

EXECUTIVE SUMMARY

OVERVIEW

This Capital Improvements Plan (CIP) outlines a schedule of public service expenditures over the ensuing six-year period (fiscal years 2008 – 2013). The CIP does not address all of the capital expenditures for the City, but 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, utilities, municipal facilities and other miscellaneous projects.

To qualify for inclusion into the CIP, a project must meet the following standards:

- Be consistent with 1) an adopted or anticipated component of the City master plan, 2) a state or federal requirement, or 3) 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 ten 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.

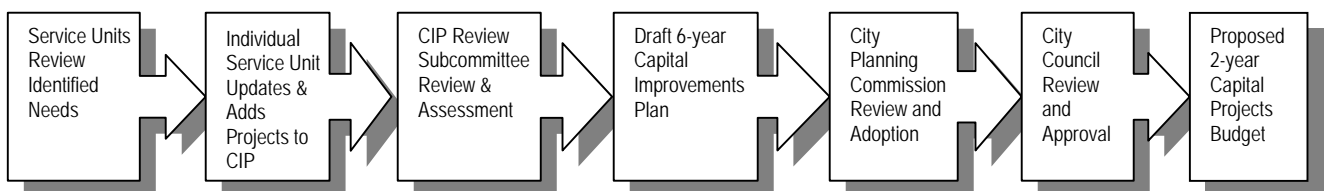
Projects that are considered operational, maintenance or recurring are excluded.

Preparation of the capital improvements plan is done under the authority of the Municipal Planning Commission Act (PA 285 of 1931). It is the City Planning Commission's goal that the CIP be used as a tool to implement the City Master Plan and assist in the City's financial planning.

The capital improvements plan proposes project funding relative to the anticipated availability of fiscal resources and the choice of specific improvements to be achieved throughout the six-year plan. The first two years of the capital improvements plan serve as the basis for establishing the City's Capital Projects Budget (CPB) programming the implementation of the planned projects for the upcoming two fiscal years. The CIP and CPB make up the City's Capital Improvements Program.

THE CAPITAL IMPROVEMENTS PROGRAM PROCESS

The Capital Improvements Program process begins with a review of identified system needs by the City's service units and concludes with the proposed CPB as outlined below:



ORGANIZATION

The Capital Improvements Program is divided into three sections:

Section I – Capital Improvements Programming

- Introduction
- Program Summary
- Program Goals and Policies
- Program Funding

Section II – Project Summary Reports

Section III – FY2008-2013 Capital Improvements Plan

The plan lists individual capital projects categorized by capital program. The following information is included on each project page:

- | | |
|------------------------------------|------------------------------------|
| • Project Name | • Project Description |
| • Project Identification Number | • Project Justification Score |
| • Project Type | • Beneficial Impacts |
| • Submitting Service Area/Unit | • Initiating Plan/Study/Resolution |
| • Planning Area | • Schedule |
| • CIP Review Subcommittee Priority | • Schedule Justification |
| • Total Cost | • Expenditures |

PROJECT PRIORITIZATION

The CIP Review Subcommittee assesses all capital needs and gives each project a priority rating. The rating indicates that a project is one of the following:

► Urgent

- Corrects an emergency or condition dangerous to public health, safety or welfare;
- Complies with federal or state requirement(s) whose implementation time frame is too short to allow for longer range planning; or
- Is vital to the economic stability of the city

► Important

- Prevents an emergency or condition dangerous to the public health, safety, or welfare;
- Is consistent with an adopted or anticipated element of the City Master Plan, a federal or state requirement whose implementation time frame allows longer range planning, or a council approved policy;
- Is required to complete a major public improvement (this criterion is more important if the major improvement cannot function without the project being completed, and is less important if the project is not key to the functioning of another project); or
- Provides for a critically needed community program

► Desirable

- Needed to correct an inequitable distribution of past public improvements and that would benefit the community;
- Worthwhile if funding becomes available;
- Can be postponed without detriment to present services; or
- Validity of planning and validity of timing have been established

THE TOTALS

A total of 242 projects were submitted for this year's CIP with a six-year funding need of \$456,793,000. This is an 18.4% increase from the previous CIP, which anticipated \$385,886,000 in funding need for fiscal years 2006-2011. The total anticipated cost for all projects is \$620,359,000, which includes project funds spent prior to fiscal year 2008 and anticipated funds needed after fiscal year 2013. The chart below indicates the total number of projects for each category, the total costs, the six-year funding need and first-year and second-year expenditures:

