City of Ann Arbor, Michigan
FY2012-2017 Capital Improvements Plan

Capital Improvements Programming
INTRODUCTION

The challenges to retain and/or expand City services in the midst of shrinking resources and increasing costs has put pressure on City government to make its limited capital resources work more efficiently. City administration, elected and appointed officials, and staff have taken several steps to make its capital expenditures more closely reflect its long-range objectives.

One such step is the connection between the City’s capital planning efforts with its budgeting process. The Ann Arbor Capital Improvements Plan (CIP) is a six-year plan of programmed projects for the rehabilitation, replacement and expansion of the City’s municipal infrastructure systems. The first two years of this plan form the basis for the City’s two-year Capital Projects Budget. Approval of this budget allocates the funds to undertake the projects in this first two-year period in the plan, thus beginning the implementation of the CIP.

CAPITAL IMPROVEMENTS PROJECTS

Projects considered to be capital improvements are large, expensive and relatively permanent in nature. They often place a continuing financial burden on the City (maintenance, operations, energy requirements, legal responsibilities, etc.). It is important to note that the capital improvements plan does not address all of the capital expenditures for the City. Instead, it represents only the major projects in the foreseeable future. Items such as vehicle purchases, small paving jobs, playground equipment, and items and services defined as operational budget items, which are financed out of current revenues, are examined on a yearly basis according to general operating budget procedures.

Definitions:

Capital – Assets, material and/or property owned, operated and/or maintained by the City.

Capital Improvement – New or expanded facilities that are relatively large in size, expensive, and permanent.

Capital Projects Budget (CPB) – The portion of the City’s Annual Budget Document pertaining to capital, including Capital Improvements over $100,000 and other capital items from $2,500 to $100,000.

Capital Improvements Plan (CIP) – A document that identifies needs associated with the city’s infrastructure assets, and schedules projects to address those needs for a six-year period based on prioritization of the needs, and availability of financial and staffing resources.

Capital Improvements Program - Multi-year scheduling of public physical improvements based on the City’s long-range master plan. Includes the CPB and the CIP.

Capital Improvements Plan Review Subcommittee - A group consisting of council members, planning commissioners and city staff who review and participated in the preparation of the draft CIP.

Fiscal Year - From July 1 of any year until the following June 30.

Infrastructure - Basic facilities, services, and installations needed for the functioning of the community. These include the transportation systems, sanitary and water lines, parks, public buildings, etc., and the land affiliated with those facilities.

Master Plan - A guide for making decisions regarding the future physical development of the City and the implementation of plans, policies, and programs. The master plan is made up of planning documents, or elements, that provide recommendations for major geographic areas and essential citywide facilities.
OVERVIEW

The CIP is the planning document that serves to consolidate the needs associated with the City’s various infrastructure asset areas. These needs are gathered from findings of other City master planning efforts, staff identification through the operations and maintenance of the City’s facilities and systems and citizen service requests. The CIP provides a methodology for addressing these needs by outlining the anticipated funding sources and schedules for the projects necessary to achieve this, based on the priority of the need, and the availability of the financial and staffing resources to perform these projects.

The City’s Capital Improvements Plan is a document that initiates and tracks high expenditure capital projects, purchases and programs:

- Replacements/Improvements Greater than or Equal to (GTE) $100,000
- A “program” of projects whose total is GTE $100,000, comprising of components of an infrastructure or capital system (e.g., Neighborhood Parks; Annual Street Resurfacing Programs, etc.)
- Equipment Purchases GTE $100,000 and service life GTE 10 years
- Contingency/Unspecified Projects GTE $100,000
- Large component replacement parts GTE $100,000

The Capital Improvements Plan (CIP) outlines a schedule of public expenditures over the ensuing six-year period. The CIP provides for large, physical improvements that are permanent in nature, including the basic facilities, services, and installations needed for the functioning of the community. These include transportation systems, parks, utilities, municipal facilities and other miscellaneous projects. The CIP provides a list of high value capital budget items or projects for inclusion in the proposed Capital Budget of the City’s Annual Budget Document.

To qualify for inclusion in the CIP, a single project or a program of projects comprised of components of a common infrastructure or capital system (e.g., neighborhood parks system; Annual Street Resurfacing Program, etc.) must meet the following standards:

The project must:

- Be consistent with an adopted or anticipated component of the City master plan, or a state or federal requirement, or a City Council approved policy; and
- Constitute permanent, physical or system improvements in excess of $100,000; or significant equipment purchases in excess of $100,000 with a useful life of at least 10 years; or a study of at least $100,000 that will lead to such projects; and
- Add to the value or capacity of the infrastructure of the City.
The CIP cannot address all of the capital expenditure needs for the City. As with other communities throughout the region, state and nation, the City’s infrastructure systems have needs that are growing at such a rate that they cannot be addressed within the span of a six-year CIP. Some identified needs cannot be addressed because of limits on the annual amount of available funding or staffing resources. Others cannot be addressed because of a lack of any applicable funding source, or perhaps policy or legal restrictions. As a result, there are needs whose solutions cannot be implemented within the CIP.

Rather than discard or ignore these items, they are included in this document as unprogrammed needs. This information will provide guidance to City staff in examining the limitations and restrictions currently in place and to seek alternative methods to achieve solutions to these needs.

