

**INTRODUCTION
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OVERVIEW

The City of Fort Collins has a significant investment in its streets, public facilities, parks and other capital improvements. Given existing revenue streams and the growth in demand for City services, preserving and upgrading these investments, and planning for future infrastructure needs of the community represent an ongoing challenge. In past years, the City Council and the residents of Fort Collins, through their actions, have demonstrated a firm commitment to, and investment in, the City's Capital Improvement Plan. City Council has stressed the importance of community involvement in the process of evaluating capital projects.

This emphasis on community involvement dates back to the 1970's when a citizen steering committee known as Designing Tomorrow Today (DT2) was formed to develop a seven year capital plan. This commitment continued into the 1980's. In 1983 a Citizens' Advisory Committee was formed on project RECAP (**RE**-evaluation of **CA**pital **P**rojects) to make recommendations on the capital improvement needs of the community for the period 1984 through 1989. In May 1984, voters approved a 0.25 cent sales and use tax to finance improvements recommended by the RECAP committee. At the same time voters also approved a 0.25 cent sales and use tax, effective for a five year period (1/1/85 - 12/31/89), to finance the construction of a pool/ice rink facility.

The two 0.25 cent taxes for RECAP and the pool/ice rink were followed by a 0.25 cent Choices 95 capital program, an eight year capital plan featuring community projects also recommended by a citizens' committee, and a 0.25 cent sales and use tax dedicated towards street repairs and maintenance. These two taxes expired on December 31, 1997. During this period, the City also began taking steps to develop a Natural Areas Policy Plan. At a special election, in November 1992, city residents approved a citizen initiated ordinance calling for a 0.25 cent sales and use tax to finance the acquisition and development of open space, trails and natural areas. This tax went into effect in January 1993 and expired in December 1997.

Upon the expiration of the Choices 95 program and the dedicated 0.25 cent sales and use taxes for street maintenance and natural areas on December 31, 1997, voters approved a capital improvement plan known as Building Community Choices (BCC). BCC projects address a wide range of capital needs including cultural and recreational facilities, acquisition of land for public facilities, streets/transportation needs, maintenance of existing street infrastructure, and a commitment to the environment through various parks, open space and natural areas projects. Projects were approved through a series of meetings soliciting public input, input from City boards and commissions, and City Council Study Sessions. This seven year program began in 1998. One 0.25 cent sales and use tax finances community enhancement projects. Community Enhancement projects are primarily facility and streets/transportation projects. The second 0.25 cent sales and use tax is used to finance transportation related projects including the City's Pavement Management Program (street repair and maintenance program). Finally, the third 0.25 cent sales and use tax will fund natural areas and parks projects, including the City's Natural Areas Program.

Additional funding for natural areas and parks capital improvements is provided through the City's Neighborhood Parkland Fund and Conservation Trust Fund. The Neighborhood Parkland Fund is used to account for revenues collected from the City's Neighborhood Parkland fee. This revenue provides funding for acquisition and development of neighborhood parks, as well as park capital improvements. The Conservation Trust Fund is used to account for revenues received from the Colorado State Lottery. The revenue is restricted to financing capital projects which relate to the acquisition and development of open space and trails.

Capital improvements associated with the City's Light & Power, Stormwater, Wastewater, and Water utilities are budgeted within the respective enterprise fund. A combination of revenue from utility fees, bond proceeds, contributions-in-aid, and plant investment fees are used to fund utility capital projects. Projects provide for additional substations, completion of the electrical undergrounding program, metering and secondary services to customers, improvements to the City's water and wastewater systems, and basin improvements associated with the City's storm drainage system.

CAPITAL IMPROVEMENT POLICY

The City's policy on capital improvements states that:

- The City will develop a multi-year plan for capital improvements and update it annually.

This document presents the City's capital improvement program for the biennium 2004-2005. While the budget is biennial, the City's budget is reviewed and appropriated annually. Capital improvement financial information is shown through the year 2008. In addition, this document contains a summary of the City's 10-Year Capital Plan and Inventory (2003-2022).

- The City will identify estimated costs and funding sources for each capital project requested before it is submitted to the City Council.

Council may approve appropriations for capital projects during the budget process or "off-budget", at any time during the year. Council is not asked to approve any project for which a funding source has not been identified. Staff also keeps the Council informed on estimated operating impacts of projects being considered by City Council.

