

OPERATING BUDGET IMPACT

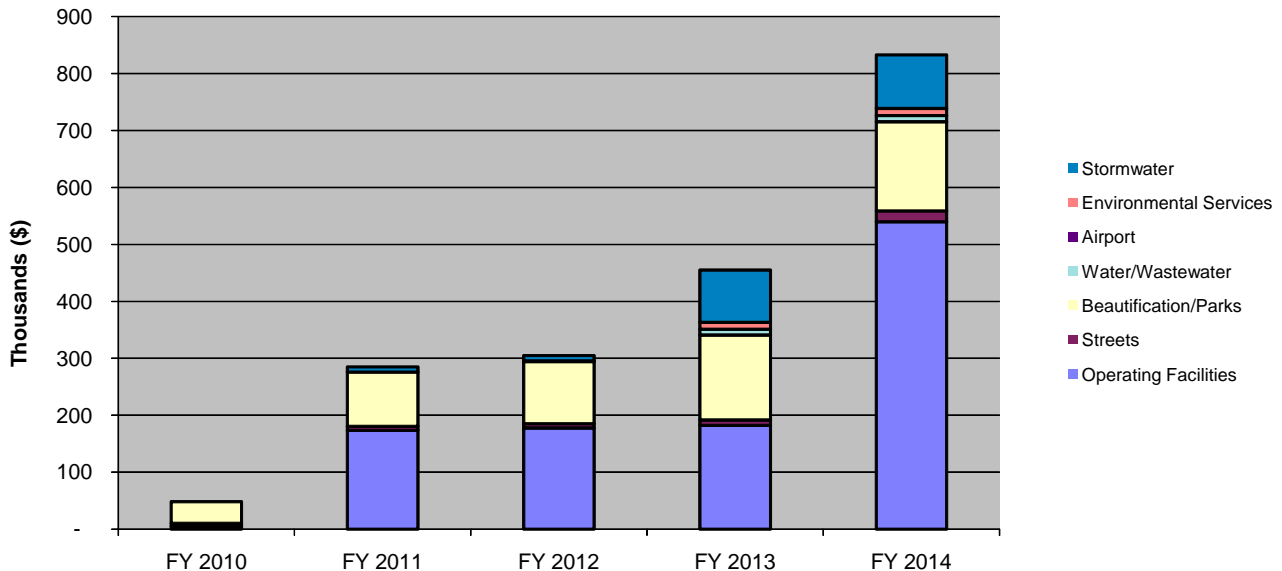
The Capital Improvement Plan (CIP) identifies the costs required to construct City facilities and infrastructure. However, the completion of these projects creates effects in continuing costs that must be absorbed in the operating budget. These costs include new personnel, maintenance, and various utilities needs. As the City develops the Capital Improvement Plan (CIP), attempts are made to identify and plan for operating costs resulting from the projects undertaken. The City is not anticipating any significant operational cost savings due to the Capital Improvement Plan (CIP).

When analyzing the fiscal impacts of the CIP, city staff invests considerable time in evaluating the necessary operating elements of each project. Staffing levels, including position classification, are analyzed and determined. Equipment needs and the cost of operations and maintenance are also looked at and estimated. Inflationary impacts are also factored into future operating costs.

The following table and graph shows the operating impact by project type and includes compounded increases due to expected project phases. A number of projects such as the Fire Stations and Business Incubator are included in the costs below and will require funds for maintenance and operations.

ESTIMATED OPERATING IMPACT BY PROJECT TYPE

<u>PROJECT TYPE</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Operating Facilities	\$ 5,000	173,300	177,600	182,000	539,600
Streets	4,900	7,100	7,300	9,500	19,000
Beautification/Parks	38,013	95,100	109,200	149,000	156,900
Water/Wastewater	-	-	-	10,300	10,600
Environmental Services	-	-	1,000	12,300	12,600
Stormwater	-	9,200	9,400	91,600	93,900
TOTAL	\$ 47,913	284,700	304,500	454,700	832,600