The Annual City Budget Document includes an Operations and Maintenance Budget and a Capital Projects Budget. Projects that are considered operational, maintenance or recurring are excluded from the CIP but are captured in the O & M Budget portion of the Annual City Budget Document. Capital expenditures not meeting the CIP criteria are included in the annual budget as capital expenditures, however they are not included in the CIP.

The Annual Capital Projects Budget is the approval/appropriation document for costs related to capital that are greater than, or equal to $2,500, including:

- Capital Items greater than, or equal to, $2,500 but less than $100,000
- Infrastructure Contingency/Unspecified Projects greater than, or equal to, $2,500 but less than $100,000
- Component replacement program greater than, or equal to, $2,500
- Project Pre-design Study greater than, or equal to, $2,500
- CIP Items greater than $100,000 (minus general infrastructure studies)

The Annual Operations and Maintenance Budget is the approval/appropriation document for routine, day-to-day costs, such as:

- Operational Costs
- Maintenance Costs
- General Infrastructure Studies
- Capital Equipment less than $2,500
- Infrastructure Contingency/Unspecified Projects less than $2,500
- Component Replacements less than $2,500

Acceptance of the CIP by the City Council does not mean that the Council grants final approval of all the projects contained in the plan. Rather, the Council acknowledges that they agree that these projects represent a reasonable interpretation of the upcoming needs for the City, with the projects contained in the first two years of the plan being the basis for the City’s next Capital Projects Budget. The City’s Capital Improvements Program process is described in the Program Summary section of this document.
LEGAL BASIS FOR THE CAPITAL IMPROVEMENTS PLAN

The State of Michigan provides for the development and use of a capital improvements plan in the Municipal Planning Act (Section 125.3865, Act 33 of the Public Acts of 2008).

To further the desirable future development of the local unit of government under the master plan, a planning commission, after adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements, unless the planning commission is exempted from this requirement by charter or otherwise. If the planning commission is exempted, the legislative body either shall prepare and adopt a capital improvements program, separate from or as a part of the annual budget, or shall delegate the preparation of the capital improvements program to the chief elected official or a nonelected administrative official, subject to final approval by the legislative body. The capital improvements program shall show those public structures and improvements, in the general order of their priority, that in the commission's judgment will be needed or desirable and can be undertaken within the ensuing 6-year period. The capital improvements program shall be based upon the requirements of the local unit of government for all types of public structures and improvements. Consequently, each agency or department of the local unit of government with authority for public structures or improvements shall upon request furnish the planning commission with lists, plans, and estimates of time and cost of those public structures and improvements.

In addition, the Ann Arbor City Code (Chapter 8, Section 1:185) reinforces this responsibility.

RELATIONSHIP BETWEEN THE CAPITAL IMPROVEMENTS PLAN AND THE CITY’S ANNUAL BUDGET

The City’s Annual Budget itemizes and appropriates the funds needed for all municipal purposes during the next two fiscal years, and is comprised of two separate budgets - - the Operating Budget and the Capital Projects Budget. The Operating Budget includes the day-to-day operational expenses of the City, such as salaries, supplies and expenses for programmatic activities. The Capital Projects Budget includes the anticipated capital project costs for the next two fiscal years. The first two years of projects contained in the Capital Improvements Plan become the basis for formulating the Capital Projects Budget.

RELATIONSHIP BETWEEN THE CAPITAL IMPROVEMENTS PLAN AND THE CITY’S PLANNING PROCESS

Comprehensive physical planning influences the programming of capital improvements. As noted above, state law reinforces that link by requiring that the planning commission annually prepare a capital improvements plan to implement the community’s master plan.

The City provides a strengthened connection with its comprehensive planning in the form of shorter-range implementation strategies. The Park, Recreation and Open Space Plan, the Downtown Plan, the Transportation Plan Update, and the Non-Motorized Plan all provide implementation recommendations that link the future vision of the community to relatively short-term actions.
The first recommended program policy in the CIP recognizes the importance of the link between the Capital Improvements Plan and implementation of the master plan. In bringing most, if not all, of the decision makers together into the planning process, and by using the Capital Improvements Program process to reinforce the desired future land use patterns, the City's physical future can be better shaped.

THE BENEFITS OF CAPITAL IMPROVEMENTS PROGRAMMING

Over time, public facilities need major repair, replacement or expansion. Maintaining and upgrading a community's capital assets requires significant financial investment. This investment must be weighed against other community needs and analyzed in light of community goals. The City of Ann Arbor, like many cities, is under pressure to make efficient use of capital resources and must make difficult choices. There are more needs than can be satisfied at once, and the selection of one investment over another may shape the development of the City for years to come.

Capital improvements programming is a valuable tool to ensure that choices are made wisely. The City's development goals are implemented, in part, by the careful provision of capital facilities. The benefits of this systematic approach to planning capital projects include the following:

- **Focuses attention on community goals, needs, and capabilities.**

  Through capital improvements programming, capital projects can be brought into line with the City's long-range plans by balancing identified needs with financial capacities. Considered individually, a new park, water system improvements, and street widening may be great ideas. But each project may look quite different when, in the course of the Capital Improvements Program process, it is forced to compete directly with other projects for limited funds.

