

SECTION IV



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CAPITAL IMPROVEMENT PLAN

The City of Reno updates its Capital Improvement Plan (CIP) each year. The responsibility for updating the plan and presenting it to the City Council rests with the CIP Committee, a City-wide group of employees representing the major departments of the City involved in the construction, improvement, operation, and financing of capital facilities. The Finance Director chairs the Committee.

The approved CIP for this year follows this report. For information, the previous years' plans follow this plan, with a notation of percent of project completed.

Process

The CIP process begins early each year when departments submit to the Committee their requests for capital projects. The requests are submitted on approved forms which include the description of the project, its estimated cost, the time frame, justification, and impact on operating budgets. In the 20-year plan, projects identified in the outlying years are listed based on known conditions, estimated growth rates, the City's Master Plan and Strategic Facilities Plan, and the Truckee Meadows Regional Plan.

The CIP Committee uses an established set of criteria to evaluate CIP requests. The criteria include legal constraints and requirements, health and safety, project life, impact on the City's operating budget, consistency with the City Council and Management priorities, conformance with adopted plans, cost effectiveness, frequency of use and population impacted. Projects are ranked in order of program and funding priority (explained in detail later).

While progress in repair and maintenance is being made the CIP Committee continues to recommend that the largest amount of available funds for Fiscal Year 2011-2012 be dedicated to reducing the backlog in maintenance items. Additional pressure has been put on the CIP Budget for FY 11/12 due to continuing economic crisis facing Northern Nevada. In addition, the approved projects for this year are consistent with the guidance contained in the Master Plan for Sewer Plants and Facilities and the Strategic Street Program.

The City Manager's direction is for the Committee to give higher priority to capital projects which are designed to serve existing needs and to prevent the deterioration of existing levels of services over new capital projects. The CIP Committee's recommendations are based on this policy, and as such, completion of the projects ultimately results in lower maintenance and operation costs for the City.

Capital Improvement Program Definitions

The Capital Improvement Program (CIP) is a planning and budgeting tool which provides information about the City's infrastructure needs for a twenty-year time frame. Each year, the list of projects is reviewed for need, cost and priority. New projects may be added and other projects deleted.

Generally, capital improvements are defined as physical assets, constructed or purchased, that have a useful life of ten years or longer and a cost of \$25,000 or more. The following are capital improvements included in the plan:

- a. New and expanded facilities for the community.
- b. Large scale rehabilitation or replacement of existing facilities.
- c. Equipment for any public facility or improvement when first constructed or acquired.
- d. The cost of engineering or architectural studies and services relative to the improvement.
- e. The acquisition of land for a community facility such as park, road, sewer line, etc.

In addition, the City includes the Capital Maintenance needs in the CIP plan. Capital Maintenance projects are generally rehabilitative maintenance on City owned facilities that are required to keep the facilities in good operating condition.

Finally, the City includes major purchases in the CIP plan. These include major equipment, vehicles, computer hardware and computer software that, over the life of the project, cost \$250,000 or more.

What are Capital Outlays?

Capital Outlays, which are budgeted within the City's operating budget, include such things as furniture, equipment, vehicles, and motorized equipment needed to support the operation of the City's programs. Generally, a capital outlay item may be defined as an item valued in excess of \$10,000 with a life expectancy of less than 10 years.

What are Capital Projects?

There are two types of capital expenditures. One deals with infrastructure projects and the other with operating programs. Capital Projects, which are addressed in the CIP and budgeted within the City's Adopted Budget, generally include major fixed assets or infrastructure with long term value, such as buildings, roads, bridges, and parks; major equipment purchases (vehicles), computer hardware and computer software that, over the life of the project, cost \$250,000 or more and capital maintenance projects. Any of these may involve some form of debt financing. Capital projects costs include all expenditures related to the planning, design, construction and equipment necessary to bring a project on line. The costs can include reimbursement of the project manager's time through a transfer from a capital project account.

Why have a Capital Improvement Program?

