
CITY OF DURHAM

CAPITAL IMPROVEMENT PROGRAM PROCESS

The Capital Improvement Program (CIP) is a statement of the City of Durham's policy regarding long-range physical development. It is vital to the City because it is the principal planning tool designed to achieve urban growth and development. This program is developed for a six year period and is updated and revised annually. To be included in the CIP, the project requires a total expenditure of at least \$100,000 and a useful life of at least 10 years.

By providing a planned schedule, cost estimates, and location of public sector improvements, the Capital Improvement Program provides private sector decision makers with valuable information upon which to base investment decisions. It also provides local elected officials and the public with valuable information concerning proposed public facilities and their associated costs. Ultimately, this coordination of orderly and efficient programs of private and public investment will benefit the City.

The 2011 CIP Process (Fundable CIP)

For the preparation of the 2011 CIP the City undertook a strategic prioritization process. Recognizing that there were a growing number of future projects without a viable funding source, the City and its CIP stakeholders decided to transform the capital plan to fit current resource limitations within the realistic confines of debt affordability. This process involved the participation of senior management, the internal CIP advisory committee, and the citizen capital improvement panel. Focusing on the strategic capital needs of the City, the CIP was reduced by eliminating items that were deferred maintenance projects (and could more readily be addressed with the City's newly created deferred maintenance fund), eliminating projects that were no longer considered the highest priority for the City, and removing items that - though important - cannot at this time be considered in the current capital plan. These last "*requested but unfunded*" items are now catalogued in the last section of this CIP book (section XI). Though not a current priority, these projects could form the basis for future bond referenda for the City. Keys to ensuring that the City's capital needs will continue to be met under restrictive financial limitations will include asset management, effective project costing, and ongoing prioritization of capital projects.

CIP Preparation

The CIP process includes a professional analysis of projects, the guidance of citizens, businesses, and community leaders, and the leadership of the City Manager and City Council to produce a sound CIP for FY 2011-2016. The City also maintains a web-based application that allows anyone to view an update on any capital project in the City at: <http://ww2.durhamnc.gov/cip/>.

The City has built upon the success of the CIP process which began in FY 2005 by following the same guidelines for this CIP and utilizing the Capital Program Advisory Committee (CPAC) to further strengthen the project implementation phase. The CPAC has been meeting every other month since spring of 2006.

CIP PROCESS

The FY 2011 CIP process included the participation of a CIP Advisory Committee, a Scoring Team, and a Citizen Capital Improvement Panel (CCIP).

The CIP Advisory Committee was assembled from across the organization and charged with:

1. Aligning projects with identified master and strategic plans.
2. Identifying issues that may be roadblocks to successful project management.
3. Strengthening cross-functional communication between internal project managers.
4. Focusing on continuous improvement in the Capital Improvement Process.

The Scoring Team was composed of CIP Internal Committee members whom are City staff with professional expertise in the range of project categories. The team was charged with:

1. Reviewing and refining the project scoring matrix.
2. Guiding departments through the project scoring process.
3. Ensuring consistency, fairness, and objectivity through the scoring and ranking process.

The Citizen Capital Improvement Panel (CCIP) is composed of twenty-one business and community leaders appointed by the City Manager and charged with:

1. Helping City staff prioritize the right combination of new capital improvement projects.
2. Advising the City Council of the most critical CIP projects to meet the City's ongoing needs.
3. Evaluating and recommending projects for funding in the Capital Improvement Plan.

The Budget and Management Services Department (BMS) initiated the CIP process by soliciting proposals from departments for capital project needs within the scope of their operations. The CIP Advisory Committee assisted with the identification of projects. Departments scored their submitted projects using the refined scoring matrix. Department staff presented their rationale for project scores to the Scoring Team, who then reviewed all project scores and modified scores to ensure consistency and objectivity.

While the Scoring Team managed the internal review and assessment of requested projects, the CCIP received a presentation on capital project needs, and developed guiding principles by which projects are prioritized.

The FY 2011-16 CIP includes approximately \$50 million for capital projects funded through the City's impact fees, enterprise funds, grants, the capital project fund, and debt financings. The majority of these projects are for Enterprise projects. General fund revenues were not used for any capital projects in the FY 2011-16 CIP.

The recommendations of the CIP Advisory Committee, the Scoring Team, and the CCIP were submitted to the City Manager for review and were presented to the City Council. The Plan was adopted by the City Council on June 21, 2010.