- **Optimizes use of the taxpayer's dollar.**

  The capital improvements program helps the City Council and City Administrator make sound annual budget decisions. Careful planning of capital improvements helps prevent costly mistakes. In addition, capital planning allows the City to save money in several other ways. For example, investors in municipal bonds tend to look more favorably on communities that have a Capital Improvements Program; if bond financing is selected for a capital improvement project, the City may realize significant savings on interest.

- **Guides future growth and development.**

  The location and capacity of capital improvements shape the growth and redevelopment of the City. City decision makers can use the Capital Improvements Program to develop well thought-out policies to guide future land use and economic development.
- **Encourages efficient government.**

Participatory efforts of multiple City service units in the planning and coordination of capital improvements programming reduces scheduling conflicts and ensures that high priority needs are addressed before those of a lower priority. In addition, the Capital Improvements Program can be used to promote innovative management techniques and improve governmental efficiency and effectiveness.

- **Improves the basis for intergovernmental and regional cooperation.**

Capital improvements programming offers public officials of all governmental units (City of Ann Arbor, Washtenaw County, Ann Arbor Public School District, Ann Arbor Transportation Authority, Downtown Development Authority, etc.) an opportunity to plan the location, timing, and financing of improvements in the interest of the community as a whole.

- **Maintains a sound and stable financial program.**

Having to make large or frequent unplanned expenditures can endanger the financial well-being of the City. Sharp changes in the tax structure or bonded indebtedness may be avoided when construction projects are planned in advance and scheduled at intervals over a number of years. When there is ample time for planning, the most economical means of financing each project can be selected in advance. Furthermore, a Capital Improvements Program can help the City avoid commitments and debts that would prevent the initiation of other important projects at a later date.

- **Enhances opportunities for participation in federal or state grant programs.**

Preparing a CIP improves the City’s chance of obtaining aid through federal and state programs that provide funds for planning, construction and financing of capital improvements. The CIP is considered a “public works shelf” that contains projects that can be started quickly by having construction, or bid, documents ready should any grant funds become available.
The City is committed to include the public in its CIP preparation. As the plan is prepared, draft information is posted on the website for review by the public, as well as contact information for providing comments and feedback. Additionally, the City Planning Commission reviews the CIP and holds a public hearing to obtain input on the plan.

During the preparation of the FY2012-2017 CIP, a web-based survey was incorporated into the program efforts. This survey sought to gather input from the community on several aspects City assets and services included in the CIP program, including:

- Level of Satisfaction
- Funding Allocation
- Priority Areas
- Public Engagement Methods

This survey was posted on the City's website on November 4, 2010 and closed on December 3, 2010. The survey was publicized on the City’s CIP webpage, as well as through the City’s e-mail subscription service to parties interested in the CIP and all of the registered neighborhood groups. The City received 283 responses to the survey, with 96% responding as an individual and 4% responding as the representative of a group.

Data from the survey responses are graphically summarized below.

**Level of Satisfaction**
**Funding Allocation**

4. When thinking about MUNICIPAL facilities and services that exist, or are needed, do you think spending is:

5. When thinking about TRANSPORTATION systems and services that exist, or are needed, do you think spending is:

6. When thinking about UTILITY systems and services that exist, or are needed, do you think spending is:

**Priority Areas**

7. Considering capital needs for facilities/systems often exceed available funding, which FIVE areas do you feel should receive the most emphasis over the next two years?

8. When evaluating the capital needs of the city, how important is it to consider the following questions when prioritizing proposed projects?
Public Engagement Methods

12. For a capital improvements program process, in what public engagement methods would you participate?
- Survey and/or feedback forms
- Neighborhood meetings
- Email or mailings
- Citywide public meetings
- Other ideas?

14. For a capital improvements program process, what public outreach or communication methods would you use to stay informed?
- Email notification of program activities
- City website
- Newsletter or mailings
- Online presentations
- Facebook/Twitter
- Post on notice at public facilities
- Other ideas?

15. Have you previously viewed the city website for the Capital Improvements Plan?
- No
- Yes

16. How did you hear about this survey?
- Email notification
- Facebook/Twitter
- Other source?
- Newspaper
- City website
- Other website

Demographics

18. What draws you to Ann Arbor? (Check all that apply)
- Live in town
- Work in town
- Entertainment
- Recreation
- Own a business
- Other reason?
- Own other property
- Attended school

19. In what part of the city do you live?

20. How many years have you lived in the city of Ann Arbor?
- 21 years or more
- 11-20 years
- 6-10 years
- 3-5 years
- Do not live in city limits
- 0-2 years

21. My age range is:
- 45-54
- 26-44
- 55-64
- 65-74
- 80+
- under 25
In addition to the public involvement sought during the CIP process itself, the public’s input is provided both before and after the actual CIP process. As seen below, this input outside of the CIP process itself, is still a major factor in the CIP program as a whole.

PUBLIC INVOLVEMENT BEFORE THE CIP PROCESS

The City undertakes planning efforts to guide City staff and policy makers in making decisions about the physical development of the City. Many of these planning projects result in documents that are reviewed and adopted by the City Planning Commission as elements of the City’s Master Plan.

