

FY 2004-2009 Six-Year Capital Improvement Program

Overview

Key component of the Financial Plan. Boise City's capital budget process is a key component of the Six Year Financial Plan. Because of the importance of capital planning, especially in times in which the City's general revenues are constrained by the weakened economy, capital budgets proposed by departments receive separate review and analysis.

Strategic Plan. The Capital Improvement Program (CIP) provides a venue for implementation of the City's Strategic Plan and of other approved comprehensive functional or facilities plans. Departments and agencies prepare and present Six Year Capital Improvement Plan proposals.

Two Budget Action Years: FY 2004 and FY 2005. The Six Year Capital Improvement Plan includes funding recommendations for the FY 2004 and 2005 action years, which are then integrated into the Two Year Budget (2YB) – FY 2004 and FY 2005.

- **Integration of Capital Budget Requests with Functional Comprehensive Plans.** Departmental capital project proposals implement goals from adopted comprehensive services or facilities plans. Department plans include the Master Fire Station Site Plan, Parks Comprehensive Plan, Library's Master Facility Plan, Wastewater Facilities Plan, and Airport's Long-Term Capital Plan. The departments also coordinate their capital requests with the concepts approved within the City's Comprehensive Plan and other land use planning documents including the Ridges to Rivers Plan, the Foothills Plan, the Capital Boulevard Plan, and other adopted city master plans.
- **Strategic Plan Coordination. Organizational Coordination and Integration.** Departments present and discuss their capital plans and projects with the Mayor and the EMT. The EMT provides a formal coordination mechanism to gather information and to formulate recommendations for the City Council on capital projects.

The EMT also identified issues and objectives related to the Six Year Capital Plan and to the 2YB. Those issues and recommendations for allocations in the 2YB comprise the substance of Boise's capital budget program.

Issues Identified by the EMT for Policy Direction by the Mayor and City Council in relation to the 2YB – Capital Improvement Plan.

1. **Limited tax support available for the 2YB capital program in the tax supported capital fund.**
 - The projected \$1.2 million of "tax support" available in the tax supported capital projects fund in FY 2004 and

\$1.3 million in FY 2005, limit the opportunity for projects in the 2YB period.

- Earmarked funds are projected in special revenue categories such as impact fees and grants. These are in addition to "Tax Support."
- Additional tax support for capital projects would require transfers from the General Fund, which is projected to have limited unallocated money.
- The EMT has suggested priorities for use of the "Tax Support." The Budget Office and EMT acknowledge that funding constraints create challenges related to capital projects in the 2YB.

2. **Maintain current capital facilities: Major repair and maintenance projects.**

- Because the City has an extensive capital facilities investment, maintenance and repair of current facilities is a high priority. The EMT recognized major repair and maintenance projects as a very high priority for use of capital funds available in the 2YB.



- The total projected available funds in the 2YB are less than has been allocated in the current two year budget (FY 2002 and FY 2003). Therefore, reductions will be required in department major R & M project requests, unless additional capital funding is provided.
 - Park and Recreation's master plan for facilities maintenance indicates more than \$7.5 million of maintenance required during the six year planning window.
3. **Base operating cost impacts of new facilities.**
 - Costs to operate new capital facilities must compete with other operating cost needs in the tax funds.

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Because of limitations in projected available operating budget funding in the tax funds, operating costs of proposed capital facilities is a key consideration related to capital project allocation.

- Operating costs generally will not be fully experienced until several years after capital projects are completed. However, to support good capital allocation decisions, the full operating cost impact should be disclosed.

4. Future annexation efforts.

- Annexation is an important issue for the City. The City has planned for capital facilities throughout the area of impact. The City owns many undeveloped sites outside the current corporate boundaries but within the area of impact.
- Annexation is a controversial issue. Decisions related to annexations affect the timing and scope of future capital projects.
- Annexation is a significant issue in the FY 2004 and 2005 2YB. The staff annexation committee will provide recommendations related to annexation options during May or June, 2003.

