

CAPITAL IMPROVEMENTS PROGRAM

OVERVIEW

The Capital Improvements Program (CIP) is a long-range capital budget typically covering a three to ten year time frame and including major capital purchases and/or construction projects that are funded through bonds, operating revenues, grants or other funding mechanisms.

The City of Lufkin established a Continuing Capital Improvements Program in 1999. This tentative ten-year program was approved by Council, the 2001 Street Bond Project approved by voters in May 2001, and replacement capital, which are funded by the City's Renewal and Replacement Funds. Equipment purchases and/or projects included in the CIP are required to have a life of more than 15 years and a minimum cost of \$50,000. Bonds and Certificates of Obligation (CO's) typically fund items meeting this definition.

The City maintains two renewal and replacement funds: the Water/Wastewater Renewal & Replacement Fund and the Solid Waste/Recycling Renewal & Replacement Fund. These Funds were established in Fiscal 1996 to provide long-term funding to replace exhausted equipment and to provide funds for replacement and/or expansion of plant facilities. Cash transfers from the Water/Wastewater and Solid Waste & Recycling Operating Funds in an amount equal to the second preceding year's depreciation charges fund the Renewal and Replacement Funds. The Water/Wastewater Operating Fund transfer has been reduced, for a period not to exceed five years, to accommodate the phased implementation of revised industrial sewer rates. During the Budget Preparation phase for Fiscal 2005, this transfer was funded at 100% due to higher revenues and cost containment. In FY 2006 this transfer remains funded at 100%.

The CIP is financed periodically through bond sales to provide adequate cash to pay expenditures planned for that year.

The CIP contains the following categories:

➤ **Tax Supported Projects** – funded by the debt portion of the ad valorem taxes collected annually. Tax supported projects fall into the following sub-categories:

- **General Government** – includes projects related to Administration, Finance and/or projects common to multiple governmental fund departments.
- **Public Safety** – includes Police, Fire, Municipal Court, Animal Control and Inspection Services projects.
- **Culture and Recreation** – includes Parks, Zoo, Library, and Civic Center projects.
- **Public Works** – includes streets and drainage, curb and gutter, sidewalk construction.
- **Revenue Supported Projects** – funded by revenues of the enterprise funds, i.e. Water/Wastewater and Solid Waste/Recycling

➤ **Revenue supported projects** fall into the following sub-categories:

- **Water** – includes water and water production projects such as transmission and distribution water lines, water line relocation, and water wells.
- **Wastewater** – includes wastewater treatment plant construction projects, installation of transmission and collection sewer lines, sewer line relocations.
- **Solid Waste** – includes capital projects relating specifically to solid waste collection activities.
- **Recycling** – includes capital projects relating specifically to recycling activities such as building construction and equipment purchases.

The City of Lufkin is in the eighth year of its Continuing CIP. Council adopted this plan in Fiscal 2000, which consists of general government, public safety, public works, and leisure services capital projects. The plan is financed with Council approved debt, i.e. CO's. Three bond issues have been sold; one in Fiscal 2000 for \$4,400,000, a second in Fiscal 2002 for \$9,450,000, a third in September 2003 for \$1,700,000, and a fourth in December 2004 for \$8,200,000. The CIP calls for one additional bond sale, which will complete funding for the CIP.

The remaining issue of \$3,640,000 is scheduled for February 2006. This issue will consist of \$1,100,000 in CO's, \$1,740,000 in General Obligation and \$800,000 in Revenue Supported CO's.

In early 2001, Council appointed a citizens' Street Bond Study Committee to develop and recommend a street bond program for citizen consideration in a May bond election. After holding several public meetings to discuss proposed street projects and to receive suggestions from attendees regarding additional streets, the committee made its recommendation to Council. The Committee recommended four streets at a total construction cost of \$7,686,322, which would require a 6.4-cent tax increase spread over a three-year period. Citizens approved the Street Bond Program in May 2001. The City issued the first \$2.2 million of General Obligation bonds (GO's) in April 2002. Angelina Street was completed in May 2004, while construction began on Lotus Lane and Abney Streets in April 2004. Construction on Whitehouse, the last approved street, began in early 2005.

TAX SUPPORTED PROJECTS

The subsequent table reflects the City's tax supported Continuing CIP. Several projects are complete and highlighted in blue.

