

March 15, 2006

Honorable Mayor, City Council, and Citizens
City of Cedar Rapids, Iowa

Re: Capital Improvements Program, Fiscal Years 2007-2011

The Capital Improvements Program (CIP) for the fiscal years 2007-2011 is herewith submitted. This plan conforms to our Capital Improvements Budget, Debt Management, and Reserve Policies. A public hearing was held on this plan on March 8, 2006, during which comments were heard and addressed. The CIP was adopted by the City Council with a vote of eight yeas and one nay on March 8, 2006. The first year of this plan is incorporated into the City's budget for the fiscal year ending June 30, 2007. Succeeding fiscal years will be evaluated annually as part of the annual budget and CIP process.

CIP Overview

The total to be expended over the five years of this plan is \$629 million of which \$83 million is budgeted for FY 2007 and is an increase of approximately \$7.2 million from the current fiscal year's adopted capital expenditures. Major project areas include, Street improvements, improvements at The Eastern Iowa Airport, Sanitary Sewer improvements, and continuing Water System improvements. Of these major project areas, only the Street improvements are tax supported. Some of the larger street improvement projects include: street work on Edgewood Road from 60th N-Highway 30, Collins Road at first avenue, Wilson Avenue from Arlington-Stoney, First Avenue from Home Depot to Tama Street, and Northland from Collins to Blairs Ferry Road. The Eastern Iowa Airport is budgeted to rehabilitate west end runway 0927 and renovate terminal building Concourse B and security systems. Water system improvements include water works main extensions, water plant improvements, and prairie valley reinforcements. Water Pollution Control will perform maintenance on interceptor repair and bio-solids storage facility. The City is coordinating the funding to proceed with the Pioneer Light Rail project.

Revenues to finance the five-year program includes; fifty-nine percent from long-term debt (general obligation bonds) and twenty-one percent from federal, state and local grants. The remaining twenty percent of funding will be from contributions and donations,

special assessments, transfers and fund balance. Major federal and state grant funding is anticipated for The Eastern Iowa Airport and Street improvements. Cash on hand will cover approximately \$23.5 million of the total project costs.

City Debt

It is anticipated the City will sell approximately \$20.8 million in bonds in August 2006. Of this amount, only \$7.1 million will be supported by the direct property tax debt service levy. Our debt levy will decrease to \$1.82 per thousand of taxable valuation, which is down from the current \$1.88 per thousand rate. Our FY 2007 debt limit is \$396.2 million. Of the debt limit, FY 2007 is budgeted to retain 36.3% or \$143.7 million in reserve. The reserve amount in FY06 was \$123.3 million. Approximately seventy-four percent of our outstanding bonds will be retired within ten years.

The City continues to receive the Aaa rating from Moody's Investors Services. The City has continuously earned this rating since 1973. This Aaa rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risk. Although residential rollbacks, the phase out of the assessment on machinery and equipment and most recently, the elimination of the State Replacement Tax revenue provided by the State, has had an adverse impact on the City's property tax levying authority, the City's conservative budgeting to include the maintenance of significant reserves combined with the continuity of sound financial policies and revenue-raising flexibility, continue to provide the City with a stable outlook and thus we anticipate we will maintain our excellent rating.

CIP Process

The process to assemble this plan begins in October and ends the following March with its adoption. During October, November, and December, departments and project managers assemble their requests to include project components, potential funding sources, and recommended construction time lines. The City Council begins reviewing the projects in January. This process not only includes reviewing the merits and prioritization of each project as it relates to other projects, but also the overall impact of the recommended funding, operational considerations, and their relationship to the City's overall budget and related tax levy. This process becomes especially critical when prioritizing projects for which general tax supported bonds will be sold.

The final decisions on the CIP in preparation for the public hearing are made during February. Only after holding the public hearing on the proposed plan does the City Council formally adopt the plan. Each annual CIP cycle starts anew although the majority of the uncompleted projects are carried forward and are reprogrammed as to their priority, cost, revenue source, and timing. Changes can also be made to the first year of a plan within the budget year. In most cases, these changes are approved by council resolution.

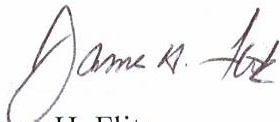
CIP Presentation Format

This document is organized into five sections: Introduction, Overview, City Debt, Project Resources and Project Costs. The Introduction section includes this letter and general information as to the City's management to include our elected officials, our mission and vision statements, as well as our statement of values. Policies, process, definitions and criteria along with summary information on the overall CIP occupy the Overview section. Due to the importance of the City debt component, a separate section is presented for City debt. Summary information, for both resources and project costs, are included in the Project Resources and Project Costs sections as well as the identification of the specific projects identified by fund area. Should the reader want to see additional information about a project other than what is in this document, in most cases this information is available by contacting the project area manager.

General Comments

We express our sincere appreciation to all the process participants. Hundreds of hours of staff time as well as numerous hours of City Council review was necessary to produce this plan as presented. It is the citizens of Cedar Rapids who will ultimately benefit from this plan.

Respectfully submitted,



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City Manger, Acting



Casey J. Drew, CPA
City Controller-Auditor