

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 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, the FY 2010 – 2019 CIP reflects the following estimated operating cost for capital facilities:

- between \$1.25 and \$3.00 per sq ft annually for electrical costs in a building;
- between \$2.00 and \$3.00 per sq ft annually for building maintenance, including HVAC, plumbing, electrical and structural repairs;
- \$2.07 per sq ft annually for custodial services;
- \$0.157 per sq ft annually for building water usage;
- \$341.26 per month for refuse (two 6 yard containers picked up three times a week);
- \$639.00 for insurance for each new General Fund FTE;
- Landscaping:
 - Maintenance/Water: \$0.0927/\$0.0495 per sq ft;
 - ROW Maintenance/Water: \$0.1146/\$0.0654 per sq ft (includes electrical);
- Vehicles annual replacement contributions, maintenance and fuel costs:
 - ½-Ton Pickup: \$1,971 annual replacement cost, \$0.27/\$0.25 per mile maintenance/gas;
 - Mid-Size Sedan: \$2,428 annual replacement cost, \$0.26/\$0.17 per mile maintenance/gas;
- Technology annual replacement contributions:
 - Desktop Computer: \$664.00;
 - Laptop Computer: \$725.00;
 - Color Printer: \$839.00.

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. Therefore, 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 annual spring budget workshops. 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 operating budget costs. Vacant 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. Even with these costs, it often is more cost effective to purchase land before 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. In most instances a inflation rate of 3% is figured into the ongoing operating and maintenance costs each year.

Operating Impact by CIP Project Type

(All Dollars in Thousands)

Project Type	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Water & Sewer Projects	\$701	\$782	\$816	\$234
Transportation Sales Tax Projects	\$416	\$460	\$505	\$570
All Other Transportation Projects (DIF, HURF & Streets)	\$37	\$38	\$40	\$41
Park Projects	\$9	\$11	\$14	\$16
Public Safety Projects	\$142	\$146	\$1,391	\$1,086
Landfill Sanitation Projects	\$0	\$0	\$791	\$1,055
Economic Development Projects	\$5	\$6	\$6	\$6
Other Projects	\$232	\$320	\$403	\$344
TOTAL Operating Impact	\$1,543	\$1,764	\$3,965	\$3,353
