



**City of Peoria
Capital Improvement Program
Fiscal Years 2011-2020**



Core Values

“The City of Peoria team members share a commitment to provide quality service for our community.”

Professional

Demonstrates professional skills and knowledge needed to perform the job; keeps informed of developments in the professional field and applies this knowledge to the job; encourages and supports the development of subordinate personnel.

Ethical

Maintains the highest standards of personal integrity, truthfulness, honesty, and fairness in carrying out public duties; avoids any improprieties; trustworthy, maintains confidentiality; never uses City position or power for personal gain.

Open

Communicates effectively orally and in writing; involves appropriate individuals and keeps others informed; acts as a team member; participates and supports committees/boards/commissions/task forces; approachable; receptive to new ideas; supports diversity and treats others with respect; actively listens.

Responsive

Consistently emphasizes and supports customer service; takes responsibility to respond to all customers in a prompt, efficient, friendly, and patient manner; represents the City in an exemplary manner with civic groups/organizations and the public.

Innovative

Demonstrates original thinking, ingenuity, and creativity by introducing new ideas or courses of action; supports innovative problem-solving by identifying and implementing better methods and procedures; takes responsible risks; demonstrates initiative and “follows through” on development and completion of assignments.

Accountable

Accepts responsibility; committed to providing quality service to our community; plans, organizes, controls and delegates appropriately; work produced is consistent and completed within required timeframes; implements or recommends appropriate solutions to problems; acknowledges mistakes; manages human and financial resources appropriately.