Tax Supported Capital Improvements					
Project	2003 & Prior	Actual 2004	Fiscal 2005	Fiscal 2006 +	Total
General Government					
Public Works Facility	\$ 1,812	\$ -	\$ -	\$ -	\$ 1,812
Wireless WAN Network	947,819	-	-	-	947,819
Main Street -Streets	472,268	844,343	978,464	59,925	2,355,000
Main Street-Sidewalks-T21	721,674	671,960	1,170,294	75,179	2,639,107
Subtotal	2,143,573	1,516,303	2,148,758	135,104	5,943,738
Tax Supported Capital Improvements					

Project	2003 & Prior	Actual 2004	Fiscal 2005	Fiscal 2006 +	Total
Public Safety					
Police:					
CDPD 800 MHz System	539,745	37,317	-	18,305	595,367
Subtotal	539,745	37,317	-	18,305	595,367
Fire:					
Pumper	199,960	-	-	-	199,960
Land Purchase-Station. #4	65,450	-	-	-	65,450
Station #4 Design & Const.	-	-	-	90,000	90,000
Ambulance Replacement	86,950	-	-	-	86,950
Ambulance Replacement	113,272	-	-	-	113,272
Ambulance Replacement	-	118,500	-	-	118,500
Subtotal	465,632	118,500	-	90,000	674,132
Parks & Leisure Services					
Parks:					
Morris Frank Softball field	79,895	-	-	-	79,895
Kit McConnico Park	1,119,468	1,269,159	1,176,659	3,836	3,569,122
Subtotal	1,199,363	1,269,159	1,176,659	3,836	3,649,017
Civic Center:					
Bleachers	350,179	-	-	-	350,179
Mechanical Walls	310,719	-	-	-	310,719
HVAC Sys Replacement	158,765	-	-	-	158,765
Carpet Replacement	71,720	24,890	-	-	96,610
Subtotal	891,383	24,890	-	-	916,273
Public Works					
Drainage:					
Hurricane Cr Detention #1	1,085,106	-	-	-	1,085,106
Hurricane Cr Detention #4	939,745	-	-	-	939,745
Hurricane Creek Detention #8	1,006,791	-	-	-	1,006,791
Subtotal	3,031,642	-	-	-	3,031,642
Streets:					
Culverhouse	1,182,652	-	-	-	1,182,652
Darlington 2001/2002	37,260	-	-	-	37,260
Daniel McCall 2001	296,097	-	-	-	296,097
Allendale 2002	55,719	-	-	-	55,719
Kiln 2001	77,836	-	-	-	77,836
Church St Drainage	-	-	-	235,300	235,300
Copeland	1,178,831	620,147	-	-	1,798,978
Whitehouse-Dr. Phase I	431,285	2,045	-	-	433,330
White house Dr. Extension	10,882	37,733	936,459	1,509,926	2,495,000
Subtotal	3,270,562	659,925	936,459	1,745,226	6,612,172
Street Equipment:					
Two Asphalt Rollers	85,081	-	-	-	85,081
Asphalt Lay down Mach	194,951	-	-	-	194,951
Heavy Equipment trailer	50,539	-	-	-	50,539
US59 ROW Acquisition	161,710	60,000	1,100,000	900,000	2,221,710
Subtotal	492,281	60,000	1,100,000	900,000	2,552,281
Total Project Costs	\$12,038,990	\$ 3,704,224	\$ 5,361,876	\$ 2,874,166	23,974,622
Bond Sale Schedule	\$13,650,000	\$ -	\$ 6,000,000	\$ 1,260,000	\$ 20,910,000

