
2013 Capital Improvement Budget Process

The Fiscal Years 2013-2017 **Capital Improvement Program (CIP)** is a multi-year plan for capital expenditures to replace and expand the City's infrastructure, vehicles and equipment. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources.

The purpose of the CIP is to fund capital projects and capital acquisitions that will be of a long-term benefit to the citizens of Memphis. Because projects in the CIP Plan have long term benefits, they are financed over a longer period of time. Present and future users of the projects pay for the projects.

The **Capital Improvement Budget** is the annual allocation that is set aside to fund major construction projects, acquire property, purchase equipment and fund ongoing capital programs for the City. For program purposes the City defines a capital improvement as a major improvement or acquisition costing over \$50,000 that will last 10 years or more. Capital Acquisitions costing between \$5,000 and \$50,000, generally have a useful life of 5 years.

Preparing the Capital Improvement Program requires identifying the various sources of revenue for the projects such as general obligation bonds, federal grants, state grants, private funds and Capital Pay As You Go. Each project must be evaluated as to the impact it will have on the City's operating budget.

The CIP process begins in October with the submission of projects by each Division to the CIP committee. The CIP Committee is comprised of various Division representatives of the City's operations. The CIP Committee evaluates, scores and ranks projects by priority. Projects are ranked using various criteria such as the amount of funds available, importance to the overall mission of the Division, and strategic priorities of the City. Projects with the highest priority receive the available funding. The Mayor reviews the CIP plan then submits the proposed plan to the City Council in April for review and adoption.

Construction project costs are developed through an internal planning process. To estimate the cost of each capital project, items such as planning, design, land acquisition, site improvements, construction, and other costs, needed to make new facilities operational, are developed. As a general rule, architectural/engineering (AE) cost are 12% of the construction cost of a building project. Large construction projects over \$1,000,000 are generally designed one year in advance of construction. A/E costs for street and bridge projects can vary according to the type project and other factors. New facilities that require staff, utilities, maintenance and other costs are reviewed to determine the cost that must be included in the operating budget.

Adoption of the CIP Plan by the City Council allows for the allocation of funds for the first year of the program. Specific language on how to appropriate and spend construction funds is contained in the CIP resolution. Projects allocated in previous years' Capital Budgets , that have been delayed, may be reprogrammed according to the priorities of the administration for spending in the new plan.

Financing the Capital Improvement Program

Long Term Debt

The City's proposed Capital Budget is \$194,485,849 in total allocations for FY 2013. General Obligation Bonds are \$81,689,000 or 42% of the total revenue for the FY 2013.

Federal Grants/State Grants

Federal and State grants represent \$45,290,150 or 24% of the revenue in the FY 2013 Capital Budget. The majority of these Federal funds are for MATA projects and Public Works projects that qualify for Federal grants. State grants represent the State-matching portion of the MATA funds and Public Works projects that qualify for State funds.

Sewer Funds

Sewer funds are \$52,000,000 or 27% of the revenue in the FY 2013 Capital Budget and are used to fund projects to maintain and improve the sewer system. The Sewer Fund issues revenue bonds to finance most projects.



Capital Improvement Budget Highlights

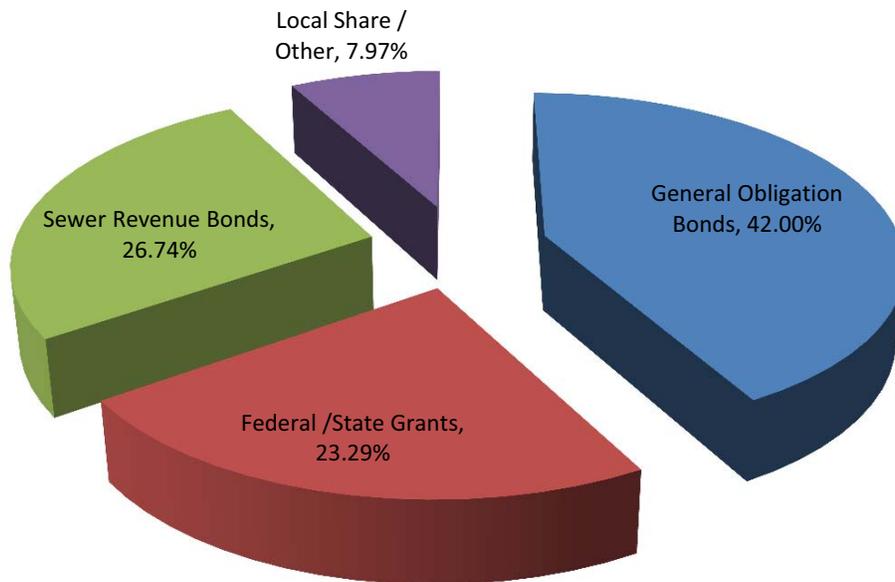
The Capital Improvement Program strategy has been modified to fund capital projects that align with current priorities and the available debt capacity. For FY2012, the City's objective was to issue debt at a level in which 50% of the principal is paid over a 10 year period. This strategy continues in effect for FY2013. This strategy has reduced G.O. bond funding available for capital projects by approximately \$40.0 million over the two years it has been in place.