Category	Number of Projects	Total Project Costs*	Six-Year Funding Need	First Year Expenditures	Second Year Expenditures
Municipal Facilities - City Owned Buildings	2	\$65,655,000	\$24,250,000	\$24,250,000	\$0
Municipal Facilities - Parks and Recreation	34	\$35,603,000	\$24,012,000	\$7,397,000	\$5,016,000
Municipal Facilities - Solid Waste	5	\$6,800,000	\$5,530,000	\$1,630,000	\$0
Transportation - Airport	11	\$4,646,000	\$4,457,000	\$2,351,000	\$326,000
Transportation - Alternative Transportation	10	\$6,180,000	\$4,860,000	\$1,040,000	\$300,000
Transportation - Bridges	4	\$24,990,000	\$22,730,000	\$1,726,000	\$9,855,000
Transportation - New Street	1	\$2,000,000	\$2,000,000	\$0	\$0
Transportation - Other	16	\$6,088,000	\$5,241,000	\$1,120,000	\$1,141,000
Transportation - Parking Facilities	2	\$25,860,000	\$25,860,000	\$21,420,000	\$2,220,000
Transportation - Street Construction	17	\$102,783,000	\$89,883,000	\$18,870,000	\$20,448,000
Utilities - Sanitary Sewer	42	\$242,188,000	\$170,353,000	\$25,538,000	\$59,760,000
Utilities - Storm Sewer	21	\$11,047,000	\$9,633,000	\$1,268,000	\$2,708,000
Utilities - Water System	77	\$86,519,000	\$67,984,000	\$10,822,000	14,310,000
TOTALS	166	\$620,359,000	\$456,793,000	\$117,432,000	\$116,084,000

*Includes project funds spent prior to FY2008 and anticipated funds needed after FY2013

PRIORITIES

According to staff and the review of the CIP Review Subcommittee, 19% of all projects are considered "Urgent", making up 37% of the total CIP costs. Below is a project breakdown by priority.

Priority	Number of Projects	Percent of Projects	Total of Projects Cost	Percent of Total CIP Costs
Urgent	45	19%	\$229,818,000	37%
Important	173	71%	\$378,992,000	61%
Desirable	24	10%	\$11,549,000	2%
TOTALS	242	100%	\$620,359,000	100%

MAJOR PROJECTS

Below is a list of the top ten project expenditures during fiscal years 2008-2013, including their project priority. Based on the total cost of all projects (\$620,359,000), the top ten projects constitute approximately 57% of the total funding need.

Project Name	Total Cost	Priority
Facilities Renovation	\$72,700,000	Urgent
Footing Drain Disconnection Project (Long Term)	\$63,500,000	Important
Residuals Handling Improvements	\$42,643,000	Urgent
Field Operations and Maintenance Facility	\$35,655,000	Urgent
Annual Major Street Resurfacing Program	\$34,550,000	Important
Police Department/District Court Facility	\$30,000,000	Urgent
Annual Local Street Resurfacing Program	\$21,030,000	Important
Open Space and Park Acquisitions	\$20,000,000	Important
Broadway Village at Lowertown Parking Structure	\$19,200,000	Important
DDA Water Main Upsizing	\$13,500,000	Important
TOTAL	\$352,778,000	

FUNDING NEEDS AND SOURCES

The anticipated six-year funding need is \$456,793,000. The table below summarizes the major categories of funding for these projects. Bonds will fund just over 60% of the projects. Less than 1% of all funding need is anticipated from the General Fund.