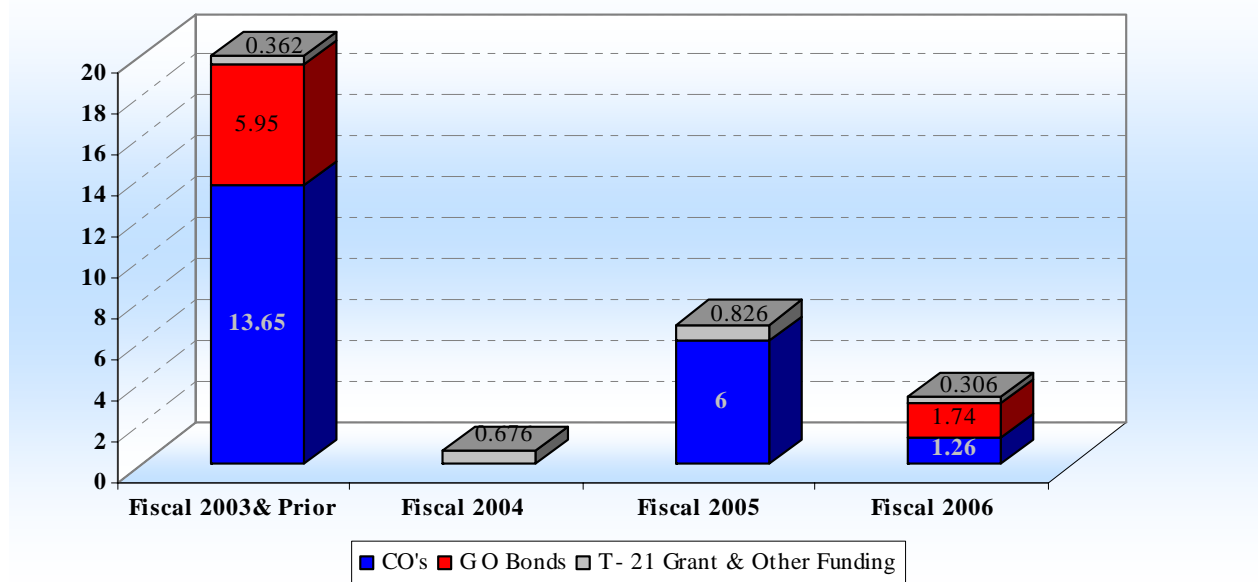
The difference between the total project costs of \$23,974,622 and the bond proceeds of \$20,880,124 is made up of a grant for the downtown project for \$2,170,204, a contribution of TEA-21, \$800,000 from TxDOT on the Whitehouse Extension project, and \$124,294 of locally generated revenues.

The 2001 Street Bond Program is well underway. One issue of \$2.2 million General Obligation Bonds was sold in April 2002 and the second issue of \$3.750 was sold in September 2003. The four-year program required a tax increase of 6.4 cents, which is phased in over three years. The final phase of 2.0 cents is included in the FY 2004 Budget. The following table shows the four streets to be constructed, costs, the timing and the schedule of GO bond sales.

2001 Street Bond Program CIP					
Project	Annual Estimated Expenditures				Total
	Actual 2003 & Prior	Actual 2004	Fiscal 2005	Fiscal 2006	
Angelina Street P&D	\$ 1,378,542	\$ 850,736	\$ -	\$ -	\$ 2,229,278
Abney Street P&D	117,544	218,965	1,230,819	114,672	1,682,000
Lotus Lane P&D	180,344	25,803	183,401	1,761,744	2,151,292
Whitehouse Street P&D	-	52,800	166,554	1,425,646	1,645,000
Total Project Cost	\$ 1,676,430	\$ 1,148,304	\$ 1,580,774	\$ 3,302,062	\$ 7,707,570
Bond Sale Schedule	\$ 2,200,000	\$ 3,750,000	\$ -	\$ 1,740,000	\$ 7,690,000

