

Capital Improvement Fund

Purpose of the Capital Improvement Fund

The Capital Improvement Fund (CIF) was created in FY 1998 to establish a mechanism for CIP funding of those projects that had no other funding source and to provide for the City's share of matching funds.

Purpose of the CIF Fund Balance

Funds have been accrued since CIF's inception in 1998 when \$3.5 million in "seed money" from the General Fund was provided as a funding source for capital projects. From FY 2001 to FY 2007 the General Fund annually contributed 0.2500 mill to sustain the CIF's ability to achieve timely implementation of priority projects. As City priorities have evolved, the transfer was decreased to 0.1000 mill for FY 2008 in order to redirect funding towards the Local Street and Special Police Funds. Starting in FY 2009 the 0.1000 mill transfer was eliminated to further redirect additional funding towards the Local Street and Special Police Funds.

Currently the only funding source is the City's portion of the cable PEG fees [= \$81k]. The City's portion of PEG funding has been contributed to the CIF annually each year since FY 2006. PEG Fees are restricted to fund Media related equipment. Approximately \$275,000 of the CIF balance is restricted for this purpose.

Appropriate Target Balance Levels

Since the Capital Improvement Fund does not support any operating activities, there is no appropriate target Fund Balance level. However the CIF balance is at this point is a non-replenishable source due to the fact that there is no millage contribution and very little other revenue coming in. In other words, once monies are gone, they are gone.

Projected Target Balance Levels

\$3.7 million is the projected CIF balance at the end of FY 2009; this is projected to decrease to \$3.5 million by the end of FY 2011 (per the 2010 budget).

Administrative Recommendation

Administration does not recommend the transfer of CIF funding in FY 2010 to the Local Street Fund to be utilized in 2011 for construction as suggested by a member of City Council.

However, Administration does recommend utilizing the CIF to fund priorities identified through the CIP process in the coming years. In particular, Administration would support transferring \$1 million per year for 3-years beginning in FY 2011 to the Local Street Fund to be utilized exclusively for local street construction activities in FY's 2011, 2012, and 2013. Administration's recommendations are based upon:

- The Local Street Concrete Slab and Asphalt Rehabilitation Programs (LS-03 & LS-01) are identified as two of the most highly ranked CIP projects/programs (Rating Score = 100) with little available funding sources into the future.

Capital Improvement Fund

- The FY 2011 and beyond forecast suggests that the General Fund will not be able to fund substantial amounts of local street construction as it has in the past.
- Recommendation is consistent with City Council priorities to identify funding sources for Local Street construction.
- This proposal would draw down the CIF balance to approximately \$800k at the end of FY 2013 therefore, leaving the PEG amount intact as required.
- It is Administration's hope that by FY 2014-15, taxable values will start to increase again and/or other funding sources for local street funding will be identified, as the CIF will no longer be able to support substantial amounts of local street construction activities.

Local Street Construction Historical / Budgeted / Projected						
Actual FY 2007	Actual FY 2008	Budget FY 2009	Revised FY 2010	Projected FY 2011	Projected FY 2012	Projected FY 2013
\$ 3,011,938	\$ 2,632,664	\$ 2,613,320	\$ 1,775,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000