GOALS OF THE CIP

The CIP is prepared with the guidance of two major goals:

1. To address the City's immediate and long-term capital needs, especially those related to:

- Maintaining the existing infrastructure in order to protect the City's investments.
- Expanding the tax base in a way that will benefit both future and current citizens.
- Managing and encouraging orderly growth in compliance with the Comprehensive Plan.
- Providing City services in the most efficient and safe manner.
- Maintaining and improving the quality of life in a way that enhances the perception of the community by citizens and potential investors.

2. To explore all feasible funding sources (as time and resources permit) in order to finance the City's capital needs.

The CIP is also prepared with the guidance of the eight adopted goals of the City Council:

- All Durham citizens are safe.
- Every citizen in Durham has access to adequate, safe and affordable housing.
- Durham enjoys a prosperous economy.
- Durham citizens enjoy a healthy environment.

- Durham citizens enjoy sustainable, thriving neighborhoods with efficient and well-maintained infrastructure.
- Durham citizens enjoy a city rich in aesthetic beauty.
- Durham citizens enjoy a vibrant city that embraces and promotes its cultural diversity and heritage.
- Durham citizens enjoy an efficient and accountable city government.

FUNDING PRIORITIES

Projects with the following characteristics are given priority for funding:

- Public health and public safety – prevents or corrects a major or minor health or safety hazard.
- Legal requirement – clearly demonstrates a mandate by State or Federal law.
- Deferred maintenance on existing infrastructure/facilities - lack of project will likely result in compounded repair costs in the future and/or materially disrupt the enjoyment of the facilities.
- Economic development – directly increases net annual revenues and creates indirect community wealth, i.e. jobs, business retention, etc.
- Cultural, social, or leisure demand – directly addresses a major cultural, social, or leisure demand.
- Operating budget impact – directly reduces operating costs or is eligible for available funding sources.
- Extent of primary service area – serves the entire City.
- Relationship to other projects – completes a project that is underway or advances the effectiveness of another project.
- Comprehensive plan or policies – is consistent with the city's existing long range plans.
- Equitable distribution – considers geographic, environmental and socio-economic balance.
- Green projects – uses sustainable environmental building principles and minimizes traffic and sprawl.
- Joint use – combines two or more projects in the same site or facility resulting in immediate or future savings.
- Enhance artistic /cultural heritage – preserves existing cultural activities and historic features of the community or attracts new beneficial cultural and artistic activities.
- Best practices - maintains the City's systems or facilities for delivering services and information to the public.

RELATIONSHIP OF THE CIP TO THE OPERATING BUDGET

The operating budget and the CIP are closely related. The CIP is a program that matches the City's major capital needs with the financial ability to meet those needs. As a plan, it is subject to change. However, a sound and reliable CIP is critical to maintaining the good financial health of the City.

CIP projects that are proposed to be funded via the General Fund, Water and Sewer Fund and Stormwater Fund are intended to be included in the annual budget in the appropriate year(s). Even so, because circumstances may change between the adoption of the CIP and the annual budget, CIP projects must be resubmitted as part of each department's annual capital improvement budget request. Funds for such projects are not available unless and until they are included by specific ordinance in the annual budget approved by the City Council. The needs greatly outpace the resources available to address them; so many projects are deferred each year. Projects with revenue sources showing as "Unidentified" have no set funding source and must compete for the same limited resources each year.

In many cases, the completion of capital projects will impact the department's operating budget as projects are completed and require maintenance and upkeep. Some facilities may require additional utilities, such as electricity and water, above current consumption levels – an impact may not be readily evident when projects are funded and then constructed over several years. Consequently, the impacts of

capital projects on the annual operating budget are estimated when available and noted in the CIP under each project. Most projects will not have an operating impact in the year during which they are funded since this is typically the construction/installation phase. Also, if a project is a renovation which does not include expansion and the operating costs are already captured in the department's annual operating budget, no additional operating costs will be listed.

RELATIONSHIP OF THE CIP TO IMPLEMENTATION OF PLANNING AND GROWTH MANAGEMENT POLICIES

It is essential that CIP project proposals support plans and policies previously adopted by the City Council in order to coordinate and direct the physical development of the City. In evaluating each CIP proposal, particular attention is given to the conformity of proposals with the comprehensive plan, the City's broadest overall policy and planning tool for managing growth.