Mayor and City Council



Mayor Bob Barrett



Vicki Hunt
Acacia District



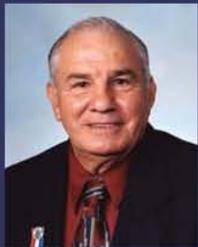
Cathy Carlat
Mesquite District



Dave Pearson
Ironwood District



Ron Aames
Palo Verde District



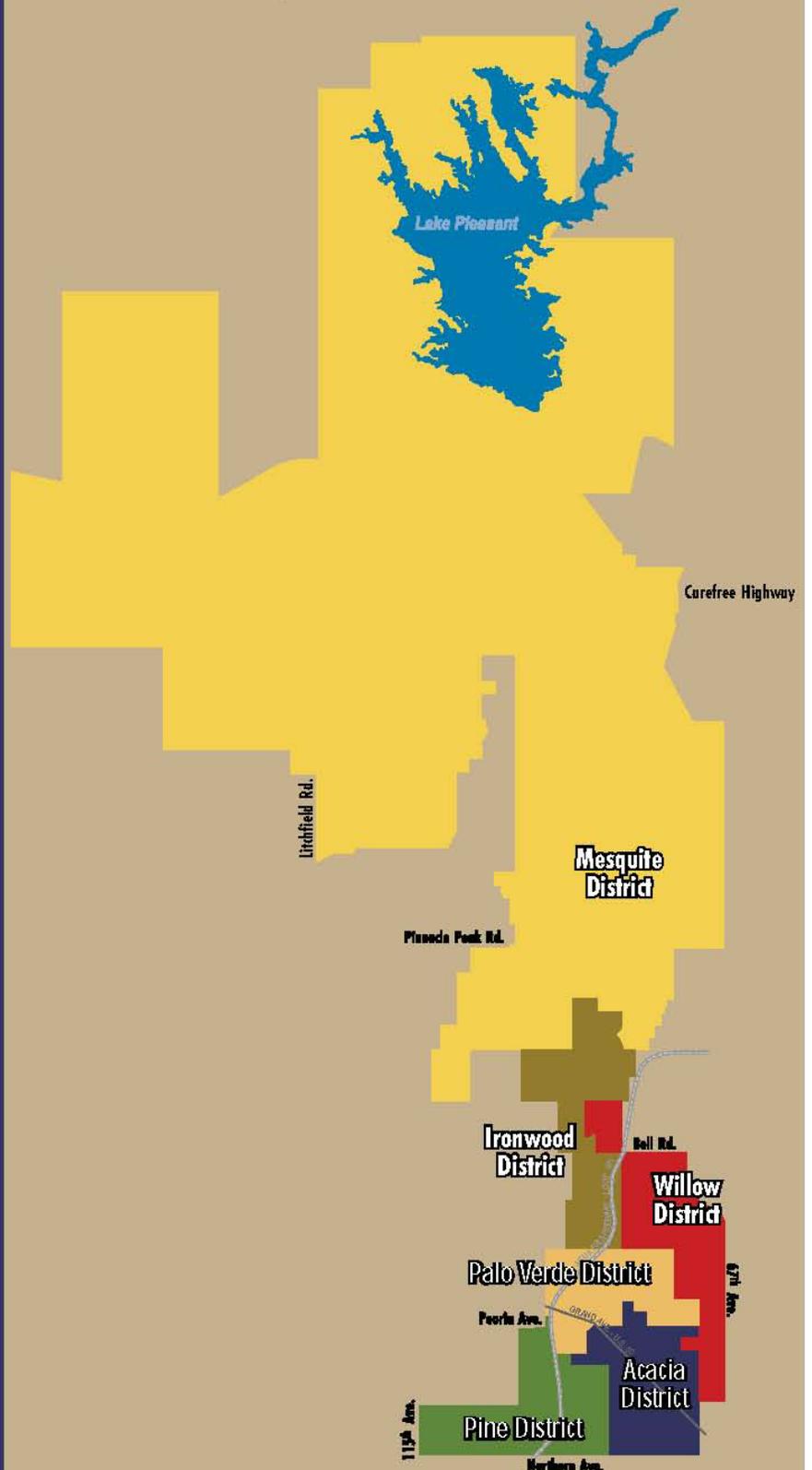
Carlo Leone
Pine District



Joan Evans
Willow District

For more information visit
www.peoriaaz.gov/council

City Council Districts



City of Peoria Capital Improvement Program Fiscal Years 2011-2020

Bob Barrett
Mayor

Vicki Hunt
Councilmember

Carlo Leone
Councilmember

Dave Pearson
Councilmember



Cathy Carlat
Councilmember

Joan Evans
Councilmember

Ron Aames
Vice Mayor

Carl Swenson
City Manager

Susan J. Daluddung
Deputy City Manager – Community Building
Susan Thorpe
Deputy City Manager – Operations

George Anagnost
Municipal Judge

J.P. de la Montaigne
Community Services Director

Wynette Reed
Human Resources Director

Thomas Solberg
Fire Chief

Mary Jo Kief
City Clerk

John Imig
Information Technology Director

Bill Mattingly
Public Works/Utility Operations
Director

Stephen M. Kemp
City Attorney

Andrew Granger
Engineering Director

Glen Van Nimwegen
Planning and Community
Development Director

Larry Ratcliff
Police Chief

Brent Mattingly
Finance Director

Jeff Tyne
Management and Budget Director

Scott Whyte
Economic Development Services
Director



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Overview

Each year, the City of Peoria invests significant time and resources to design, construct, and maintain the infrastructure and facilities needed to deliver municipal services to residents and businesses. Because of the high costs associated with building and maintaining capital assets, the city must carefully balance the need for such assets with our requirements to sustain a strong financial position. This is accomplished through the Capital Improvement Program (CIP)—a 10-year plan for addressing present and future infrastructure needs.

Peoria's CIP is a 10-year balanced plan that addresses projects that are needed, or will be needed, across a broad spectrum of areas. It is balanced because we have identified funding sources based on reliable revenues to support both the capital costs and the operating costs for each project in the 10-year program. Each year, a great deal of effort is put into updating this plan to ensure not only that critical needs are being met, but also that the cost, scope, and timing of all projects are coordinated throughout. Coordinating the timing of different projects in the same area is particularly important, since it helps us to minimize service disruptions and avoid extra costs.

Capital projects are non-routine expenditures that generally cost more than \$100,000 and have a useful life of five years or more. Capital projects include design and construction, as well as

the acquisition of land and the purchase of fixed assets. A fixed asset is any single item or single cohesive system that has a life expectancy of at least one year and a value of at least \$5,000. All land is capitalized as a fixed asset, regardless of cost.

The first year of the program is the only year that is appropriated by the City Council. This becomes the capital budget, which is an important piece of the city's overall annual budget. The FY 2011 capital budget is significantly higher than any of the subsequent years because it includes not only newly funded projects, but also any project costs carried over from the previous year. The last nine years of the CIP are for planning purposes; future funding is not guaranteed and the plan is subject to change.

