

Five-Year Capital Improvements Plan Overview

As is the case with all urban capital improvements programs, the Kansas City, Missouri Five-Year Capital Improvements Plan (CIP) attempts to balance the City's resources among previous commitments, reconstruction and maintenance needs, and the demand for new construction. The capital improvements program operates under many obligations including debt service requirements, federal and state mandates, and cooperative funding agreements. Furthermore, the one cent sales tax, which provides the majority of revenue for the CIP has several restrictions of its own. Twenty-five percent of the sales tax proceeds are earmarked for bridge repair and thirty percent are earmarked for neighborhood improvements. Once obligations have been met, remaining resources are divided among maintenance, rehabilitation and new construction. Capital maintenance includes the annual work necessary to ensure that capital investment does not deteriorate and remains in a usable state. Rehabilitation is undertaken in those instances where the infrastructure has experienced substantial deterioration and it is safer or more economical to rebuild it. Finally, development or redevelopment often demands that new construction be undertaken to provide new or expanded infrastructure to changing areas. The result of the staff's effort to balance these factors over the next five years is represented in this document.

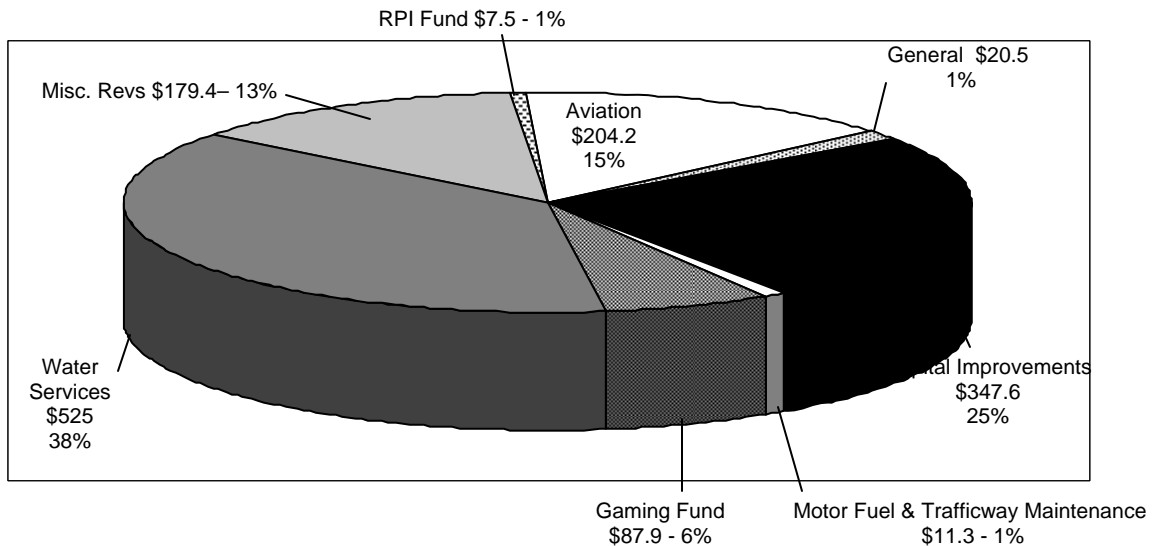
The Five-Year Capital Improvements Plan is reflective of the City Council's stated emphasis on basic infrastructure. Funding decisions from 2006-07 to 2010-11 are based on need as reflected in infrastructure condition assessments and demographic growth patterns, with an additional effort made to complete projects begun in previous years. A brief glance at the fold-out city map (in the Appendix) demonstrates that the majority of the planned projects occur in the central city. The infrastructure in this area is the oldest and most heavily used and has experienced substantial deterioration due to deferred maintenance. Improvements outside of the central city have been targeted at key infrastructure links which experience substantial growth, and attention will continue to be given to meeting the developing needs of these areas; however, as maintenance continues to be underfunded, addressing backlogs will be done at the expense of new projects.