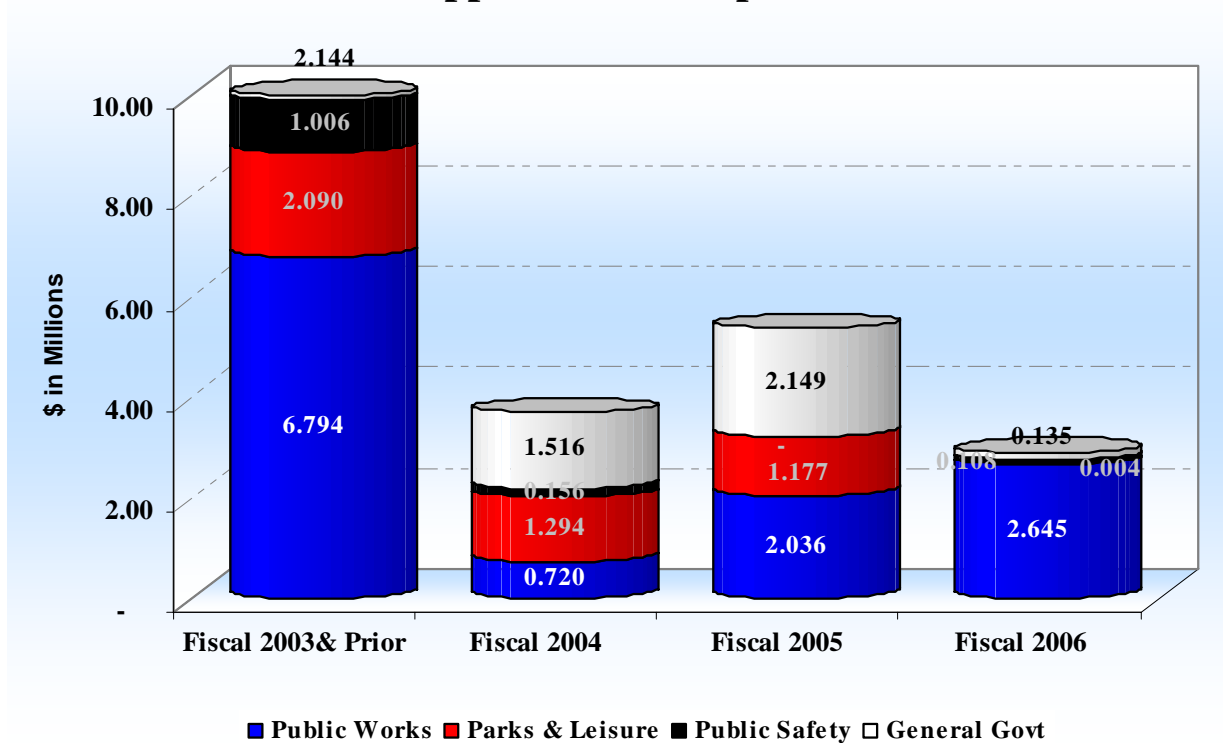
The Texas Department of Transportation is in the process of designing and finalizing Phase I improvements to US 59 South, from Daniel McCall to Tulane. This project entails widening the existing four-lane roadway and adding service roads that will require purchase of numerous rights-of-way, for which the City has a 10% cost responsibility. This cost is estimated to be \$2.222 million. Completion time is estimated to be within 4 years. Final estimates are not yet available, but will impact the City's CIP. The City has contributed \$1,321,710 to date. The following graph displays the funding schedule for the CIP.

Tax Supported CIP Funding



The following graph reflects the Tax Supported CIP expenditures, by year, by category. These expenditures include the TEA 21 downtown renovation grant the City received in FY 2002.

Tax Supported CIP Expenditures



REVENUE SUPPORTED PROJECTS

Water Wastewater Revenue Support Projects Annual Estimated Expenditures					
Project	Actual 2003& Prior	Actual 2004	Fiscal 2005	Fiscal 2006+	Total
Asbestos Waterline Replacement	\$ 8,230,767	\$ 1,522,432	\$ 717,156	\$ 5,818,911	\$16,289,266
Water Plant Radio Equipment	14,772	-	-	-	14,772
Water Plant Communication	52,744	-	-	-	52,744
Water Plant Control System	967	27	45,505	21,001	67,500
Water Well # 15.	638,251	326,677	-	-	964,928
Downtown Utility Line Replacement	410,043	201,422	206,511	179,931	997,907
Mantooth Water Line Replacement	-	16,670	134,864	249,866	401,400
Kit McConnico Utility	-	-	102,300	-	102,300
Kit McConnico Force Main	126,500	825,113	25,971	-	977,584
Head works Equip & Installation	-	-	342	736,708	737,050
White Avenue Lift Station	-	147,854	-	-	147,854
Chlorine Contact Basin	-	-	3,972	546,028	550,000
Settlement Sewer Addition	82,302	447,762	-	-	530,064
Total Utility Fund CIP	\$ 9,556,346	\$ 3,487,957	\$ 1,236,621	\$ 7,552,445	\$ 21,833,369
Less: TWDB Draws	\$ 6,110,000	\$ 1,210,000	\$ 845,000	\$ 7,435,000	\$ 15,600,000
Bond Sale Schedule	\$ 1,900,000	\$ -	\$ 2,200,000	\$ 1,500,000	\$ 6,835,600

Water and wastewater rates have been increased in order to pay the debt service on previously issued bonds as well as maintain a 45 day working cash balance as required by Council Financial Policies. Water rates increase 2%; average sewer rate increase for affected commercial and industrial customers is 15.39% and 4.5%, respectively. The primary capital improvement project in the Water/Wastewater Fund is replacement of the asbestos cement water lines throughout the city. This project, estimated to cost approximately \$16.3 million, will take five years to complete. Funding of up to \$16,000,000 is provided by a low interest loan from the Texas Water Development Board (TWDB). The City made its first draw against the loan in December 2001 and has made six draws totaling \$8,165,000. The loan is a reimbursement loan in which the City spends its money before receiving reimbursement from the TWDB. The City issued Revenue Bonds of \$1.5 million dated September 2003 to cover the non-reimbursable costs of the project.

