

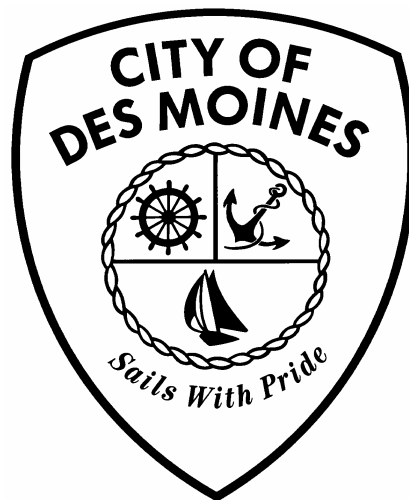
City of DES MOINES
WASHINGTON

2009 - 2014

CAPITAL IMPROVEMENT PLAN

City Council

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This document is the City of Des Moines's 2009 –2014 Capital Improvement Plan. The Capital Improvement Plan provides a multi-year list of proposed major capital expenditures and associated operating costs for the city. This plan attempts to set funding strategies not only for the current year, but also for the next five years to project future needs for major construction, land acquisition and equipment needs that improve the cultural environment, capital infrastructure and recreational opportunities for the citizens of Des Moines. Capital expenditures are viewed not only in the context of how much the new project will cost, but also what impact the project will have on the city's operating budget.

OVERVIEW

Capital facilities planning and financing is subject to the State of Washington Growth Management Act of 1990 (GMA). The GMA requires communities to adopt comprehensive plans designed to guide the orderly development of growth over the next twenty years.

To comply with GMA, the city prepared a comprehensive Capital Facilities Plan (CFP). The CFP provides long-range policy guidance for the development of capital improvements. The purpose of a CFP is to identify and coordinate those capital improvements deemed necessary to accommodate orderly growth, set policy direction for capital improvements and ensure that needed capital facilities are provided in a timely manner.

The GMA requires that the CFP contain the following elements:

1. An inventory of existing publicly-owned capital facilities showing locations and capacities.
2. A forecast of the future needs for such capital facilities.
3. The proposed locations and capacities of expanded or new capital facilities.
4. A minimum six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes.
5. A requirement to reassess the land-use element if probable funding falls short of meeting existing needs.

Capital facilities are defined as mandatory elements for inclusion in the comprehensive plan. The GMA addresses planning requirements for capital facilities independently, particularly concerning funding issues. The City of Des Moines has complied with this requirement by establishing separate funds for capital facilities but combines the process under one plan.

The City of Des Moines's capital facilities improvements are programmed within six separate designated capital funds.

**Arterial Street and Transportation CIP Funds**

The Arterial Street fund provides for transportation capital improvements. Transportation public facilities include streets, roads, highways, bridges, sidewalks, street and road lighting systems, and traffic signals. In 2005, the Transportation Impact Fee Fund was established to account for Transportation Impact fees, which became effective July 1, 2005. The impact fees are transferred to the Arterial Street Fund to program for growth-related transportation projects. In 2008, the Transportation Capital Improvement Fund was established with Ordinance No. 1444, providing for the issuance of \$2,515,000 in limited tax general obligation bonds.

Municipal Capital Improvement Fund

The Municipal Capital Improvement Fund provides for capital facility improvements including parks and recreational facilities, public safety facilities, administration and maintenance facilities.

Marina Depreciation and Improvement Funds

The Marina Depreciation and Improvement Capital Funds provide for capital facility improvements of the Des Moines Marina. In 2008, a second capital improvement fund was established to account for \$6.1 million in limited tax general obligation bonds authorized under Ordinance No. 1445.

Surface Water Management Capital Fund

The Surface Water Management Capital Fund provides for capital facility improvements that mitigate storm water runoff by preventing increased flooding, changes in water quality, stream channel degradation, habitat loss, increased erosion and sedimentation.