**CITY OF FLAGSTAFF
CAPITAL IMPROVEMENT PROGRAM LISTING
FISCAL YEARS 2011-2016**

	Budget 2009-2010	Estimate 2009-2010	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	Total Plan
General Government									
General Fund									
Cemetery Office Addition	\$ 140,000	-	140,000	-	-	-	-	-	140,000
Redevelopment	650,000	-	645,000	-	-	-	-	-	645,000
Arroyo Park Improvements	-	-	87,500	-	-	-	-	-	87,500
Jay Lively Reconstruction	-	500,000	1,500,000	-	-	-	-	-	2,000,000
Jay Lively Improvements	-	-	2,000,000	-	-	-	-	-	2,000,000
General Fund Bond Fund									
Fire Stations	2,295,284	1,731,727	2,765,530	19,721	-	-	-	-	4,516,978
Fire Training Tower	-	12,658	29,184	-	-	-	-	-	41,842
Aquaplex	9,500	60,222	-	-	-	-	-	-	60,222
FUTS/Open Space Land Acquisition	2,122,106	900,000	1,627,275	-	1,500,000	-	1,500,000	-	5,527,275
USGS Office/Lab	1,954,000	3,510	-	-	-	-	-	-	3,510
USGS 2010 SFO	-	-	1,578,000	10,000,000	10,000,000	10,000,000	-	-	31,578,000
Business Incubator	44,756	120,589	-	-	-	-	-	-	120,589
Incubator Expansion	-	-	2,500,000	-	-	-	-	-	2,500,000
Science Park Sewermain	500,000	-	500,000	-	-	-	-	-	500,000
Automotive Training School	3,000,000	-	-	-	-	-	-	-	-
Observatory Mesa	-	-	-	-	-	-	-	5,500,000	5,500,000
Parks Acquisition	-	-	-	-	1,000,000	1,000,000	-	-	2,000,000
Public Works Facility Study	27,300	291,281	-	-	-	-	-	-	291,281
2010 Potential Bond Projects	-	-	1,365,000	5,700,000	30,400,000	29,700,000	6,150,000	12,000,000	85,315,000
Aspen Place At Sawmill	1,759,656	472,285	26,210	-	-	-	-	-	498,495
Jay Lively - 2nd Sheet Ice	-	-	5,000,000	-	-	-	-	-	5,000,000
Presidio Subdivision	-	-	3,700,000	-	-	-	-	-	3,700,000
Total General Government	\$ 12,502,602	4,092,272	23,463,699	15,719,721	42,900,000	40,700,000	7,650,000	17,500,000	152,025,692

**CITY OF FLAGSTAFF
CAPITAL IMPROVEMENT PROGRAM LISTING
FISCAL YEARS 2011-2016**

	Budget 2009-2010	Estimate 2009-2010	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	Total Plan
Streets/Transportation									
Streets									
Minor Transportation Improvements	\$ 100,000	-	100,000	100,000	125,000	125,000	125,000	125,000	700,000
Presidio Roundabout	35,000	35,000	-	-	-	-	-	-	35,000
Sidewalk Replacement Program	15,000	5,716	15,000	15,000	15,000	15,000	15,000	15,000	95,716
Street Improvement Program	2,215,494	636,835	937,500	1,499,400	1,835,600	1,871,100	1,605,900	1,490,000	9,876,335
Overlay (Bonded Project)	3,670,000	2,990,678	-	-	-	-	-	-	2,990,678
Sunnyside Phase V	776,856	260,904	895,484	850,000	-	-	-	-	2,006,388
Ponderosa Parkway	2,100,000	1,249,029	785,223	-	-	-	-	-	2,034,252
Reserve for Improvements	40,000	33,520	40,000	40,000	50,000	50,000	50,000	50,000	313,520
Transportation									
Fourth Street Corridor Study	109,430	143,369	-	-	-	-	-	-	143,369
Miscellaneous Safe to School Project	100,000	10,535	100,000	100,000	100,000	100,000	100,000	100,000	610,535
Misc Bike/Pedestrian Improvements	100,000	-	100,000	100,000	100,000	100,000	100,000	100,000	600,000
Country Club Drive	2,180	2,180	-	-	-	-	-	-	2,180
Transportation Planning & Programing	100,000	98,245	115,000	100,000	100,000	100,000	100,000	100,000	713,245
Huntington Drive Improvements	2,496	4,552	-	-	-	-	-	-	4,552
Beulah Blvd Extension	497,200	497,320	468,600	-	-	-	650,000	2,550,000	4,165,920
Downtown Rail Crossing Modifications	139,960	208,796	21,318	-	-	-	-	-	230,114
Reserve for Transportation Improvements	125,000	112,500	125,000	144,700	151,900	159,500	167,500	175,900	1,037,000
Lake Mary Rd/Forest Highway 3	85,055	69,473	17,520	-	-	-	-	-	86,993
Industrial Drive/Fanning Wash	-	86,120	-	-	-	-	-	1,215,000	1,301,120
Brannen & Gabel Paving	80,681	33,784	416	-	-	-	-	-	34,200
West/Sixth Intersection	526,551	231,031	5,000	-	-	-	-	-	236,031
Industrial Drive-Fanning to Eagle Mtn Drive	855,720	734,729	-	-	-	-	-	-	734,729
Industrial Drive-Huntington to Purina	222,800	136,680	38,500	-	-	-	-	-	175,180
Steves Blvd Rail X-ing Study	124,317	70,628	-	-	-	-	-	-	70,628
Traffic Signal Program	297,500	392	304,608	-	302,500	-	332,750	-	940,250
West/Arrowhead Improvement	-	-	1,200,000	2,420,000	3,695,000	1,460,000	-	-	8,775,000
Mall Rt 66 Infrastructure	175,000	-	175,000	-	-	-	-	-	175,000
Lone Tree Overpass Study	215,000	238,787	-	-	-	-	-	-	238,787
Total Streets/Transportation	\$ 12,711,240	7,890,803	5,444,169	5,369,100	6,475,000	3,980,600	3,246,150	5,920,900	38,326,722

