



CHAPTER 21

CAPITAL IMPROVEMENTS

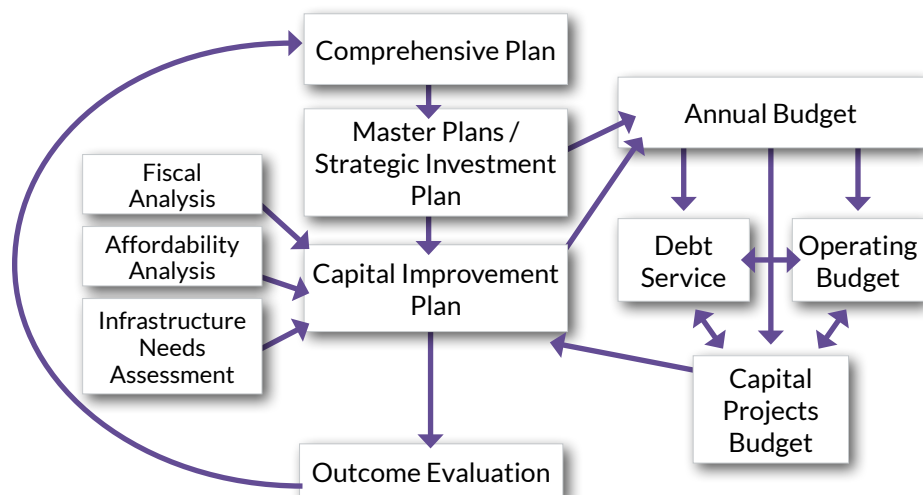
Capital improvements are an important means of implementing the Comprehensive Plan. Major thoroughfares and public facilities are instrumental in defining the physical, social, and economic character of the city. Such projects, along with new water, sewer, and storm drainage facilities, play a critical role in implementing the City's plans for future land use and development.

FIVE-YEAR CAPITAL IMPROVEMENTS PLAN (CIP)

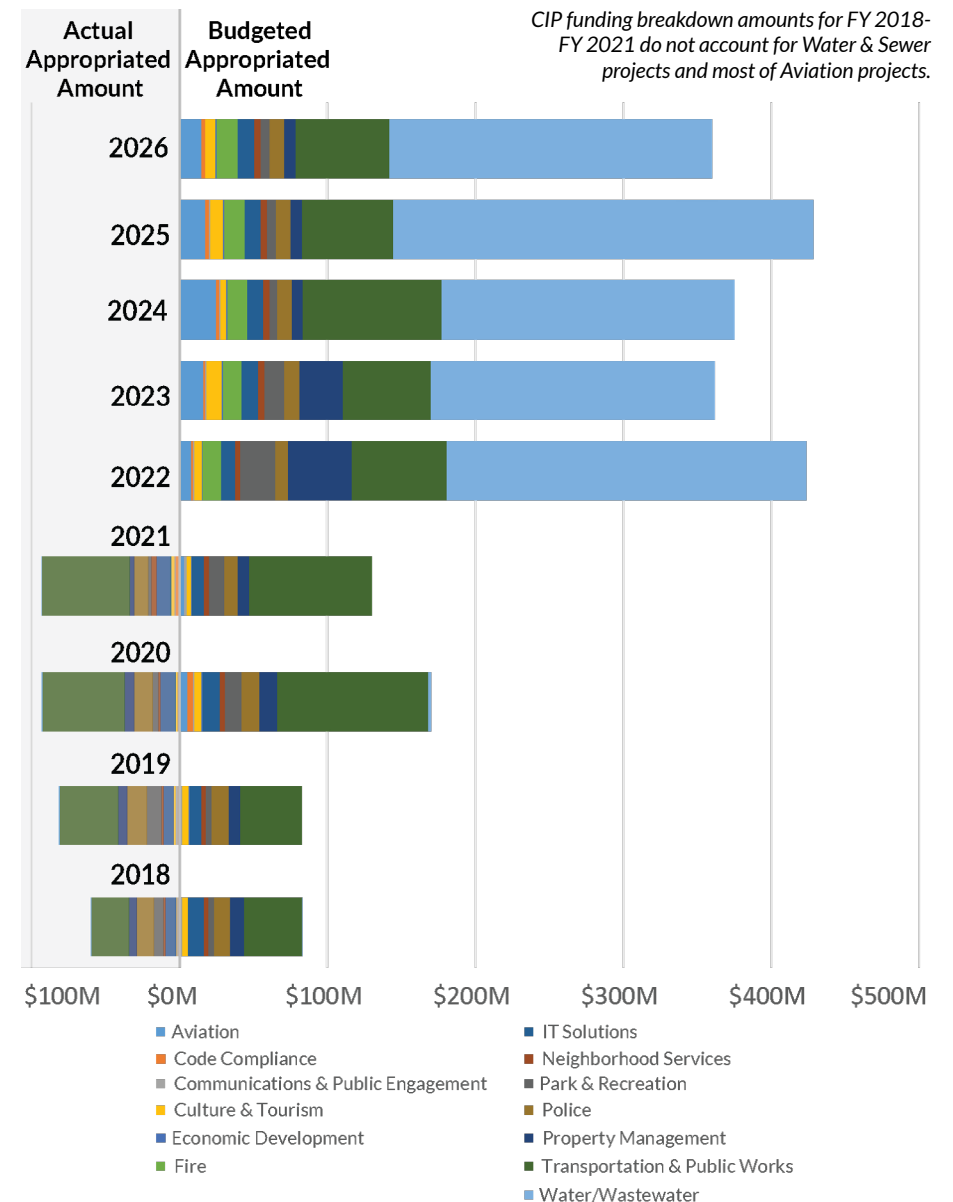
The citywide CIP forecasts anticipated expenditures on capital improvements over a five-year period. A description of needed capital improvements is presented for each City department, along with the rationale for including each item. A schedule of estimated project expenditures by year and amount is also provided.

