



CITY OF TEMPE REQUEST FOR CFD BOARD ACTION

CFD Board Meeting Date: 05/26/2016
Agenda Item: 2

ACTION: Hold a public hearing to adopt a resolution levying the annual assessment for the Rio Salado Community Facilities District (City of Tempe, Arizona) Improvement Project Number 1 consisting of the acquisition, construction and annual maintenance of certain improvements within the District; approving the tentative budget of the District for the Fiscal Year 2016/2017; and setting the date for, and ordering the giving of notice of, a public hearing to receive objections on the assessments and tentative budget. The public hearing is scheduled for June 9, 2016. (Resolution No. CFD R2016.1)

FISCAL IMPACT: The proposed budget for fiscal year 2016/17 is \$4,608,552, which includes \$3,290,000 for the budget assessed to property owners and \$1,318,552 of carry forward appropriation for capital infrastructure needs. The City's portion of the allocated assessments, including the subsidy for undeveloped parcels, is approximately \$2,057,652.

RECOMMENDATION: Adopt Resolution No. CFD R2016.1.

BACKGROUND INFORMATION: The tentative budget presented to the Community Facilities District Board of Directors is comprised of two components: Capital expenses associated with the construction of the Tempe Town Lake and an operating budget. In 1997, the City Council and the Community Facilities District Board established a budget for construction of the Town Lake at \$44,849,700.12 and estimated the first five full years of operating and maintenance expenses to be between \$3,001,877 and \$3,422,133 per year.

Following the completion of the Town Lake and the audit of construction costs, the Capital project has been finalized at \$44,849,700.12. As mandated by the Rio Salado Finance Plan, capital cost recovery takes place following construction and the issuance of a Certificate/Letter of Completion. To minimize the potential for vacant land banking, the capital assessment charged to each parcel within the Community Facilities District is increased by an amount equal to the rate borne by the bonds used to finance the lake construction (currently 3.64%). This is also true for parcels that had existing structures at the time the Rio Salado Community Facilities District (CFD) was created but do not pay the assessment unless a change in zoning or to the structure occurs. Approval of the budget would include authorization by the City of Tempe to fund \$3,051,000 for fiscal year 2016/2017 to cover the twentieth year debt service on the Capital Budget per the approved Finance Plan. This principal and interest payment is recovered through the capital assessment as private development occurs within the CFD.

The tentative Budget for the fiscal year 2016/2017 (**Exhibit D** of Resolution No. CFD R2016.1) consists of costs associated with administration, operating the dams and recovery wells, water management and replacement, utilities, park and lake maintenance and security, insurance, water quality monitoring and treatment, and a sinking fund for future infrastructure replacement. **The tentative Budget for fiscal year 2016/2017 is \$4,608,552, including \$3,290,000 assessable to property owners and \$1,318,552 of carry forward capital infrastructure appropriation.** The Rio Salado Enhanced Services Commission recommended approval of this budget to the CFD Board on April 12, 2016.

The table on the next page is a breakdown of the expense categories illustrating the past four years, the current year (2015/2016) as projected through June 30, 2016, and the tentative 2016/2017 budget:

CFD Expense Category	ACTUALS				CURRENT	PROPOSED
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016*	2016/2017
Administration/Project Mgt	\$396,394	\$370,800	\$400,200	\$400,800	\$423,600	\$438,948
Lake Operations	\$260,192	\$264,846	\$280,865	\$378,607	\$338,227	\$351,500
Water Quality Management	\$287,177	\$135,558	\$138,799	\$156,852	\$238,299	\$270,000
Security	\$394,108	\$326,571	\$331,710	\$367,303	\$365,990	\$384,400
Lake Surface, Shoreline Cleanup, & Landscaping	\$415,280	\$402,726	\$374,745	\$402,716	\$415,105	\$520,350
Electricity	\$183,815	\$245,285	\$264,647	\$319,572	\$268,075	\$314,902
Replacement Water	\$86,362	\$330,380	\$297,731	\$336,440	\$430,844	\$378,800

Equipment	\$40,660	\$51,000	\$55,000	\$55,000	\$55,600	\$58,200
Audit	\$867	\$902	\$524	\$642	\$850	\$840
Liability Insurance Premium	\$64,628	\$64,628	\$64,628	\$58,166	\$58,166	\$75,500
Contingencies	\$0	\$0	\$0	\$0	\$0	\$0
Infrastructure Replacement	\$531,000	\$531,000	\$579,630	\$693,603	\$563,000	\$573,000
Infrastructure Replacement Reserve	\$0	\$0	\$0	\$588,305	\$1,074,682	\$1,318,552
Less: Projected Revenues	-\$74,952	-\$80,604	-\$82,034	-\$80,465	-\$50,100	-\$76,440
TOTAL CFD BUDGET	\$2,585,532	\$2,643,092	\$2,706,446	\$3,677,542	\$4,182,338	\$4,608,552

* Projected through June 30, 2016

Administration/Project Management: The budget for the administration of the Community Facilities District consumes 14.9% of the non-administrative costs, or \$438,948. The budgeted amount reflects the cost of staff, materials and advertising.