**CITY OF FLAGSTAFF
CAPITAL IMPROVEMENT PROGRAM LISTING
FISCAL YEARS 2011-2016**

Annual Financial Plan

345

City of Flagstaff

	Budget 2009-2010	Estimate 2009-2010	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	Total Plan
BBB FUNDS									
Beautification									
Streetscape									
Special Projects & Unprogrammed Work	\$ 50,000	20,262	49,740	50,000	50,000	-	-	-	170,002
Historic Facades	83,529	-	83,529	-	-	-	-	-	83,529
Neon Corridor/Route 66 Preservation Project	127,420	78,854	135,788	-	-	-	-	-	214,642
US 89 Railhead to Snowflake	-	19,200	-	-	-	-	-	-	19,200
Redevelopment Opportunity	50,000	50,000	-	-	-	-	-	-	50,000
Rt 66 - South of the Tracks Screening	88,585	77,013	-	-	-	-	-	-	77,013
Woodlands/Beulah Medians	875,000	98,420	810,530	-	-	-	-	-	908,950
Southside Plan - Beaver San Francisco	685,450	602,956	1,485,945	-	-	-	-	-	2,088,901
City Hall Flower Beds	-	-	59,526	-	-	-	-	-	59,526
Plaza Vieja Gateway	-	21,203	-	-	-	-	-	-	21,203
Rt 66 North Side Streetscape	280,000	-	280,000	-	-	-	-	-	280,000
4th Street Corridor North - Study	200,000	203,482	46,518	-	-	-	-	-	250,000
Chamber Plaza	75,000	-	-	75,000	-	-	-	-	75,000
E. Flag TI ADOT Corridor	-	29,338	-	-	-	-	-	-	29,338
City Hall Lawn	-	-	50,000	-	-	-	-	-	50,000
4th Street Neighborhood Gateway	-	-	100,000	-	-	-	-	-	100,000
Neighborhood Gardens	-	-	40,000	-	-	-	-	-	40,000
Butler Medians Phase III	-	-	100,000	100,000	100,000	-	-	-	300,000
4th Street Corridor Improvements	-	-	200,000	225,000	225,000	-	-	-	650,000
FUTS									
Special Projects & Unprogrammed Work	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	350,000
FUTS Signage Program	350,000	100,000	250,000	-	-	-	-	-	350,000
Route 66 East - Country Club to Mall Trail	345,000	100,000	526,040	-	-	-	-	-	626,040
Arizona Trail - Rt 66 to McMillan Mesa	-	15,326	32,674	252,000	-	-	-	-	300,000
Rio North - Crescent to Observatory Mesa	424,272	99,849	-	-	-	-	-	-	99,849
Route 66 - Rio North to San Francisco	598,179	516,303	16,044	-	-	-	-	-	532,347
Santa Fe - West Village to Walnut BNSF	-	-	-	100,000	200,000	-	-	-	300,000
Hopsital Rim FUTS Trail	60,000	10,000	135,000	-	-	-	-	-	145,000
Rio North - Blue Willow to Hwy 180	4,360	3,835	-	-	-	-	-	-	3,835
Country Club FUTS Trail	11,445	11,445	30,000	100,000	540,000	-	-	-	681,445
Sixth Avenue Connector	-	-	36,000	163,360	-	-	-	-	199,360
Arrowhead Connector	-	-	18,000	81,180	-	-	-	-	99,180
Brannen Connector	-	-	-	-	40,000	-	-	-	40,000
Museum Connector	-	-	15,000	40,000	-	-	-	-	55,000
Cedar Trail - Turquoise Dr to AZ Trail	240,000	134,000	-	-	-	-	-	-	134,000
Linda Vista FUTS Connector	10,000	14,000	161,000	-	-	-	-	-	175,000
Switzer Mesa Trail - Forest to AZ Trail	100,000	85,000	-	-	-	-	-	-	85,000
Switzer Canyon FUTS Trail	100,000	20,000	380,000	-	-	-	-	-	400,000
Downtown Underpass	-	-	20,000	200,000	325,000	-	-	-	545,000
Mall Transfer Center Trail Realignment	-	-	75,000	-	-	-	-	-	75,000
Picture Canyon Mall to County	-	-	-	-	-	50,000	150,000	200,000	400,000
Florence - Walnut Underpass	-	39,488	452,048	408,464	-	-	-	-	900,000
Sheep Crossing-Ponderosa Tr-Soldiers Tr	-	-	-	50,000	150,000	-	-	-	200,000
High Ctry Tr. Wild West - Lk Mary Rd	-	-	-	-	-	50,000	150,000	150,000	350,000
Hilltop Connector	-	-	-	-	50,000	50,000	-	-	100,000