Resources

Capital improvements in the City of Kansas City, Missouri are funded from a variety of sources including dedicated taxes, enterprise revenues, general municipal funds, and debt instruments. The breakdown of operating capital resources projected for the five-year period from 2006-07 through 2010-11 are identified in the chart below. Park Services and Zoo resources, generated from operating revenues from city golf courses and the zoo, are anticipated to grow slightly and are dedicated to improvements at the Parks & Recreation facilities. Motor Fuel and Trafficway Maintenance taxes are available only for roadway improvements and are not anticipated to grow significantly over the projection period. The Infrastructure and Maintenance Fund was established to direct revenues from gaming operations to infrastructure improvements. No growth is projected in this fund. The Revolving Public Improvement Fund is funded from assessments on property owners for curb and sidewalk

2007-08 to 2011-12 Total Projected Capital Resources

(In Millions)

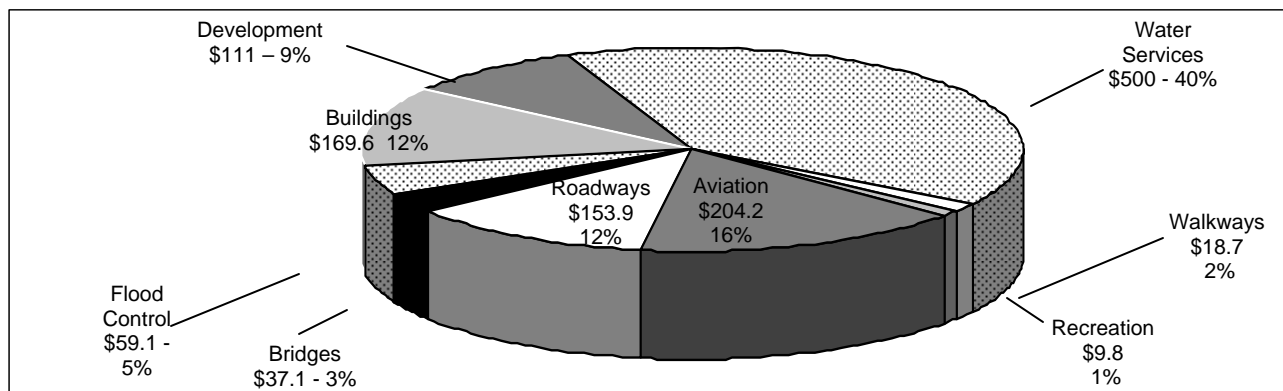


improvements and is not anticipated to grow over the projection period. The largest resource for capital improvements, the Capital Improvement Fund, is funded primarily from the one cent sales taxes for capital improvements. Two other 1/4 cent sales taxes are earmarked for public safety facilities.

Enterprise revenues are derived from fees and charges for services provided by operations. This includes airport landing fees and concessions and water and sewer service charges. These revenues are used to fund daily operations and provide resources for debt service and pay-as-you-go capital improvements only to enterprise facilities.

2006-07 to 2010-11 Total Projected 5-Year Capital Expenditures

(In Millions)



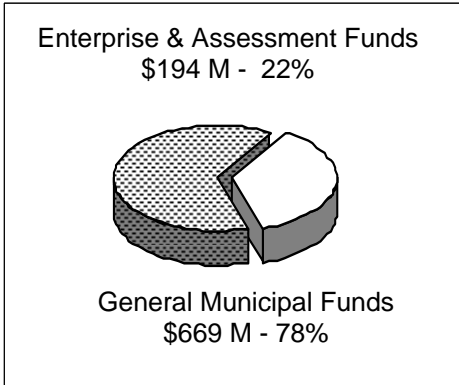
Expenditures

While this document addresses capital improvements being undertaken by the various entities of the City, its focus is on the expenditure of operating capital resources, which fund the pay-as-you-go portion of the capital improvements effort, and not the debt financed portion. Debt financed capital improvements denote previous commitments to particular areas or for specific projects and do not represent current policy issues; however, bond and note funded projects do represent a substantial portion of the total capital improvements effort.