The CIP provides information on the current and long-range infrastructure and equipment requirements of the City. It provides a mechanism for balancing needs and resources and for setting priorities and schedules for capital projects. It is based on needs identified through the planning process, requests and recommendations of City departments and the concerns of citizens and elected officials.

1. The CIP includes identification of the revenue sources, which will be utilized to fund capital improvements. Projects are included even if revenues are not available to fund them. These projects are prioritized and may be funded by current revenues or by debt financing, depending on the availability of funds, the nature of the project, and the policies of the Council.

The CIP strives for efficient use of capital improvement funds by identifying CIP projects and prioritizing them according to their relative importance and urgency of need. Identification assures needed projects are known, while prioritization ensures that those projects which are most urgently needed are funded first.

Why a separate Capital Improvement Program?

The Capital Improvement Program outlines long range capital improvement expenditures. Funds budgeted through the CIP for a specific project during a specific year remain with that project until the project is completed, while the operating budget terminates at the end of the fiscal year.

Each year project costs will be reviewed and additional funds may be allocated to a project which, when combined with resources carried over from the prior year, result in the continuing project budget for the new year.

How are projects prioritized?

The City does not have sufficient funding to meet all of its capital needs each year. Projects are prioritized based on the effect of each project on the City's ability to meet community goals. All projects are compared on the basis of a common set of selection criteria. The cornerstone of this process is a worksheet which requires departments to explain anticipated funding sources, legal constraints/requirements, health and safety, project life, City Council and Management priorities, conformity with adopted plans and goals, impact on the City's operating budget, cost effectiveness, environmental impacts, population impacted, and frequency of use.

Projects are ranked in order of program and funding priority. A numerical score is assigned to each project. The projects are then ranked according to how each contributes to maintaining current service levels. A given project is then placed within one of several categories, suggesting a final priority position. The priority categories represent a relative degree of need for any particular project and are described below.

1. A project which is needed in order to comply with a court order, legislative mandate, or is critical to the health, safety, and general welfare of the public or which has a dedicated funding source that cannot be used for any other project, or which would provide for a public or operational improvement.
2. A project which is needed in order to comply with a court order, legislative mandate, or is critical to the health, safety, and general welfare of the public or which would provide for a public or operational improvement, but there are no available funds in the current year to fund the project. Any funds that become available will be used for these priorities.
3. A project which would provide for a public or operational improvement that City Staff anticipates funding in the third year of the Capital Improvement Plan.
4. A project which would provide for a public or operational improvement that City Staff anticipates funding in the fourth year of the Capital Improvement Plan.
5. A project which would provide for a public or operational improvement that City Staff anticipates funding in the fifth year of the Capital Improvement Plan.
6. A project which would provide for a public or operational improvement that City Staff anticipates funding in the sixth to tenth year of the Capital Improvement Plan.

7. A project which would provide for a public or operational improvement that City Staff anticipates funding in the eleventh to fifteenth year of the Capital Improvement Plan.
8. A project which would provide for a public or operational improvement that City Staff anticipates funding in the sixteenth to the twentieth year of the Capital Improvement Plan.

Summary

The Capital Improvement Plan represents the mutual efforts of all City departments to meet the infrastructure needs of City residents, businesses and visitors. These guidelines provide a basis for the conception and preparation of the City's Capital Improvement Plan.

Revenue Sources

The Capital Improvement Plan indicates the Fund responsible for funding the specific projects. However, CIP's generally include a variety of revenues that are used both for the direct funding of projects and as a source for debt service to retire bonds. This section will describe each of the major revenue sources.

Capital Projects Funds

The City has established various Capital Projects Funds (described in detail below). These funds are generally used for park projects, various bond projects, street impact fee projects, special assessment district projects and projects funded by the General Fund.

Typical Sources Used to Fund Capital Projects

The following are typical revenue sources used by the City to fund capital projects.

