
2012 Capital Improvement Budget Process

The Fiscal Years 2012-2016 **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 and to provide updated cost estimates and available revenue sources.

The purpose of the CIP is to fund capital projects and capital acquisitions that will provide 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 budget that funds major construction projects, acquisition of property, capital equipment purchases and ongoing capital programs for the City. For program purposes, the City defines a capital improvement as a major improvement or acquisition over \$50,000 that will last 10 years. Capital Acquisitions between \$5,000 and \$50,000 generally have a useful life of 5 years.

Preparing the Capital Improvement Budget 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. In addition, 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 composed of various Division representatives of the City's operations. Construction project costs are developed through an internal planning process. Estimates of costs for each capital project include planning and design, land acquisition, site improvements, construction and other costs needed to make new facilities operational. As a general rule, architectural/engineering (A/E) costs are 12% of the construction cost of a building project. Large construction projects over \$1,000,000 are generally designed one year and constructed the next year. A/E costs for street and bridge projects can vary according to the type of 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.

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 Mayor and City Council. Projects with the highest priority receive the available funding.

The Mayor then submits the proposed CIP plan to the City Council in April for adoption. Adoption by the City Council allocates funds for the first year of the program with specific language on how to appropriate and spend capital funds contained in the CIP resolution. Projects allocated in the previous years' Capital Budget, 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 has \$180,741,535 in total allocations for FY 2012. General Obligation Bonds are \$105,273,471 or 58.25% of the total revenue for the FY 2012.

Federal Grants/State Grants

Federal and State grants represent \$23,320,021 or 12.9% of the revenue in the FY 2012 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 \$33,000,000 or 18.26% of the revenue in the FY 2012 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 funding plan strategy has been modified to better link approved capital projects to available debt capacity. For FY2012, the City's objective is to issue debt at a level in which 50% of the principal is paid over a 10 year period. This new strategy has reduced G.O. bond funding available for capital projects by approximately \$20.0 million compared to prior years.

Project spending priorities are 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:

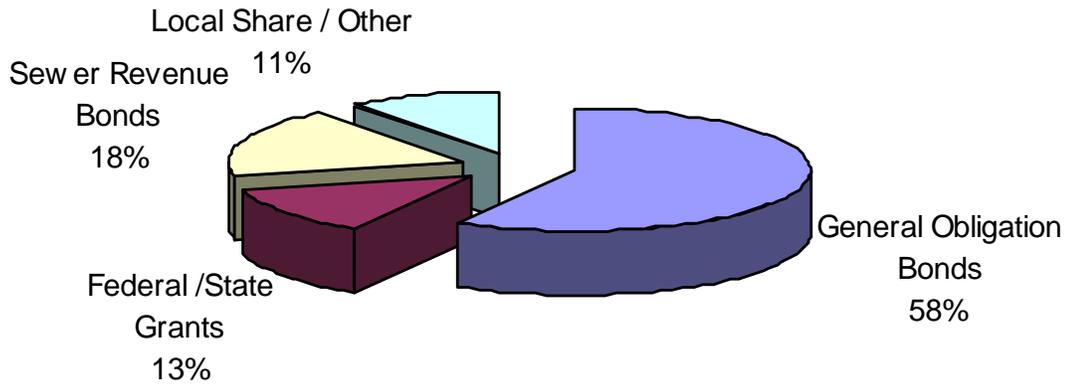
- **Executive Division** - Electrolux project - a \$20 million economic development project that will bring over 1,000 jobs to the city.
- **Fire Division** - Funds for two "Quintuple Combination Pumpers" or quints. These apparatus will serve a dual purpose of engine and ladder truck and will lower fire's operating cost
- **Police Division** - Budget includes funds for 117 police cars.
- **Public Works Division** - Budget includes funds to pave more than 400 lane miles of streets each year. ADA ramp improvements, and several road projects also highlight the FY 2012 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 sanitary sewers, and improvements to the

treatment plants.

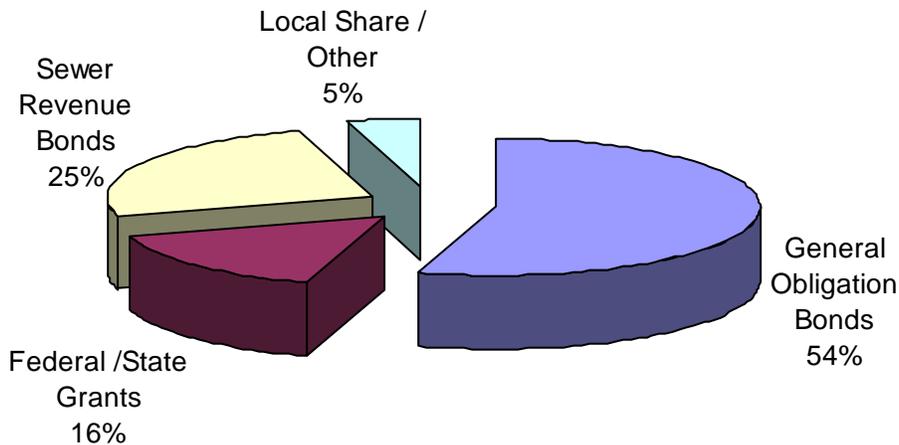
- **General Services Division** - Budget includes major ADA improvements, funding for minor improvements to various City buildings and miscellaneous equipment replacement. This budget also reflects the strategy to concentrate City-wide vehicle purchasing in this division to achieve economic scale.
- **Housing and Community Development Division** - Budget includes continued funding for Hope VI and the redevelopment of Dixie Homes.
- **Engineering Division** - Budget includes funding for replacement of traffic signals, and intelligent transportation improvements.
- **Information System Division** - Budget includes projects for a major upgrade to the City's Oracle Computer System and Treasury System.
- **Memphis Area Transit Authority** - Budget is heavily leveraged by Federal and State funding. Preventive maintenance is funded partially by G.O. Bonds.



