



Keith J. Riesberg
City Manager

August 23, 2017

The Honorable Mayor
City of Rio Rancho
3200 Civic Center Circle NE
Rio Rancho, New Mexico 87144

RE: Recommended Infrastructure and Capital Improvement Plan (ICIP) for Fiscal Years 2018-2023

Mr. Mayor Hull:

Transmitted herein is a complete copy of the city's Final Infrastructure and Capital Improvement Plan (ICIP) for Fiscal Years 2018-2023 (July 1, 2017-June 30, 2023). While the ICIP does not impart legal authority for capital spending outside of Fiscal Year 2018, the document constitutes the primary basis upon which subsequent annual capital budgets will be formulated and presents a multi-year projection of capital needs and financing requirements.

The Final ICIP reflects the collective effort of several city departments and various levels of management and staff. The ICIP document is intended to be a planning document and financial management tool that projects capital needs and priorities while identifying future financing requirements over the planning period. As such, the goals of the capital program as set forth in the policy contained herein are as follows:

1. Consistently make decisions related to infrastructure and capital improvement aligned with the adopted Strategic Plan.
2. Promote financial stability and focus attention on the city's long-term financial capacity to meet capital and operational needs.
3. Effectively communicate the city's priorities and plans for undertaking capital projects to internal and external stakeholders.

The document is organized around eight specific project categories including General Government and Other Departments; Police; Fire and Rescue; Parks, Recreation, and Community Services; Drainage; Transportation; Utility-Water; and Utility-Wastewater. Each project category consists of the following components:

1. A facility introductory section containing historical and contextual information about the city's capital assets and infrastructure. Information includes inventories, capacity and condition of assets, repair and maintenance programs/activities, asset performance indicators, ICIP plan development, developer contributions, and funding sources.
2. A summary table containing each planned project in order of priority rank.

3. Financing summaries presented for the aggregate planning period.
4. A list of 'Projects Under Consideration' for which a reasonable expectation of need has been established, but for which funding has not been determined within the ICIP time frame.
5. Detailed project information for individual projects containing project descriptions and scope, justification, history and status, and cost and funding information.
6. Recent past results and accomplishments related to completed or ongoing projects.

PROJECT HIGHLIGHTS BY PROJECT CATEGORY: FISCAL YEARS 2018-2023

Fire and Rescue

Fire Apparatus

The FY2018 ICIP includes replacement of fifteen (15) fire apparatus units, including fire trucks, ladder trucks, ambulances, and brush trucks at a total estimated cost of \$5,920,000 through FY2023. The proposed financing plan (see Exhibit 1) consists of \$857,103 in Public Safety Impact Fees and \$5,062,897 in General Obligation Bond proceeds. Should the City not move forward with a GO Bond proposal to address Public Safety needs, the ICIP will be revised dramatically to reflect available funding sources. Any increases in alternative funding sources (Impact fees, State revenues, etc.) will be subject to availability and may reduce the size of future bond issuances.

Fire Station Renovations/Improvements and Fire Equipment

General Obligation Bond proceeds have been programmed in the amount of \$244,470 for Self-Contained Breathing Apparatus replacements in FY2019 and FY2021. Fire and EMS equipment such as bunker gear, electric gurneys, cardiac monitors/defibrillators, and extrication equipment are funded by cash sources from the General fund and Fire Protection fund. Improvements at Stations 1, 3, 4, 5, and 6 totaling \$784,000 through FY2023 are unfunded at this time; however state capital outlay appropriations will be requested for these projects.

Police Department

Police Vehicle Replacement

The department has identified replacement of its aging law enforcement vehicle fleet as a pressing capital need. Currently, 38 percent of marked and pool police vehicles have in excess of 100,001 miles and an additional 16 percent could potentially reach that mileage within the next year.