Lake Operations: Lake operations include monitoring and maintaining the dams, the wells, the water level, and the river channel. Salt River Project (SRP) used to perform this work by contract. Lake operations expenses are now performed and administered by two (2) City of Tempe employees at no additional cost. The budget is \$43,500 less than last year's budget. The savings is based on salaries, personnel costs, and estimates of time and material expenses that will increase if there is a flow down the Salt River. Other expenses include the required reports for Arizona Department of Water Resources – Dam Safety, improvements to Emergency Warning System equipment, and the maintenance of the uninterruptible power supply system for computers at the west dam pump house.

Water Quality Management: Aquatic Consulting provides water quality and vector control management services on the lake. The budget of \$270,000 is identical to last year's budget. Lake water treatments are done on an as needed basis. We continue to treat the lake area to address vector control.

Security: The security contract associated with the DTA provides ample coverage at a considerable savings. A Police Sergeant continues to supervise and coordinate security needs around and on Tempe Town Lake; this cost is split with the Police Department between the CFD and Tempe. The budget does allow for costs to cover fuel and maintenance costs for a security vehicle and boat. An increase of \$18,900 from the current \$365,500 budget is projected due to CPI increases and new construction completion in the next year.

Lake Surface, Shoreline Cleanup, and Landscaping: The Public Works Department – Park Maintenance has submitted a “cost for service” proposal which includes park and landscape maintenance for the northern portion of Tempe Beach Park, the linear parks, marina, and bike path sweeping. Lake surface clean-up is provided by contract. These maintenance services are provided at an enhanced level in the lake area. An increase in park and lake maintenance services is sought in the amount of \$8,050 from the current year's budget of \$512,300.

Electricity: The electricity budget is \$35,902 more than the current year's budget of \$279,000 because the new hydraulic dams will use more electricity, more people will be living and working around Tempe Town Lake, and the pumps in the 10 wells around the lake are projected to be used at a similar rate. The treated water from the Riverview treatment plant is no longer flowing over into Tempe Town Lake, so the lake is not the recipient of free water as it has been in the past. The electricity budget covers power expenses for the 10 pump wells, the marina recirculation pump, the sump pump at the west dams, and the lights for the multi-use path on the north and south sides of the lake.

Replacement Water: The budgeted cost of replacement water increased by \$28,550 due to projected evaporation and the elimination of water coming downstream from the east. The current year's budget is \$350,250.

Equipment: The amount of the equipment sinking fund increased by \$2,600 to account for rising equipment costs. The current year's budget is \$55,600, and is a reflection of the variety of vehicles used in the CFD area. The five-year sinking fund to replace the remaining equipment is adjusted to recognize the effects of inflation. This represents the CPI for the Western region as published by the U.S. Department of Labor (www.bls.gov/cpi/), All Urban Consumers (CPI-U) category, from December 2014 to December 2015.

Audit/Liability Insurance: The annual liability insurance premium budget has increased by 30% over the most recent payment based on preliminary estimates from Tempe’s Risk Management. ADWR requires that the dams *and* infrastructure be insured. The audit expense estimate is \$840 due to cost savings achieved by being part of the overall City audit.

Infrastructure Replacement: A reserve for infrastructure replacement is used to replace capital items located within the lake area, identified as lake edge-to-lake edge, dam-to-dam. Some buoy replacement and dock repairs are expected, along with the completion of the dock system replacement at Tempe Beach Park. The budget for the infrastructure replacement cost is increased by \$10,000. The amount to re-appropriate from the estimated 2015/16 carry-forward balance is \$754,880.

Contingency: The contingency budget has been eliminated.

Projected Revenues: An overall increase in projected revenues (boat permits, concessions, boating classes, park permits) is expected based on current year boat permit and lake use permit revenues, boat rental concessions, and historical collections.

Debt Service: The City of Tempe is currently paying the debt service on the \$40.5 million in bonds issued to cover the cost of constructing the lake. The capital CFD assessment on developed properties is ultimately repaying 60% of that debt. The original bonds were based on a floating rate. For budgeting purposes a 5% flat rate was estimated. In 2003 the debt was fixed to an average 4% rate, and in 2012 the bonds were again refinanced at an average 3.64% rate. The debt service budget and actual expenses are presented below.

CFD Debt Service	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Budget	\$3,059,331	\$3,088,562	\$2,934,000	\$2,929,400	\$3,050,000	\$3,051,000
Actual Debt Service Expense	\$2,910,907	\$3,030,000	\$2,931,402	\$2,927,251	* \$3,049,551	N/A

* Projected through end of fiscal year

Summary: Overall, the CFD assessment budget proposed for fiscal year 2016/2017 is \$85,000 more (2.6%) than the current year’s budget. Costs associated with maintenance, security, replacement water and electricity for lake and park operations are largely responsible for the difference between current expenses and the tentative CFD budget proposed for fiscal year 2016/2017.

Actual expenditures for fiscal year 2015/2016 are projected to be approximately \$97,344 less than the approved Budget due to cost savings realized through water quality costs and lake operations savings related to the installation of the new hydraulic dams. CFD assessment collections are estimated to be \$650,000. Debt service payments on the Town Lake are funded by the City’s Debt Service Fund and covered in its Debt Management Plan.

ATTACHMENTS: Resolution, Modified Finance Plan (6/27/2013), Community Facilities District Map, 2016/17 CFD O&M Budget, Notice of Public Hearing

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