**CITY OF FLAGSTAFF
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FISCAL YEARS 2011-2016**

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BBB FUNDS									
FUTS (Cont'd)									
Marshall Tr-Fort Valley-Rio North Tr	\$ -	-	-	-	100,000	120,000	-	-	220,000
Woodlands Tr - Rt 66 - Santa Fe West Tr	-	-	-	-	-	200,000	-	-	200,000
Lake Mary - Wild West to JW Powell	-	-	-	-	-	-	100,000	200,000	300,000
Rio North - Crescent Bridge	-	182,185	296,433	-	-	-	-	-	478,618
Lonetree - Sawmill Rd - Sinclair Wash	-	-	-	70,000	-	-	-	-	70,000
Total BBB	\$ 4,808,240	2,582,159	5,934,815	1,965,004	1,830,000	520,000	450,000	600,000	13,881,978

**CITY OF FLAGSTAFF
CAPITAL IMPROVEMENT PROGRAM LISTING
FISCAL YEARS 2011-2016**

	Budget 2009-2010	Estimate 2009-2010	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	Total Plan
Water/Wastewater									
Water									
Lake Mary Utility Relocate	\$ 90,436	27,028	73,109	-	-	-	-	-	100,137
Purchase of Property Rights - Watershed	-	-	-	20,000	20,000	20,000	20,000	20,000	100,000
Stonehouse Pumphouse	500,000	396,419	200,000	-	-	-	-	-	596,419
Benton/SF Alley/Elden Waterline	17,100	-	17,100	-	-	-	-	-	17,100
Beaver Street WL (Phoenix/Dupont)	3,000	-	-	-	-	-	-	-	-
Inner Basin Pipeline	40,000	43,333	76,388	-	-	-	-	-	119,721
Reserve for Improvements	100,000	4,318	50,000	50,000	50,000	50,000	50,000	50,000	304,318
Town Well #5	77,632	81,081	-	-	-	-	-	-	81,081
Water Optimization Study	-	3,872	-	-	-	-	-	-	3,872
Railroad Springs Reservoir	500,000	50,000	450,000	-	-	-	-	-	500,000
Red Gap Improvements (Grant)	-	30,060	-	-	-	-	-	-	30,060
Water Wells Production - Bond	1,738,030	297,346	1,472,826	-	-	-	-	-	1,770,172
Future Water Rights	1,822,362	3,023,535	1,000,000	1,300,000	1,005,000	-	-	-	6,328,535
Chlorine Dioxide	36,000	31,987	10,833	-	-	-	-	-	42,820
Water Resource Sustainability Study	-	24,000	276,000	-	-	-	-	-	300,000
	\$ 4,924,560	4,012,979	3,626,256	1,370,000	1,075,000	70,000	70,000	70,000	10,294,235
Wastewater									
WC Treatment Upgrade/Rec Conn	550,000	346,802	180,000	-	-	-	-	-	526,802
Picture Canyon	330,328	15,328	315,000	-	-	-	-	-	330,328
Westside Interceptor Improvements	15,432	-	15,432	-	-	-	-	-	15,432
Bushmaster Reclaim Line	37,726	-	-	-	-	-	-	-	-
McMillan Mesa Sewer Upsize	-	2,379	-	-	-	-	-	-	2,379
Mall Reclaim Booster	80,000	-	80,000	-	-	-	-	-	80,000
Xeriscape Projects	8,321	1,304	3,772	-	-	-	-	-	5,076
Reserve for Improvements	195,354	-	50,000	50,000	50,000	50,000	50,000	50,000	300,000
	\$ 1,217,161	365,813	644,204	50,000	50,000	50,000	50,000	50,000	1,260,017
Total Water And Wastewater	\$ 6,141,721	4,378,792	4,270,460	1,420,000	1,125,000	120,000	120,000	120,000	11,554,252

