1,585	3,166	13,139
Solid Waste	19,228	8,462	16,877	16,287	4,163	65,017
Wastewater	58,588	43,247	80,289	88,397	67,028	337,549
Water	173,838	116,494	112,923	87,483	135,207	625,945
<b>Total Operating Funds</b>	<b>\$ 530,705</b>	<b>\$ 331,772</b>	<b>\$ 359,505</b>	<b>\$ 360,483</b>	<b>\$ 347,900</b>	<b>\$ 1,930,365</b>
<b>Bond Funds:</b>						
<b>Property Tax Supported:</b>						
1988 Various Purpose	\$ -	\$ -	\$ -	\$ -	\$ 2,221	\$ 2,221
2001 Various Purpose	1,294	1,074	-	-	16,386	18,754
2006 Various Purpose	40,589	1,777	105	-	120,450	162,921
<b>Nonprofit Corporation Bonds:</b>						
Aviation	158,680	17,536	8,272	30	-	184,518
Phoenix Convention Center	20,449	-	-	-	-	20,449
Solid Waste	685	5,746	106	15	11,300	17,852
Wastewater	1,302	161	571	223	-	2,257
Water	3,545	20,017	26,834	14,451	3,559	68,406
Other	21,905	17,330	16,304	9,077	9,077	73,693
<b>Total Bond Funds</b>	<b>\$ 248,449</b>	<b>\$ 63,641</b>	<b>\$ 52,192</b>	<b>\$ 23,796</b>	<b>\$ 162,993</b>	<b>\$ 551,071</b>
<b>Other Capital Sources:</b>						
Impact Fees	\$ 95,623	\$ 40	\$ 870	\$ 7,140	\$ 8,975	\$ 112,648
Passenger Facility Charge	56,779	12,305	5,494	-	-	74,578
<b>Other Cities' Share -</b>						
SROG and Val Vista	9,195	11,046	35,426	26,715	29,765	112,147
Solid Waste Remediation	4,050	-	-	-	-	4,050
Capital Grants	116,522	25,511	20,797	14,408	4,456	181,694
<b>Federal, State and</b>						
Other Participation	78,185	10,257	4,234	4,999	3,650	101,325
Capital Reserves	54,307	1,606	918	104	30	56,965
Parks Capital Gifts	60	-	-	-	-	60
Other Capital	11,377	6,000	6,000	6,000	6,000	35,377
<b>Total Other Capital Sources</b>	<b>\$ 426,098</b>	<b>\$ 66,765</b>	<b>\$ 73,739</b>	<b>\$ 59,366</b>	<b>\$ 52,876</b>	<b>\$ 678,844</b>
<b>TOTAL</b>	<b>\$ 1,205,252</b>	<b>\$ 462,178</b>	<b>\$ 485,436</b>	<b>\$ 443,645</b>	<b>\$ 563,769</b>	<b>\$ 3,160,280</b>