With an area of 322 square miles, it is not surprising that Kansas City projects roadways as one of its largest categories of operating capital expenditures over the next five years (\$153.9 million). Repair and maintenance of buildings is the other largest category of general municipal expenditures at \$169.6 million, while repair and maintenance of bridges are projected to account for \$37.1 million and flood control is projected at \$59.1 million. Projects supporting development are estimated to require \$111 million, recreation projects are estimated at \$9.8 million, and walkway projects are estimated at \$18.7 million. While Aviation and Water Services together total \$704.2 million in projected operating capital expenditures in the five-year plan, all of their expenditures will be for repair and construction of enterprise facilities which are largely driven by federal and state mandates and by the availability of federal matching funds. The proportional distribution of operating capital funds indicates the relative importance of the various improvement categories and reveals that the focus

of the capital improvements effort is on basic infrastructure needs and the preservation of the city's physical resources.

**Capital Improvements Expenditures
2006-07 to 2010-11 Total**



Capital Improvements in the Overall City Budget

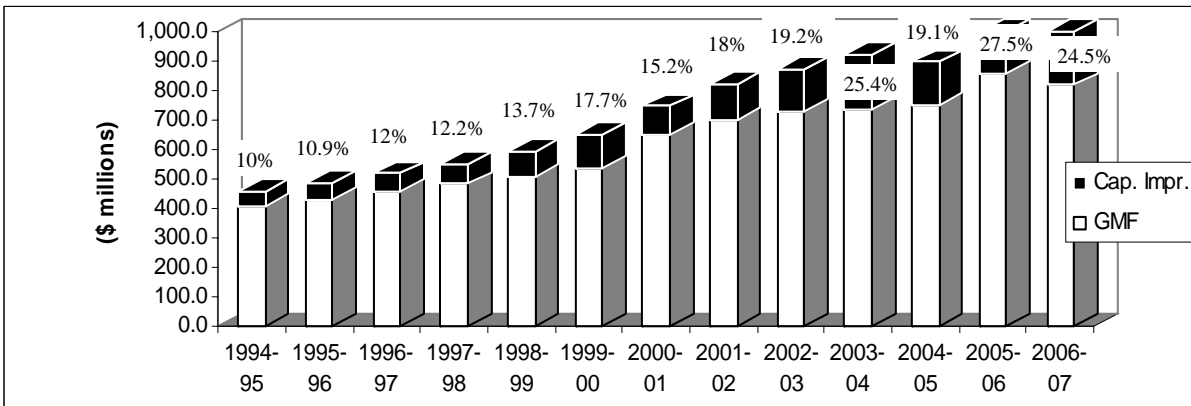
The total city budget is typically divided into expenditures on general operating activities, referred to as General Municipal Programs, and expenditures on enterprise and assessment activities. Expenditures in Enterprise and Assessment Programs are restricted to specific areas relating to the source of the supporting revenues. Expenditures in General Municipal Programs, after satisfying a variety of mandatory expenditures, represent the resources available for the majority of the city's operations. Capital improvements also retain this division. The pie chart indicates the respective share of the planned five-year capital expenditures.

Over the last five years, the portion of expenditures within the General Municipal Programs that has been directed to capital improvements has increased steadily. This is a reflection of the City Council's focus on basic services. In the 2006-07 adopted budget, General Municipal Programs constitute 78% of the city's total budget and Enterprise and Assessment Programs 22%. Within the General Municipal Programs, capital improvements represent 24.5% of the adopted expenditures, up from 10.0% in 1994-95. This increased emphasis on capital improvements begins to direct resources toward this area, however, current estimates show the annual maintenance need at approximately \$80 million.