The FY2018 ICIP includes replacement of one hundred fifty six (156) police vehicles through FY2023 at a total estimated cost of \$6,513,000 (includes equipping). The proposed financing plan (see Exhibit 1) consists of \$934,123 in automated traffic enforcement funds, \$432,000 in Public Safety Impact Fees, and \$5,146,877 in General Obligation Bond proceeds. Similar to the Fire and Rescue Department, the ICIP will be revised dramatically to reflect available funding sources should the City not move forward with a GO Bond proposal.

The FY2018 Budget includes replacement of ten (10) police vehicles utilizing automated traffic enforcement funds and Public Safety Impact Fees.

Transportation

Southern Boulevard Reconstruction from Golf Course Road to NM528

The project consists of final design and reconstruction of Southern Boulevard from Golf Course Road to NM528 to include signalized intersections, street lighting, curb and gutter, sidewalks, roadway pavement replacement, turning lane reconstruction, storm drainage reconstruction, striping, and signage. The corridor study and preliminary design activities were completed in September 2015 and final design began in May 2016. The city anticipates receiving intergovernmental grants in the amount of \$8,447,706 in Fiscal Year 2018 for construction activities and will spend an estimated \$5.2 million in local sources to complete the project including Road Impact Fees and 2016 General Obligation Bond Proceeds.

General Obligation Road Bonds

The city anticipates continuing its General Obligation Bond cycle in March 2018, March 2020, and March 2022 for road projects. Future bond questions are expected to provide \$30 million through FY2023 for the purpose of designing, constructing, repairing, preserving, rehabilitating, enhancing and otherwise improving roads in the city. Plans and costs for specific roadway improvements will be brought before the Governing Body when each road bond question is presented for consideration.

Utility-Water

Re-drill Well 13

The project is necessary to replace production capacity lost from the failure of Well 13 in 2013. Well 13 is important to the citywide water distribution and supply system as it is located at a high elevation and feeds down into the system to populated areas of the city. Land adjacent to the current well site was acquired in March 2014 and planning and design for the re-drilling portion of the project was completed in April 2016. The Fiscal Year 2018 Budget includes an additional appropriation of Water Impact Fees in the amount of \$500,000 in anticipation of construction activities in FY2018.

Water Rights Acquisition

The city's water rights acquisition liability is approximately 16,000 acre feet over 55 years under two Office of State Engineer (OSE) permits authorizing diversion of up to 24,000 acre feet per year. The 2003 OSE permit requires acquisition of 728 acre feet of water rights every five-year period through 2063, beginning at a time when the city reaches 12,000 acre feet of annual consumption (reached in December 2007). The 1979 permit requirement will vary based on the modeling effect of the City's groundwater pumping of the surface flows of the Rio Grande. To date, the City has acquired or has under contract 5,633 acre feet of water rights toward its obligations under both the 1979 and 2003 permits. Accordingly, the City is current with regard to obligations under the 1979 permit and has satisfied obligations under the 2003 permit for the first five accounting periods through 2032, and has begun satisfaction of its obligations for the accounting period commencing in 2033. Acquisition of water rights has been funded through a combination of Utility operating revenues, Utility bond proceeds, water rights acquisition fees, and three water rights loans entered into in January and December of 2011, and April 2015. The balance of capital funds at year end FY2017 available for purchase of additional water rights is \$687,561, while estimated recurring revenue from the water rights acquisition fee available through Fiscal Year 2023 is \$10.25 million.

Water ICIP Cash Financing

The FY2018 Water ICIP includes new cash financing in the amount of \$26.3 million for water projects through FY2023, an overwhelming majority of which is Utility Net Operating sources. Notable projects financed with cash sources include Phase I Well 13 Re-drill; renovation of water storage tanks;

and vehicles and heavy equipment. No financing derived from new rate increases is included in the FY2018 ICIP.

Utility-Wastewater

Wastewater Treatment Plant #1 Rebuild

The project consists of rebuilding Wastewater Treatment Plant 1 to a new membrane bioreactor plant. The existing plant is an aged treatment facility constructed in the early 1970s and has exceeded its useful life. The city intends to construct a new plant to treat existing flows, accommodate increased flows in the service area, and have the ability to meet the stringent effluent standards required for the Advanced Water Treatment Facility (AWTF). Preliminary engineering was completed in fall 2015 and design/build is anticipated in Fiscal Year 2017/2018. Financing for design and construction activities is a \$25 million limited obligation loan.