**Plans currently adopted by the City Planning Commission as elements of the City’s Master Plan:**

**Citywide Plans**

- Downtown Plan
- Transportation Plan Update
- Non-Motorized Plan
- Parks, Recreation and Open Space (PROS) Plan
- Natural Features Master Plan

Other planning projects are focused on infrastructure and environmental systems. Though these plans are more technical in nature, they are very important undertakings in their own right, as they also guide future decisions and recommendations by the City.

**Examples of plans and studies performed regarding City infrastructure and environmental systems:**

- Water Treatment Facilities and Water Resources Master Plan
- Downtown Development Strategies Project
- Flood Mitigation Plan
- Sanitary Sewer Overflow Study
- Millers Creek Watershed Improvement Plan

These master plans, technical plans and studies are developed using a variety of public involvement and/or engagement opportunities, such as: public meetings; open houses; workshops; citizen/public advisory committees; steering committees; and formal public hearings by City Planning Commission and/or City Council. In addition, direct feedback and comment from citizens and the public is accepted during these projects and is often directly solicited by City staff and consultants involved in the projects.

Often during these public involvement and engagement opportunities, needs related to the City’s capital infrastructure systems are identified and raised by the public. These needs are documented, reviewed and/or incorporated into the results of the planning and study
projects. These documented needs are reviewed by the CIP Category Teams to determine if they remain as outstanding needs that should be addressed in the City’s CIP.

In addition, individual citizens and members of the community contact the City to request particular improvements, enhancements or extensions of public services and systems to meet their needs. These inquiries and requests are gathered by City staff and are also reviewed by the CIP Category Teams as they prepare the CIP.

The process performed by the CIP Category Teams is described in more detail in the Program Summary later in this Section I of the CIP document.

PUBLIC INVOLVEMENT AFTER THE CIP PROCESS

Some of the projects included in the CIP are studies and planning efforts such as those described above, and will incorporate public involvement as an integral part of those projects. The majority of the projects that are identified for implementation in the CIP are “traditional” municipal public works projects - - water main replacements, road reconstructions, park development, government buildings and structures for example.

Many of these “traditional” projects also include public involvement very early in their process. As a result of new regulations, shifting and growing needs as the City’s systems age, and concerns and awareness by the community grow, as well as the fact that more and more projects are needed in established, mature areas of the community, projects are becoming more complex than ever before. As a result, the necessity to involve and engage the public even during the study and design at the project stage is recognized by the City.

This is being done using the methods discussed earlier, such as public meetings and workshops, stakeholder meetings and open houses which take place as part of the actual design process for the project. The City involves the citizens, business owners and merchants, and other stakeholders in these processes. As a result, questions, concerns and suggestions by the public can be reviewed and addressed in a much more efficient and cost effective manner than dealing with problems and issues encountered during the construction of the project.

Once underway, all City projects provide information that is available for the public and which is distributed to those directly affected by the project. These efforts may involve informative items such as letters, newsletters and webpage articles and announcements regarding the project, and are made in advance and during the actual construction of the project.
THE CAPITAL IMPROVEMENTS PROGRAM PROCESS

The capital improvements program is a distinct element of the annual budget process that flows through City government in separate, but linked channels. The CIP process occurs earlier than the budget process, as the CIP will be used in developing the capital projects portion of the annual budget.

The City of Ann Arbor uses a traditional needs-driven approach to its capital improvements programming process, including the development of its CIP. The process for developing the CIP generally involved the following steps.
Step 1: Organize the Process

Staff members from the Public Services, Community Services and Financial Services Areas whose work duties, responsibilities and/or expertise are impacted by or affect capital improvement projects are identified as members of the CIP Team. Team members are assigned to any of fourteen category teams where their background and experience will be beneficial. These teams include:

- City Owned Buildings
- Parks and Recreation
- Solid Waste
- Airport
- Alternative Transportation
- Bridges
- New Street Development
- Other Transportation
- Parking Facilities
- Street Construction
- Sanitary System
- Stormwater Management
- Water System
- Financial

These category teams are made up of staff with diverse perspectives, and include: operations and maintenance staff; engineers and project managers; program planners and coordinators; urban planners; GIS specialists; and, service unit managers.

Step 2: Identify Needs

Each CIP Category Team identifies the needs within, or affected by its particular asset area. These needs are identified by reviewing the findings of the City’s various master plans, maintenance records and experiences of staff, and citizen requests submitted since the last CIP process. In addition, items may have been eliminated from consideration if it was determined that they pose a serious question of community need, adequate planning, or proper timing.

Step 3: Identify Key Scope Items

Next, each CIP Category Team identifies key scope items that are likely to influence the cost and/or schedule requirements of the project to address the needs. These items may include: impacts to natural features; changes to the character of an area; locations within established boundaries such as historic districts, DDA, county drain districts; impacts on other utility infrastructure systems or their operations; special assessment or other outside funding component; need to obtain right-of-way or easement area; or, require a public engagement process.

There are two critical “tools” utilized in this process. One is the utilization of the City’s geographic information system (GIS), which contains an inventory and status or condition of many of the key items listed above. By identifying the location of a particular need, the presence or absence of many key items can be determined.