Spending that aligns with current priorities is focused on projects that enhance the City's economic development strategy, projects that leverage federal or private funding, projects mandated by law, and projects that maintain existing facilities.

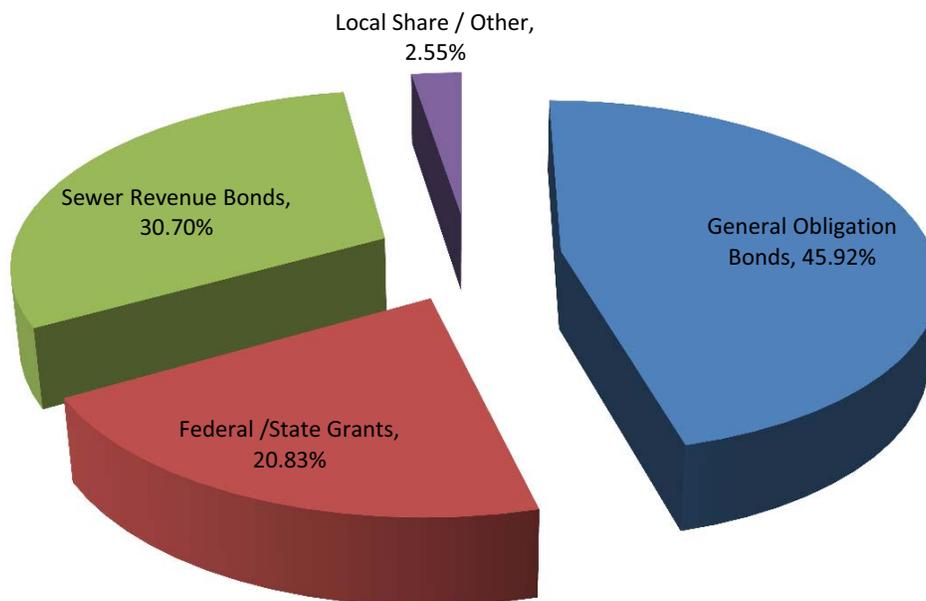
Highlights of these strategies are as follows:

- **The Fire Division** - Funds to begin construction of a new fire station and funds to purchase two Quintuple Combination Pumpers or quints are in this budget. Quints will serve a dual purpose of engine and ladder truck and will lower fire's operating cost.
- **The Police Division** - Funds are included in the General Service Capital Acquisition budget for purchase of 150 police cars.
- **The Public Works Division** - This plan includes funds to pave more than 400 lane miles of streets each year. ADA ramp improvements, and several road projects also highlight the FY 2013 budget. The **Stormwater Fund** CIP budget will allow the City to make major investments in drainage infrastructure throughout the City. The **Sewer Fund** projects are for the repair and replacement of sewer infrastructure, new sewer connections and improvements to the treatment plants.
- **The General Services Division** - Funding will provide for major ADA improvements, and minor improvements to various City buildings. This budget also reflects \$ 6.5 million for City-wide vehicle purchases.
- **Housing and Community Development** - Budget includes funding for Triangle Nior.
- **The Engineering Division** - Funding is included for replacement of traffic signals, and intelligent transportation improvements.
- **Information System** - Funding includes projects for a city-wide 311 System and for ChoiceStat. The development of ChoiceStat will allow the City to report on progress toward City initiatives.
- **The Memphis Area Transit Authority** - This budget is heavily leveraged by Federal and State funding. Preventive maintenance is Funded partially by G.O. Bonds.