CIP CATEGORIES

- I. Culture and Recreation. Projects in this category are related to enhancing the cultural and recreational opportunities for city residents, including park and recreation center renovations, the construction of new parks, playgrounds, trails, and athletic fields, and the correction of deferred maintenance conditions at major arts and cultural facilities.
- II. Downtown Development. Projects in this category provide for the revitalization and enhancement of downtown Durham.
- III. General Services. Projects in this category are related to city buildings and facilities.
- IV. Housing and Neighborhood Revitalization. This category includes the City's affordable housing program and the Neighborhood Economic Development Fund. In this year's CIP any FY2011 revenues received from the Eastway Avenue (former Barnes Avenue) Redevelopment project will be used for the Rolling Hills development CIP project. These projects generate program income which is used exclusively for more affordable housing projects.
- V. Public Protection. Public protection projects will enhance the City's ability to protect lives and property through police and fire services. Projects in this category include deferred maintenance corrections at police and fire facilities and the renovation of city-owned buildings.
- VI. Technology. This category contains projects that improve the technological capabilities of the City, producing a more efficient and accountable government.
- VII. Transportation. Transportation projects provide street, thoroughfare, sidewalk, and mass transit improvements by constructing new infrastructure or making significant improvements to the City's existing roadway and sidewalk network. This year's CIP includes funding for the Carver street extension and for petition sidewalk construction.
- VIII. Water. Projects in this category are related to expansions such as Teer Quarry and the Jordan Lake Water Treatment Plant, maintenance such as Water Distribution System Rehabilitation, or improvement of the City's water treatment and distribution system such as Water Extensions and Improvements. Funding for projects this fiscal year will come from the Capital Facilities Fee Fund, Water and Sewer operating revenues and revenue bonds.
- IX. Wastewater. Projects in this category are related to expansions such as the Water Management Facility Expansion, maintenance such as the Sewer Collection System Rehabilitation, or improvement of the City's sanitary sewer collection and treatment system. Funding for projects

this fiscal year will come from the Capital Facilities Fee Fund, Water and Sewer operating revenues and revenue bonds.

- X. **Stormwater.** Projects in this category are designed to address and improve stormwater flow throughout the City. Projects capture the City's efforts to correct sustained damage resulting from defective and malfunctioning city lines. Some projects include Drainage Repair of City Properties, Floodplain Mitigation, and Stream Gauging Stations. This year's CIP includes funding for future watershed planning and design.

REVENUE SOURCES

The City of Durham uses many revenue sources to finance capital projects. The planned uses of these sources are reflected in the FY 2011-2016 Capital Improvements Program. The following describes the City's major revenue sources:

Pay-As-You-Go

This funding source originates from revenue generated from the General Fund and the Capital Projects Fund, or from enterprise fund appropriations made in the City's annual operating budget. Typically, these appropriations are transferred to the Capital Projects Fund for accounting purposes if the project period lasts more than one fiscal year. CIP projects that are proposed to be funded via the annual operating budget are intended to be included in the annual budget in the appropriate year. Funds for such projects are not available unless and until they are approved by the City Council.

General Obligation Bond

The City may borrow money from lenders, pledging the full faith and credit of the City to pay the loan through property tax revenue. This method generally requires both the approval of voters through a referendum and the approval of the Local Government Commission. The City's voters approved referenda during November 1996, November 2005 and November 2007 to finance capital projects with general obligation bonds.

The City sells general obligation bonds to pay for expenses associated with capital projects. Bond sales are held as needed. The City may issue general obligation debt under the two-thirds rule, wherein the City may issue up to two-thirds the value of the general obligation debt retired in the prior year so long as no new general obligation debt was issued in the same year.

Revenue Bond

The City may borrow money from lenders, pledging the revenues generated from projects to pay the debt. Because of the nature of the security, revenue bonds do not require voter approval. Like general obligation bonds, the City sells revenue bonds as needed to pay for expenses associated with capital projects.

Installment Sales

The City may enter into an installment sales ("Certificates of Participation") contract for a building or for equipment using that building or equipment to secure the financing, similar to a mortgage transaction. The City does not pledge the use of its taxing power to pay the contract. The Local Government Commission must approve the use of installment sales contracts.

Impact Fees

Impact fees are one-time charges levied against new development based on the impact on city infrastructure as determined by the land use of the project. The impact fees will be used as a funding source for a proportionate cost of capital facilities and land made necessary by new construction. Impact fees cannot be used for routine or periodic maintenance, administration of the impact fee program, or improvements made to the existing infrastructure where the improvements are not related to new development.