The other tool, though not as technical as the GIS, but is nonetheless as critical, if not more so - the broad perspective of the Category Team members. By leveraging the expertise of the various staff involved with, or affected by, the operations and improvement of a particular asset
area, many critical scope items can be factored into the planning and programming of a project to address a particular need.

If these scope items are not taken into account as part of the CIP process, the implementation of many projects is likely to encounter delays and cost overruns as these items are discovered during the actual project study and design activities.

Step 4: Prioritize Needs

The key task for the CIP Category Teams is to evaluate and prioritize the many identified needs. This is a critical component of the CIP process. Project selection and scheduling is constrained by the amount of funding anticipated to be available for capital projects. Within the limited budget, is the rehabilitation of an aging component at the water treatment plant, or the replacement of a failing water distribution main, or the modification of a treatment process for greater efficiency of greater importance? Shrinking funds and rising costs incurred in maintaining and rehabilitating deteriorating infrastructure make the process of selecting the most vital capital projects even more crucial and difficult. The merits of each need must be judged against the policies and criteria of the CIP process and the goals of each component of the master plan, as well as against the other competing needs in that particular asset category.

The FY2012-2017 CIP utilized a prioritization model tool to assist in the examination and determination of need/project priorities within each asset category. This prioritization model employs the following procedure:

**A. Determine the decision criteria to be used in the prioritization analysis.** The prioritization model included a set of “core criteria” that were used for all of the asset categories.

<table>
<thead>
<tr>
<th>Criteria Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Indicators</td>
<td>How many (if any) of the Environmental Indicators in the City's Environmental Goals are improved by this project/need?</td>
</tr>
<tr>
<td>Safety/Compliance/Emergency Preparedness</td>
<td>Project addressing the need improves safety for staff and/or public; compliance with local, state, and federal regulations; continuity of governmental services, etc.</td>
</tr>
<tr>
<td>Financial Impact</td>
<td>Likelihood of funding; availability of alternate funds; leveraging other funding sources to reduce city funding requirements; Also, reduction/increase in energy costs</td>
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<tr>
<td>Coordination with Other Projects</td>
<td>Opportunity cost/benefit; less disruption to coordinate with other projects, e.g., carrier projects, projects by other agencies or private entities</td>
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<tr>
<td>Master Plan Objectives</td>
<td>Meets council approved objectives in master plans and other plans</td>
</tr>
<tr>
<td>User Experience (Level of Service)</td>
<td>Project addressing need will improve quality of user experience; ease of use; providing new service; improving existing services; meeting public expectations; note: impact for all users (ADA, etc.); Include education/awareness</td>
</tr>
<tr>
<td>Innovation</td>
<td>Project demonstrates a local example of an innovative solution. Project promotes or incorporates latest, best practices for implementation based on research in other communities, etc.</td>
</tr>
<tr>
<td>Economic Development/Retention</td>
<td>Impact of the project to economic development of the community; New development and retaining existing businesses</td>
</tr>
<tr>
<td>Partnerships</td>
<td>Public/Private; Intergovernmental; Interjurisdictional; leveraging other funding sources to reduce city funding requirements; promote regional coordination and planning; shared staff resources</td>
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<tr>
<td>System Influence/Connectivity</td>
<td>Impact of the project on the larger network. Improved connectivity.</td>
</tr>
<tr>
<td>O &amp; M (Operations &amp; Maintenance)</td>
<td>Project addressing need will lower O &amp; M costs; include life cycle costs</td>
</tr>
<tr>
<td>Energy</td>
<td>Energy use impact/improvements; renewables</td>
</tr>
</tbody>
</table>
In addition to the core criteria, some asset category teams identified other criteria specific to that asset which should be used in the prioritization model.

<table>
<thead>
<tr>
<th>ADDITIONAL CRITERIA</th>
<th>ASSET CATEGORY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social, Cultural, Recreational &amp; Aesthetic</td>
<td>Parks &amp; Recreation</td>
</tr>
<tr>
<td>Users Carried</td>
<td>Bridges</td>
</tr>
<tr>
<td>Criticality</td>
<td>Bridges</td>
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<tr>
<td>Impacts on Other Infrastructure</td>
<td>Bridges</td>
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<tr>
<td>User Demand</td>
<td>New Streets</td>
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<tr>
<td>Water Quality</td>
<td>New Streets; Stormwater Management</td>
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<tr>
<td>Natural Features</td>
<td>New Streets</td>
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<tr>
<td>Reliability</td>
<td>Water System</td>
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</tbody>
</table>

**B. Assign relative weights to the criteria.** A scale from 0 to 100 is used, with 100 being the most important criteria and the others weighted relative to the most important.

