

## **IMPACT OF THE CIP ON THE OPERATING BUDGET**

Glendale's operating budget is directly affected by the CIP. Almost every new capital improvement entails ongoing expenses for routine operation, repair and maintenance upon completion or acquisition. Also, many new capital facilities require the addition of new positions. Existing city facilities and equipment that were once considered state-of-the-art will require rehabilitation, renovation or upgrades to accommodate new uses and/or address safety and structural improvements. Older facilities usually involve higher maintenance and repair costs as well. Pay-as-you-go capital projects, grant-matching funds, a portion of the debt service payments for HURF bonds and lease/purchase capital expenses also come directly from the operating budget.

The costs of future operations and maintenance for new CIP projects are estimated by each department based on a detailed set of cost guidelines that is provided to all departments each year. These guidelines are updated annually in conjunction with the various departments that are experts on different types of operating costs. For instance, in FY 2008 the estimated operating cost for capital facilities were as follows:

- \$0.143/sq. ft. for building water usage;
- \$0.18/square foot annually to maintain (including water and electricity) most street medians and right of way landscaping; and
- \$1.00/sq. ft. to \$2.50/sq. ft. annually for electrical costs in a building.

These operating costs are carefully considered in deciding which projects move forward in the CIP because it is not possible for the city to fund concurrently several large-scale projects that have significant operating budget impacts. Implementation timetables are established that stagger projects over time. Council reviews operating and maintenance costs associated with capital projects scheduled to come on-line in the upcoming fiscal year during the budget workshops it conducts each spring. Departments are required to submit a supplemental request to receive funding. Supplemental requests for CIP operating and maintenance costs are balanced against other requests for additional funding.

CIP projects involving land acquisitions in anticipation of future needs increase costs in the operating budget. These parcels can mean maintenance costs related to fencing, security, weed control, etc. until the land is needed for new parks, libraries, water treatment facilities, etc. However, given the growth in assessed valuation over recent years, it would cost the city much more to buy needed land after an area has been fully developed.

Many improvements make a positive contribution to the fiscal well being of the city. Capital projects such as redevelopment of under-performing or under-used areas of the city, and the infrastructure expansion needed to support new development, help promote the economic development and growth that generates additional operating revenues. These new revenue sources provide the funding needed to maintain, improve and expand the city's infrastructure.



The table below summarizes the projected cumulative impact of the CIP on the city's operating budget for the upcoming four years, by category. Detailed operating cost estimates are included in the project detail section of the CIP. If applicable, each project contains an operating and maintenance description, as well as a projection for the operating costs for the first five years and a five-year aggregate estimate for the second five years for personnel, supplies, utilities, insurance, etc. Projects coming online in FY 2009 received operating and maintenance funding through the normal supplemental process.

### Operating Impact by CIP Project Type

(All Dollars in Thousands)

Project Type	FY 09-10	FY 10-11	FY 11-12	FY 12-13
Water & Sewer Projects	\$716	\$1,912	\$3,700	\$3,811
Transportation Sales Tax Projects	\$484	\$542	\$825	\$887
All Other Transportation Projects (DIF, HURF & Streets)	\$86	\$98	\$101	\$104
Park Projects	\$404	\$358	\$371	\$384
Library Projects	\$0	\$2,500	\$2,575	\$2,652
Public Safety Projects	\$4,706	\$6,690	\$6,891	\$7,133
Landfill Sanitation Projects	\$130	\$206	\$212	\$874
Economic Development Projects	\$2	\$2	\$2	\$0
Other Projects	\$426	\$460	\$585	\$621
<b>TOTAL Operating Impact</b>	<b>\$6,954</b>	<b>\$12,769</b>	<b>\$15,262</b>	<b>\$16,465</b>