The City's impact fees are collected in three zones for streets, parks and recreation facilities, and open space land; Street Zone 4 (Southwest Durham), Street Zone 5 (Northeast Durham), Street Zone 6 (Downtown), Recreation and Open Space Zone 1 (Southwest Durham), Recreation and Open Space Zone 2 (East Durham) and Recreation and Open Space 3 (North Durham). Impact fees will be used only to serve the zone where the fees were collected. The revenue must be appropriated within ten years or returned to the developer. The expenditure of this revenue is programmed with the CIP cycle.

Intergovernmental Revenues

This category of revenues identifies funding from Durham County, the State of North Carolina, and the Federal Government. The funding sources include the State's revolving loan fund for wastewater treatment plants, state and federal funding for transportation and transit-related improvements, and County funding for the Civic Center. Project pages also show Community Development Block Grant and HOME funds in Housing CIP projects for informational purposes.

Other

Capital projects may be fully or partially funded through miscellaneous revenue sources not referenced above. Examples of other funding sources include program revenues, land sales or contributions, payments in lieu of taxes, private contributions, loan repayments, and rental income.

Unidentified

Projects that do not have an identified source of future revenue to fund them are listed here. These projects generally compete for a small pool of general fund dollars, though some may later be determined to be eligible for use of impact fees or certificates of participation. These projects are also candidates for inclusion in future general obligation bond referendums.

Completed Projects

The following CIP projects were completed during FY 2010:

Public Protection

- Fire Station 15

Culture and Recreation

- Durham Skateboard Park
- Holton Center

Downtown Revitalization

- Durham Athletic Park

Technology

- Recreation Software Package
- WebDB / Channel 8 Integration
- Workflow Automation System

Transportation

- Durham Station
- Apex Street Bridge

**CITY OF DURHAM
CAPITAL IMPROVEMENT PROGRAM**

FY 2011 - 2016 CAPITAL IMPROVEMENT PROGRAM SUMMARY

SUMMARY BY PROJECT CATEGORY

Category	Prior Year	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	Future Years	Total Request
Water	152,076,818	24,734,000	42,009,000	11,703,000	27,700,000	10,800,000	63,870,000	41,600,000	374,492,818
Wastewater	69,838,454	21,001,000	25,760,000	19,083,000	25,965,000	21,905,000	35,295,000	9,250,000	228,097,454
Transportation	51,125,823	2,174,119	3,035,000	3,925,000	1,300,000	2,059,180	3,400,000	5,550,000	72,569,122
Technology	5,790,000	0	0	0	0	0	0	0	5,790,000
Stormwater	9,229,758	1,254,535	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	3,300,000	22,284,293
Public Protection	29,361,549	0	53,523	455,111	26,500,000	1,000,000	4,520,807	35,752,111	97,643,101
Housing & Neighborhood Revitalization	20,356,137	650,000	0	0	0	0	0	0	21,006,137
General Services	20,961,581	0	800,000	2,975,000	1,220,000	0	0	0	25,956,581
Downtown Revitalization	42,952,337	0	0	0	0	0	0	0	42,952,337
Culture & Recreation	55,475,738	0	169,303	771,867	456,123	386,825	1,095,178	0	58,355,034
	\$457,168,195	\$49,813,654	\$73,526,826	\$40,612,978	\$84,841,123	\$37,851,005	\$109,880,985	\$95,452,111	\$949,146,877

SUMMARY BY REVENUE SOURCE

Source	Prior Year	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	Future Years	Total Funds
GOB Authorized	141,697,989	0	0	0	0	0	0	0	141,697,989
GOB Unauthorized	0	0	0	0	0	0	0	0	0
Impact Fees	14,033,366	2,050,000	2,635,000	2,925,000	0	1,559,180	2,100,000	5,050,000	30,352,546
Installment Sales	42,009,331	0	0	0	0	0	0	0	42,009,331
Intergovernmental	29,121,218	0	0	0	22,000,000	0	0	0	51,121,218
Other	36,711,924	774,119	0	0	0	0	0	0	37,486,043
Pay-As-You-Go	83,739,215	1,254,535	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	3,300,000	96,793,750
Rev Authorized	7,099,501	0	0	0	0	0	0	0	7,099,501
Rev Unauthorized	102,755,651	45,735,000	65,269,000	28,786,000	51,665,000	30,705,000	97,165,000	48,850,000	470,930,651
Unidentified	0	0	3,922,826	7,201,978	9,476,123	3,886,825	8,915,985	38,252,111	71,655,848
	\$457,168,195	\$49,813,654	\$73,526,826	\$40,612,978	\$84,841,123	\$37,851,005	\$109,880,985	\$95,452,111	\$949,146,877