**CITY OF FLAGSTAFF
CAPITAL IMPROVEMENT PROGRAM LISTING
FISCAL YEARS 2011-2016**

	Budget 2009-2010	Estimate 2009-2010	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	Total Plan
Airport									
Land Acquisition	\$ -	2,280,099	-	-	-	-	-	-	2,280,099
Glycol Recovery Projects	-	-	-	-	-	638,700	-	-	638,700
Non-Revenue Parking Design	-	-	-	-	-	777,000	-	-	777,000
Non-Revenue Parking	-	-	-	-	-	-	8,070,375	-	8,070,375
Rehab Taxiway Reconstruct	5,505,521	-	5,505,521	-	-	-	-	-	5,505,521
Terminal Security Enhancements	-	39,109	-	-	-	-	-	-	39,109
Terminal Access Rd Reconstruct Pulliam Dr	-	-	3,159,061	-	-	-	-	-	3,159,061
Pavement Marking Installation	376,500	-	376,500	-	-	200,000	-	-	576,500
Westplex Taxilane - Design	-	-	-	554,318	-	-	-	-	554,318
Rehab Taxiway - Westplex	-	-	-	2,878,732	2,878,732	-	-	-	5,757,464
Apron Reconstruction	-	-	223,710	-	173,118	-	-	-	396,828
Total Airport	\$ 5,882,021	2,319,208	9,264,792	3,433,050	3,051,850	1,615,700	8,070,375	-	27,754,975

**CITY OF FLAGSTAFF
CAPITAL IMPROVEMENT PROGRAM LISTING
FISCAL YEARS 2011-2016**

	Budget 2009-2010	Estimate 2009-2010	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	Total Plan
Environmental Services									
Maintenance Building	\$ -	-	75,000	-	100,000	-	-	-	175,000
Stormwater Infrastructure	-	-	10,000	10,000	10,000	10,000	-	-	40,000
Methane Gas Collection Wells	-	-	-	-	-	-	300,000	2,000,000	2,300,000
Road Extension	-	-	-	-	70,000	-	-	-	70,000
Cinderlake Residential Drop-Off	-	-	-	-	-	-	-	100,000	100,000
Fueling Station-Project #414501	-	-	-	275,000	-	-	-	-	275,000
MRF Retrofit for Glass Recycling	300,000	-	300,000	-	-	-	-	-	300,000
Cell Preparatrimon Fees	-	-	-	-	-	-	-	1,800,000	1,800,000
Total Environmental Services	\$ 300,000	-	385,000	285,000	180,000	10,000	300,000	3,900,000	5,060,000

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CAPITAL IMPROVEMENT PROGRAM LISTING
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	Budget 2009-2010	Estimate 2009-2010	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	Total Plan
Stormwater Utility									
Drainage Spot Improvement	\$ 335,000	66,623	782,282	370,000	360,000	350,000	340,000	310,000	2,578,905
Rio De Flag Project	6,138,290	2,718,477	3,450,222	-	-	-	-	-	6,168,699
Rio Parking Replacement	1,200,000	-	1,200,000	-	-	-	-	-	1,200,000
Total Stormwater Utility	\$ 7,673,290	2,785,100	5,432,504	370,000	360,000	350,000	340,000	310,000	9,947,604

FINANCING THE CAPITAL PLAN

The major sources of financing capital improvements in the upcoming fiscal year are:

Operating Funds	55.5%
Debt Financing	25.0%
Grants	19.5%

The rating agencies (Standard and Poors' Corp. and Moody Investors, Inc.) view 15% from operating funds as highly favorable. The City currently is financing 55.5% of its CIP out of operating funds. However, because of large funding requirements, debt financing still continues to be the major source of financing for capital improvements. A brief description of the major types of financing available and limitations as to use is presented below.

GENERAL OBLIGATION (G.O.) BONDS

Bonds issued as general obligations of the City are secured by the full faith and credit of the City through its power to tax. In order for bonds to be issued, voter authorization must be obtained. Debt service (payment of principal and interest) is to be paid from the proceeds of ad valorem taxes, i.e., property taxes. The Arizona Constitution and State Statutes limit the indebtedness that a jurisdiction may incur by the type of project constructed. The City can issue G.O. bonds up to 20% of the secondary assessed valuation for projects involving water, sewer, artificial lighting, parks, open space, recreational facilities, public safety, law enforcement, fire and emergency services, and street and transportation facilities. For all other general-purpose improvements, the City may issue up to 6% of its secondary assessed valuation. The City has elected to use this option. \$31.6 million is outstanding on July 1, 2010, and the City has \$51.8 million in available capacity at the 6% debt margin and \$141.3 million in available capacity at the 20% debt margin as of July 1, 2010.