For financial and accounting purposes, municipal capital and operating funds are divided into two broad categories: general governmental and proprietary. General governmental activities are supported primarily by taxes and user fees, while proprietary activities rely primarily on fees generated from the sale of goods and services for their operations. Capital improvements for police, parks, and transportation are traditionally general governmental in nature, while those for surface water and marina are proprietary.

Revenue sources for general governmental capital improvements are constrained by legal limits on tax rates that can be charged to raise funds for capital improvements, and on the amount of general obligation debt (capacity) that can be issued to raise funds for capital improvements. Proprietary funds' revenue sources are less restricted in that user fees could be increased or revenue-backed debt issued with the approval of the legislative body.

In addition, general governmental capital funding for improvements that rely on voter-approved bond issues creates uncertainty of when or if certain projects will take place.



CAPITAL BUDGET CRITERIA

Capital improvement programming and budgeting involve the development of a long-term plan for capital expenditures for the City of Des Moines. Capital expenditures include expenditures for buildings, land, major equipment, and other commodities that are of significant value (greater than \$25,000) and have a useful life of at least five years.

The Capital Improvement Plan (CIP) lists each proposed capital item to be undertaken, the year in which it will be started, the amount expected to be expended in each year and the proposed method of financing these expenditures. Based on these details, summaries of capital activities in each year can be prepared, as well as summaries of financial requirements, such as amounts of general obligation bonds to be issued, amounts of general operation funds required and any anticipated intergovernmental support, etc.

The capital improvement budget is enacted annually based on the capital improvement plan. It appropriates funding for the projects in the first year of the capital improvement plan.

Flexibility is built into the capital improvement plan to allow for delay of projects when financing constraints make it impossible to allow for funding of the entire array of projects and to move future projects forward when financial availability makes it possible. The point is that the CIP is required to be updated at least annually to:

- Make any adjustments in future program years when changes occur in funding or cost.
- Add a year of programming to replace the current year funded.

ADVANTAGES OF CAPITAL PLANNING

In addition to the Growth Management Act (GMA), which requires communities to establish a long-range capital plan, capital planning provides several advantages to the community.

- Capital planning facilitates repair or replacement of existing facilities before they fail. Failure is almost always more costly, time-consuming and disruptive than planned repair or replacement.



- It focuses community and the City Council's attention to priorities, goals, needs and capabilities. There are always more needs and competing projects than available funds. A good capital plan forces the city to consciously set priorities between competing projects and interests.
- A CIP provides a framework for decisions about community growth and development. Long-range planning for infrastructure needs allows the community to accommodate reasonable growth in new facilities while maintaining existing infrastructure, based on goals established through the planning process.
- A CIP promotes a more efficient government operation. Coordination of capital projects can minimize disruption and reduce scheduling problems and conflicts between several projects. Related projects, such as sidewalks, drainage and roads, can be planned simultaneously.
- A CIP helps distribute costs more equitably over a longer period of time, avoiding the need to impose spikes in tax financing. For example, new projects can be scheduled as current debt levels decline.
- A CIP enhances opportunities for outside financial assistance. Adequate lead time allows for the opportunity to explore all avenues of outside grant funding with federal, state, and local financial assistance programs.
- A CIP serves as an effective community education tool in conveying to the public that the City Council has made decisions that affect the future of the city and in its implementation provides guidance for development of the community.

REVENUE SOURCES

Capital project activity is funded by cash payments or financed by the issuance of general obligation bonds (or revenue bonds if a proprietary fund), by grants, by general tax allocation, and by transfers from other funds as may be approved by the City Council.

Annual contributions may be used in whole or in part to fund capital projects as cash assets are accumulated, or the annual contributions may be allowed to remain in reserve until funds, along with accrued interest have grown sufficiently to permit larger projects to be undertaken and paid for with cash.

Annual contributions may be used as debt service payments against the issuance of bonds that allow the completion of projects prior to the accumulation of cash equal to the estimated cost of the project.