Each year as part of the budget process, utility fund departments prepare replacement equipment requests to be funded from the Renewal & Replacement Funds. The City Manager, along with applicable staff, reviews these requests, rank as to importance, and present results to Council for approval. A list of items approved this year is reflected in the following table.

Water/Wastewater Renewal & Replacement Fund		
Department	Item	Amount
Utility Collections		
	RF Meters & Sets	\$ 429,400
	½ Ton Pickup	19,000
	Sub-total	\$ 448,400
Water Utilities		
	Kiln St. Water Line Replacement	\$ 45,200
	Chestnut/Denman Water Line Replacement	45,000
	Sub-total	\$ 90,200
WWTP/Water Prod.		
	Infrared Camera	\$ 25,000
	Belt Press	230,000
	Weir Baffles	35,000
	Sub-total	\$ 290,000
Other		
	Replace Kit McConnico	
	Parking Lot	\$ 60,000
	1½ Ton Truck	45,000
	Motor Grader	165,000
	Sub-total	\$ 270,000
Total Water/Wastewater Renewal & Replacement Fund		\$ 1,098,600

Solid Waste/Recycling Renewal & Replacement Fund

Department	Item	Amount
General Government		
	Construction of Service Center	\$3,000,000
	Sub-total	<u>\$3,000,000</u>
Recycling		
	Storage Facility	\$ 600,000
	Sub-total	<u>\$ 600,000</u>
Total Solid Waste/Recycling Renewal & Replacement Fund		<u>\$ 3,600,000</u>
Total Renewal & Replacement Funds		<u><u>\$ 4,698,600</u></u>

CAPITAL IMPROVEMENTS PROGRAM

SUMMARY

FISCAL 2001-2006

General Government Projects

- \$948,000 – Wireless Wide Area Network and Ethernet phone system include installation of wireless connections from the City Hall complex to 16 nodes, or outlying City offices. The telephony portion of the project is installed “on top of” the wireless portion of the project. The project was completed in May 2002 and saves the City approximately \$120,000 annually with a payback of about 6 years.
- \$4,994,100 – Main Street Downtown Project includes both City and TEA 21 State Grant funds. The grant was approved in Fiscal 2001 and includes construction of period lighting, sidewalk renovation and park benches. The City’s portion will be used for street reconstruction throughout the downtown district.
- \$3,000,000 – Public Works Facility will house the Street, Water Distribution and Sewer Collection departments, as well as, serve as Emergency Management Operations center. A warehousing area will also be included in the facility. This project is scheduled to begin the engineering and design phase in FY 2006.

Public Safety Projects

- \$595,400 – Police Mobile Data System includes hardware and software installation for the Police mobile data system that allows officers in the field to file reports electronically through the Cellular Digital Packet Data (CDPD). This project was completed in August 2002.
- \$318,700 – Replacement ambulances were purchased over a three- year period.
- \$199,960 – Pumper Unit was purchased in late 2004. This replaced a 20-year old existing unit.

Culture & Recreation Projects

- \$80,000 – Morris Frank Softball Field included the construction of fencing around the field. The project was completed in April 2002.
- \$3,569,000 – Kit McConnico Park Improvements includes engineering, design, and construction of the Kit McConnico Park improvements as part of the Parks Master Plan. This project was completed in FY 2005.
- \$158,700 – HVAC System Replacement was completed in December of 2002 and replaced the HVAC system at the Civic Center.
- \$350,000 – Bleacher Replacement included replacement of the rollout bleachers in the Civic Center and was completed in September 2002.
- \$311,000 – Mechanical Wall Replacement allows for dividing the Civic Center area into smaller meeting rooms. These were replaced in March 2002.

- \$96,610 – Carpet Replacement allowed 30-year old carpet to be replaced and complete the color scheme change for the facility. This was replaced in January 2004.