HIGHWAY USER REVENUE (HURF) BOND

The State distributes a share of the motor vehicle fuel tax to cities based partially on population (50% of allocation) and partially on jurisdiction of origin. This special revenue source can only be used for maintenance or construction of streets and highways. Special revenue bonds can be issued for construction of street projects, with the gas tax revenues pledged as a source of debt repayment. The annual total debt service, both principal and

interest, cannot exceed 50% of the HURF distribution received for the most recent twelve month period by the City. The City does not have any outstanding HURF Bonds.

JUNIOR LIEN BONDS PAYABLE FROM HIGHWAY USER TAX REVENUES

In order for the City to issue junior lien bonds, the City must have received Highway Users Tax Revenues in the twelve months preceding the issuance of the bonds in an amount equal to 1.5 times the highest annual debt service requirements (principal and interest) on all HURF bonds outstanding. Additionally, if coverage is not at least two times the highest debt service requirements, then the proposed bonds must bear a rating at the time of the issuance of "A" or better by one of the nationally recognized rating agencies. The City issued \$5.2 million of junior lien bonds in FY 1993 and \$3.3 million is outstanding as of July 1, 2010. The City may issue any combination of junior and senior lien bonds as long as the coverage requirements are satisfied. Approximately \$26.2 million in capacity is currently available in junior lien bonds or as senior lien bonds.

WATER AND SEWER REVENUE BONDS

In addition to water/sewer G.O. bonds, the City can sell bonds that pledge utility revenues. Debt service requirements are paid from the net revenue derived by the City from the operations of its water and sewer system after provision has been made for the payment from such revenues of the reasonable and necessary expenses of the operation and maintenance of such systems. Therefore, there is no legal limitation on indebtedness that can be incurred; rather, there is only the practical limitations imposed by what the utility rate structures will support.

The \$40.7 million authorized by voters in November 1990 can be either G.O. bonds or revenue bonds. G.O. bonds accounted for \$33.9 million of the issuance, with \$5.7 million outstanding at July 1, 2010. The \$6.8 million remaining authorization was sold in FY 2003 through the Water Infrastructure Financing Authority (WIFA), with \$4.6 million outstanding at July 1, 2010. The City is pledging the revenue of its water and wastewater system. Of the \$46.6 million authorized by voters in 2004, \$44.2 has been issued, with \$38.0 outstanding at July 1, 2010.

SPECIAL IMPROVEMENT/ASSESSMENT DISTRICTS

Special improvements/assessments are a means of financing services or capital improvements that benefit specific property owners more than the general public. Majority consent must be obtained from the property owners within the designated geographic assessment district. The property owners are then levied a supplemental property tax assessment for their share of the costs of the improvements. The City issued \$19.1 million of Aspen Special Improvement Debt related to Sawmill as of July 1, 2010. \$18.6 million is outstanding.

MUNICIPAL FACILITIES CORPORATION (MFC) BONDS

The Flagstaff Municipal Facilities Corporation, Inc. (MFC) is a not for profit corporation over which the City exercises significant oversight authority. It was formed to assist the City in acquiring land and constructing improvements thereon, constructing and acquiring improvements upon land owned by the City, and in any other way incurring expenses to improve the use of presently owned facilities, or as they may be expanded in the future. The City Charter requires that to construct projects, with the exception of utilities, public safety and street facilities in excess of \$1 million require voter approval. The \$1 million limit is adjusted annually by the consumer price index at July 1 of each year. The estimated amount July 1, 2010 is \$2 million.

The Corporation finances various projects for the benefit of the City by issuing MFC bonds. Bonds may be issued without voter approval and without limitation as to interest rate or amount. The City enters into a rental lease agreement with the corporation sufficient to service the debt on the MFC bonds. The bonds are made marketable by assuring, prior to entering into any lease agreement with the MFC, the City will maintain an excise, transaction privilege, and franchise tax base at least three times the maximum annual debt service.

Most municipalities in Arizona have utilized this method of financing to construct major public projects such as municipal complexes, civic centers, and sports complexes. In September 1997, voters approved \$4.7 million in MFC Bonds for the construction of a facility to be leased by USGS. The City issued these bonds in FY 2001 and \$2.4 million is still outstanding. In May 2000, the City received voter authorization to issue \$25 million in bonds for the construction of an overpass at 4th Street. The City issued these bonds in FY 2004, and \$17.5 million is still outstanding.

The City received voter authorization to issue \$61.2 million in bonds for the construction of a business incubator and USGS office/lab building. The City issued \$3.4 million in FY 2010, and \$3.3 million is still outstanding.