The five-year CIP presents the most current plan for programming financial resources to address capital and infrastructure requirements. However, the integrated plan does not imply any obligation to expend funds for the proposed projects, and it should be expected that as the City's physical environment, demographics, and needs change, revisions will be made to the project lists. The most current information on the status of any specific project can be obtained by contacting the responsible department or agency.

CIP PLANNING PROCESS



BUDGETED & ACTUAL APPROPRIATED AMOUNTS: 2018-2026



Source: City of Fort Worth, FY2022-2026 5 Year Capital Improvement Plan.

KELLER HASLET HAZARDOUS ROADWAY OVERTOPPING MITIGATION PROJECT

The existing two culverts were undersized for the amount of stormwater runoff in the area. During intense storms the roadway was overtopped by stormwater runoff, which created hazardous risk to motorists.

Project Budget: \$2,700,000
Construction Cost: \$1,900,000
Start date: January 2020
Competition Date: November 2020

BEFORE



AFTER



Location: Keller Haslet Rd. near Alta Vista Rd.

Source: City of Fort Worth, Transportation & Public Works, Stormwater Division, 2020.

REBY CARY YOUTH LIBRARY

Reby Cary Youth Library is the first Fort Worth Public Library purposefully designed to serve children, teens, and their caregivers. The library is a fun gathering place for families, featuring a creative lab, sensory garden, and open spaces to explore, socialize, and learn.

Project Budget: \$5,797,725
Construction Budget: \$4,763,931
Construction Start Date: May 2020
Grand Opening: August 14, 2021



Location: Reby Cary Youth Library, 3851 E. Lancaser Ave.

Source: City of Fort Worth, Libraries Department, 2021.

COMO COMMUNITY CENTER

The new Como Community Center replaced the original 1970 building on Horne Street. In addition to the full-size gymnasium for the Como Lions to play, there's a fitness room, a teaching kitchen, a sensory playground, several lounges and gaming areas, and an entire wing dedicated exclusively to senior programs. Como Community Center is also the primary location for residents to access Community Action Partners (CAP) services in southwest Fort Worth.

