

INTRODUCTION

capital improvement budget process

The Fiscal Years 2002-2006 **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 of the long-term benefit of the projects in the CIP they are financed over a 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 that will last 20 years or a major improvement or acquisition over \$10,000. Capital Acquisition includes items that have a useful life of over 5 years and a value of over \$5,000.

The CIP process begins in January with the submission of projects by each division. Costs and priorities for the projects are developed through a planning process that includes the Building Design and Construction staff, the Office of Planning and Development, and the Budget Office. The results from the Memphis Poll are used to help identify priorities and concerns of citizens.

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

New facilities require staff, utilities, maintenance and other costs that must be included in the operating budget. Projects in the Capital Improvement Program 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.

Estimates of costs for each capital project will include planning and design, land acquisition, site improvements, construction and other costs needed to make new facilities operational. As a general rule architectural/engineering costs are 10% of the construction cost of a building project and any large construction project over \$1,000,000 will be designed one year and constructed the next. A/E costs for street and bridge projects can vary according to the type project and other factors.

Projects are reviewed by the Administration based on need, impact on the area, quality of life in our neighborhoods and the general economic climate of the City. The Mayor then submits the proposed CIP to the City Council in April for adoption. Adoption by 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 previous years' Capital Budgets are reprogrammed according to the priorities of the Mayor and Divisions.



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Long Term Debt

The City's proposed Capital Budget is \$183,445,000 total allocations for FY 2002. General Obligation Bonds are \$104,248,000 or 57% of the total revenue for the FY 2002 Capital Budget and \$656,886,291 or 60% of the five year Capital Improvement Program, including reprogrammed funds. In March 2001, the City Council authorized the issuance of \$150,000,000 in Commercial Paper bond anticipation notes to provide funds for City of Memphis and Memphis City Schools CIP projects.

One of Mayor Herenton's major continuing initiatives in the FY 2002-2006 CIP is to include \$21,117,000 in General Obligation Bond funding for City schools improvements. Mayor Herenton's total commitment to the Memphis School System is over \$190,000,000. By reprogramming prior year funds, deleting projects and a re-examination of the City's share of other projects, the Mayor has been able to include the funding for the schools and maintain the City's debt funding structure.

Federal Grants/State Grants

Federal and State grants represent 33% of the revenue in the FY 2002 Capital Budget. The majority of these funds are for MATA projects that are funded with 80% Federal Grants, 10% State Grants and 10% General Obligation Bonds 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 8% of the revenue in the FY 2002 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.



INTRODUCTION

capital improvement budget highlights

- Projects for **The Pyramid** are funded by the City of Memphis and Shelby County. These projects are for improvements to the building that will enhance the productions in the facility and make the facility more customer-friendly.
- **Memphis and Shelby County Public Libraries'** proposed budget includes funds for three new libraries in the Whitehaven, Cordova and Parkway Village communities to replace smaller facilities and offer increased services. Also included is the expansion of the Hollywood Branch Library.
- **The Memphis City Schools'** proposed budget includes funds for increased cost estimates for four new schools in the Hickory Hill area that was annexed in December 1998.
- **The Memphis and Shelby County Health Department's** projects are funded by the City of Memphis and Shelby County. Projects are for the upgrade and replacement of equipment and systems that are critical to the delivery of health care to the citizens of Memphis.
- **The Memphis Area Transit Authority's** capital improvements budget is funded with 80% Federal grants, 10% State grants, and 10% general obligation bonds. The Preventive Maintenance Project is funded entirely by general obligation bonds. Most of the projects are for fleet replacements and facility improvements that are required to provide a dependable modern, safe fleet for MATA's ridership. The Medical Center Extension of the trolley line will connect the two largest employment centers in Memphis, downtown and the Medical Center, and help relieve traffic and parking problems in these areas.
- **The Fire Division's** proposed capital budget includes funds for the replacement of pumpers and aerial trucks and an ongoing program for fire station repair. Two new fire stations are scheduled for Mud Island and the Wolfchase area. The Fire Training Facility will open in FY 2002 and funds are included for fiber optics and telecommunications equipment.
- **The Engineering Division's** budget includes projects for the purchase of traffic signals, advance planning for capital projects, traffic calming devices and design for an Engineering Support Facility.
- **The Police Division's** budget includes funds for a new Heliport Facility to meet federal safety standards and to move from Shelby County property. The police precinct expansion plan continues with funding proposed for the Traffic Precinct, Central Precinct and the Southeast Precinct. Also included is proposed funding for continuation of the expansion of the Vehicle Storage Facility and the Firing Range Addition. All of the projects continue Mayor Herenton's investment in public safety efforts to reduce crime and make our neighborhoods safe.
- **The Parks Division's** budget includes funds for improvements at neighborhood parks and playgrounds all over the City. Community Center improvements are planned for Gaisman and Riverview. Projects are included for improvements to aquatic facilities, golf courses, tennis facilities and ballfields. Major projects are included for the Zoo and Botanic Gardens.
- **The Public Works Division's** proposed budget includes funds for the implementation of the Riverfront Master Plan to be coordinated by the Riverfront Development Corporation. Funds are budgeted to pave 202 lane miles of streets each year for five years. The Public Works plan includes funding for maintenance of streets, bridges and major improvements to roads and drainage systems. The **Sewer Fund** projects are for the repair and replacement of sewer infrastructure, new sewer connections and improvements to the treatment plants.
- The **Public Services and Neighborhoods Division** will coordinate projects designed to improve neighborhoods such as the Neighborhood Strategy Improvements and Neighborhoods Demonstration Grants projects. The Stax Museum project is to revitalize and improve this historic neighborhood. The Animal Shelter replacement project is to relocate and expand this facility. Included are funds for the City's portion of a new basketball arena.
- **The General Services Division's** budget includes projects for improvements to City property, energy modifications and renovations to the City-owned Brooks Museum.
- **Information System's** budget includes the City's contribution for an emerging technology complex at the University of Memphis.