CERTIFICATES OF PARTICIPATION

This type of financing is often used for lease purchases and is very similar to bond financing. An official statement for the certificates is prepared, which very closely resembles bond-offering statements. Proceeds from the certificates are remitted through a trust and per the lease agreement to the lessor. Lease payments are made to the trustee who then remits the appropriate funds to the certificate holders. Additionally, the trust holds an assignment agreement with the lessor to protect the investors. Certificates of Participation are often brokered through private placements to hold down issuance costs. The City will be issuing Certificates of Participation to fund the local economic stimulus package which includes the Street Overlay Program. The City issued \$4.9 million in FY 2010, all of which is outstanding on July 1, 2010.

LEASE FINANCING

Under this type of debt financing, a governmental entity enters into a contractual arrangement with the issuer to construct or otherwise acquire facilities and/or equipment that is needed by the entity. Ordinarily, all operation and maintenance costs are the responsibility of the lessee (borrower).

The lease terms are generally structured such that the rental payments are sufficient to meet debt service costs as well as any administrative expenses. Usually a reserve fund is set-aside at inception as security to obtain a competitive interest rate.

Typically, lease financing is used for acquisition of major capital equipment, e.g., computer systems, fire apparatus, which are very expensive and have a useful life greater than five years but typically are not expected to have a useful life as long as the terms of bonds issued.

GRANTS

Grants are contributions of cash or other assets from another governmental entity to be used or expended for a specified purpose, activity, or facility. Grants can be either capital grants or operating grants. Capital grants are for the acquisition or construction of fixed assets and usually require some local effort match. All other grants are considered operating grants. Grants have specific compliance requirements including prescribing the activities allowed and not allowed, eligibility requirements, matching level of effort or earmarking requirements, reporting requirements, and special provisions to be taken into consideration.

The current expansion at Pulliam Airport is being financed with proceeds from the sale of airpark property and ADOT and FAA grants. Major funding for the City's various affordable housing programs is provided through HOME and Community Development Block grants. The City has also received major funding for a streetscape project under the ISTEA (Intermodal Surface Transportation Efficiency) grant.

Block Grant Programs: The Federal government distributes grant funds under eight omnibus block grant programs. With the 1995 Census, HUD designated Flagstaff as an Entitlement Community. This designation allows the City to receive funding directly from HUD. These funds will be used primarily for low income housing repair and construction and infrastructure in low-income neighborhoods.

INTERGOVERNMENTAL AGREEMENTS (IGA)

Infrastructure needs may, at times, overlap different jurisdictional boundaries. Jurisdictions then often enter into an IGA for the construction and proportionally shared payment of the project. One jurisdiction will act as primary lead agent for project management purposes. The Transportation Regional Plan and Storm Drainage Master Plan, in particular, may often require coordinated efforts between the City, Arizona Department of Transportation (ADOT) and Coconino County.

STATE REVOLVING LOAN FUND

Arizona has established a revolving fund empowered to accept Federal capitalization grants for publicly owned wastewater treatment projects pursuant to the Federal Water Pollution Control Act and Water Quality Act. In order to qualify for the Federal monies, the State must match a 20%

contribution into the fund. The WIFA that issues bonds that are then lent to different governmental entities to finance projects manages Arizona's fund. Projects are submitted to WIFA for review, and prioritization. Based on this compilation, projects are then eligible for funding.

Another loan program available through the State is the Arizona State Transportation Board's Airport Revolving Loan Program. The loans are provided for airport-related construction projects not eligible for federal funding or under other programs and are designed to improve airport self-sufficiency.

PAY AS YOU GO FINANCING

Projects funded on a pay as you go basis derive their financing from current revenue streams or prior savings that have been kept in fund balance. This method of financing eliminates the need for borrowing and thereby preserves debt capacity for other purposes. Costs are lower because non-debt financing does not incur interest costs. The major drawbacks of pay as you go financing include inadequacy of funds available (taxes, reserves); erratic impact on rate structures (water/sewer rates); legislative approval (formation of improvement district); and political difficulties (impact fees or other exactions).

The City is currently funding 55.5% of capital improvements on a pay as you go basis. Capital improvements that are considered ongoing improvements and maintenance required expenditures are built into the rate structure of the two enterprise funds (Utilities and Environmental Services). Additionally, the City has sinking reserve funds for landfill closure.

UNFUNDED PROJECTS

Projects that do not have a funding source are classified as unfunded City capital projects. These projects are evaluated annually as changes in funding occur and estimates are revised as well as changes in priorities for the City. The following schedule is a list of the current unfunded projects through FY 2021.

UNFUNDED CAPITAL PROJECTS

FY 2011 - 2021

The following is a list of projects that currently do not have a funding source and are therefore unfunded City capital projects at this time. This list is updated annually as changes in funding occur and estimates are revised as well as changes in priorities for the City.

