

# OVERVIEW

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## Capital Improvement Budget Overview

The Fiscal Years 2019-2023 Capital Improvement Program (CIP) is a multi-year plan for capital expenditures to replace and expand the City's infrastructure, vehicles and equipment. For program purposes, the City defines a capital improvement as a major improvement or acquisition costing over \$50,000 that will last 10 years or more. The City of Memphis' capital projects that are paid with G.O. bonds align with Tennessee Code Annotated (TCA) 9-21-105(21). This code identifies "public works projects" eligible for bond funding. Included in the definition of public works project are moving vehicles, including ambulances, fire department equipment, and law enforcement equipment. As such, vehicles are included in the capital plan as they are purchased in quantities exceeding \$50,000 and meet the definition of a public works project. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources.

The purpose of the CIP Plan is to outline the funding for capital projects and capital acquisitions that will be of a long-term benefit to the citizens of Memphis. Because projects in the CIP Plan have long-term benefits, they are financed over a longer period of time. As a result, present and future users pay for the projects.

The Capital Improvement Budget is the annual allocation that is set aside to fund major construction projects, acquire property, purchase equipment and fund ongoing capital programs for the City. The CIP Budget is a one-year allocation. Adoption of the CIP Budget, by the City Council, allows for the allocation of funds for the first year of the program, or in the case of carried forward projects, a reallocation of unappropriated funding. There are various sources of funding capital, however, General Obligation Bonds (G.O.) is the primary source. The City's budget reflects the overage expected amount of G.O. Bond debt to be retired in FY 2019. Specific language on how to appropriate and spend construction funds is contained in the CIP Resolution.

The City's total Capital Budget is \$173.0 million in total allocations for FY 2019. Listed below are the major sources of Capital Funding.

### Long Term Debt

General Obligation Bonds are \$85.7 million or 49.53% of the total allocation for FY 2019.

### Federal Grants / State Grants

The majority of these Federal funds are for Memphis Area Transit Authority (MATA) projects and Public Works projects that qualify for Federal grants. State grants represent the State-matching portion of the MATA funds and Public Works projects that qualify for State funds. Additional State funding is budgeted for the State Street Aid (SSA) fund. There are no federal and state grants for FY 2019. The federal and state funding represented in this book are carry forward amounts from previous years.

### Capital Disposition

Capital Disposition funds represent the proceeds from the sale of City assets (primarily buildings) that will be re-purposed for other building needs. Capital Disposition is \$4.0 million or 2.32% of the total allocation for FY 2019. Currently, Fire Station relocations are the primary focus for re-purposed capital disposition funds.

### Capital Pay-Go

The Sewer Fund and the Storm Water Fund current projects are currently funded by Capital-Pay-Go. Projects funded by "Capital-Pay-Go" allocations represent internally generated funds. Capital Pay Go is \$83.3 million or 48.15% of the total allocation for FY 2019.



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## Carry Forward Funding

Projects allocated in previous years' Capital Budgets, that have been delayed, may be carried forward into the next fiscal year, according to the priorities of the administration for spending in the new plan. Carry forward funds represent \$350.5 million. These are approved unspent allocations from prior years CIP plans. These projects could not be appropriated within the prior year because the time frame for completion was greater than one year. Unspent allocations are shown as carry forward funding within their respective Divisions.

## Capital Improvement Budget Highlights

The City's planned CIP spending aligns with current priorities that focus on projects that enhance the City's economic development strategy, leverage federal or private funding, projects that maintain existing facilities, or are mandated by law. The FY2019 CIP Budget for General Obligation Bond (G.O.) spending is \$85.7 million. This budget increases G. O. funding for the MATA by \$1.8 million to address the Advanced Public Transportation System project. The CIP budget also includes \$11.0 million towards the radio system upgrade for Police and other City Of Memphis safety divisions. The radio system upgrade will be ongoing for a couple of additional years until completion. In the area of Housing and Community Development \$6.0 million is included for HOPE VI. This project will remove the last public housing project in the City (Foote Homes). There is a continued emphasis on road paving of which \$19 million in G.O. Bond funding is proposed. Finally, increased funding in Information Technology is budgeted for replacement of the Treasury Computer System. Major highlights by Division are listed below:

**Fire Division** – Funding from G.O. bonds and Capital Disposition funding is proposed for construction and relocation of fire stations in the amount of \$4.0 million.