General Fund - The City typically sets aside 1% of General Fund operating expenditures less capital outlay to fund capital projects. The General Fund also transfers funds each year to the Street Fund for street repairs. In addition some of the computer hardware, software and vehicles included in the CIP will be funded through the General Fund.

Street Fund - The Street Fund receives property tax funds through an over-ride approved by the voters. The amount is based on maintaining the same debt rate that existed in Fiscal Year (FY) 1992/93. The City allocates to the Street Fund that portion which is not needed for the principal, interest, and service charges for the bonds which were outstanding at the time the electorate approved the tax override. The allocation of these resources to operations and capital projects is 29% for on-going operations and 71% for repair and rehabilitation per the Street Strategic Plan adopted by the City Council. These funds are restricted to neighborhood streets only.

Room Tax Fund - The City receives a 1% Room Tax. These funds are allocated 1/2 percent for Tourist related projects (City improvements or programs, the primary purpose of which is the improvement or betterment of the City as a final destination for visitors and tourism) and 1/2 percent for Parks & Recreation.

CDBG Funds - Community Development Funds have been used to fund various City capital projects that benefit citizens in low and moderate income areas. In the past, these funds have been used for street reconstruction, rehabilitation of Paradise Park, purchase of playground equipment, construction of the Neil Road Family Service Center, purchase and renovation of the

Evelyn Mount North East Community Center and Americans Disability Act (ADA) improvements to various City facilities.

Public Works Capital Projects Fund - This fund tracks the exactions collected from developers for traffic signal improvements and other designated expenditures relating to traffic improvement. In addition, capital projects funded by the contribution from the General Fund are accounted for in this fund.

Parks/Recreation Capital Projects Fund - Resources for this fund are provided by residential construction taxes. The funds are used for the acquisition and improvement of parks, playgrounds and recreation facilities within the City. These funds can not be used for maintenance of parks.

Bond Capital Projects Funds - These are various funds set up to record expenditures of bond funds. The bonds are generally issued to address specific projects. For example: Street Bonds were issued to complete street rehabilitation and Recreation Bonds were issued to purchase the Northeast Community Center, construct the Neil Road Community Center and rehabilitate Paradise Park. The revenue bond payments are paid from CDBG funds.

Special Ad Valorem Capital Projects Fund - Resources for this fund are provided by a special ad valorem tax levied by the County. The funds are to be used to 1) purchase capital assets (i.e.: land, improvements and major items of equipment); 2) repair of existing infrastructure (not maintenance); and 3) repay medium term financing to fund projects which qualify under 1) or 2) above. In the past some of these funds have been used to issue medium term bonds. The proceeds were used to remove and replace the City's underground fuel storage tanks and to rehabilitate McKinley Park School.

Street Impact Capital Project Fund - Resources for this fund were provided by street impact fees paid by various developers. These funds are now remitted to the Regional Transportation Commission. The remaining funds are for completion of various City street projects. These funds can not be used to maintain streets.

Special Assessment District Capital Projects Funds - Resources for these funds are provided by the property owners that directly benefit from the improvement. These improvements include sidewalks, various sewer and street improvements, etc.

Sanitary Sewer Fund - Resources are provided by sewer use fees and connection charges. Sewer use fees are used to repair/maintain and operate a storm drain and wastewater collection system. The connection charges are used for the capital costs needed to construct improvements; for expansion, extension or betterment of the sanitary sewer system; for treatment and disposal facilities, and for reasonable appurtenances of the city for redemption of the interest on and the payment of the principal of any bonds issued by the city for the purposes above.

Motor Vehicle Fund - Resources are provided by user departments and are used to operate, maintain and purchase motor vehicles used by City departments.