<table>
<thead>
<tr>
<th>Criteria Item</th>
<th>Funding</th>
<th>Social, Cultural, Recreational &amp; Aesthetic</th>
<th>Parks &amp; Recreation</th>
<th>Bridges</th>
<th>New Streets</th>
<th>New Streets; Stormwater Management</th>
<th>Natural Features</th>
<th>Water System</th>
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<tbody>
<tr>
<td>Environmental Goals</td>
<td>76</td>
<td>74</td>
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<td>73</td>
<td>80</td>
<td>82</td>
<td>79</td>
<td>85</td>
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<tr>
<td>Safety/Compliance/Disaster Preparedness</td>
<td>100</td>
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<td>Coordination with Other Projects</td>
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<td>Users Per Objective</td>
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<td>User Experience (Level of Service)</td>
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<td>Preservation</td>
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<td>Longevity and Resilience</td>
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<td>Water Supply</td>
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<td>D &amp; M (Operations &amp; Maintenance)</td>
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<td>01</td>
<td>01</td>
<td>01</td>
</tr>
</tbody>
</table>

**C. Determine performance measures from 0 to 10 for each criteria.** A graphical sample of one of the core criteria is presented below.
Below is a table with the scoring scales for all of the core criteria.

<table>
<thead>
<tr>
<th>SCORING</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Environmental Indicators</td>
<td>Does not contribute to meeting any of the City's environmental goals</td>
<td>Modestly contributes to meeting one of the City's environmental goals</td>
<td>Significantly contributes to meeting several of the City's environmental goals</td>
</tr>
<tr>
<td>2 Safety/Compliance/Emergency Preparedness</td>
<td>Does not address safety or emergency preparedness considerations</td>
<td>Contributes to meeting public safety, but is not required for compliance</td>
<td>Will assist in ability to continue governmental services during emergencies</td>
</tr>
<tr>
<td>3 Financial Impact</td>
<td>Has no potential funding</td>
<td>Has uncertain funding source(s) (e.g., Special Assessment, General Fund)</td>
<td>Funding available from standard City funding sources (e.g., utility rates, road millage, etc.)</td>
</tr>
<tr>
<td>4 Coordination with Other Projects</td>
<td>There are no other planned projects that should be coordinated with this Project</td>
<td>Costs can be modestly reduced by performing project with another project</td>
<td>Schedule is driven by other improvements (e.g., street reconstruction, adjacent utility replacement) resulting in significant (≥30%) opportunity cost if project is not completed concurrently with adjacent work</td>
</tr>
<tr>
<td>5 Master Plan Objectives</td>
<td>Does not contribute to meeting one of the City’s master plan or other strategic planning document goals</td>
<td>Modestly contributes to meeting one of the City’s master plan or other strategic planning document goals</td>
<td>Significantly contributes to meeting one of the City’s master plan or other strategic planning document goals</td>
</tr>
<tr>
<td>6 User Experience (Level of Service)</td>
<td>Will reduce the quality of the User Experience (Level of Service)</td>
<td>Will NOT affect Level of Service</td>
<td>Modestly improves existing Level of Service</td>
</tr>
<tr>
<td>7 Innovation</td>
<td>Does not include any innovative measures or items</td>
<td>Modestly promotes or incorporates multiple innovative techniques, funding strategies, materials or BMP's</td>
<td>Significantly promotes or incorporates multiple innovative techniques, funding strategies, materials or BMP's on a small scale</td>
</tr>
<tr>
<td>8 Economic Development/Retention</td>
<td>Will not have any effect on economic development/retention</td>
<td>Will have modest effect on economic development/retention</td>
<td>Will have significant effect on economic development/retention</td>
</tr>
<tr>
<td>9 Partnerships</td>
<td>Does not provide opportunity for partnerships</td>
<td>Promotes regional or interagency planning and coordination OR public/private partnership</td>
<td>Promotes regional or interagency planning and coordination OR public/private partnership AND provides for shared staffing resources</td>
</tr>
<tr>
<td>10 System Influence/Capacity</td>
<td>Does not contribute to larger system network or user demand</td>
<td>Meets future user demand</td>
<td>Addresses immediate user demand that benefits a portion of the user population</td>
</tr>
<tr>
<td>11 O&amp;M (Operations &amp; Maintenance)</td>
<td>Will cause increase in O&amp;M costs</td>
<td>Has a neutral effect on O&amp;M costs</td>
<td>Makes modest contribution to O&amp;M cost reduction</td>
</tr>
<tr>
<td>12 Energy</td>
<td>Will cause increase in energy costs</td>
<td>Has a neutral effect on energy costs</td>
<td>Makes modest contribution to energy cost reduction</td>
</tr>
</tbody>
</table>
D. Score each need/project for each criteria