Project Budget: \$12,325,000
Construction Cost: \$12,600,000
Construction Start date: November 5, 2018
Grand Opening: February 20, 2020



Location: Como Community Center, 4660 Horne St.

Source: City of Fort Worth, Neighborhood Services Department, 2022.

WHAT IS A BOND?

A bond is a form of debt obligation that, when issued, provides local government with funds to finance large capital improvements. Property taxes repay the debt incurred for bond-funded improvements. General Obligation Bond Programs require voter approval and can be used for major capital investments that have a public purpose such as streets, drainage, parks, and public facilities.

Bond Program Importance

Bond financing allows the City to quickly and efficiently complete large projects instead of completing projects as the annual budget allows. This is more cost effective as tax payers will not have pay for increased maintenance costs and the funding is guaranteed for each project.

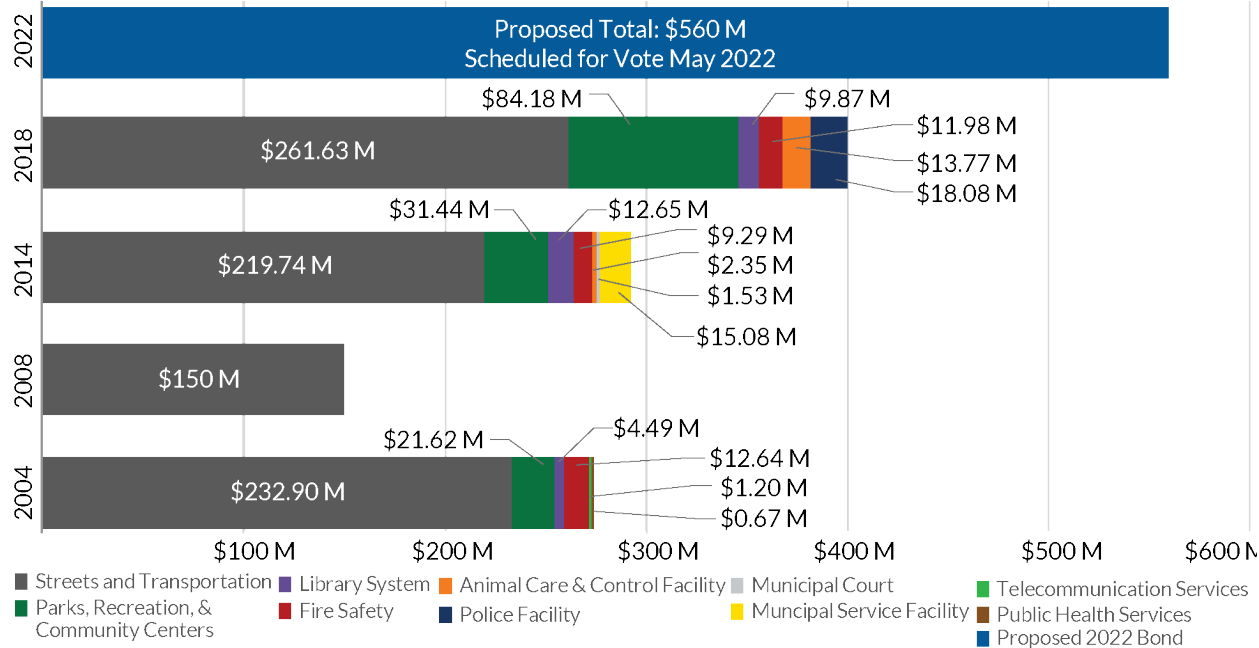
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Approved Bond Programs since 1978

\$1.75B

Total Approved Bond Program Funding since 1978

BOND PROGRAM BREAKDOWN (2004-2022)



Source: City of Fort Worth, 2004, 2008, 2014, 2018, and 2022 Bond Programs.

BOND PROGRAM GOALS

1. Maintain/improve existing infrastructure and address equity.
2. Provide mobility and city services in growth areas.
3. Enhance active transportation and recreational corridors.
4. Allow for flexibility and partnership opportunities.
5. Balance debt and operating costs for fiscal stewardship.