POLICIES

The City Council has adopted policies that encourage fiscal responsibility while establishing reliable sources of funding for capital expenditures on an ongoing basis. Described below are policies that support the capital improvement plan process.

Revenue Policies:

- The city, per Ordinance No. 1189, shall transfer from the General Fund to the Municipal Capital Improvement Fund an annual contribution of \$300,000. Annual increases to the contribution will be adjusted based on the percentage change in the current year General Fund revenues as compared to the following year projected general fund revenues. Ordinance No. 1189 was superseded by Ordinance No. 1352, which repealed the requirement for a base contribution and mandatory percentage increase. Annual appropriations will be adopted per the City Council when there are revenue sources available. For 2009, there is no annual contribution from the General Fund as approved by the City Council.
- Rate studies in proprietary funds will be conducted periodically to determine the adequacy of user charges and annual contributions for capital improvements. Both the Marina and the Surface Water Management utility had undergone rate studies in 2006 and 2005, respectively. The City Council adopted Ordinance No. 1368 in 2005, implementing a three-year phased-in approach of rate increases as proposed by the Surface Water Management Utility Rate Study. In 2007, the City Council approved Resolution No. 1028 adopting increases in Marina rates for 2007 through 2009. In 2008, the City Council approved Ordinance No. 1437 adopting a 17.5% increase in SWM rates beginning in 2009.
- Park in-lieu fees from single-family subdivisions and multi-family developments shall be used for the acquisition and development of neighborhood parks determined necessary as a consequence of the proposed development, or for designated community parks.
- Transportation Impact Fees will be first utilized to repay the debt service on bonds or loans financed for growth related transportation improvements, and then for past and future payments of capital expenditures for growth related transportation improvements.
- Twenty-five percent (25%) of vehicle fuel tax revenues will be transferred annually from the Street Fund to the Arterial Street Fund for transportation capital improvements. This requirement was suspended for 2009 by Res. 1091, which adopted the 2009-2014 CIP.



Debt Management Policies:

- The city shall determine the most advantageous financing method for all new projects.
- Whenever possible, the city shall identify alternative sources of funding and shall examine the availability of all sources in order to minimize the level of debt.
- Pay-as-you-go financing of capital improvements shall be utilized whenever possible.
- The city shall utilize intergovernmental contribution, when available, to finance capital improvements that are consistent with the goals and priorities of the city.
- The scheduled maturities of long-term obligations shall not exceed the expected useful life of the capital project or asset financed.

THE CAPITAL IMPROVEMENT PLAN PROCESS

The capital improvement plan process is built around the following eight steps:

1. Establishment of the administrative and policy framework for capital programming and budgeting. The first step in implementing an effective capital improvement planning and budget process is to establish the underlying organizational and policy framework within which the process operates. All requests for capital improvement projects are submitted to the Finance Department.

2. Prepare inventory of existing facilities. Each governmental unit should compile an inventory of its own physical plant. This will help to indicate the eventual need for renewal, replacements, expansion or retirement of some of the physical plant. This can be accomplished through a master plan process.

3. Determine by review the status of previously approved projects. Prepare a report showing the status of previously approved programs. The estimated costs of these projects should be reviewed to ensure accuracy and the funding sources that would be needed to finance the completion of the project. This status review also allows the legislative body the opportunity to stay informed of projects approved in previous years.



4. Perform financial analysis and financial programming. Financial analysis involves the determination of the City of Des Moines' financial capability for major expenditures by examining past, present and future revenue, expenditures and municipal debt. The selection and scheduling of funding sources of these major expenditures is known as financial programming. Some of the important objectives of financial programming include:

- Smoothing out the tax rate
- Maintaining a preferred balance of debt service and current expenditures
- Determination of debt capacity and appropriate debt service levels
- Maximizing intergovernmental aid relative to local expenditures

The intent is to come up with a level of capital expenditures by fund that the municipality can safely afford over the next several years while maintaining a minimal impact on the property tax rate and other municipal revenues.

