

March 15, 2007

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

Re: Capital Improvements Program, Fiscal Years 2008-2017

The Capital Improvements Program (CIP) for the fiscal years 2008-2017 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 7, 2007, during which comments were heard and addressed. The CIP was adopted by the City Council with a vote of six yeas and three nays on March 7, 2007. The first year of this plan is incorporated into the City's budget for the fiscal year ending June 30, 2008. 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 ten years of this plan is \$1.078 billion of which \$108.5 million is budgeted for FY 2008 and is an increase of approximately \$25.5 million from the current fiscal year's adopted capital expenditures. Major project areas include: Street improvements, water system improvements, parking improvements, miscellaneous construction, and water pollution control improvements. Of these major project areas, Street improvements and Miscellaneous construction are tax supported. Some of the larger street improvement projects include: Collins Road from Center Point Road to Twixt Town road, Wilson Avenue east of C Street, and First Avenue from 27th to 40th Street. Water system improvements include water plant improvements and extension, collector wells 5 & 6, and water main extensions. Miscellaneous construction includes the 15 in 5 activity center, Sinclair clean up, and Cedar Valley Lake. Parking improvements include the Intermodal Facility. Water Pollution Control will perform maintenance on interceptor repair and bio-solids storage facility.

Office of the City Controller-Auditor

City of Cedar Rapids • 51 First Avenue Bridge

Cedar Rapids, Iowa 52401-1113 • (319) 286-5006 • FAX (319) 286-5140

Revenues to finance the ten-year program includes: sixty-three percent from long-term debt (general obligation bonds) and nineteen percent from federal, state, and local grants. The remaining eighteen percent of funding will be from contributions and donations, special assessments, transfers, and fund balance. Major federal and state grant funding is anticipated for Street and Traffic improvements. Cash on hand will cover approximately \$32.1 million of the total project costs.

City Debt

It is anticipated the City will sell approximately \$27.0 million in general obligation bonds and \$2.3 million in revenue bonds in fiscal year 2008. Of this amount, only \$12.2 million will be supported by the direct property tax debt service levy. Our debt levy will increase to \$1.90 per thousand of taxable valuation, which is up from the current \$1.82 per thousand rate. Our FY 2008 debt limit is \$406.5 million. Of the debt limit, FY 2008 is budgeted to retain 36.6% or \$148.9 million in reserve. The reserve amount in FY07 was \$143.7 million. Approximately seventy 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 and November 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 December. 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, Project Resources, Project Costs, and City Debt. 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. 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. Due to the importance of the City debt component, a separate section is presented for City debt. 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 were necessary to produce this plan as presented. It is the citizens of Cedar Rapids who will ultimately benefit from this plan.

Respectfully submitted,


Jim Prosser
City Manager


Casey J. Drew, CPA
City Controller-Auditor