Wastewater ICIP Cash Financing

The FY2018 Wastewater ICIP includes new cash financing in the amount of \$9.3 million for wastewater and recycled water projects through FY2023, all of which comes from Utility Net Operating sources. Notable projects financed with cash financing include WWTP 2, Lift Station 14 and ultraviolet disinfection improvements; sewer line replacements; Lift Station 2 relocation; and vehicles and heavy equipment. No financing derived from new rate increases is included in the FY2018 ICIP.

Parks, Recreation, and Community Services

Parks and Recreation Americans with Disabilities Act (ADA) Improvements

The project consists of implementation of recommendations from the 2014 ADA Compliance Transition Plan for access improvements to city parks and facilities. An estimated \$499,502 in earmarked cell tower revenue is available through FY2023 for capital improvements, while an additional \$114,631 is anticipated to be spent on non-capital materials and services expenditures related to ADA compliance. Capital and non-capital expenditures to date total \$76,423 for ADA improvements at Rainbow Park, Star Heights, Haynes Recreation Center and Pool, Sabana Grande Recreation Center, and Vista Sandia Park.

Meadowlark Senior Center Parking Lot

Parking lot renovations were necessary to meet federal requirements established by the Americans with Disabilities Act (ADA). Design of Phase I improvements addressing ADA issues in areas immediately surrounding the senior center was completed with Community Development Block Grant (CDBG) funding received in FY2010, and the department received an additional \$23,000 in CDBG funding in FY2013 for Phase II design services. Construction was completed in August 2014 utilizing state appropriations authorized by the 2012 and 2013 Legislatures. Additional state grant funding was appropriated in the 2015 Special Legislative Session in the amount of \$383,832 for an additional phase of parking lot improvements to include: the installation of three lighted crosswalks, additional landscaping, site furnishings, signage, and storage units.

Rainbow Pool Replaster

The FY2018 Budget includes an appropriation of \$123,000 for replaster of the Rainbow Pool. Rainbow Pool is the city's largest outdoor pool and supports summer camps, swim teams, swimming lessons, and hosts local and regional pool meets. The pool is approximately twenty years old and needs to be replastered as patching and tile replacement has become difficult because the plaster has deteriorated and thinned.

General and Other

Fleet Vehicle and Heavy Equipment Replacement

The Department of Public Works, Building and Fleet Maintenance Division annually prioritizes the needs of the general vehicle and heavy equipment fleet based on the age, mileage, and condition of existing vehicles, as well as service demands and priorities of the city as they relate to the need for vehicle acquisition and/or replacement. The FY2018 ICIP needs assessment includes \$4.2 million in acquisitions through Fiscal Year 2023. Of that amount an estimated \$3.2 million is funded by a combination of General Fund sources and a Municipal Gas Tax loan. The FY2018 Budget includes cash financing for five (5) Parks Maintenance replacement trucks; two (2) Building Maintenance vehicles; and a Code Enforcement replacement truck.

Major Equipment and Software, and City Facility Improvements

The FY2018 ICIP programs a total of \$915,050 in General Fund sources and \$654,000 in other sources through FY2023 for software acquisition and capital improvements to city facilities. Major projects include: enterprise and infrastructure/asset management software upgrade, and Loma Colorado Library roof replacement.

CAPITAL SPENDING OVERVIEW: FISCAL YEARS 2018-2023

In the aggregate, the city's capital program consists of 88 projects at a total estimated cost of \$301.2 million for the planning period beginning on July 1, 2017 and ending on June 30, 2023 (FY2018-FY2023). Similar to past ICIPs, the major project categories accounting for the most substantial portions of the aggregate program are Transportation and Drainage (34%) and Utilities-Water and Wastewater (50%).

A complete breakdown of planned capital spending by project category and fiscal year is presented in a summary page following this message.