Potential Revenue Sources

The City needs to develop additional revenue sources for the Capital Improvement Plan. Examples of revenue sources which could be used are identified below:

Bonds - There are several projects included on the FY 2011-2031 Capital Improvement Plan which could be funded with bond proceeds. As a municipal government, the City may issue tax-exempt bonds to finance capital construction. A variety of revenue sources may be used to repay these bonds. Outlined below are the various methods:

1. General Obligation Bonds - Bonds that are repaid with ad valorem taxes. General Obligation Bonds require voter approval prior to issuance.
2. Revenue Bonds - Bonds that are financed by pledging a specific revenue stream. For example, user fees or special ad valorem property tax funds.
3. Special Assessment Bonds- Bonds that are financed by pledging the assessments paid by the property owners receiving the benefit of the improvement.

Other Resources

One method of generating additional funds for capital improvements is to increase existing fees/charges or to add new fees/charges. The following are areas that could be investigated further:

1. Residential Construction Tax - These are fees charged to developers to help offset the cost of constructing and improving neighborhood parks. Due to the cost of new construction, it takes years to accumulate enough funds to build a new park or to improve existing parks. If approved by the legislature, this fee could be raised in order to generate additional funds. An alternative would be to substitute an impact fee for the residential construction tax. This would require approval by the state legislature.
2. Public/Private Partnerships – the City could actively seek partnerships with businesses and citizens in order to fund particular projects. This could be used for some of the recreation/park projects on the capital improvement plan.

Categories of Proposed Projects

The CIP is organized by the type of improvement the project represents. This format enables the Council and staff to easily discuss projects on their relative merits. The project categories are assigned as follows.

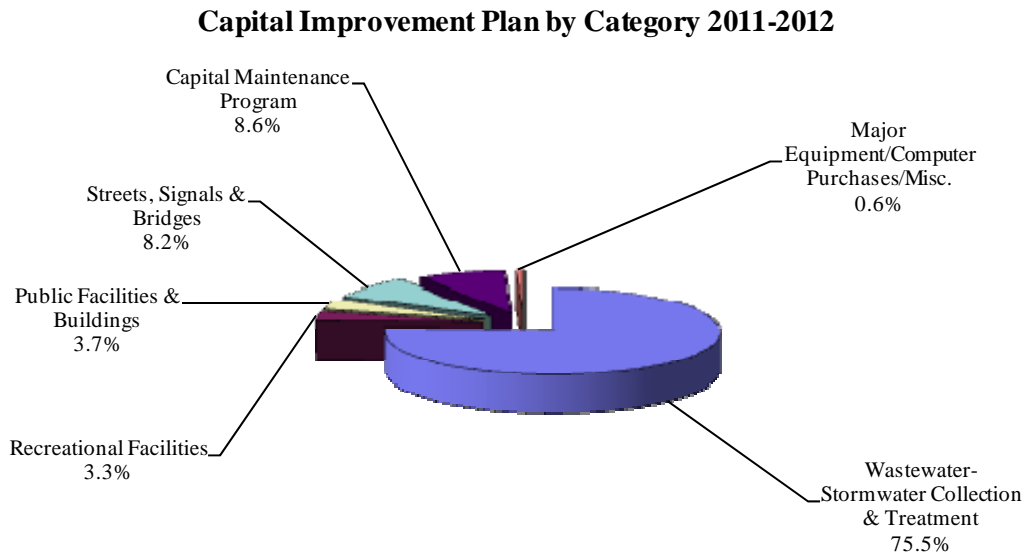
1. Annual Maintenance Program – this category includes the annual funding amounts for capital maintenance and annual construction projects. Items such as the Parks Maintenance funding, Facilities Maintenance funds and ADA funding are included in this category.
2. One-time Infrastructure Projects – this category includes projects that are one-time construction or rehabilitation of City facilities. New pools and extraordinary fire station maintenance fall into this category.

3. Wastewater/Stormwater Collection and Treatment, Drainage and Park District Projects - this category includes all projects related to the sewer treatment plants, major repairs, upgrades or reconstruction of existing drainage systems, sewer separation projects, and treatment plant expansions. Also included in this group are the Park District projects which are funded through the Residential Construction Tax.

A summary list of approved projects for Fiscal Year 2011-2012 appears on the following pages. Previous year's CIP's are also provided to show what projects have been completed or the percentage of completion to date.