Funding Source	In Thousands of Dollars							Percent of Total
	FY08	FY09	FY10	FY11	FY12	FY13	Totals	
Bond/Note Proceeds	\$77,479	\$70,770	\$41,608	\$33,726	\$27,656	\$26,234	\$277,473	60.7%
Street Repair Millage Fund (0062)	\$8,420	\$13,880	\$12,055	\$13,778	\$7,880	\$8,370	\$64,383	14.1%
Grants	\$6,031	\$5,689	\$5,536	\$3,408	\$2,385	\$0	\$23,049	5.0%
DDA Fund (0003)	\$7,295	\$3,720	\$3,480	\$2,500	\$1,000	\$0	\$17,995	3.9%
Open Space & Parks Acquisition Millage Fund (0024)	\$4,000	\$3,000	\$3,000	\$2,000	\$2,000	\$0	\$14,000	3.1%
MDOT/Federal Participating Costs	\$2,741	\$4,580	\$3,760	\$1,380	\$10	\$10	\$12,481	2.7%
Stormwater Sewer Fund (0069)	\$1,242.5	\$2,942.5	\$2,914	\$1,099	\$850	\$550	\$9,598	2.1%
Parks Maintenance & Capital Improvement Millage (0071)	\$2,180	\$1,570	\$1,736	\$1,180	\$1,500	\$0	\$8,166	1.8%
Contributed Capital	\$2,500	\$3,150	\$2,100	\$0	\$0	\$0	\$7,750	1.7%
Developer Contributions	\$1,176	\$1,545	\$1,456	\$0	\$677	\$0	\$4,854	1.1%
Major Streets Fund (0021)	\$565	\$1,850	\$1,691	\$120	\$130	\$50	\$4,406	1.0%
General Fund (0010) (Unfunded)	\$200	\$430	\$490	\$790	\$740	\$110	\$2,760	0.6%
Environmental Bond Fund (0097)	\$800	\$0	\$1,400	\$0	\$0	\$0	\$2,200	0.5%
Water Supply System Fund (0042)	\$500	\$1,293	\$0	\$0	\$0	\$0	\$1,793	0.4%
Special Assessments	\$120	\$700	\$79	\$60	\$727	\$60	\$1,745	0.4%
Parks Rehab & Development Millage Fund (Old) (0018)	\$917	\$446	\$0	\$0	\$183	\$0	\$1,546	0.3%
Solid Waste Fund (0072)	\$830	\$0	\$0	\$400	\$0	\$0	\$1,230	0.3%
Airport Fund (0048)	\$6	\$18	\$21	\$31	\$269	\$0	\$346	0.1%
CDBG Infrastructure Fund	\$0	\$300	\$0	\$0	\$0	\$0	\$300	0.1%
2004 Sewer Revenue Bond Fund (0076)	\$278	\$0	\$0	\$0	\$0	\$0	\$278	0.1%
All Others	\$150	\$200	\$70	\$20	\$0	\$0	\$440	0.1%
TOTALS	\$117,431	\$116,084	\$81,396	\$60,492	\$46,006	\$35,384	\$456,793	100%
Percent of Total	25.7%	25.4%	17.8%	13.2%	10.1%	7.7%	100%	

FUNDING ISSUES

As is often the case with many governmental agencies, the total funding need identified in the CIP exceeds the available funding. There are three types of projects contained in this CIP where the funding need exceeds the available funding:

1. *Partially Funded*– These projects may already be initially budgeted, or are able to be initially budgeted as part of the upcoming CPB, but additional funding resources need to be identified and/or budgeted in order to complete the project.
2. *Identified Funding Not Secured* – For these projects, an established funding source is identified, but the specific dollars from those funding sources is not yet secured or committed at this time. An example of this are the projects where grant funds are anticipated but not yet awarded.
3. *No Established Funding Source* – These projects are truly unfunded projects, as they do not have an established, secure source of funding at this time, other than the City’s General Fund.

The projects with one of these funding issues and which are seeking funding in either FY2008 or FY2009 (as these years are contained in the CPB) are summarized in the table below:

Project Category	Unfunded Need In Thousands of Dollars						
	Partially Funded		Identified Funding Not Secured		No Established Funding Source		Totals
	FY08	FY09	FY08	FY09	FY08	FY09	
Municipal Facilities – Parks and Recreation	--	263	--	--	2,069	954	3,286
Transportation - Bridges	78	3,997	--	--	--	--	4,075
Transportation - Other	--	--	--	--	200	430	630
Transportation – Parking Facilities	--	--	25,420	12,220	--	--	37,640
Transportation – Street Construction	--	916	5,000	3,250	--	--	9,166
Utilities – Storm Sewer	783	90	--	--	208	318	1,399
TOTALS	861	5,266	30,420	15,470	2,477	1,702	56,196

The *Transportation – Parking Facilities* projects, making up the largest portion of the unfunded need, include bond funds that have not yet been committed. The *Transportation – Bridges* and the *Transportation – Street Construction* projects call for participating funding from the Michigan Department of Transportation (MDOT), which have not yet been committed.