- All City capital improvement projects will be administered in accordance with The City's Capital Projects Procedures Manual.

The City has a Capital Projects Procedures Manual which serves as a guide to project managers regarding administrative and operational procedures to be used in the design and construction of the City's capital projects.

- All City capital improvements will be constructed and expenditures incurred for the purpose as approved by City Council.

The scope (project description) and estimated cost (budget) of capital improvements are relayed to City Council at the time they are asked to approve a project. Additional funding or changes to the scope of an approved capital project must be approved by City Council.

- The City will use a variety of different funding sources to fund capital projects, with an emphasis on the "pay-as-you-go" philosophy.

The City's current capital improvement program is funded from a variety of different sources. The Building Community Choices plans all operate on a "pay-as-you-go" philosophy. In each of these plans, the proceeds of three separate 0.25 cent sales and use taxes are specifically dedicated to finance the respective plans. The City's Neighborhood Parkland Fund, Conservation Trust Fund, and Capital Improvement Expansion Fund also operate under the "pay-as-you-go" philosophy. The "pay-as-you-go" philosophy: 1) avoids encumbering additional City debt and interest obligations; 2) provides an equitable and feasible revenue source; 3) assures all revenue collected is available for projects; 4) provides a conservative approach to capital budgeting. There are however, occasions when debt is incurred to finance general capital projects, as evidenced by the financing of a new City building and parking structure in 1998. The deal was structured as a certificate of participation lease purchase. The City's Utilities use a "pay-as-you-go" philosophy as well as issuing debt for large projects.

- Funding for operating and maintenance costs for approved capital projects must be identified at the time projects are approved.

Project managers are asked to identify additional operation and maintenance costs which may come about from the request for new capital projects. Further information regarding the relationship between capital projects and operating budgets is as follows:

RELATIONSHIP BETWEEN CAPITAL PROJECTS AND OPERATING BUDGETS

The City's Capital Projects Procedures Manual (CPPM) provides guidelines by which City of Fort Collins capital projects can be designed and built. The CPPM provides checks whereby all capital costs, associated with capital projects, are accounted for in the appropriate fund and remain clearly distinct from operations and maintenance budgets. The majority of the City's budgeted general capital projects are funded from dedicated revenue sources, which helps to alleviate competition for general tax dollars between capital and operating needs. Typically, the local economy fares better than the economy at both the national and state levels. This fact, combined with the City's conservative approach to projecting revenue and its sound financial planning and fiscal policies, has allowed the City to continue to provide basic services, introduce new service improvements, as economic conditions allow, invest in its infrastructure, and address deferred maintenance needs. In order to ensure that the City will continue to be able to protect its investment in its capital assets, staff will continue to work towards developing financial plans that address parks renovation needs, facilities needs, streets/infrastructure needs, information system replacement needs, etc., throughout the City.

How are maintenance costs affected by capital project construction?

Street improvement capital projects, for which Engineering is the lead department, affect operating costs to varying, but minor degrees. Projects which widen existing roads, add more pavement and sidewalk to the total infrastructure which must be maintained. But the same projects often make changes, such as replacing asphalt pavement with concrete, which actually reduces some of the annual maintenance costs at the same time. Other projects, such as portions of the Pedestrian Accessibility and Minor Streets projects, are maintenance efforts in themselves. Operating budgets within the Transportation Services Fund provide operation and maintenance costs such as the City's Pavement Management Program, sweeping, patching, sealing pavement cracks, and snow removal, etc., for capital improvements to the City's street system.

The costs for maintaining, repairing, and renovating City owned facilities are paid by the fund in which the asset is capitalized. Maintenance of buildings classified as general fixed assets is provided by Operations Services in the General Fund. Maintenance funds are reflected in the General Fund Operations Services program and in the Capital Projects Fund – MR&R Capital project. Staff will continue its efforts to more clearly define responsibilities and ensure that facility maintenance funds are adequate to address future maintenance issues.

Operation and maintenance dollars for Parks and related projects are budgeted in the General Fund Parks Maintenance, and Forestry & Landscaping programs. A program mission and description for these two programs can be found in the Operating Budget Document. Maintenance dollars for parks, open space and trails are also budgeted in the Conservation Trust Fund and Neighborhood Parkland Fund.