5. Purchase of land for future City capital facilities: Parks, Libraries, Fire Stations, etc.

- Adopted master plans target sites for acquisition to provide for future parks and recreation, library branches, fire stations, airport sound zone, and other facilities.
- Acquisition at pre-development prices and when land becomes available has been a practice that has seemed to serve the City well.
- Some priority sites should be sought during the 2YB for parks, library branches and fire stations. Combining different uses (park, library, fire and police facilities) at one site may be an efficient and effective way to reduce the cost of land acquisition while meeting future needs.

6. Public safety including planning for public safety for the “Ridge to Rivers” program of trails and access ways.

- Open space and trail systems create the opportunity for walking, running, hiking and other unsupervised activities. Safety for those using trails and open space is an issue that will become more significant as the City continues to expand facilities.

7. Art in Public Places – effect of budget constraints on formulas and objectives.

- Art in public places has been implemented and is a fully operating program managed by the Art Commission.
- During the 2YB period, with challenges related to revenue constraints, the EMT recommends that art allocations be reviewed to determine if there are reasonable and appropriate savings that might be achieved.

8. Debt strategy for the 2YB.

- With the delay in the judicial validation of debt for the Police headquarters and precinct facility, debt issuances approved in the budget have been deferred.
- The FY 2004 and FY 2005 2YB assumes that no debt service payments will be needed during the 2YB period. The assumption is that resolution of debt-related issues identified by Judge Copsey’s decision will require two years to resolve sufficiently to be able to issue debt and incur debt service payments.

9. Long term master plan for government buildings major repair and maintenance activities.

- With the addition of City Hall Building #2, the City Hall complex has become more extensive and of greater investment value to the City. A master plan for scheduled maintenance and repair should be developed and approved by the City Council to guide capital repair and maintenance projects in the future.
- Skills in engineering and other disciplines could be provided to assist Government Buildings in developing a master plan for maintenance and repair of City Hall and other general government buildings.

10. Impact fee funding requirements related to State Code limitations.

- Under State Code, impact fees are administered consistent with deadlines for their use. Park and Recreation staff manages the impact fee program with the advice of the Impact Fee Advisory Committee.
- During FY 2004 and FY 2005, a number of impact fee accounts will reach and exceed the time period within which they must be expended. They must be used or they may be subject to refund.

11. Commitments for future capital project funding,

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including grants.

- The City has applied for future federal and state grants in aid related to transportation and other city functions. Some of those grant applications are for future fiscal years throughout the six year planning window. The City would be required to fund the local match in those future years and the operating costs for the facilities funded by the grants.
- Several grants that were applied for in past years are projected to be approved and allocated in the 2YB period, requiring City “Tax Support.”

12. Proposal that Ada County Highway District adopt Opticom as a standard for all new traffic signals.

- Boise City funded installation of Opticom traffic signal override units at all traffic lights within the City during the FY 2002 and FY 2003 2YB. All future traffic lights should provide that equipment in order to maintain the integrity of the system for police, fire and EMS response units.
- Ada County Highway District does not now accept Opticom as a standard for traffic light installations. If ACHD were to establish Opticom as a standard, the integrity of the emergency response system would be enhanced and the cost for installation of future lights could become a grant or highway funding eligible expense.
- The City may wish to budget for future Opticom installations at all new traffic signals. However, an ACHD standard approving Opticom would allow offsetting funding that the City could match.

13. Partnership and donor supported capital projects.

- Partnership and donor supported capital projects have been a very successful strategy for obtaining community park and recreation facilities. The cost for operating those facilities is a requirement of acceptance of contributions from partners and donors.

CIP Budget Process:

The City uses a six-year planning cycle (FY 2004 through FY 2009) to enable forecasting over three two-year budget cycles. The first two years of the capital plan are integrated

with the City's 2YB.

Projects are approved for funding within the Two-Year Budget, including identified operating costs, debt service, and revenues. The City utilizes the remaining four years to identify the long-term capital spending needs of the City. Current projections of funding identify significant shortfalls compared to the list of requested projects. The strategic planning process and priority setting process are used to focus funding on priorities.

Prioritization: Departments recommend priorities for all proposed projects for the first two years of the six year CIP planning window (FY 2004 and FY 2005). Department advisory bodies (Airport Commission, Library Board, Parks and Recreation Commission, and Public Works Commission) provided comment and direction about priorities. Recommendations for tax-funded capital projects were prepared by the City's EMT. Project priorities are developed “by fund” – that is, because funding is limited to use within a fund, priorities are also limited within a fund.