Need

The capital improvements planning process begins during the summer when departments submit their five-year

**Capital Improvements as a Share of
Total General Municipal Funds**

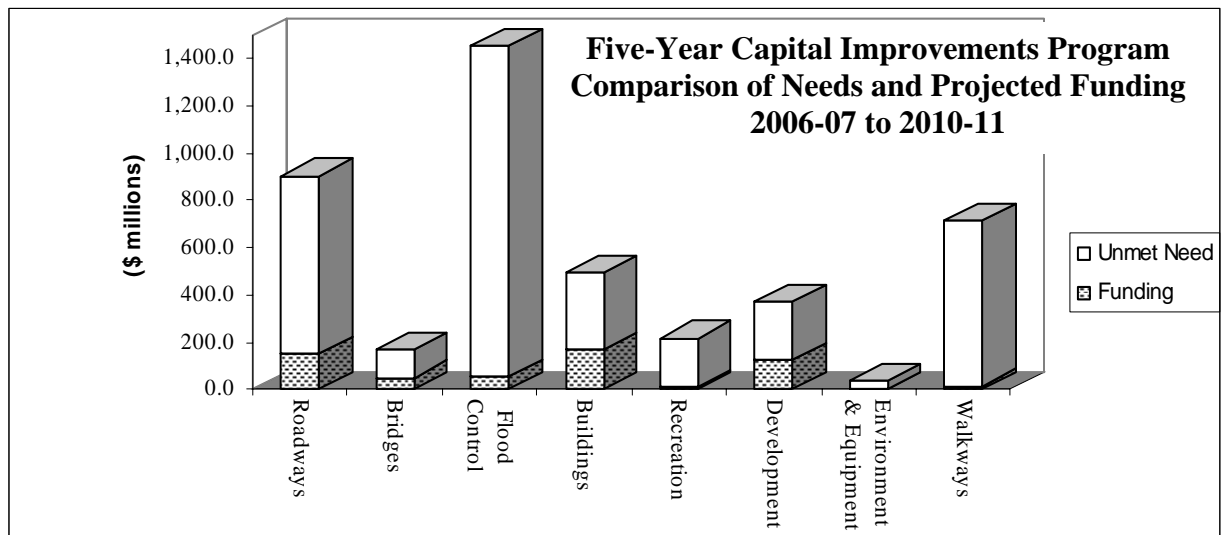


capital improvements requests. Planned capital improvements expenditures in the General Municipal Funds are significantly below the needs. Overall, projected funding represents 15.9% of the stated need. Stated on an annual basis, the General Municipal capital program would require an average of \$757 million per year over the next five years in order to address all the needs stated in the departments' requests. This would be an increase of nearly \$640 million over the current annual average of \$117 million.

Capital Improvements Funding vs. Need General Municipal Funds, 2007-11				
	(millions)		% of Need	Unfunded
	Funding	Need	Funded	Need
Roadways	153.9	\$750.00	20.5%	\$596.1
Bridges	52.5	120	43.8%	\$67.5
Flood Control	55.2	1,400	3.9%	\$1,344.8
Buildings	169.7	325	52.2%	\$155.3
Recreation	12.4	205.9	6.0%	\$193.5
Development	124.4	250	49.8%	\$125.6
Environment & Equipment	1.5	40	3.8%	\$38.5
Walkways	17.0	695	2.4%	\$678.0
Total	\$586.60	\$3,785.90	15.9%	\$3,199.30

Additional Funding Sources

The Capital Improvements Program is not comprised of only City monies. The City takes advantage of many other sources of funds to compliment and further its own funds. Below are a listing of those funds along with a brief overview of the programs, dollars contributed to Capital Improvements in Kansas City, Missouri, and projected totals for the entire Five-Year Plan.



C.U.R.S. (Jackson County Urban Road System)

The revised Statutes of the State of Missouri allow certain counties and cities to establish County Urban Road Systems. It also permits counties to set aside up to 25% of the county's road and bridge taxes collected in the city limits for roadway improvements within that city. For Kansas City, Missouri, in Jackson County this amount is \$1,100,000 annually.