BOND PROGRAM PROCESS

1. **Department Project Development:** Projects developed and prioritized by departments with defined criteria using quantitative data and qualitative factors.
2. **Project Prioritization Committee:** Committee reviewed department submissions and prioritized projects using general ranking criteria.
3. **Management Review and Input of Proposed Projects:** CMO reviewed initial list of prioritized projects.
4. **City Council Review and Input:** Preliminary project list provided to City Council for review and input.
5. **Public Engagement Meetings**
6. **Finalize Project List**
7. **City Council Action:** City Council votes on an ordinance to establish the bond program package that the citizens then vote on.
8. **Public Education Meetings**
9. **Bond Election:** Citizens vote to approve or disapprove the proposed bond propositions.

The City should continue to remain disciplined in assuming debt as the City's financial policy dictates. The following conditions should be favorable before proposing major bond programs or other debt instruments:

- Local, regional, and national short- and long-term economic trends.
- Debt service less than 20 percent of net operating revenues.
- Long-term debt less than five percent of the City's total assessed values.
- General fund reserves at least 10 percent of the adopted budget.
- Match funds with other sources of funding to stretch dollars. These sources may include, but are not limited to current revenue, grant funds, and contributions.
- Accumulate retained earnings until the capital improvement can be paid for. Possible sources may include capital projects reserve fund, enterprise funds, public improvement district funds, and tax increment financing district funds.

BONDS AND OTHER DEBT INSTRUMENTS

Debt instruments available to a municipality include the following: general obligation bonds, certificates of obligation, revenue bonds, industrial bonds, and commercial paper. Public property finance contractual obligations, contract revenue bonds, and anticipation notes are also available to municipalities, though Fort Worth seldom, if ever, uses these debt instruments.

- **General Purpose Bonds (General Obligation Bonds)** - Authorized by an election and backed by ad valorem taxes, they are used to pay for specifically approved projects. Future revenues are used to pay interest on the bonds and the principal amount when due. Interest income earned by the purchaser is tax free, which allows the purchaser to accept a lower interest rate. Capital improvements in Fort Worth are traditionally financed in this manner.
- **Certificates of Obligation (COs)** - Secured by ad valorem taxes and issued for limited purposes, such as land acquisition or funding a legal judgment. When combined with a limited (\$1,000 or more total) pledge of surplus revenue from an operating system (such as water, sewer, drainage, or sanitation), they can be issued for any lawful purpose authorized by City Council without citizen vote.
- **Revenue Bonds** - Used for and payable by operations such as water, sewer, stormwater, and solid waste. Fort Worth has utilized these bonds for City water and wastewater treatment plants, distribution facilities, and landfill projects.
- **Commercial Paper Program** - A short-term note program used for appropriation authority for construction and occasionally used to fund continual capital improvement efforts on an interim basis, such as the City's sewer improvement projects. Notes have maturities as short as one day or as long as one year. The City has authorized the issuance of up to \$125 million in Commercial Paper for both general purpose and water and sewer projects. The program is also used for eligible bond projects.
- **Industrial Revenue Bonds** - The Texas Development Corporation Act allows cities, counties, and conservation and reclamation districts to form non-profit industrial development corporations or authorities on their behalf. This is for the purpose of issuing taxable and tax-exempt bonds for eligible projects. An industrial development corporation acts as a conduit through which all monies are channeled. Generally, debt service on the bonds is paid by the business under the terms of a lease, sale, or loan agreement. As such, it does not constitute a debt or obligation of the governmental unit, the industrial development corporation, or the State of Texas. The Fort Worth Alliance Airport Authority, Inc., and Sunbelt Industrial Development Corporation are examples of this type of development corporation.
- **State Revolving Loan** - A low interest loan administered through the Texas Water Development Board used to finance improvements to water and wastewater collection systems, including plant facilities.
- **Section 108** - Loans guaranteed by the U.S. Department of Housing and Urban Development (HUD) and providing communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Future Community Development Block Grant (CDBG) entitlement funds are pledged to secure funding should these loans default.
- **Equipment Tax Notes** - Equipment notes secured by ad valorem taxes and issued by the City, initially for the purpose of implementing an apparatus replacement plan for the Fire Department, but recently expanded to include technological purchases.