Unfunded priorities. The capital project prioritization process also produces a list of un-funded projects. As money becomes available during the 2YB cycle, City Council may consider the unfunded list when allocating available funds. City Council reserves the opportunity to reconsider the priorities as conditions and circumstances change.

Project Funding Categories:

Projects are prioritized within each fund.

Project funding strategy. The City's overall funding strategy for capital projects has been three-pronged: 1) allocate current and earmarked sources; 2) use debt if debt service can be supported in the operating budget throughout the projected repayment period; and 3) use one-time funds if and as they become available to address priorities that cannot be addressed with other sources. The City has also been able to maintain adequate capital programs in the Airport, Sewer and other enterprise funds, which are not impacted by State constraints.

Partnerships - alternatives to tax support. In the tax-supported Capital Fund, the City has endeavored to create alternatives to property tax funding. The funding constraints imposed by the State have forced the City to focus current discretionary funds upon major repair and maintenance projects in the tax-supported Capital Fund since the property tax limitations were enacted.

The City has encouraged partnerships and other creative community efforts to fund projects. Many have been implemented successfully. Most, such as the City-YMCA Aquatics Center, the Optimist Sports Field Complex, the Simplot Sports Complex, and the Ivywild Aquatics Center,

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have been directly funded by partners. “Available” one-time funds have also been a consistent source of capital funding for such multi-year efforts as park land acquisition and special projects.

Tax-Supported Departments. For departments that are tax supported, such as the Police and Fire departments, Parks and Recreation, and the Library, capital projects are budgeted in the Capital Fund. Because funding sources are limited, projects are prioritized within categories based on funding sources. For the Capital Fund, revenue sources fall into four categories related to the constraints on their use.

1. **“Current year” and discretionary Revenues.** Electric franchise fees and interest income are current year discretionary sources (“Tax Support”) and total \$1.275 million in FY 2004 and \$1.305 million in FY 2005. In FY 1996, City Council established the electric franchise fee to be earmarked for new capital projects. Other discretionary support is constrained by the State’s “3 percent property tax cap.”

A subcategory of direct-funded projects is leveraged-funded projects. These are projects that require a small percentage match from the City with the balance supported from an outside source such as a grant.

2. **Earmarked Revenues.** These are revenues that can only be used for specific capital purposes. Impact fees assessed on new construction, are earmarked for parks projects. Donations, grants and partnership funding are also earmarked for designated projects and provide an important source for capital funding for Parks and Library capital projects.
3. **Debt Revenues.** Debt funding to support “ordinary and necessary” or annually appropriated capital projects is a strategy for funding certain projects because of limitations in overall City resources. In FY 2002, the 4th District Court ruled against the Police Headquarters and Downtown Precinct project, which led to significant policy consideration related to City debt strategy.

One time “available” funds. The City has actively sought to develop savings and revenue gains to address unfunded priorities. Departments have been provided with incentives to achieve savings or revenue gains through process improvements and other efficiencies. A portion of the savings is allocated to the department for their discretionary use with few constraints other than to address a public purpose.

Total Capital Fund. Requests for all City capital projects total \$27.2 million in FY 2004 and \$38.9 million in FY 2005. Debt, grants, and user fees are the main sources of funding for the Airport, Sewer, Geothermal, and enterprise funds. Debt service is funded in the annual operating budget through user fees.

Enterprise Funds. The Enterprise funds, primarily Airport and Sewer, utilize current operating revenues from user fees, grants, debt, donations, restricted capital revenues, and retained earnings to support extensive capital project funding plans. Neither the Airport Fund nor Sewer Fund receives any general tax fund support.

Housing Funds. The revolving loan program is funded from federal grants to support low income housing projects. City Council approved two capital projects to promote affordable housing preservation and production.

Major Repair and Maintenance: Major Repair and Maintenance projects proposed in the Capital Fund account for over \$2.0 million in FY 2004, and \$2.0 million in FY 2005. The largest share, \$1.5 million in both FY 2004 and 2005 supports capital maintenance of the City’s many park facilities. The Park Department uses the money for projects such as playground replacement, asphalt repair, and tennis court resurfacing. Other major repair and maintenance projects include general upkeep of government buildings, replacement or upgrades to the Library system, and general fire station maintenance.