The CIP is a dynamic plan that can change significantly from year to year. At the discretion of the City Council, new projects can even be added to the capital budget after it has been adopted. For example, two new utility projects were added to the FY 2010 capital budget when the city received a Challenge Grant through the American Recovery and Reinvestment Act of 2009. A new project to construct a secondary access road to Liberty High School was also added in response to congestion and safety concerns.



The 10-year Capital Improvement Program totals \$521,956,122. For FY 2011 alone, budgeted capital projects total \$139,285,440. This document provides detailed information about each project in the CIP, including scope, schedule, project costs, funding sources, and future operating costs. It is intended to be a communication device, informing stakeholders of the city's plans for capital investment.

CIP DEVELOPMENT PROCESS

Capital improvement planning has proven to be a year-round process, with city departments continually re-evaluating and prioritizing their capital needs. However, the process is most involved from October through April. It is during this period that city staff identify and prioritize projects, estimate project costs, determine available resources, balance project requests within the available resources, and, ultimately, submit a recommended program to the City Council.

The Management and Budget Department coordinates the annual update of the 10-year CIP as part of the annual budget process. Department staff also forecast revenues for the various funds used to finance capital projects, and set the financial parameters for the development of the CIP. Capital projects originate in the operating departments, where subject matter experts identify needs based on master planning documents and other technical criteria.

Once project requests have been submitted and the financial parameters established, a preliminary plan is prepared for the review of the CIP Management Committee. This committee is made up of the city manager, deputy city managers, and the directors of city departments that have a significant stake in the delivery of capital projects (including Finance and Budget). The

CIP Management Committee is responsible for evaluating project requests in light of available resources and developing a financially balanced plan that addresses City Council goals and priorities. This group also ensures that projects are properly scoped and that the timing of projects carefully coordinated. Once complete, the city manager forwards the recommended Capital Improvement Program to the City Council for approval.

The following is an overview of the CIP development process:

September – October. Operating departments identify projects, define project scopes, prepare cost estimates, and prioritize projects based on direction received from the city manager and City Council. Department directors review project requests before final submittal.

November – December. Capital project requests are submitted to the Management and Budget Department. Staff use revenue forecasts and financial models to prepare a preliminary CIP.

January – March. The CIP Management Committee meets regularly to review the proposed plan, making necessary adjustments as needed. Budget finalizes the recommended CIP for the consideration of the City Council.

April – May. The City Council receives the CIP and offers its recommendations during its budget study sessions.

June. The City Council approves the Capital Improvement Program at one of its regular meetings, usually on the same day as the adoption of the Tentative Budget.



PROGRAMMING PROJECTS IN THE CIP

Capital improvements are the “bricks and mortar” from which the City of Peoria delivers services to residents and businesses within its borders. By preventing the deterioration of existing infrastructure and by adding new infrastructure in response to growth, capital improvements help to ensure that the city can continue to provide the level of service our customers have come to expect. Many different types of projects make up the Capital Improvement Program, including the following:

- Office buildings, police and fire stations, court facilities, libraries, and recreation centers
- Parks, trails, open space, right-of-way landscaping, and sports facilities
- Roads, bridges, sidewalks, street lights, traffic signals, and sound walls
- Storm drains, channels, retention basins, and drywells
- Water and wastewater treatment plants, pipes, storage facilities, and pump stations
- Information technology infrastructure and major software applications

Specific projects in these broad categories spring from long-range plans, City Council goals and priorities, and staff recommendations. Long-range planning is critical to ensuring a sustainable future for the City of Peoria. Planning efforts such as those encompassed by the city’s General Plan and the various master plans (for parks, trails, streets, water, wastewater, etc.)

FY 2011-2020 CIP BY PROJECT TYPE		
Project Type	10-Year Total	Pct. of Total
Drainage	\$31,441,208	6%
Economic Development	\$5,098,793	1%
Operational Facilities	\$40,794,401	8%
Parks	\$79,695,503	15%
Public Safety	\$22,005,641	4%
Streets & Traffic Control	\$207,001,878	40%
Wastewater	\$32,679,548	6%
Water	\$103,239,150	20%
Total	\$521,956,122	100%

provide helpful guidance to departments in identifying and prioritizing capital projects. Specific sections of the General Plan, such as the Circulation Element, tie directly with the CIP, as do each of the master plans. As such, the CIP is one of the mechanisms by which long-range plans become reality.