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Category Type - Department Type</th>
<th>Project Name</th>
<th>Total Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Commercial Recycling Containers</td>
<td>11th Street Recycling Station Protection Plan</td>
<td>58.59</td>
</tr>
<tr>
<td>2</td>
<td>Water &amp; Environment Control</td>
<td>Pennsylvania Avenue Stormwater Controls</td>
<td>49.95</td>
</tr>
<tr>
<td>3</td>
<td>Water &amp; Environment Control</td>
<td>State Road Corridor Study</td>
<td>48.14</td>
</tr>
<tr>
<td>4</td>
<td>Water &amp; Environment Control</td>
<td>Full Flood Network Replacement</td>
<td>44.57</td>
</tr>
<tr>
<td>5</td>
<td>Water &amp; Environment Control</td>
<td>Accessible Pedestrian Signals</td>
<td>44.71</td>
</tr>
<tr>
<td>6</td>
<td>Water &amp; Environment Control</td>
<td>Pedestrian Signal Countermeasure Study</td>
<td>43.42</td>
</tr>
<tr>
<td>7</td>
<td>Water &amp; Environment Control</td>
<td>Safety Preventers</td>
<td>42.25</td>
</tr>
<tr>
<td>8</td>
<td>Water &amp; Environment Control</td>
<td>Roadside &amp; Pedestrian Street Improvements</td>
<td>41.29</td>
</tr>
<tr>
<td>9</td>
<td>Water &amp; Environment Control</td>
<td>Pedestrian Ramps &amp; Sign Systems Replacements</td>
<td>39.04</td>
</tr>
<tr>
<td>10</td>
<td>Water &amp; Environment Control</td>
<td>Gilchrist Road Stormwater Controls</td>
<td>39.70</td>
</tr>
<tr>
<td>11</td>
<td>Water &amp; Environment Control</td>
<td>Major Drainage SDM07 escapes and Interception (Item 18.23)</td>
<td>38.58</td>
</tr>
<tr>
<td>12</td>
<td>Water &amp; Environment Control</td>
<td>Street Sign &amp; Light Pedestrian Sign</td>
<td>32.24</td>
</tr>
<tr>
<td>13</td>
<td>Water &amp; Environment Control</td>
<td>State Route 207 Road Safety Study</td>
<td>32.08</td>
</tr>
<tr>
<td>14</td>
<td>Water &amp; Environment Control</td>
<td>Major Drainage SDM07 escapes and Interception (Item 18.23)</td>
<td>30.55</td>
</tr>
<tr>
<td>15</td>
<td>Water &amp; Environment Control</td>
<td>Data Road Railroad Grade Crossing</td>
<td>29.46</td>
</tr>
<tr>
<td>16</td>
<td>Water &amp; Environment Control</td>
<td>North Road Railroad Grade Crossing</td>
<td>26.67</td>
</tr>
<tr>
<td>17</td>
<td>Water &amp; Environment Control</td>
<td>Sycamore Street Road Improvement</td>
<td>25.45</td>
</tr>
<tr>
<td>18</td>
<td>Water &amp; Environment Control</td>
<td>US 127/US 112 Road Interception</td>
<td>23.90</td>
</tr>
<tr>
<td>19</td>
<td>Water &amp; Environment Control</td>
<td>Mott Road Railroad Grade Crossing</td>
<td>16.29</td>
</tr>
<tr>
<td>20</td>
<td>Water &amp; Environment Control</td>
<td>Northwestern Drive Road Improvement</td>
<td>15.56</td>
</tr>
<tr>
<td>21</td>
<td>Water &amp; Environment Control</td>
<td>Armistead Drive Railroad Grade Crossing</td>
<td>13.57</td>
</tr>
<tr>
<td>22</td>
<td>Water &amp; Environment Control</td>
<td>Northwestern Road Railroad Grade Crossing</td>
<td>11.02</td>
</tr>
</tbody>
</table>

E. Run the model

Figure 1: Capital Prioritization Ranking of Alternatives by Total Benefit Value (Through 16 projects)
The results of the prioritization model express the overall, relative benefit of each need/project compared to the others in that particular category. These results are reviewed to confirm that the criteria, weighting and scoring have not produced improper results. If it is determined by the team that some aspect of the results are inappropriate, the criteria, weighting and/or scoring are reviewed and perhaps adjusted and the model re-run. The purpose of this iterative process is to better calibrate the model, but care must be taken to not adjust the model to produce “desired” results.

This step is conducted without consideration of project cost or availability of funding or staffing resources, as these factors should not affect the true priority of a particular need or project. However, the availability of funding and staffing resources does affect the programming of the CIP - - some lower priority projects may have these resources available and so may be programmed ahead of higher priority needs that do not have the available resources.

**Step 6: Schedule Projects**

During Step 5, for each need CIP Category Team members were identified to provide supporting data for proposed projects to address the need. An item of major importance is the initial estimate of the project costs and proposed funding source(s) for those costs. The team members utilize a CIP database, and its capacity of linking to the City’s financial system allowing consistent application of funding information in the CIP. Additionally, the team members enter an initial proposed schedule for the project based on their understanding of the need and its relative priority within its asset category.

Following this data input, the CIP Category Teams meet with the Financial Team to review the overall, initially proposed schedule of projects. The projects are grouped by the fiscal year in which funding is proposed. The team then evaluates each fiscal year grouping and adjusts project schedules until an overall schedule of projects for the category is established that achieves:

- Higher priority needs are being addressed before lower priority needs
- Available funding limits are not exceeded
- Staffing resources are anticipated to have capacity to perform the projects

The City Council ultimately approves the assumptions, criteria, policies, and recommendations of the CIP Team and City Planning Commission by approving the CIP as the basis for the City’s Capital Projects Budget. Depending on the policy orientation, modifications are expected throughout the process. This is considered an essential part of the procedure, placing the burden on those who dissent to assess the policies underlying the recommendations and to advocate their differences, resulting in the necessary evolution of the entire capital planning process.