For more detailed information on the 20-year program, see the FY 2011-2031 Budget Capital Improvement Plan document.

The Capital Improvement Plan for FY 2011-12 is as follows:



Revenues by Type

General Fund	3,500,000
Special Ad Valorem Capital Tax	0
Street Fund	2,657,798
Sewer Fund	26,809,140
Community Development Block Grants	250,000
City Capital Projects Fund	0
Motor Vehicle Fund	1,000,000
Room Tax	50,000
Park Construction Tax	1,225,600
Total	35,492,538

Expenses by Function

Wastewater-Stormwater Collection & Treatment	26,809,140
Recreational Facilities	1,170,000
Public Facilities & Buildings	1,325,600
Streets, Signals & Bridges	2,907,798
Capital Maintenance Program	3,055,000
Major Equipment/Computer Purchases/Misc.	225,000
Downtown Projects	0
Total	35,492,538

Capital Improvement Plan

Description of Approved Projects 2011/12

AMOUNT	FUNDED BY	PROJECT/DESCRIPTION
\$ 30,000	City Capital Projects Fund	<u>Fire alarm/Sprinkler Replacement</u> Currently the Fire Department has 6 stations with no tied alarm system to the apparatus bay and living quarters.
\$ 20,000	City Capital Projects Fund	<u>Downtown Lamp Replacement</u> Annual program to replace downtown lights as needed. Estimated operating costs included in Public Works operating budget each year.
\$ 150,000	City Capital Project Fund	<u>Annual Sidewalk</u> Annual program to repairs sidewalks as needed. Estimated annual operating costs will be included in the Public Works budget each year.
\$ 50,000	City Capital Project Fund	<u>Traffic Calming-Speed Humps</u> Construct speed humps or other traffic calming devices in various areas of the City. Estimated annual operating costs \$0.
\$ 25,000	City Capital Project Fund	<u>School Safety Improvements</u> Annual program to replace sub-standard school zone flashing beacons. Estimated annual operating costs will be included in the Public Works budget each year.
\$ 20,000	City Capital Projects Fund	<u>Street Lights, Guardrails</u> Annual program to install new street lights, repair/replace guardrails as needed. Estimated annual operating costs included in the Public Works budget each year.
\$ 400,000	City Capital Project Fund	<u>Building Maintenance Projects</u> Seventh year of ten year program to repair/rehabilitate various City Facilities. Estimated annual operating costs will be included in the Public Works budget each year.
\$480,000	City Capital Project Fund	<u>Parking Lot/Driveway Repairs</u> Annual funding to repair deteriorating parking lots and drive ways at City facilities. Estimated annual operating costs \$0.
\$710,000	City Capital Project Fund	<u>Northwest Pool Roof Replacement</u> Replacement of the movable roof covering the Northwest Pool facility. Estimated annual operating costs will be included in the Public Works budget each year.

Capital Improvement Plan
Description of Approved Projects 2011/12

\$ 50,000	City Capital Project Fund	<u>ADA Accessibility</u> Renovate and upgrade City owned facilities to comply with the Americans with Disability Act. Estimated annual operating costs \$0.
\$ 430,000	City Capital Projects	<u>Parks/Recreation Projects</u> Annual program to complete minor improvements, repairs to various parks & recreation facilities. Any estimated annual operating costs will be included in the Parks, Maintenance budget each year.
\$ 700,000	City Capital Projects Fund	<u>Traffic Signal Controller Upgrade</u> Replace approximateky 200 existing antiquated traffic signal controllers with new system controllers.
\$ 50,000	Room Tax-Council	<u>Art in Public Places</u> Per City ordinance funds must be set aside each year as part of the Capital Improvement Program for are in public places. Estimated annual operating costs \$0.
\$ 50,000	Street Fund	<u>Traffic Project</u> Funding for project cost not fundable from RTC. Interlocal agreement commits City to pay costs. Estimated annual operating costs \$0.
\$2,187,798	Street Fund	<u>Residential Street Repair</u> Rehabilitation of neighborhood streets through overlaying or reconstructing. Estimated annual operating costs are included in the Public Works budget each year.
\$ 310,600	City Capital Project Fund	<u>National Bowling Stadium Roof</u> Repairs to the roof of the National Bowling Stadium. Estimated annual operating costs are included in the Public Works budget each year.
\$ 50,000	Community Development Block Grant	<u>Pedestrian Ramps</u> Construct/repair various pedestrian ramps throughout the City. Estimated annual operating costs are included in the Public Works budget each year.
\$ 200,000	Community Development Block Grant	<u>Neighborhood Improvements</u> CDBG funds set aside to be used in a particular neighborhood to make improvements as needed. Estimated annual operating costs \$0.