The goals and priorities of the City Council are another key source of capital projects. Many of the projects in the CIP, particularly those that benefit a specific neighborhood or area, come directly from the communication of concerned citizens with their elected representatives. The City Council’s Policy Goals provide near-term direction to city staff. The six broad policy goals for 2009-2010 are: (1) Community Building, (2) Enhance Current Services, (3) Preserve Natural Environment, (4) Total Planning, (5) Economic Development, and (6) Leadership and Image.

Notable projects planned for the next three years that address capital needs identified by all these sources include the following:

- Implementation of a program to design and construct façade improvements to privately owned businesses in Old Town, with the goal



of making this area a viable market for future public and private investment.

- Development of Community Park #2 at the southeast corner of 83rd and Olive avenues. Planned amenities include six baseball/softball fields, four regulation soccer fields, a lake, skate court, dog park, picnic areas, splash park, and playgrounds.
- New trail connections along New River from Northern Avenue to Olive Avenue, Bell Road to Union Hills Drive, and Williams Road to Happy Valley Road. Also, construction of trail underpasses at Olive Avenue, Peoria Avenue, and Grand Avenue.
- Replacement of the Police Department's Computer Automated Dispatch system.
- Replacement and/or upgrades to critical information technology infrastructure, including telecommunications systems, backup hardware, the interactive voice response system (IVR), network equipment, and the storage area network (SAN).
- Demolition of the existing roadway and the construction of two lanes in each direction along Lake Pleasant Parkway from Westwing Parkway to the soon-to-be-completed Loop 303. Final design and right-of-acquisition are now underway, and construction is expected to begin in FY 2012.
- Widening of the intersections along 75th Avenue at Peoria Avenue, Cactus Road, and Thunderbird Road. These intersections will be widened to their ultimate configuration of three through lanes, two left turn lanes, and a right turn lane at each leg. From a safety and

congestion relief standpoint, these are the highest priority intersections in Peoria.

- Repair and rehabilitation of trunk sewer lines based on a condition assessment now underway.
- Installation of a 12-inch reclaimed waterline along 83rd Avenue from Community Park #2 to the City Hall campus. This will enable the use of reclaimed water to irrigate the City Hall campus and vicinity, a long-term objective of the Reclaimed Water Master Plan.
- Installation of equipment to more efficiently treat Bromide in source water at the Greenway Water Treatment Plant. This is necessary to meet new water quality requirements.

IMPACT ON THE OPERATING BUDGET

The Capital Improvement Program has direct and sometimes significant impacts on Peoria's operating budget. Upon their completion, most capital projects require ongoing costs for operation and maintenance. New buildings require electricity, water and sewer service, and maintenance and repair. New roads require regular sweeping as well as periodic crack filling and sealing, patching, milling, minor resurfacing, and replacement of stripes and markings. New parks and landscaped rights of way (such as medians and streets shoulders) require irrigation, fertilizing, mowing, and trimming. Some projects, such as a recreation center, require additional employees.

Departments submitting capital projects estimate the operations and maintenance costs of each project based on cost guidelines that are updated each year. The departments also con-



sider any additional revenues or savings the city can reasonably expect to recognize upon completion of the project. For example, membership fees from a new recreation center help to offset the increased operating costs. The net operating costs are included not only in the project request, but also in the long-range forecasts of the respective funds, to ensure that we properly account for operating budget impacts of all capital projects.

Operating budget impact is a key criterion in deciding which projects to fund and when. If the city cannot afford the additional operations and maintenance costs of a project, the project will not be funded until those costs can be absorbed by the operating budget, regardless of the relative merits of the project. Departments must submit a supplemental request to obtain the additional budget needed to operate and maintain capital projects. Supplemental requests for CIP operation and maintenance costs must compete with other requests for funding.

FINANCING THE CIP

The Capital Improvement Program for fiscal years 2011-2020 is a \$522 million investment in 194 different capital projects over the next 10 years. The program represents a significant investment of city resources in infrastructure, facilities, and recreational assets, and is designed to address the highest priority needs of the community. It is both financially feasible and can be accomplished within the suggested time frame.