GRANT FUNDS

Grants are classified as either categorical or block, depending upon the amount of discretion allowed to the grantee. Generally, grants require in-kind contributions or matching funds. Some types of grants are targeted to provide basic services in lower income areas and are disbursed to non-profit organizations. Transportation grants are project-based, and Fort Worth projects must compete with other transportation projects in the region, state, or country depending on the source of funds. Proposed projects go through a rigorous ranking process by the City Planning and Development Department and/or Transportation and Public Works Department, the Metropolitan Planning Organization (MPO) staff, and the Texas Department of Transportation.

- **Community Development Block Grant (CDBG)** - Funds must be used for eligible projects and meet one of the Broad National Objectives: Low/Mod; Slum/Blight; Urgent Need. Most projects are funded either under a Low/Mod area criterion where funds must be spent in areas that consist of at least 51% low to moderate income households (areas are designated as eligible based on the federal census), or Low/Mod person criterion where the population assisted by CDBG funds must have low to moderate incomes.
- **HOME** - A program administered by HUD that provides funding for the acquisition, rehabilitation, and new construction of moderate- or lower-income homes. This program mandates the participation of Community Housing Development Organizations (CHDOs) in developing affordable housing.
- **Section 202 Program** - Provides capital advances to finance the construction and rehabilitation of housing for low-income elderly persons and is administered by HUD. The capital advance does not have to be repaid as long as the project serves low income elderly persons for 40 years. It also provides rental assistance for Section 202 projects to help make them affordable.
- **Economic Development Initiative (EDI) funds** - Originate from HUD and are used to create jobs and encourage economic revitalization. Grant money can be used in tandem with Section 108 guaranteed loans.
- **Defense Economic Adjustment Assistance Grant Program (DEAAGP)** - Funds are used to help adversely impacted defense-dependent communities recover economically from realignments, closure of defense installations, or reductions or termination of defense contracts. The Texas Department of Commerce administers the grant program.
- **Economic Development Administration (EDA) grants** - Funds are used to help create immediate jobs for the unemployed by constructing or renovating public works and development facilities, including public buildings, historic structures, transportation facilities, water and sewer systems, and community facilities. Grants are administered by the U.S. Commerce Department.
- **Texas Parks and Wildlife Department** - Uses funds from sales tax levied on sporting goods to fund parks and recreational projects. Funds from this source are used by the Park and Recreation Department.
- **Urban Street Program** - Funds are used on city streets classified as collector or higher in urbanized areas. The MPO for the region, North Central Texas Council of Governments, receives allocations from the federal government based on the urbanized area population. Projects are then chosen based on traffic volume.
- **Notice of Fund Opportunities (NOFO)** - An annual consolidated national competition for funds coordinating nearly 50 programs that cut across traditional program lines. The NOFO covers several programs including housing, community development, economic development, empowerment programs, and homeless assistance programs. Nonprofits, public housing agencies, local and state governments, faith-based organizations, and others are each eligible for certain programs.

CURRENT REVENUES

Using current revenue from taxation, fees, service charges, or special assessments is a pay-as-you-go method used by the City to pay for improvements. Typically, revenue from certain sources is designated in advance to pay for specific projects.

- **Tax Revenues** - Ad valorem, sales, or other taxes can be designated for capital improvement projects. For example, monies received from a sales tax of 0.5 percent are placed into a special Crime Control and Prevention District Fund. In most cases, the City borrows money first and uses future tax revenues to retire that debt. For example, a recent two percent increase in hotel/motel occupancy taxes will retire bond money borrowed to upgrade the Fort Worth Convention Center. Fees from car rentals at DFW Airport can also be used to retire debt taken on to upgrade public events buildings.
- **Pay As You Go Capital Maintenance (PayGo)**: A capital funding source, derived from accumulated revenue, which is used to pay for capital assets and expenses, particularly maintenance of capital assets. PayGo funding is one alternative to debt funding capital expenses.