Park Dedicated Funding Projects: Impact fees from developing neighborhoods, Heritage Trust funding, and other earmarked sources total \$2.7 million in FY 2004, and over \$2.7 million in FY 2005. Impact fee projects are funded by dedicated development fees used to build new park facilities in response to growth. Heritage trust projects are funded by donations used for projects such as pools, greenbelt renovation, tree plantings, and zoo improvements.

Sewer Maintenance, Extensions & Expansion: The Public Works’ Sewer Fund six-year capital improvements project plan is focused on maintaining the treatment

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plants and pipelines in good repair, and ensuring that facilities will meet regulatory requirements and provide for community growth.



Airport Terminal Expansion: In FY 1999, Aviation and Public Transportation initiated the landmark Terminal Expansion project scheduled for completion in FY 2004. It's the largest capital project in the City's history. This project will add a new terminal, offices, concessions, and airline service areas. Passenger facility charges, debt, and federal grants are the sources of capital funding. Annual passenger facility charges will pay the debt service costs.



Operating Budget Impact

Policy related to operating costs for all capital projects. In accordance with the City's capital budgeting policy, capital project requests identify all associated operating costs, such as human resource, maintenance, utilities, and equipment. These costs are included in the budget discussions and the decision-making process. In approving the 2YB, the City Council approves both the capital project and the identified operating costs, or assigns staff to bring the operating budget impacts forward as soon as they can be specifically identified.

Operating costs for proposed projects. The 2YB includes specifically identified operating costs for new capital projects proposed for FY 2004 and 2005, either in the department budget or a central contingency account until such time as the project is completed.

Some operating costs will be experienced in later years. Nevertheless, approval of the capital project includes approval of

the operating cost impact (detailed on the capital project detail description).

Operating Cost Impact

	<u>FY 2004</u>	<u>FY2005</u>
General Fund		
Public Safety Lighting	\$1,067	\$2,133
Rhodes Skate Park	\$ 900	\$0
Idaho State Lands Grant	\$2,600	\$0
Optimist Youth Sports	\$37,500	\$36,900
City Street Light Trust	\$191	\$382
County Street Light Trust	\$427	\$854
Land Acquisition-Impact Fees	\$10,000	\$0
Cassia Park Path	\$1,200	\$0
Trail Impact Fee Projects	\$3,200	\$3,200
Phillipi Park	\$3,400	\$0
Borah Park	\$1,100	\$0
Hillside Park	\$4,000	\$0
Baggley Park	\$12,000	\$0
County Street Light Ext	\$427	\$854
Boise Ave TEA 21	\$0	\$31,500
LWCF Grant	\$0	\$4,000
Street Lights (ACHD)	\$0	\$2,088
Brownfield Grant	\$0	\$13,600
Volunteer/Partnership	\$0	\$10,000
EPA 319 Grant -Hyatt Wet	\$0	\$46,810
McDevitt Sportsplex	\$0	\$5,500
Hobble Creek	<u>\$0</u>	<u>\$16,000</u>
	\$78,012	\$183,821
Airport Fund		
Security Gate	\$3,000	\$0
Radio System Upgrade	\$2,000	\$0
Landscape Projects	\$5,000	\$0
Parking Garage Exp	\$0	-\$399,000
Air/BLM/Fed EX	\$0	-\$10,000
Property Acq	\$0	\$1,000
CUSS Kiosks	\$0	\$15,000
Prop Acq—Non Grant	<u>\$500</u>	<u>\$9,000</u>
	\$10,500	-\$402,000
Sewer Fund		
TMSF Main Homesite	\$3,600	\$3,600
TMSF New Well	\$12,500	\$12,500
TMSF Irrigation	\$1,500	\$3,500
LS Effluent Screening	\$0	\$2,500
TMSF Corner Irrigation	\$0	\$750
TMSF Renovate	<u>\$0</u>	<u>\$3,800</u>
	\$17,600	\$26,650
Geothermal Fund		
Water Center	-\$15,000	-\$14,500
Convention Center	<u>-\$30,500</u>	<u>\$500</u>
	-\$45,500	-\$14,000