The 10-year plan relies on several major revenue sources to finance capital projects. The use of these funding sources is governed not only by federal and state law, but also by the city’s own Principals of Sound Financial Management, a tool for which Peoria has received high praise

FY 2011-2020 CIP BY FUNDING SOURCE		
Funding Source	10-Year Total	Pct. of Total
G.O. Bonds	\$128,485,498	24%
Impact Fees	\$114,405,160	22%
MDA Bonds	\$21,319,775	4%
Operating	\$114,328,150	22%
Outside Sources	\$52,553,505	10%
Prop. 400	\$29,859,631	6%
Revenue Bonds	\$8,777,317	2%
Transportation Sales Tax	\$52,227,086	10%
Total	\$521,956,122	100%

from creditors and auditors alike. Funding for many of the projects in the CIP comes from more than one source. For example, a single roadway project might be funded with general obligation bonds, impact fees, transportation sales tax, and federal transportation funds.

The amount of revenue available for allocation to projects in the CIP each year is based on financial projections by staff in the Management and Budget Department. To develop these projections, staff vigilantly monitors and analyzes retail sales figures, construction (development) activity, residential and commercial property values, water and wastewater usage, state revenues, interest rates, and local and national economic trends. Much of the work involved in the development of the CIP involves matching identified project needs (and the associated costs) with available funding sources.

The major funding sources used to pay for capital projects in the CIP are discussed in the following pages.

General Obligation Bonds

General Obligation (G.O.) Bonds are a common method used to raise revenues for large-scale



municipal projects. G.O. bonds are backed by the full faith and credit of the city, meaning that the debt is backed by all the revenues and resources of the city. Peoria only issues debt for projects when it truly makes sense to do so. This is determined by a number of different criteria, including the following:

- The useful life of the project will not exceed the term of the bond (usually 20 years).
- Pay-as-you-go financing is either not available or not sufficient to fund the project. (Pay-as-you-go financing refers to cash-based sources such as operating revenues and impact fees.)
- The project will benefit future residents of Peoria, so the use of pay-as-you-go financing will unfairly burden current residents.

In Peoria, G.O. bonds are backed by the city's property tax collections. Beginning in 1980, state law mandated the separation of city property taxes into two components: the primary tax levy and the secondary levy. The primary levy may be imposed for any governmental purpose, but has strict limitations on how much can be levied. The secondary levy may only be used to retire the principal and interest on G.O. bonds issued by the city. As a result, it is the secondary levy that is used to finance many of Peoria's capital projects.

The city's ability to use G.O. bonds requires:

- **Constitutional Capacity** – State law limits debt for operational facilities to 6 percent of the city's secondary assessed property valuation, and 20% for drainage, parks, public safety, streets, wastewater, and water projects.

- **Voter Authorization** – Regardless of available revenues, the city must have permission from the voters through a citywide bond referendum to issue G.O. bonds for capital projects.
- **Property Tax Rate** – This 10-year plan was developed in anticipation that the existing secondary property tax rate would be maintained at \$1.25 per \$100 of assessed valuation.
- **Assessed Valuation** – As property values fluctuate, so too does the city's assessed valuation. Regular updates to fund balance models with recent market and economic data and forecast information is essential to maintaining a balanced program.

Revenue Bonds

The city also uses revenue bonds to support major capital improvements for utilities and streets. Unlike general obligation bonds, revenue bonds are not secured by the city's general taxing authority. Instead, backing comes from specific revenues related to the type of projects being financed. Bond proceeds to support large water and wastewater utility projects are repaid from city utility rate revenues, while the debt service on street projects can be paid from a portion of the city's state Highway User Revenue Fund (HURF) gas tax revenue allocation. As with G.O. bonds, revenue bond-funded projects can only be undertaken if they have voter authorization from a citywide bond referendum.