**FY 2012 – 2016
CAPITAL IMPROVEMENT PROGRAM
WHERE THE MONEY COMES FROM**



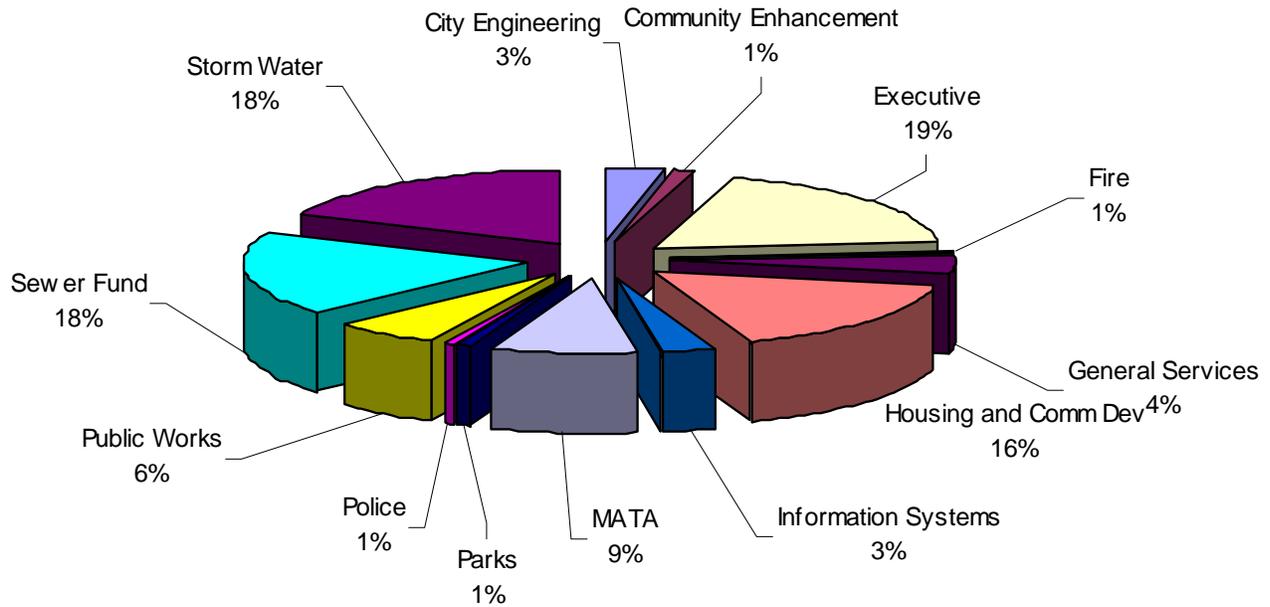
FY 2012 Budget



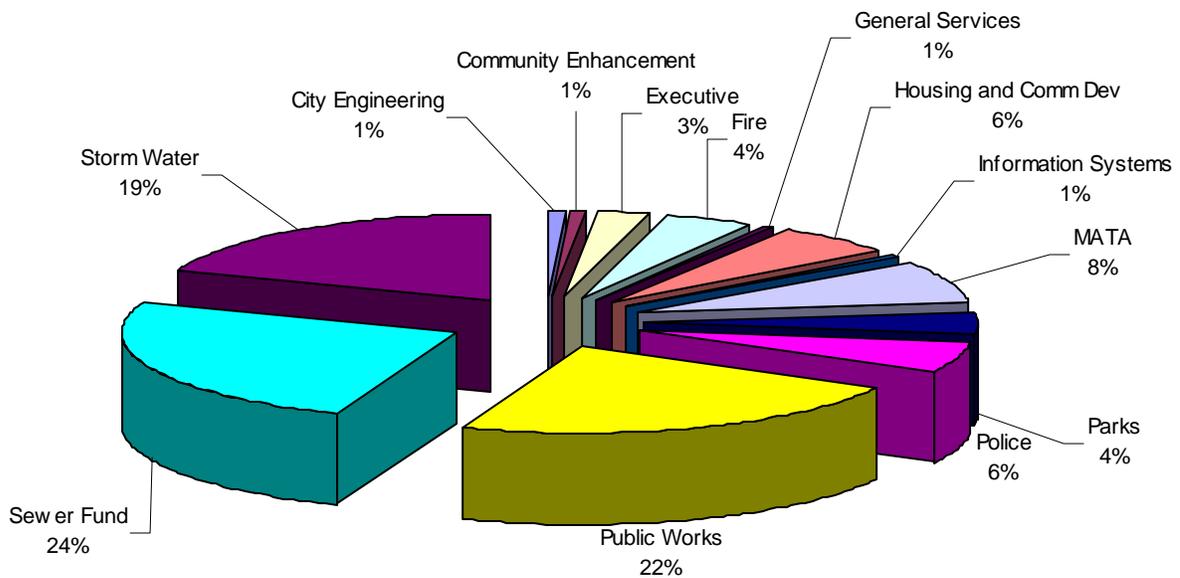
FY 2012-2016 Programs

Includes Reprogrammed Allocations

**FY 2012 – 2016
CAPITAL IMPROVEMENT PROGRAM
WHERE THE MONEY GOES**



FY 2012 Budget



FY 2012-2016 Programs

Includes Reprogrammed Allocations