**General Services Division** - Funding will provide for major ADA improvements, and minor improvements to various City buildings. This budget also reflects \$9.8 million for City-wide vehicle and equipment purchases.

**Housing and Community Development** - Funding included for MHA-Foote Future Hope VI City initiative is a G.O. Bond match of \$6.0 million against federal funds.

**Information Systems** – Funding will provide for a complete replacement of the City's obsolete treasury computer system (\$2.5 million).

**Engineering Division** - Funding of \$1.6 million is included for the replacement of traffic signals, traffic speed humps, and other transportation improvements.

**Memphis Area Transit Authority** - This budget is heavily leveraged by Federal and State funding and includes infrastructure repairs, purchase of rail vehicles, and funding for an Advanced Public Transportation System, totaling over \$8.8 million.

**Parks and Neighborhoods** - Funding will provide for environmental and recreational improvements to the Greenway along the Wolf River (\$1.5 million).

**Police Division** – Funding will provide for the renovations to the Police Academy, \$1.5 million and an update radio system, \$11.0 million.

**Public Works Division** - Funding is budgeted at \$19.0 million to pave more than 400 lane miles of streets including ADA ramp improvements and several road projects. The Storm Water Fund CIP budget will allow for major investments in drainage infrastructure throughout the City. The Sewer Fund projects are for the repair and replacement of sewer infrastructure, new sewer connections and improvements to the treatment plants.



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## The Impact of Debt Service Cost and Operating Cost for FY 2019

The cost of capital assets manifests in the general fund (operational costs) or the debt fund (principal and interest costs). The General Fund budget is established by an ordinance, and the Capital Improvement Program (CIP) budget is established by a resolution.

The financial impact of CIP projects is the annual cost of debt service. Debt service projects impact operational cost because of the issuance of General Obligation (G.O.) Bonds which are repaid at the tax rate charged to taxpayers. The property tax rate finances both the general fund and the debt fund. In theory, if debt increases, larger portions of property tax revenue is assigned to debt for the payment of General Obligation bonds (G.O.), and this reduces resources for operating costs. The City has a G.O. Bond target to essentially maintain the property tax rate apportionment between the general fund and the debt fund, within a specific range. This target is established considering outstanding debt that will also be retired within the fiscal year.

The summary below lists project above \$2.0 million in the CIP program for FY2019. This summary also list their related G.O. funding amounts, and the associated impact on debt service and the operating budget. The cost of debt is generally considered to be \$80,000 per million. The debt service payments will average 20-30 years depending on the project. Projects not detailed are either under \$2.0 million, or are considered as replacement investments for fully used existing capital assets, or are for maintenance and/or improvements. The cost to maintain these assets are in the current funding base, therefore, these projects are budget neutral. A full listing of all FY2019 CIP projects follows this summary.

### Division: Housing and Community Development

#### Project Name: MHA-Foote Future Hope VI Project Number: CD01030

South City CNI (Foote Homes Project) is part of the South City Urban Renewal Plan. Funding will provide new rental housing to a mixed income population. The physical plans will be implemented in multiple phases on the old Foote Homes site and in the surrounding neighborhood on acquired land. The transformation will include demolition of existing dwellings, improved park & open space, community facilities, library, neighborhood retail and comprehensive supportive services and programs.

G.O. Funding: \$6.0m

Debt Service Impact: \$480k

Operating Budget Impact: None

### Division: Information Services

#### Project Name: Treasury Tax System Project Number: IS01082

This project provides funds for Software upgrade. Managed software will be transitioned to a SAAS/Cloud version in order to improved productivity through technological enhancements.

G.O. Funding: \$2.5m

Debt Service Impact: \$200k

Operating Budget Impact: None



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## Division: Memphis Area Transit Authority (MATA)

Project Name: APTS                      Project Number: GA03022

This project provides funding for continuing enhancements and upgrades to the Advanced Public Transportation System (APTS) system on an annual basis. Enhancements and upgrades to the existing system will include complementary elements such as fare collection/distribution equipment, dispatch, GMMS, HRIS software, traffic signal priority equipment and various other accounting management systems. This project also includes complete replacement of the fare collection equipment on the entire revenue vehicle fleet.