The final category of projects to note is the *Utilities – Storm Sewer* projects. During the preparation of this year’s CIP the City was working on “cost of service” study to ascertain the community’s desired level of service for the stormwater system. The study will establish the stormwater utility rate structure to properly fund this desired level of service, including the capital improvements. As a result, until the completion of this study enables the stormwater utility to be updated, many storm improvement projects will remain unfunded.

NEW PROJECTS

There are 125 new projects in this year’s CIP, with 22 being considered urgent priority, 92 being listed as important, and 11 classified as desirable. The total cost of all new projects is \$146,136,600, representing approximately 24% of all project costs.

Category	Qty.	Cost
Municipal Facilities - Parks and Recreation	19	\$9,479,900
Municipal Facilities - Solid Waste	1	\$100,000
Transportation - Airport	3	\$2,119,700
Transportation - Alternative Transportation	6	\$3,920,000
Transportation - Bridges	1	\$140,000
Transportation - Other	9	\$3,493,000
Transportation - Parking Facilities	2	\$25,860,000
Transportation - Street Construction	11	\$36,853,000
Utilities - Sanitary Sewer	18	\$20,368,000
Utilities - Storm Sewer	15	\$6,258,000
Utilities - Water System	40	\$37,645,000
TOTAL	125	\$146,136,600

JUSTIFICATION SCORE

The City Service Area/Unit assigned justification scores to each project it submitted. The assigned score indicates the degree to which the project helps to achieve the following value statements:

- A. Protects health, safety and/or lives of citizens
- B. Meets new, or maintains existing, regulatory compliance
- C. Provides a net savings in operations and/or maintenance costs
- D. Enhances social, cultural, recreational or aesthetic opportunities
- E. Improves customer service, convenience for citizens
- F. Maintains or improves existing public infrastructure, facilities
- G. Reduces energy consumption, impacts on the environment

-1 = Negative Impact; 0 = No Impact; 1 = Minimal Positive Impact;
 2 = Some Positive Impact; 3 = Positive Impact; 4 = High Positive Impact

The maximum total justification score for a project is twenty-eight (28), which would indicate that the project is viewed by the submitting service area/unit as having “high positive impact” in all seven criteria.

The intent of the justification score is to guide City staff in assigning priorities (desirable, important or urgent) to projects within each category. The Capital Improvements Review Subcommittee continues to review the use of the justification score as a more extensive tool to evaluate projects within individual categories and projects of similar priority from different categories. The use of a scoring system also may help prioritize the allocation of funding when projects compete for the same funding source.

GEOGRAPHIC DISTRIBUTION

The anticipated geographic project distribution is quite equitable in the four city planning areas (central, south, west and northeast). The number of projects in the central area is lower due to the fact that the central area is 25 – 40% of the land area of the each of the other planning areas. In terms of the project cost distribution, the west area contains the lowest percentage of the total project costs, but it has the greatest number of individual projects. In contrast to this trend, the south area has the fewest number of projects yet has the greatest percentage of project costs, with some of very costly projects including the Field Operations and Maintenance Facility and the two East Stadium Bridge Replacement projects.

Geographic/Planning Area	Number of Projects	Percent of Projects	Total Project Costs	Percent of Total CIP Costs
Central	32	13.2%	\$84,375,000	13.6%
West	53	21.9%	\$51,767,000	8.3%
Northeast	52	21.5%	\$74,160,000	12.0%
South	41	16.9%	\$96,109,000	15.5%
Multiple Planning Areas	11	4.6%	\$12,533,000	2.0%
City-Wide	21	8.7%	\$142,921,000	23.0%
Ann Arbor Township	3	1.2%	\$116,071,000	18.7%
Pittsfield Township	17	7.0%	\$14,346,000	2.3%
Superior Township	1	0.4%	\$250,000	0.1%
To Be Determined (TBD)	11	4.6%	\$27,827,000	4.5%
TOTALS	242	100%	\$620,359,000	100%