	<u>Estimated Cost</u>
GENERAL GOVERNMENT	
Police Department	
P25 Trunked Radio System	\$ 4,700,000
Police Administration Facility Expansion	2,650,000
Joint City/County Evidence Storage	2,000,000
Fire Department	
Apparatus Replacement Program	5,517,000
Training Center Improvements	1,250,000
Station Re-Models & Administration Space	950,000
Municipal Facilities	
Municipal Courts Facility	23,000,000
Municipal Services Facility	42,000,000
Downtown Parking Garage	25,000,000
ECONOMIC VITALITY	
Community Design/Streetscape	
North Fourth Street Corridor Improvements	12,500,000
Tourism/Visitor Services	
Visitor Center Platform Reconstruction	323,000
COMMUNITY ENRICHMENT	
Recreation	
Aquaplex Expansion - 25 meter	10,000,000
Competitive Pool - 50 meter	20,000,000
Cogdill Recreation Center Structural Renovations	1,000,000
Enclosed Tennis Courts/Flag Recreation Center	1,000,000
Flagstaff Soccer Complex - Christiansen Parcel	4,000,000

PUBLIC WORKS	<u>Estimated Cost</u>
Parks	
Arroyo Park Improvements	\$ 1,302,500
Buffalo Park Improvements	1,263,800
Bushmaster Park Land/Expansion	1,894,200
Cheshire Park Improvements	5,296,300
Christiansen Park Development	9,297,500
Clay Basin West Park Development	13,050,000
Continental Regional Park Phase I	29,146,200
Continental Regional Park Phase II	15,260,300
Joe Montalvo Park Improvements	986,600
Lake Mary Regional Park Development	23,938,800
McPherson Park Improvements	1,579,700
Thorpe Park Improvements Phase II	9,629,700
Wheeler Park Re-Design	1,084,600
Woodlands Village Park Land Acquisition	4,380,000
Ft. Tuthill Park Land Acquisition/Snow Play	TBD
Cemetery	
Cemetery Entrance	680,000
Streets	
Sunnyside Neighborhood Improvements	8,100,000
Unfunded Street Pavement Preservation	20,000,000
Historic East Route 66 Overlay Rehab	3,500,000
TRANSPORTATION	
Lone Tree Corridor	
Route 66 to Butler Avenue	50,000,000
Butler Avenue to Pine Knoll	3,800,000
Pine Knoll to J. Wesley Powell Blvd	47,900,000
Milton Road Corridor Improvements	13,000,000
Riordan Ranch Street Backage Road	2,000,000
Yale/Plaza Way/Metz Walk Backage Road	3,000,000
Beulah Blvd - Airport T.I. to Lake Mary Road	14,000,000
Fourth Street/I-40 Overpass & Roadway	10,000,000
J. Wesley Powell Blvd - Airport to Lake Mary Road	8,000,000
Woody Mountain Loop - Route 66 to I-17	28,000,000
I-17/Woody Mountain Road Traffic Interchange	23,300,000
J. Wesley Powell Blvd - Lake Mary Road to South Fourth Street	25,000,000
East Butler Avenue Extension to Section 20	15,000,000
Empire Avenue Extension to East Route 66	10,700,000

	<u>Estimated Cost</u>
URBAN TRAILS	
Bow & Arrow Trail - Lone Tree to AZ Trail	\$ 75,000
Fourth Street Trail - Huntington to Butler	600,000
Foxglenn Trail - Rio South Trail to Harold Ranch Road	600,000
Sante Fe West Trail - Walnut to Rio	1,050,000
UTILITIES	
Water	
Water Resources-wells, RGR (7 projects)	24,800,000
Water Treatment-LMWTP (17 projects)	9,054,108
Water Storage Tanks (3 projects)	1,775,000
Water Transmission (5 projects)	8,266,600
Water Distribution (28 projects)	32,607,708
Water Planning and Master Plans (2 projects)	450,000
Wastewater	
Wastewater Collection System (15 projects)	16,494,495
Wastewater Interceptor (2 projects)	1,400,000
Wastewater Treatment Plant Improvements (14 projects)	23,337,012
Wastewater Planning and Master Plans (2 projects)	600,000
Reclaimed Water	
Reclaimed Water Storage (1 project)	2,000,000
Reclaimed Water Distribution (5 projects)	3,345,190
Stormwater	
Rio de Flag Flood Control (partially funded)	15,000,000
Rio de Flag Parking Replacement (partially funded)	3,800,000
TOTAL UNFUNDED PROJECTS	<u>\$ 705,235,313</u>