G.O. Funding: \$5.6m

Debt Service Impact: \$448k

Operating Budget Impact: None

## Division: Police Services

Project Name: Radio System Upgrade Project Number: PD04025

This project will replace the City of Memphis radio system. The current radio system will have reached its end of life cycle for parts and services on December 31, 2018. This will replace the old system with a new radio system that's compatible with P25 technology. The City/County split is 51%/49%.

G.O. Funding: \$11.0m

Debt Service Impact: \$880k

Operating Budget Impact: \$500k

## Division: Public Works

Project Name: Asphalt/Paving                      Project Number: PW01272

This project funds the asphalt paving activities performed by the City or through third-party contracts.

G.O. Funding: \$19.0m

Debt Service Impact: \$1.5m

Operating Budget Impact: None

## Public Works Division – Sewer Fund

The Sewer Fund's current projects are funded by Capital-Pay-Go (CPG) or Clean Water State Revolving Fund (CWSRF) loans. CPG funds current projects through the use of fund balance. CWSRF is a line of credit that is available for the Planning, Design, and Construction Phases of wastewater facilities. The funds may be used for all three phases in any combination. Eligible projects include new construction or the upgrading/expansion of existing facilities and may encompass wastewater treatment plants, pump stations, force mains, collector sewers, interceptors, elimination of combined sewer overflows, and/or non-point source pollution remedies.

The City currently has two active CWSRF loans. The first loan is for \$22 million and is associated with two projects. One project is an outfall modification at the M.C. Stiles Wastewater Treatment Facility (SW01001) and the other project is a lagoon expansion at the T.E. Maxson Wastewater Treatment Facility (SW02011). The second loan is for \$100 million and is associated with the sewer rehabilitation of the City of Memphis' collection system (SW05001). The term of each loan is 20 years.



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## BUDGET DEVELOPMENT PROCESS

The Budget Office uses financial data provided by city divisions to facilitate the review and approval of the Operating and Capital Improvement Budgets. The Budget Office is responsible for ensuring the operation of all divisions within financial guidelines established by Administrative policy and City Council legislation. The Budget Office is also responsible for forecasting all general revenue for the City.

The Capital Improvement Program (CIP) is a five-year plan for capital allocations, which is reviewed annually for priority adherence and project variances. This plan examines each City project and specifies the source of financing for projected expenditures. The process begins in November when a cross divisional CIP Committee is assembled. The committee evaluates the city's needs and meets with divisions (starting in January) to review their requests. Requested projects are analyzed by the finance division, external bond counsel, and finally compiled and reviewed with the Mayor. In April, the Mayor presents the plan to Council along with the operating budget. The Council conducts hearings, and adopts a CIP Resolution. The Council adoption of the CIP Resolution authorizes the spending of a portion of engineering, architecture, land acquisition and development costs, and rolling stock through Administrative Appropriations. Funds for construction costs, equipment, and acquisition contracts are subject to additional authorization by the Council. Prior and current CIP allocations will remain in the plan until the Division in charge of the project or Council determines that the project is completed or to be unfunded.

The Budget Office monitors the CIP Budget through the use of tracking reports, which are reviewed during budget submission and are monitored at various intervals during the year. The CIP Budget may be amended during the fiscal year when divisions submit resolutions to Council for approval.

**Capital Budget** - The Capital Budget and Capital Improvement Program are prepared annually to forecast anticipated capital expenditures planned for each of the next five fiscal years. The total project costs and the funding sources (local, state, federal and private) are estimated. The Capital Improvement Program is prepared after a rigorous review and evaluation of all proposed projects by the Capital Review Committee. Building Design and Construction reviews the scope of all requests involving construction or major renovations to City owned structures. Debt Management studies the fiscal feasibility of the projects submitted for future funding needs. The single year Capital Improvement Plan allocates capital expenditures made in the current budget year. The Capital Budget must be in full conformity with the Capital Improvement Program applicable to the fiscal year which it covers.

Additional authorizations (appropriations) for each capital project in the Capital Budget must precede the expenditures of construction funds.