In 1971 the City of Kansas City, Missouri entered into its first agreement with Jackson County to cooperatively schedule and administer the county taxes collected within the city limits of Kansas City. The first amendment to this agreement, in 1976, contained a list of roadways on which improvements would be made. This project list is periodically revised in consultation with the county and is approved by both City and County resolutions. Past projects include Longview Road west of Blue Ridge Boulevard, 85th Street – Prospect to Hickman Mills Drive, and the View High Drive roadway improvements in conjunction with MoDOT’s I-470/View High Drive interchange.

Federal and State Grants

Through the local Metropolitan Planning Organization – the Mid-America Regional Council – the City of Kansas City, Missouri receives federal funds from TEA-21 (the Transportation and Enhancement Act) and state funds (STP-Surface Transportation Program) for a variety of transportation improvements in Kansas City. The planning and programming of these funds occurs in five year increments and is performed by the engineering and professional staff of the city. Funds are received in the form of reimbursements for previously expended city dollars and the maximum reimbursement received is 80% for construction.

The adjacent table lists the federal and state grants by project, with the cities five-year commitment and the amount of the planned reimbursement for the same time period. All of the city dollars reflect the expenditure of proceeds from the four city authorized sales taxes for capital improvements.

Tax-Increment Financing (TIF’s)

The City of Kansas City, Missouri utilizes tax-increment financing (TIF’s) to assist development within various locations throughout the city. A fund is established for the receipt of economic activity taxes that result from tax increment financing of a specific project. All revenues produced by this project are recorded in the fund and then reimbursed to the developer through the TIF Commission to pay for qualified redevelopment project costs. On the next page you will find a list of currently active TIF and STIF projects and the estimated revenues associated with each project for the next five years. It was assumed that no new TIF projects will be approved and that the percent of the overall taxes generated by each TIF project as a percent of the total generated for all projects that year is constant from year to year. The chart below reflects projected revenues which all sales taxes for the City of Kansas City, Missouri.

IMPACT OF THE CAPITAL IMPROVEMENTS PROGRAM ON OPERATING BUDGET

Project Title	5-Year Total Recommended 2007-11	5-Year Total Other Sources
Leveraged Bridges		
Truman Rd (Upper Viaduct)	\$ 6,100,000	\$ 10,000,000
Forrester Viaduct over Railroad	3,513,145	2,864,000
Red Bridge over the Blue River	2,214,000	2,654,000
Raytown Rd Bridge over Lumpkins Fork	576,000	810,000
Sub-total	\$ 12,403,145	\$ 16,328,000
Roadways		
Longview Road	\$ 1,200,000	\$ 4,360,000
Red Bridge Road	2,350,000	1,800,000
22nd-23rd Street Corridor	6,595,000	5,985,000
Barry Road	1,507,000	3,660,000
Sub-total	\$ 11,652,000	\$ 15,805,000
Recreation		
Nortland Aquatic Center	\$ 500,000	\$ 5,000,000
Sub-total	\$ 500,000	\$ 5,000,000
Flood Control		
Blue River Channelization - Stage III	\$ 4,350,000	\$ 29,000,000
Brush Creek Improvements	10,000,000	5,000,000
Brush Creek Enhancements	2,000,000	500,000
Turkey Creek	8,250,000	34,664,000
Swope Park Industrial District	2,655,000	7,615,000
Seven Levees Flood Control	1,500,000	1,500,000
Upper Blue River (Dodson)	2,200,000	8,800,000
Town Fork Creek	3,500,000	1,000,000
Sub-total	\$ 2,000,000	\$ 500,000
Walkways		
Riverfront Heritage Trail	\$ 618,088	\$ 2,500,000
Sub-total	\$ 618,088	\$ 2,500,000
Development		
Beacon Hills Infrastructure	\$ 3,000,000	\$ 11,250,000
Sub-total	\$ 3,000,000	\$ 11,250,000
Total	\$ 29,555,145	\$ 48,883,000

There are two ways a project can impact the operating budget of the city. First, a capital project can be a new asset that would increase the need for additional administrative and maintenance staff, commodities and utilities. An example would be a new facility, such as a community center or fire station. Another way for a capital improvement to impact the operating budget is if it is an expansion to a current system. For example, the purchase and development of additional park lands and widening roads from two lanes to four would cause an increased need for maintenance, traditionally an operating function. Kansas City’s Capital Improvement Program reflects a combination of both of these.