RETAINED EARNINGS

- **Capital Projects Reserve Fund** - Used to accumulate surplus money from various funds and money from the sale of real assets. Money from the fund can be used to pay for land and building purchases, construction and maintenance projects, capital equipment and vehicles, and technology improvements.
- **Enterprise Funds** - Generated from fees paid for services and accumulated as retained earnings, if revenues exceed operations expenses. Examples of Enterprise Funds are golf, water and sewer, parking facilities, and airports.
- **Public Improvement Districts (PID)** - A defined area within a city or its extraterritorial jurisdiction created by City Council action where additional services or infrastructure are needed. Special assessments are levied on affected property owners and prorated according to the level of benefit received. Fort Worth has five PIDs, two commercial (Downtown and Camp Bowie) and three residential (Park Glen, Heritage, and Parkwood).
- **Tax Increment Financing (TIF) Districts** - Denoted by specific boundaries and created by City Council to provide for infrastructure improvements within that area. The current assessed value of property located within the boundaries is used as the baseline figure. Future property tax revenues in excess of the baseline amount pay for public improvements.
- **Storm Water Utility** - The utility collects and manages funds to reconstruct and upgrade storm drain systems and to provide operation and maintenance of the storm water system. Fees are determined by how much impervious area is on the property (impervious area is a hard surface such as a building, parking lot, or driveway). These hard surfaces cause rainwater to quickly run off properties, rather than being absorbed into the soil.

CONTRIBUTIONS FROM PRIVATE AND NON-PROFIT SOURCES

Many capital improvement projects that benefit the general public are financed entirely or in part with funds from private or quasi-public sources such as non-profit organizations or for-profit business ventures. The blending of private and public funds for the betterment of the community and in anticipation of future profits is desirable. Examples of organizations that have contributed funds to capital improvements in the Fort Worth area are cited below:

- **Friends of the Fort Worth Nature Center and Refuge** - A nonprofit, 501(c)(3) organization that provides funding to support the Nature Center programs and projects.
- **Streams and Valleys, Inc.** - A non-profit formed in 1969 for the purpose of planning and coordinating the beautification and recreational development of the Trinity River and its tributaries in Tarrant County. Funds originate from community organizations, foundations, and individual contributors.
- Developers participate in new development cost of roads and infrastructure based on the City of Fort Worth Policy for Installation of Community Facilities.

GOALS & OBJECTIVES

1 Practice fiscal discipline when assuming debt to fund capital improvements

- Review local, regional, and national economic trends to inform decision-making.
- Work with federal, state, and local agencies to identify potential funding sources to implement infrastructure projects.
- Use property tax sources for capital improvement maintenance.

2 Provide infrastructure to adequately support existing and future development

- Regularly evaluate capacity needs and timing of new infrastructure, concurrently with private development.
- Partner with utility providers to regularly update their planning efforts and review processes.
- Identify public needs and expectations to inform public facilities and service planning.

3 Create a planning and data-driven capital improvement program that identifies needs and prioritizes funding that targets strategic investment areas

- Develop a rolling needs assessment to identify unfunded projects for evaluation and prioritization for funding.
- Complete a comprehensive infrastructure assessment to determine the state and level of service for all existing infrastructure.
- Align the CIP with strategic areas identified in this plan and other City documents to prioritize projects that promote strategic economic growth, fiscally beneficial development, and strong and safe neighborhoods.
- Develop a strategic investment plan that identifies and aids in prioritizing potential projects in the city to support the most fiscally beneficial development.

POLICIES

- Proposed debt should meet the following criteria:
 1. Debt service will be less than 20% of net operating revenues;
 2. Long term debt is less than 5% of the City's total assessed values; and
 3. General fund reserves are at least 10% of the adopted budget.
- Funding will be spent on improvements compatible with the City's long-term goals and needs
- Desired public improvements will be balanced with the City's financial resources.