5. Compile and evaluate project requests. Once the Finance Department has completed reviewing and summarizing the CIP requests, the CIP requests are then presented to the City Council Committees (Environment: Surface Water Management capital projects; Municipal Facilities: Parks, administrative and maintenance facilities, and Marina capital projects; Public Safety and Transportation: Transportation capital projects) for review and prioritization based on the criteria contained in the Capital Project Criteria section. The City Council then reviews, modifies and adopts the CIP.

6 Adoption of the capital program and budget. The City Council, which has been involved in the CIP process from the beginning by establishing policy guidelines under which the CIP is developed, has the final responsibility to adopt the CIP.

7. Monitoring the CIP. Monitoring the approved capital budget requires appropriate actions from the Finance Department. Since capital projects often involve time-consuming activities such as bidding, site selection, and lengthy purchasing and construction delays, the actual implementation of projects may be completed somewhat later than the designated year. If funds are incomplete, it may be desirable to split the project over two funding years. An example of this would be completing the Engineering design and bid specification development in one year and the actual construction in the second year. A quarterly status briefing is provided to the City Council.

8. Modifications. Significant change in project scope, time or costs requires a CIP amendment by the City Council.



OPERATING CAPITAL VERSUS CAPITAL IMPROVEMENT

For the purpose of the Capital Improvement Plan, a capital improvement is defined as any major purchase or construction exceeding \$25,000 and includes the following if a capital asset will be improved, acquired, or self-constructed.

- Major repairs
- Reconstruction or replacement of capital items such as buildings, storm drainage systems, roadways, bridges, parks, etc.
- New construction or development
- Property acquisition
- Equipment acquisition

In addition to exceeding \$25,000 value criteria, the project must have a useful life exceeding five (5) years.

Any potential capital project not meeting the above criteria should be included in the Departments' annual operating budget request.



CAPITAL BUDGET PREPARATION CALENDAR

JUNE/JULY

- Departments prepare/review Inventory of Facilities
- Policy guidance given at Annual Retreat
- Potential Capital Improvement Projects identified
- Previous approved projects reviewed for accuracy
- Projects submitted to the Finance Department for preparation of Summary Document
- Project evaluation by City Council Committees: Projects submitted based on established criteria; submitted projects reviewed and prioritized
- Financial Analysis prepared

AUGUST

- Draft 6-year CIP finalized
- Discussion and modification of plan as necessary

OCTOBER

- CIP and current year budget incorporated into the City Manager's Annual Budget Submittal

**NOVEMBER/
DECEMBER**

- CIP presented to City Council for Adoption
- Adoption of the Annual Budget and CIP