The size of the capital program has decreased by \$6.7 million or 2 percent compared to last year's plan. Major changes in the size of the capital program are detailed in [Exhibit 2](#). The ICIP presents the city's plan for capital spending based on a reasonable estimate of financial resources likely to be available over the planning period. The ICIP document also contains a 'Projects Under Consideration' list for each facility category consisting of projects for which an expectation of need has been established but for which funding is yet to be completely determined. The 'Projects Under Consideration' list therefore captures projects considered deferred due to lack of funding at this time.

Table 1

ICIP Comparison: FY2017-2022 and FY2018-2023

	FY 2017-2022	FY 2018-2023	\$ Change	% Change
General and Other	\$ 7,952,758	\$ 6,705,335	\$ (1,247,423)	-16%
Police	\$ 6,060,284	\$ 6,882,450	\$ 822,166	14%
Fire and Rescue	\$ 6,061,795	\$ 8,131,000	\$ 2,069,205	34%
Parks, Rec. and Comm. Services	\$ 32,523,657	\$ 27,395,566	\$ (5,128,091)	-16%
Drainage	\$ 2,097,454	\$ 3,691,518	\$ 1,594,064	76%
Transportation	\$ 112,671,222	\$ 97,476,840	\$ (15,194,382)	-13%
Utilities-Water	\$ 87,476,498	\$ 96,785,959	\$ 9,309,461	11%
Utilities-Wastewater	\$ 53,122,851	\$ 54,136,254	\$ 1,013,403	2%
	\$ 307,966,519	\$ 301,204,922	\$ (6,761,597)	-2%

CAPITAL FINANCING OVERVIEW: FISCAL YEARS 2018-2023

At the time of publication of the ICIP, the city has affirmatively and/or tentatively identified funding sources for 56 percent of total capital spending planned to occur through Fiscal Year 2023. Sources include both pay-as-you-go (use of current financial resources) and debt financing sources, while 44 percent of the total program funding is yet to be determined.

The city continuously identifies funding for high priority projects throughout the fiscal year and an effort has been made in the FY2018 ICIP to accurately represent the funding gap that exists between capital needs as identified in the plan and financial resources available for those needs.

The FY2018 ICIP includes new debt issuance in support of high priority projects as summarized in bullet points below.

FY2019

- \$608,412 Limited Obligation Municipal Gas Tax loan for Fleet vehicles and equipment
- \$14.1 million General Obligation Bonds for Road and Public Safety capital

FY2021

- \$13.6 million General Obligation Bonds for Road and Public Safety capital

FY2023

- \$14 million General Obligation Bonds for Road and Public Safety capital

A continuing effort in the coming fiscal year will be to analyze the city's debt capacity and benchmark its debt program against other similar-sized jurisdictions.

The table below presents a broad look at the capital financing of the FY2018-FY2023 ICIP. A more detailed break out of funding by source and fiscal year is presented in a summary page following this message.

Table 2

<i>Type of Financing</i>	FY 2018	% of Total	FY 2019-2023	% of Total
Pay as You Go	\$ 28,969,298	50%	\$ 73,145,703	30%
Debt Financing	\$ 28,845,407	50%	\$ 39,073,539	16%
To Be Determined*	\$ -	0%	\$ 131,170,975	54%
TOTAL	\$ 57,814,705	100%	\$ 243,390,217	100%

*Amounts "To Be Determined" are considered deferred capital needs until funding is identified.