## **CHANGES TO THE CIP BUDGET - TRANSFERRING ALLOCATIONS / APPROPRIATIONS**

Once the CIP has been adopted by the City Council, the data is loaded into the City's Accounting System. During the life of the project, it may be necessary to provide additional allocations or transfer funds to aid in the completion of the project.

Initially, the CIP revenues/expenses report is checked for funds verification. After it is determined that the funds are available, two methods are used to transfer or establish allocation and/or appropriations.

1. The Capital Improvement Budget Request for Administrative Transfer or Appropriation form (Black Line) is used to:
  - A. Record the initial appropriation of the planning lines (A/E, land development, land acquisition) upon the adoption of the CIP by the City Council.



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- B. Transfer allocations and appropriations within planning lines or within construction lines (contract construction, latent conditions, and other costs).
- C. Transfer allocations from “cover-line” project planning lines to the new project planning lines and the appropriation of the lines.

2. The Capital Improvement Budget Request for Council Transfer and Appropriation form (Red Lines) is used to:

- A. Appropriate all construction lines.
- B. Transfer allocations and appropriations between projects.
- C. Increase/decrease allocations or appropriations of a project.

***Changes to the CIP budget must be done through Budget Resolutions.***

## **BUDGET RESOLUTION REVIEW PROCESS**

### **RESOLUTIONS**

A resolution is a document asking the City Council to amend the Appropriation Budget Ordinance or Capital Improvement Budget. A resolution is written in two sections: the “WHEREAS” section and the “RESOLVED” section. The WHEREAS section explains why the change is necessary, what the money will be spent for, and why funds are available and where the funds will come from. The RESOLVED section includes the statements that actually change the Budget Ordinance.

A resolution details the action requested by Council and should answer one or more of the following questions:

- What is the purpose of the change?
- Why is the change necessary?
- What will the funds be used for?
- Why are funds available?

A resolution shall be written in clause format. Each clause in the preamble shall begin with the word “WHEREAS”, include a brief statement answering one or more of the above questions, and continue with “AND,” an adopting clause. “NOW THEREFORE BE IT RESOLVED”, shall summarize all information as requested regarding changes to the City Resolution. The adopting clause may be followed by several additional clauses.

After finalizing a Resolution, a Council Agenda Check-Off sheet must be prepared which summarizes the Resolution and includes all organizational dates, account numbers, and dollar amounts.

### **COUNCIL AGENDA CHECK-OFF SHEET**

The Council Agenda Check-Off Sheet must accompany all documentation that goes before Council. The originating division/service center must complete the form and have it signed by the appropriate service center manager and division director.

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## Routing and Handling of Transfers

### A) Administrative Transfers and Appropriations

Division Directors  
Budget Office  
Comptroller's Office

### B) Council Transfers and Appropriations

The budget resolution package (Council Agenda Check-Off Sheet, original resolution, red line forms- including appropriate signatures from the division director) should be forwarded to the Budget Office one week before the Council Committee meets. From there the documents will be forwarded as follows:

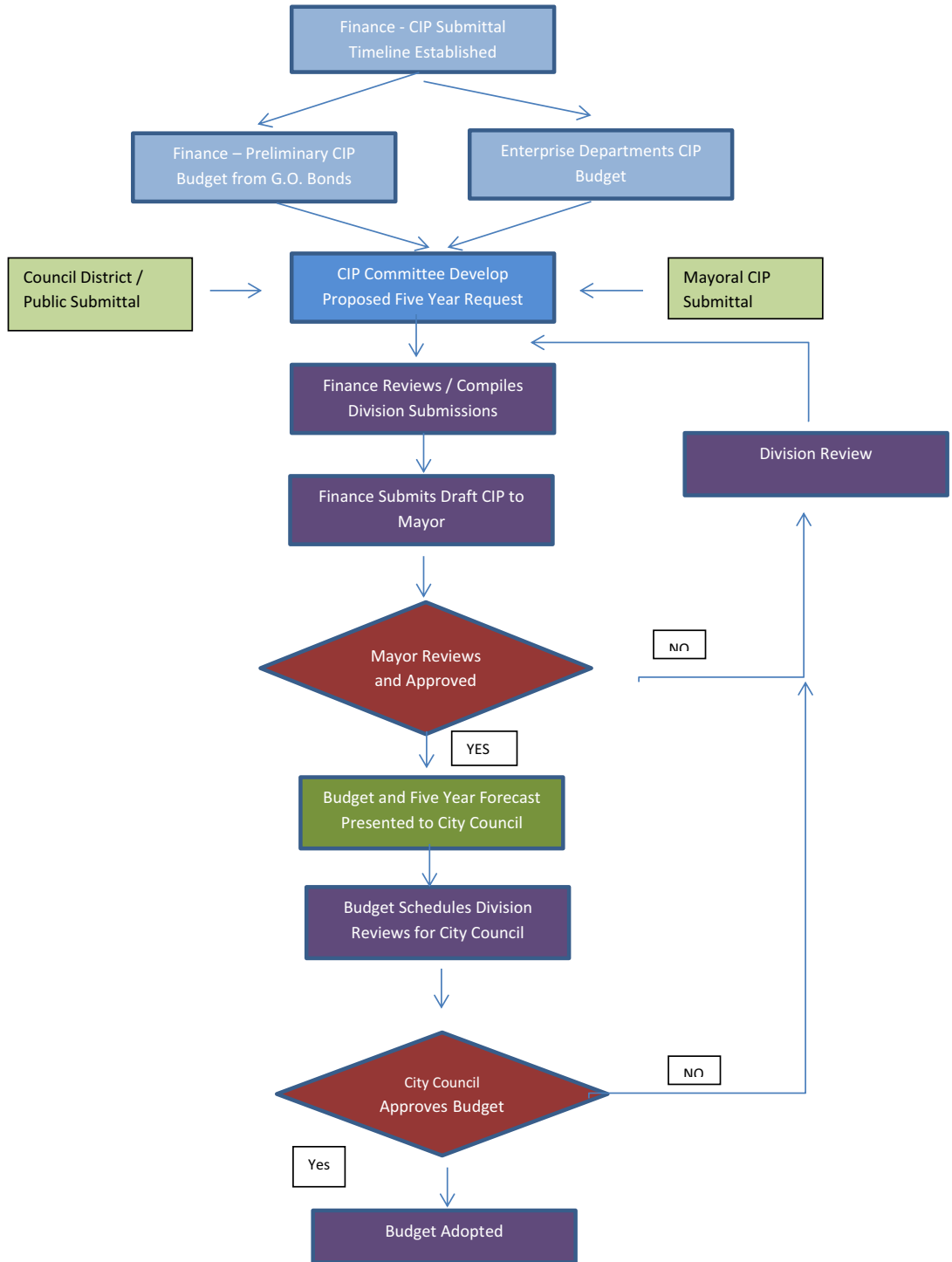
- 1) Chief of Finance and Administration
- 2) City Attorney
- 3) Chief Operating Officer (COO)
- 4) Mayor's Office – Resolutions appropriating or transferring CIP funds must be received by the Mayor's Office by noon on Thursday for Council Committee action on the following Tuesday.
- 5) Council Committee reviews monetary transfers and makes recommendations to the full Council.
- 6) The Mayor's Office forwards the resolution to Council Records after the Council Committee recommendation (s) are made. The resolutions are then placed on the Council Agenda for consideration by the full Council on the following Tuesday.

Council's approval of the resolution gives legal authority to amend the fiscal year's budget.

Resolutions may be returned to the originating division/bureau for corrections at any time during the process.

The need for accuracy in the completion of all appropriate forms and recognition of time constraints is crucial in processing transfers. The Budget Office may be contacted for further assistance and/or information.

# CAPITAL PREPARATION PROCESS





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## Bicentennial Gateway Project. "Named for the city's 200th birthday in 2019".



The program is called the Memphis Bicentennial Gateway Project, in honor of the 200th anniversary of Memphis, which will come in 2019.

The concept envisions how Memphis' riverfront can become a connective network that ties together people, the city, and the Mississippi River for collective benefit. The concept outlines a number of projects and programs intended to activate the Riverfront, including projects around Tom Lee Park, Fourth Bluff/Civic Commons, Mud Island, and others.

The plan's four listed goals are:

- History/character: Build on the unique history and texture of the Pinch District while maintaining a sense of place
- Mixed Use: Create a place that encourages a vibrant mix of uses, including retail, office, residential, commercial and hospitality
- Walkable Neighborhood: Planned in order to allow and encourage walkable, pedestrian-oriented spaces and streets
- Connected: Reinforce connections to St. Jude Children's Research Hospital, the Memphis Cook Convention Center, the Pyramid and the Uptown District.