It is inevitable that the number of projects required to address all of the city’s infrastructure needs will exceed the available funding. In the endeavor to provide better service to the community, capital projects are proposed at times which, unfortunately, are moved to a later date when funding is available, or are determined to be unfunded or unprogrammed. This process should not discourage staff from continuing to submit identified needs, but should develop into a mechanism to help in the effort to uncover alternate sources of funding and see that higher-priority projects get implemented.
Step 7: Prepare, Adopt and Approve the CIP

As the process continues, and increasingly detailed information emerges, projects may be added, altered, or abandoned. Eventually, the CIP Team arrives at a final list of projects that is submitted to the City Planning Commission for review.

The Planning Commission evaluates the CIP package in light of additional information, holds a public hearing, and makes final programming decisions before adopting the CIP and sending it on to City Council. Council approves the CIP as the basis for the City’s Capital Projects Budget after its review. Since this Capital Budget is approved by the City Council at a later date during the City budget process, this Approval is not a commitment to finance the approved projects, but is a statement of policy regarding the City’s approach to meeting its future capital needs.
PROGRAM FUNDING

Because capital improvement projects involve the outlay of substantial funds, numerous sources are necessary to provide financing over the life of the project. Most capital funding sources are earmarked for specific purposes and cannot be transferred from one capital program to another. For instance, funds raised by the City by the Park Maintenance and Repair millage must be used for the purposes that were stated when the voters approved the millage. The CIP has to be prepared with some projections as to the amount of money to be available. The following is a summary of the funding sources for projects included in the capital improvements program.

ENTERPRISE (RESERVE) FUNDS

In enterprise financing, funds are accumulated in advance for capital requirements. Enterprise funds not only pay for capital improvements, but also for the day-to-day operations of city services and the debt payment on revenue bonds. The City can set levels for capital projects; however, increases in capital expenditures for water mains, for example, could result in increased rates. Enterprise fund dollars can only be used on projects related to that particular enterprise fund, i.e., only water system funds can only be used on water system funds.

BONDS

When the City sells bonds, purchasers are, in effect, lending the City money. The money is repaid, with interest, from taxes or fees over the years. The logic behind issuing bonds (or “floating a bond issue”) for capital projects is that the citizens who benefit from the capital improvements over a period of time should help the City pay for them. The City issues bonds in two forms:

General Obligation (G.O.) Bonds

Perhaps the most flexible of all capital funding sources, G.O. bonds can be used for the design or construction of any capital project. These bonds are financed through property taxes. In financing through this method, the taxing power of the City is pledged to pay interest and principal to retire the debt. Voter approval is required if the city wants to increase the taxes that it levies and the amount is included in the City’s state-imposed debt limits. To minimize the need for property tax increases, the City makes every effort to coordinate new bond issues with the retirement of previous bonds. G.O. Bonds are authorized by a variety of state statutes.

Revenue Bonds

Revenue bonds are sold for projects that produce revenues, such as water and sewer system projects. Revenue bonds depend on user charges and other project-related income to cover their costs. Unlike G.O. bonds, revenue bonds are not included in the City’s state-imposed debt limits because the full faith and credit of the City back them. Revenue bonds are authorized by Public Act of 1933, the Revenue Bond Act.
WEIGHT AND GAS TAX

Based on a formula set by the State of Michigan, the City of Ann Arbor receives a portion of the tax placed on motor fuel and highway usage in the state. The restrictions placed on the expenditure of these funds insure that they will be spent on transportation-related projects or operations and services.

TAX_INCREMENT FINANCING (TIF)

TIF is a municipal financing tool that can be used to renovate or redevelop declining areas while improving their tax base. TIF applies the increase in various state and local taxes that result from a redevelopment project to pay for project-related public improvements. For purposes of financing activities within the Ann Arbor downtown district, the Downtown Development Authority adopted a 30-year TIF plan in 1982. Public Act 281 of 1986, the Local Development Finance Authority Act and Public Act 450 of 1980, the Tax Increment Financing Act authorizes TIF. With the passage of Proposal A in 1994 limiting the capacity to capture certain taxes, the ability to utilize this financing tool has been severely restricted.

MILLAGES

The property tax is one of the most important sources of City revenue. The property tax rate is stated in mills (one dollar per $1,000 of valuation). This rate is applied to a property’s net value, following the application of all exemptions and a 50% equalization ratio. Millages are voter-approved taxes that are specifically earmarked for a particular purpose. The City is authorized to utilize millages under Public Act 279 of 1909, the Home Rule Cities Act.

FEDERAL AND STATE FUNDS

The federal and state governments make funds available to cities through numerous grants and aid programs. Some funds are tied directly to a specific program. The City has discretion (within certain guidelines) over the expenditure of others. For the most part, the City has no direct control over the amount of money received under these programs.

SPECIAL ASSESSMENTS

Capital improvements that benefit particular properties, rather than the community as a whole, may be financed more equitably by special assessment: that is, by those who directly benefit. Local improvements often financed by this method include new street improvements (including pavement, curb and gutter, sidewalks, etc.), sanitary and storm sewers, and water mains.

DEVELOPER CONTRIBUTIONS

Sometimes capital improvements are required to serve new development. Where funding is not available for the City to construct the improvements, developers may agree to voluntarily contribute their share or to install the facilities themselves so the development can go ahead.