**FY 2013 - 2017
CAPITAL IMPROVEMENT PROGRAM
WHERE THE MONEY COMES FROM**



FY 2013 Budget

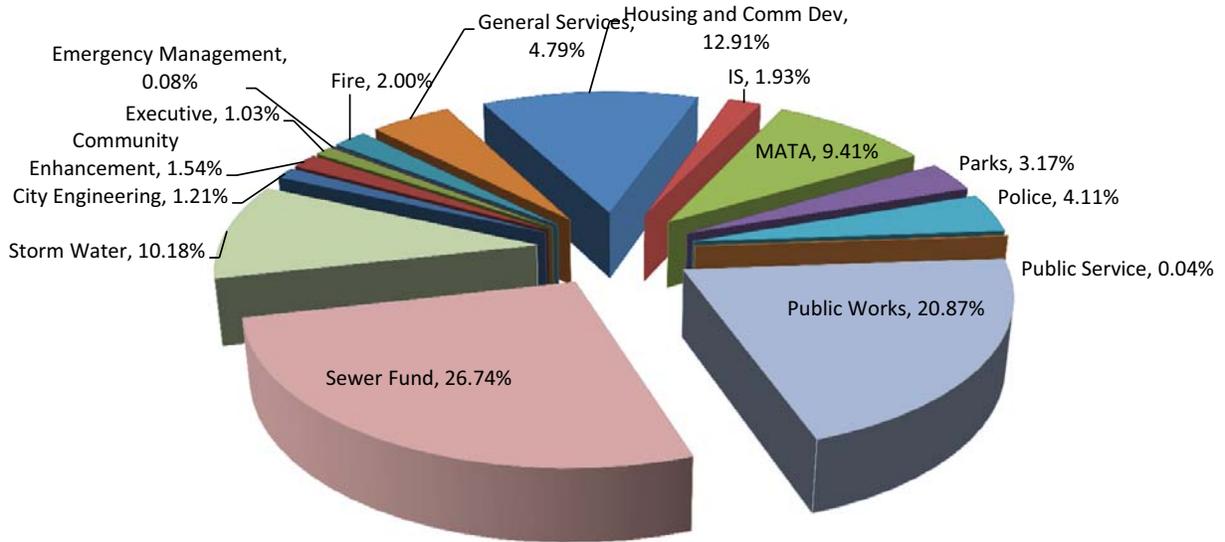


FY 2013 - 2017 Programs

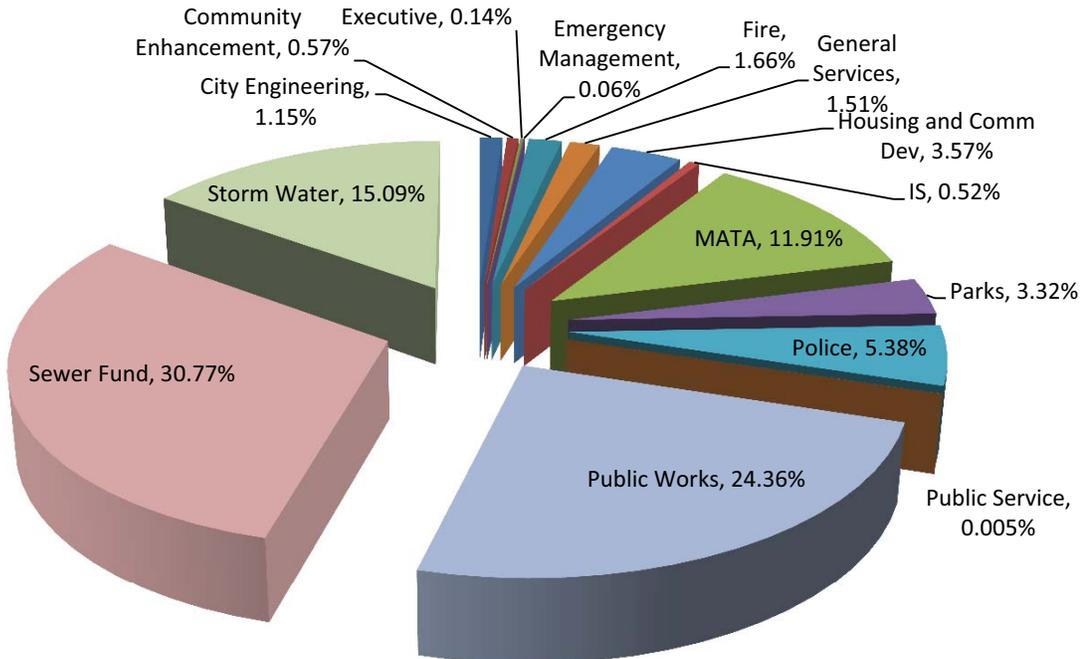
Includes Reprogrammed Allocation



FY 2013 - 2017 CAPITAL IMPROVEMENT PROGRAM WHERE THE MONEY GOES



FY 2013 Budget



FY 2013 - 2017 Programs

Includes Reprogrammed Allocation