TAX INCREMENT FINANCING PROJECT REVENUES
Estimate of Sales Tax for Fiscal 2007 through Fiscal 2011

TIF Plans / Projects	Adopted FY2006-07	Estimated FY2007-08	Estimated FY2008-09	Estimated FY2009-10	Estimated FY2010-11
Walnut Creek Apartment	0.00	0.00	0.00	0.00	0.00
Universal Floodwater	88,373.02	90,582.34	92,846.90	95,168.08	97,547.28
11th Street Corridor	39,830.84	40,826.61	41,847.28	42,893.46	43,965.80
Briarcliff West	5,846.52	5,992.68	6,142.50	6,296.06	6,453.46
Winchester Center	9,303.50	9,536.09	9,774.49	10,018.85	10,269.32
Hickman Mills	33,284.78	34,116.90	34,969.82	35,844.06	36,740.17
Santa Fe	18,017.64	18,468.08	18,929.79	19,403.03	19,888.11
43rd & Main	164,156.98	168,260.90	172,467.43	176,779.11	181,198.59
Searcy Creek	0.00	0.00	0.00	0.00	0.00
Southtown Corridor	20,649.89	21,166.14	21,695.29	22,237.67	22,793.62
Civic Mall	0.00	0.00	0.00	0.00	0.00
Civic Mall-422 Admiral	0.00	0.00	0.00	0.00	0.00
New York Life Bldg	4,882.79	5,004.86	5,129.98	5,258.23	5,389.69
Shoal Creek	1,581,551.92	1,621,090.72	1,661,617.99	1,703,158.44	1,745,737.40
Summit	76,697.33	78,614.76	80,580.13	82,594.63	84,659.50
Gateway 2000	47,722.71	48,915.78	50,138.67	51,392.14	52,676.94
Barrytowne	442,105.45	453,158.08	464,487.03	476,099.21	488,001.69
13th and Washington	1,013.91	1,039.25	1,065.24	1,091.87	1,119.16
Tower Properties - Project A&B	260.94	267.46	274.15	281.00	288.03
Grand Blvd Corridor	4,109.75	4,212.49	4,317.80	4,425.75	4,536.39
Grand Blvd, Watkins (K1 and L1)	7,523.83	7,711.93	7,904.73	8,102.34	8,304.90
Country Club Plaza	172,588.51	176,903.23	181,325.81	185,858.95	190,505.43
22nd & Main	71,438.43	73,224.39	75,055.00	76,931.37	78,854.66
19th Terrace & Central	2,870.14	2,941.89	3,015.44	3,090.82	3,168.10
Chouteau I-35	220,225.33	225,730.97	231,374.24	237,158.60	243,087.56
Jazz District	9,483.11	9,720.19	9,963.20	10,212.28	10,467.58
Riverfront	0.00	0.00	0.00	0.00	0.00
Brush Creek Corridor	25,517.74	26,155.68	26,809.58	27,479.82	28,166.81
KCI Corridor Plan	1,102,385.68	1,129,945.32	1,158,193.96	1,187,148.81	1,216,827.53
Prospect North	0.00	0.00	0.00	0.00	0.00
River Market	0.00	0.00	0.00	0.00	0.00
New England Bank Building	0.00	0.00	0.00	0.00	0.00
Parvin Road	148,125.58	151,828.72	155,624.44	159,515.05	163,502.93
Downtown Library	708.96	726.68	744.85	763.47	782.56
Gailoyd	0.00	0.00	0.00	0.00	0.00
Judicial Square	2,888.73	2,960.95	3,034.97	3,110.85	3,188.62
West Edge	0.00	0.00	0.00	0.00	0.00
Three Trails	0.00	0.00	0.00	0.00	0.00
Performing Arts District	0.00	0.00	0.00	0.00	0.00
Pershing Road	0.00	0.00	0.00	0.00	0.00
TIF Total	4,301,564.00	4,409,103.10	4,519,330.68	4,632,313.94	4,748,121.79
Americana Hotel	46,022.00	47,172.55	48,351.86	49,560.66	50,799.68
12th & Wyandotte Hotel	164,180.00	168,284.50	172,491.61	176,803.90	181,224.00
Midtown Redevelopment	448,391.00	459,600.78	471,090.79	482,868.06	494,939.77
Uptown Plan	12,598.00	12,912.95	13,235.77	13,566.67	13,905.83
Valentine	488.00	500.20	512.71	525.52	538.66
SOLO Hotel President	128,223.00	131,428.58	134,714.29	138,082.15	141,534.20
Hotel Phillips	21,712.00	22,254.80	22,811.17	23,381.45	23,965.99
Savoy Hotel	16,028.00	16,428.70	16,839.42	17,260.40	17,691.91
Union Hill	130,120.00	133,373.00	136,707.33	140,125.01	143,628.13
Brush Creek	475,100.00	486,977.50	499,151.94	511,630.74	524,421.50
Tower Properties - Project H	69,724.00	71,467.10	73,253.78	75,085.12	76,962.25
HOK Garage	0.00	0.00	0.00	0.00	0.00
STIF Total	1,512,586.00	1,550,400.65	1,589,160.67	1,628,889.68	1,669,611.92
Total	5,814,150.00	5,959,503.75	6,108,491.34	6,261,203.63	6,417,733.72
Contingency	290,150.00	1,237,804.25	1,448,681.66	1,295,969.37	1,139,439.28
Grand Total	6,104,300.00	7,197,308.00	7,557,173.00	7,557,173.00	7,557,173.00