JANUARY

- New Fiscal Year



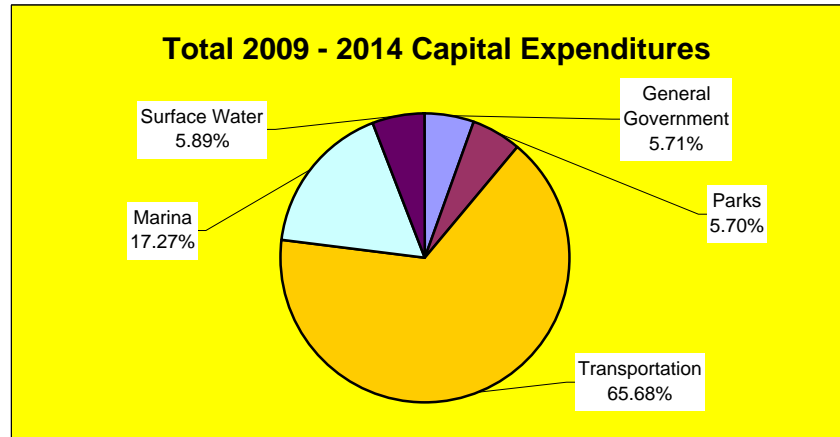
Capital Project Evaluation Criteria

Legal	State or Federal mandate may require that a particular project be implemented. Court orders and judgments concerning annexation property owners' rights, environmental protection, etc. are also legal requirements that may affect how projects are prioritized.
Safety	The benefit to the environment, safety or public health of the community should be evaluated. For example, all street projects concern public safety, but streets for which documented evidence of existing safety hazards should be given higher priority treatment.
Comprehensive Plan	Consistency with the city's Comprehensive Plan is important. Capital projects may directly or indirectly implement the comprehensive plan. Projects should not be inconsistent with the comprehensive plan.
Funds	The extent to which outside funding is available for the project or purchase needs to be evaluated.
Need	The project should alleviate identified problems or deficiencies.
Related Project	Often projects in one category are essential to the success of those in others. Related projects proposed by other departments or governmental jurisdictions may even affect a savings to a particular project. Coordination of street projects with utility programs within the city (or those planned by other jurisdictions) can reduce costs and minimize public inconvenience. A water line replacement that is needed in three years may be given a higher priority in order to coincide with a street resurfacing project needed immediately.
Efficiency Project	Projects that substantially improve the quality of service at the same operating cost, or eliminate obsolete and inefficient facilities, should be identified using this category.
Economic Impact	A project may affect the local economy. Increases or decreases in property valuations may occur. Rapid growth in the area may increase the city's land acquisition costs if the project is deferred.
Public Support	These projects are generally more easily implemented if there is public demand and support for them. Such public support should be gauged in terms of its strength and depth of understanding it represents.

CITY OF DES MOINES
2009 - 2014 CAPITAL IMPROVEMENT PLAN
Budget Summary

Capital Expenditures By Category and by Revenue Source

	Capital Costs by Project Category						Total
	2009	2010	2011	2012	2013	2014	
General Government	\$ 1,187,902	\$ 535,000	\$ 631,000	\$ 727,000	\$ 723,000	\$ 724,000	\$ 4,527,902
Parks	3,554,237	317,930	308,047	86,650	304,772	151,100	4,722,736
Transportation	8,191,626	7,333,971	13,846,640	15,339,160	5,247,968	4,508,209	54,467,574
Marina	6,660,343	3,532,811	813,431	1,013,637	1,459,732	841,591	14,321,545
Surface Water	665,051	1,396,000	980,400	823,900	609,700	410,500	4,885,551
Total	\$ 20,259,159	\$ 13,115,712	\$ 16,579,518	\$ 17,990,347	\$ 8,345,172	\$ 6,635,400	\$ 82,925,308



CITY OF DES MOINES
2009 - 2014 CAPITAL IMPROVEMENT PLAN
Budget Summary

Capital Expenditures By Category and by Revenue Source

Financing Plan for All Projects by Revenue Source							
	2009	2010	2011	2012	2013	2014	Total
General Revenue	\$ 2,600,740	\$ 1,753,220	\$ 4,180,894	\$ 3,806,307	\$ 3,286,770	\$ 2,327,517	\$ 17,955,448
Nonvoted GO Bonds	7,275,755	2,698,180	43,361	0	0	0	10,017,296
Marina Revenues	823,651	1,299,031	770,070	1,006,137	1,371,932	841,591	6,112,412
Equipment Rental Fund	20,000	57,100	0	0	0	0	77,100
SWM Revenues	293,051	1,288,900	910,400	823,900	609,700	410,500	4,336,451
Mitigation Fees	160,000	0	0	0	0	0	160,000
Traffic Impact Fees	366,249	282,940	700,000	750,000	800,000	800,000	3,699,189
Grants	5,053,308	3,820,430	5,384,543	7,782,315	1,714,118	2,255,792	26,010,506
In-Lieu Fees	2,666,405	1,915,911	4,590,250	3,821,688	562,652	0	13,556,906
Total	\$ 20,259,159	\$ 13,115,712	\$ 16,579,518	\$ 17,990,347	\$ 8,345,172	\$ 6,635,400	\$ 82,925,308