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Each individual project will have its own unique mix of funding sources, but each will make use of Tourism Development Zone (TDZ) funds. Downtown Memphis was certified as a TDZ in 2001 by the State of Tennessee, which meant that incremental increases in sales taxes above a baseline could be used to repay bonds on approved projects.

The improvements include no use of General or Capital Improvement Funds.

The Bicentennial Gateway Project plans to tie together several large developments already in the works: St. Jude's expansion, the convention center revamp, Pinch and Uptown district improvements, and redevelopment of Mud Island River Park and the riverfront.

The ultimate goal is to develop a renewed sense of arrival for people entering Tennessee from the Hernando De Soto Bridge—Tennessee's most traveled gateway. The projects could drastically improve the view for the more than 40 million people who cross over the Hernando De Soto Bridge every year.

### **The Pinch District**

The Pinch District will be the first phase and is a historical district of downtown Memphis roughly bordered by the Wolf River lagoon on the west, Market Street on the south, Danny Thomas Boulevard on the east, and A.W. Willis Avenue on the north. The Pinch was one of the most history-rich places in the city. This was the first business district in Memphis, in the early days. The area of North Memphis commonly known as the "Pinch District" has played an important role in local immigration since the early nineteenth century.

World War II greatly changed the dynamic of the Pinch District. America's post-war affluence, along with opportunities provided by the G.I. Bill, led many young families to relocate to the eastern parts of the city. While family businesses initially remained in the area, they soon followed the residents toward East Memphis. The once vibrant Pinch District quickly deteriorated and was devoid of significant commercial development for many years.

Since the late 1980s, however, urban renewal has changed the character of the neighborhood once again. Endeavors such as the construction of the Pyramid and the development of downtown trolley lines revitalized the area. As a result, popular restaurants and bars now distinguish the Pinch District, and developers have recognized it as a promising area for the construction of new residences such as condominiums and townhouses.

The pedestrian bridge connecting Bass Pro Shops at the Pyramid to the Pinch District will be the city's first major infrastructure project associated with the Bicentennial Gateway.



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### Bicentennial Gateway Project Memphis Cook Convention Center

The Memphis Cook Convention Center (CC) was the 18th largest in the country when it opened in 1974, but now it's not even in the top 125 in size. Part of the Bicentennial Gateway Project, the City of Memphis proposes major changes in the 44-year-old center's exterior and interior appearance. It's intended to meld seamlessly with the last significant expansion, a 2003 project that replaced the historic Ellis Auditorium with Cannon Center for the Performing Arts and new ballrooms and meeting space.



The project would make the center's largely concrete exterior shell more modern-looking with metal panels and metal column wraps, glass curtain walls and some exposed steel structure. A brick veneer on the west facade would conceal lower-level parking garages. Walls of glass and steel would bring more light into the exhibit hall and other interior spaces, including breakout meeting rooms. Plans call for the west side of the building to be reshaped with a new concourse, new meeting rooms and several open-air balconies and terraces.

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In the 125,000-square-foot main exhibition hall, new retractable ceiling lights and additional material upgrades will allow for a 40,000-square-foot secondary hall to be carved out from the west end. The number of breakout rooms will also be expanded from the current 30 to 52.

Access to the building will be updated with the addition of a new grand entrance and a new sky bridge. The new grand entrance will open to the Main Street Trolley station and neighboring Sheraton Memphis Downtown Hotel. The sky bridge will connect the convention center to the Sheraton. Back-of-house access will also be improved with a redesign of the loading docks.

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Located in downtown Memphis, every square inch of the convention center will be touched by this project, bringing hotel quality finishes and modern amenities desired by meeting planners and delegates. The collective vision will expand the footprint of the building with outdoor terraces and glass enclosed concourses and meetings spaces that embrace the river and skyline views, while adding valuable square footage that includes additional breakout meeting rooms. The project will allow the Memphis Convention and Visitors Bureau to pursue new meeting and convention opportunities. The transformation of this facility will aid the City in sustaining and growing the tourism and hospitality industry's impressive annual economic impact.