Fiscal Year 2018 Capital Budget

Table 3

<i>Fund</i>	<i>\$ Amount</i>
General Fund	\$ 274,496
Special Funds	\$ 2,340,135
Utility Funds	\$ 5,854,228
TOTAL	\$ 8,468,859

General Fund: \$274,496

Capital outlay in the General Fund typically consists of items such as equipment and software. Larger capital items and improvements such as vehicle and heavy machinery acquisition, and building and facility improvements are funded through transfers to capital funds, such as the Equipment Replacement Fund and Building/Facility Improvement Fund. General Fund capital outlay for Fiscal Year 2018 consists of:

- Municipal Court X Ray Equipment: \$30,000
- Recreation Facility Parking Lot Renovations: \$59,600
- Park Maintenance Equipment: \$129,846
- Vehicle Lift for Streets and Right of Way Fleet Maintenance: \$9,050
- Video Replacement System at Quantum Police Headquarters: \$11,500
- Self-Contained Breathing Apparatus for Fire and Rescue: \$34,500

The capital budget for Fiscal Year 2018 is \$59,652 more than the Fiscal Year 2017 capital budget.

Special Funds: \$2,340,135

Special funds are established to account for revenue sources related to specific activities and objectives that require segregated accounting for restricted or committed purposes. Major capital projects funded in the Fiscal Year 2018 Budget include:

- Station 1 Battalion Chiefs' Bathroom Remodel: \$10,000 (State Fire Protection Fund)
- Fire Command Vehicle: \$28,500 (State Fire Protection Fund)
- Fire and Emergency Medical Equipment: \$150,030 (State Fire Protection Fund)
- Southern Boulevard Reconstruction, Pedestrian Safety and Crosswalks, ADA Remediation, Intelligent Traffic Systems, and Street Lights: \$134,553 (Municipal Gas Tax Fund)
- Big Brothers, Big Sisters Park: \$52,766 (Recreation Development and Park Impact Fees Fund)
- Vehicles and Heavy Equipment: \$260,000 (Equipment Replacement Fund-General Fund transfer)
- Building and Facility Improvements: \$199,915 (Building and Facility Improvement Fund, including General Fund transfer of \$20,628)
- Southern Boulevard Reconstruction: \$760,060 (G.O. Bond Proceeds and Road Impact Fee Fund)
- Sports Complex North: \$120,000 (Park Impact Fee Fund)
- Ten Police Vehicles: \$240,000 (Automated Traffic Enforcement and Public Safety Impact Fee Fund)
- Northern Boulevard Drainage Improvements: \$136,303 (Drainage Impact Fee Fund)
- Foxwood Trail ADA Remediation and Recreation Center/Park Parking Lot Renovations: 248,008 (Community Development Block Grant Fund)

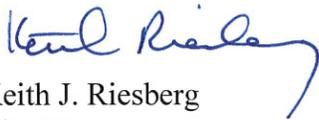
Utility Funds: \$5,854,228

Capital outlay in the Utility Funds range from equipment items and vehicles to major infrastructure projects. Funding for capital projects is made available through a combination of direct spending from the Utility Operating Fund (Fund 501), transfers from the Utility Operating Fund, Impact Fees, and water rights acquisition fees. Major capital projects funded in the Fiscal Year 2018 Budget include:

- SCADA, Customer Service, Water Production, Transmission and Distribution, and Wastewater Equipment: \$115,199 (Utility Operating Fund)
- Vehicles and Heavy Equipment: \$376,000 (Equipment Replacement Fund)
- Water Capital Improvements, including Tank 12 Renovations and Zaragoza Water Line Replacement: \$2,675,000 (Water Capital Fund)
- Re-drill Well 13 Construction: \$500,000 (Water Impact Fee Fund). Project-to-date budget includes an additional \$2.97 million in sources for the project.
- Wastewater Capital Improvements, including WWTP#1 Rebuild, Lift Stations 21 and 22 variable frequency drives, and Gray Hawk Sewer System Improvements: \$846,504 (Wastewater Capital Funds)
- Water Rights Acquisition: \$1,341,525 (Water Rights Acquisition Fund)

In closing, I believe this capital program accurately represents the capital priorities of the city as identified through department-level capital needs assessments, asset management, and ongoing infrastructure planning. Project financing has been identified to the extent practicable given the uncertainty of funding and dedicated revenue sources associated with capital projects. Additional work will be undertaken by staff throughout the fiscal year to identify additional resources for future capital projects.

Respectfully,



Keith J. Riesberg
City Manager