Capital Improvement Plan
Description of Approved Projects 2011/12

AMOUNT	FUNDED BY	PROJECT/DESCRIPTION
\$ 85,000	City Capital Project Fund	<u>Replace Dispatch Furniture</u> Replace and upgrade furniture in use at the Emergency Communications Center. Estimated annual operating costs \$0.
\$ 1,102,600	Park District	<u>Sommersett Park West.</u> Begin construction of the Sommersett Park West per the development plan. Estimated annual operating costs will be included in the Parks Maintenance budget each year.
\$ 50,000	City Capital Projects Fund	<u>Annual Playground Safety Surface</u> Replace various playgrounds surfacing with replacement fibar material. Estimated annual operating costs will be included in the Parks Maintenance budget each year.
\$ 15,000	City Capital Projects Fund	<u>Install Sand/Oil Filter Fire Station</u> EPA has mandated that fire station drains be equipped with a special filter that removes sand and oil from water outflows. We will not be in compliance with Clean Water Act regulations if we do not make these upgrades. Estimated annual operating costs will be included in the Public Works budget each year.
\$ 4,271,600	Sewer Fund	<u>Wastewater Plant/Disposal/Reuse</u> Projects include Waste Water Plants, Disposal and Reuse. Estimated operating costs will be included in the Public Works budget each year.
\$ 22,337,540	Sewer Fund	<u>Collection Systems</u> Projects include Interceptors, Trunk Lines, Small Diameter pipe, Pump Station Upgrades & Emergency Repairs. Estimated annual operating costs will be included in the Public Works budget each year.
\$ 200,000	Sewer Fund	<u>Flood/Drainage Projects</u> Projects include Dams, Ditches, Major Facilities, Pipe and Detention Basins. Estimated operating costs will be included in the Public Works budget each year.
\$30,000	City Capital Project Fund	<u>Repair Ice Rink Concrete</u> Repair of the concrete at the City Plaza that serves as the Ice Rink. Estimated annual operating costs \$0.

Capital Improvement Plan
Description of Approved Projects 2011/12

AMOUNT	FUNDED BY	PROJECT/DESCRIPTION
\$ 600,000	Motor Vehicle Fund	<u>City Vehicle Replacement</u> Annual replacement of City fleet vehicles. Estimated annual operating costs will be included in the Public Works budget each year.
\$100,000	City Capital Project Fund	<u>Annual Technology Replacement</u> Replace aging and obsolete technology hardware in use at the City. Estimated annual operating costs will be included in the Comm Tech budget each year.
\$40,000	City Capital Project Fund	<u>Repair CitiCenter Technology</u> Repair and replace technology connections at the CitiCenter site. Estimated annual operating costs will be included in the Comm Tech budget each year.
\$194,400	City Capital Project Fund	<u>Corp Yard Capital Maintenance</u> Begin expansion of the Corp Yard facilities to have the ability to service all City vehicles. Estimated annual operating costs will be included in the Public Works budget each year.
\$123,000	Park District	<u>Virginia Lake Improvements Phase VI</u> Begin construction of the Virginia Lake Phs VI improvements per the Virginia Lake Master Plan. Estimated annual operating costs will be included in the Parks Maintenance budget each year.