Development Impact Fees

A development impact fee is a charge on new development to pay for the construction or expansion of off-site capital improvements that are necessitated by and benefit the new development. Impact fees, which are collected when building permits are issued for a given project,



cannot be used for operations, maintenance, or repair of existing facilities. The City of Peoria assesses impact fees for transportation, neighborhood parks, community parks, trails, open space, libraries, law enforcement, fire protection general government, water expansion, wastewater expansion, water resource, water reuse irrigation, and solid waste. Impact fees are an important source of revenue for the FY 2011-2020 CIP, and help to ensure that residential and commercial growth in Peoria pays for itself. Impact fee revenues are subject to fluctuations in economic and market forces. As such, staff regularly updates forecasts of impact fee revenues and the associated fund balance models to reflect the most current economic and development information.

Improvement Districts

With the consent of property owners, the city can issue special improvement district bonds to finance construction projects within a defined area. The property owners in the improvement district are assessed their proportionate share of the project costs on their annual property tax bills. This financing tool directly links the cost of a project to the beneficiaries of the improvements. It is not uncommon for the city to assist in the administration of improvement districts, and, in many cases, the city is one of the property owners in the district.

Operating Fund Revenues

Most revenues not earmarked for specific uses are collected in the city's general fund. This fund is used to support vital government operations such as police and fire service, engineering and building inspection, finance, and city administration. Each year, the city identifies one-time, non-recurring revenues from this fund that may be used to support capital needs.

Operating revenues from the city's water, wastewater, and street operating funds are also set aside to finance specific capital projects. The amount available in these funds for capital projects is limited, however, because of the uncertainty of available revenues and the need to support ongoing operations.

The city's Half-Cent Sales Tax Fund can also be used to support capital projects, provided that such projects are consistent with the City Council policy governing the use of revenues from this tax. A variety of public safety projects have been supported by this revenue source over the years.

Grant and Intergovernmental Revenues

Peoria's grants coordinator works with all departments to aggressively pursue grant funding to help support capital projects. The city frequently shares the costs of capital projects with neighboring cities, the Flood Control District of Maricopa County, the Maricopa County Department of Transportation, the Arizona Department of Transportation, and other agencies. The Engineering, Public Works-Utilities, and Governmental Affairs departments work closely with the Maricopa Association of Governments, the Water and Infrastructure Financing Authority of Arizona, and other governmental agencies to secure pass-through federal funds, low-interest loans, and other favorable funding sources for capital projects.

Over the last two years, Peoria has been very successful in securing or advancing outside funding for transportation projects. Nearly \$70 million in federal stimulus dollars awarded to either the city or to ADOT are at work all around the city on projects such as the Beardsley Road Extension, the widening of Loop 101 traffic



interchanges at Union Hills Drive and Olive Avenue, the Grand Avenue widening, and pavement preservation projects in various locations. Federal Congestion Mitigation and Air Quality (CMAQ) money is paying for almost 100 percent of the construction costs for the 84th Avenue streetscape and the 91st and Olive intersection improvements. Peoria has received \$27.1 million in county transportation sales tax reimbursements to date (for Lake Pleasant Parkway), and is set to receive an additional \$20.2 million (for Happy Valley Road) by the end of FY 2012. Most of this money has been advanced many years—a direct result of other Valley cities deferring projects for lack of financial capacity.

The city also has received significant outside dollars for water and wastewater projects. The United States Department of the Interior awarded \$1.8 million in federal stimulus-funded Challenge Grants to Peoria for water resources sustainability enhancements. These enhancements include constructing an additional recharge basin to bank reclaimed water from the city's water reclamation facility, converting a well system from potable to non-potable water, and constructing a reclaimed water pipeline and water measuring devices. In addition, Peoria received \$10 million in reduced-interest WIFA loans and \$1.4 million in principal forgiveness from the 2009 federal stimulus program. These loans are financing several projects in the CIP, including trunk sewer repairs on Northern Avenue, new water lines at several locations, and upgrades to several well sites and the Beardsley Water Reclamation Facility.

Transportation Sales Tax

On September 13, 2005, Peoria voters approved Proposition 300, which increased the city sales tax by 3/10 of 1 percent (or .03 percent) to fund

transportation improvements. These improvements include the acquisition of land for and the design and construction of transportation projects in the CIP. The new Happy Valley Road connection between Lake Pleasant Parkway and 75th Avenue, and the widening of 83rd Avenue from Williams Road to Calle Lejos, are examples of projects funded primarily with the transportation sales tax. Other approved uses include street maintenance, fixed-route public transit, and administrative costs.