ART IN PUBLIC PLACES PROGRAM

On April 18, 1995, the City Council adopted Ordinance No. 20, 1995, establishing legislation creating an Art in Public Places program and guidelines for the City. The thrust of the Art in Public Places (APP) program is to levy and set aside for public art an amount equivalent to 1% of every eligible capital project that costs in excess of \$250,000. The City's Art-in-Public Places program is outlined under the City's Financial & Management Policies, found in the 2004-2005 Biennial Budget, Operating Budget Document. Following is a breakdown of contributions towards Art in Public Places for 2004-2005. Contributions for General Capital projects are transferred to the Art in Public Places program in the Cultural Services and Facilities Fund. Utility contributions towards APP are budgeted in the appropriate utility fund.

<u>Funding Source</u>	<u>Adopted 2004</u>	<u>Adopted 2005</u>
General City Capital	\$ 3,828	\$ 3,828
Building Community Choices	48,944	86,397
Conservation Trust Fund	7,800	7,500
Neighborhood Parkland Fund	<u>11,000</u>	<u>9,800</u>
Total General Capital Contribution	<u>\$ 71,572</u>	<u>\$ 107,525</u>
Light & Power Capital	\$ 62,579	\$,68,580
Storm Drainage Fund	50,000	47,000
Wastewater Fund	5,300	1,000
Water Fund	<u>34,500</u>	<u>34,200</u>
Total Contribution	\$ 223,951	\$ 258,305

CATEGORIZATION OF CAPITAL IMPROVEMENTS

Throughout this document individual capital improvement projects are placed into one of the following categories:

Facilities - includes the City's major building maintenance project; projects for the construction of public facilities; projects for acquisition of property for future public facilities.

Natural Areas & Trails - projects for the acquisition of natural areas and other open space; trails and open space development and maintenance projects.

Other - non-typical capital improvement projects or other projects that do not fit any of the other categories.

Parks - park site acquisition and development projects; projects for the construction of individual neighborhood or community parks.

Streets & Transportation - major street maintenance projects, minor streets, sidewalk, and bridge repairs projects; pedestrian accessibility projects; other transportation infrastructure related projects, including bikeways, intersection improvements, street oversizing, etc.

Light & Power – providing additional substations and additions to existing substations, completion of the undergrounding program, and providing metering and secondary services for customers.

Stormwater - stormwater flood control and water quality measures in the City's twelve storm drainage basins.

Wastewater - projects providing enhanced treatment of wastewater, and expansion and improvement of sludge handling and disposal capacity.

Water - meter conversion program; additional storage for treated water; improving raw water utilization; improving the efficiency of water treatment facilities; and increasing the capacity of the water transmission system.

BUDGET/ACCOUNTING STRUCTURE

Budgets for the City's 2004-2005 Capital Improvement Program can be found in the following City funds:

Capital Projects Fund - used to account for financial resources used for the acquisition or construction of major capital facilities. Revenues and other financing sources are primarily derived from transfers from other funds or the issuance of debt. Within the Capital Projects Fund, separate comparative budget statements are prepared for each of the City's capital improvement programs funded by a dedicated sales and use tax. In addition a separate statement is prepared to account for the revenues and expenditures for "general city" capital improvements, funded primarily through transfers from the City's General Fund.

Neighborhood Parkland Fund - used to account for neighborhood parkland fees used to fund neighborhood park capital improvements.

Conservation Trust Fund - to account for revenues received from the Colorado State Lottery through the State Conservation Trust Fund which are restricted to financing capital projects which relate to the acquisition and development of open space and trails.

Light & Power Fund – an enterprise fund to account for the operation of the City's electric utility, including the operation, maintenance, and construction of improvements designed to improve the service level provided to existing customers and to meet the needs of continued population growth.

Storm Drainage Fund - an enterprise fund to account for the operation of the City's storm water utility, including operation, maintenance, and construction of the City's storm drainage network.

Wastewater Fund - an enterprise fund to account for the operation of the City's wastewater utility, including the operation, maintenance, and construction of improvements providing enhanced treatment of wastewater, and improved sludge handling and disposal capacity.

Water Fund - an enterprise fund to account for the operation of the City's water utility, including the construction of improvements to meet the City's treated water demands.