Public Works

- \$3,031,000 – Hurricane Creek Detention Ponds began in Fiscal 2001 and complete in Summer 2003. It entailed construction of detention ponds in the Hurricane Creek drainage basin to control and prevent flooding in the area.
- \$6,972,743 – Various Street Improvement Projects:
 - \$1,182,652 – Culverhouse Paving & Drainage (P&D) was completed in FY 2003.
 - \$235,300– Church St Drainage P&D scheduled to begin construction in FY 2006.
 - \$37,260 – Darlington P&D was completed in FY 2002.
 - \$296,100 – Daniel McCall P&D was completed in FY 2002.
 - \$1,798,978 – Copeland P&D was completed January 2004.
 - \$55,719 – Allendale P&D was completed in FY 2002
 - \$77,836 – Kiln P&D was completed in FY 2001.
 - \$433,330 – Whitehouse Drive P&D was completed in FY 2004.
 - \$2,945,000 – Whitehouse Drive Extension was added to CIP in FY 2003. Engineering design in progress. Construction scheduled for completion in FY 2006.
 - \$330,571 – Street Equipment Project is completed. Three pieces of equipment were purchased and are used for street construction.
- \$2,229,278 – Angelina Street (P&D) is the first of the 2001 Street Bond Program, was completed in FY 2004.
- \$1,682,000 – Abney Street P&D engineering and design phases are complete. Construction is planned in Fiscal 2005 and 2006.
- \$2,151,292 – Lotus Lane P&D engineering and design phases are complete. This project will extend over a three-year period, and estimated completion is scheduled for FY 2006.
- \$1,645,000 – Whitehouse Street P&D construction is planned for Fiscal 2006.

Water Projects

- \$17,369,265 – Asbestos Cement Line Replacement is a five-year project that includes approximately 57 miles of asbestos cement water lines and is approximately 80% complete. Construction began in Fiscal 2001.
- \$67,500 – Water Plant Control System is scheduled for completion in Fiscal 2006.
- \$965,000 – Water Well #15 consists of drilling and construction. The project was completed in FY 2005.
- \$997,907 – Main Street Downtown Project replacement of water and sewer lines in the central business district and is being done simultaneously with the street, sidewalk, and period lighting project. The project was completed in Fiscal 2005.

- \$401,400 – Mantooth Water Line Replacement is scheduled for construction in Fiscal 2005.

Wastewater Projects

- \$975,000– Kit McConnico Force Main consists of constructing sewer force main from the Kit McConnico complex to the appropriate lift station. Construction begins in Fiscal 2004.
- \$737,050 – Equalization Basin & Head Works includes construction of an additional storm water lagoon at the treatment facility and adjustments and over sizing to piping and pumping facilities to accommodate the additional lagoon. Project began construction during FY 2003 and completes in 2004.
- \$147,854 – White Avenue Lift Station consists of construction of the White Avenue Lift Station. Construction was complete in 2004..
- \$530,064 – Settlement Sewer Addition consists of extending sewer service to the Settlement Subdivision, which was annexed into the city in 2000. This project was completed in FY 2004.
- \$550,000 – Chlorine Contact Basin includes construction of a unit identical to the existing unit which will increase treatment capacity and allow for repairs to the old unit. This project was implemented in FY 2005.

Water/Wastewater Renewal & Replacement Projects

- \$429,400 – Radio Frequency (RF) Meter Reading Project benefits the Utility Collections department and encompasses purchase and installation of hardware (RF meters, computers) and software for remote meter reading via vehicle. The third phase of this project will be completed in Fiscal 2006.
- \$45,200 – Kiln St. Water Line Replacement to replace existing water line will be constructed in FY 2006.
- \$45,000 – Chetstnut/Denman Water Line Replacement replacing existing lines will be done in FY 2006.
- \$25,000 – Infrared Camera will be purchased in FY 2006 to replace existing equipment.
- \$230,000 – Belt Press will be replaced in FY 2006 to upgrade and maintain the life of the wastewater treatment facility.
- \$35,000 – Weir Baffles will be replaced in FY 2006 in order to create a fully functional operation at the wastewater treatment facility.
- \$60,000 – Replace Kit McConnico Parking Lot to replace damaged portion of new parking lot – damaged by utility construction.

- \$45,000 – 1½ Ton Truck will be purchased to replace existing equipment in FY 2006.
- \$165,000 – Motor Grader to replace existing motor grader.

Solid Waste & Recycling Renewal & Replacement Projects

- \$3,000,000 – Service Center will begin construction in FY 2006 with a larger facility.
- \$600,000 – Storage Facility for recycling will be constructed in FY 2006 to add storage for recycleables.