Kansas City has taken several steps to control and identify the impact of capital improvements on the operating

budget. There are three practices KCMO uses to address projects that will impact the operating budget. The first is to educate the decision makers about the impact a project will have on the operating budget so they know before they recommend what the impact will be. The second is to use project rating criteria in which one of the criteria is the amount of negative impact it will have on the operating budget. The third and final method is to fund capital maintenance through the Capital Budget, keeping the operating budget free from additional burdens. That way the only impact on the operating budget will be from projects that create additional staff needs, and those types of projects will be pre-screened by the decision makers and not recommended for funding. The three methods are discussed in detail below.

Educate the Decision Makers

In 1997 the city of Kansas City, Missouri adopted the recommendations of the Community Infrastructure Committee (CIC), a citizen committee that was asked to review the city's Capital Improvements Program (CIP) and make recommendations for improvements for the City Council to consider. As part of their recommendation, the CIC suggested ways to reduce the impact of major capital improvements on the operating budget. One way is for the participants in the capital process to concentrate on getting back to basics by fixing the assets we have, rather than concentrating on new development projects. Furthermore, KCMO created an extensive pre-screening process aimed at identifying projects which were too big and cumbersome for the program, which would adversely affect the operating budget, or that would require additional staff. These are projects like Parking Garages, Arenas and Convention Center expansions, all of which typically have a large impact on the operating budget. These projects are considered Strategic Initiatives, and are considered for alternative funding methods.

Specific Funded Programs

A brief review of the Adopted Capital Budget will show that most of KCMO's capital improvements do not adversely affect the Operating Budget. Nevertheless, there will always be some impact on the operating budget because nearly seventy percent of our projects fall within one of three types: roadways, bridges or buildings. To account for this the city has developed and funded programs through the CIP which pay for the maintenance of these assets. As the need to maintain assets increases, the funding of these programs will increase. The Street Preservation program serves as the maintenance money for our roads and boulevards. The Bridge Rehabilitation program funds the maintenance and rehabilitation of our bridges and the Municipal Building Rehabilitation program funds the maintenance of our public buildings.

Link to Operating Budget

In addition to the capital maintenance programs funded in the Capital Improvements Budget funds and staff to provide routine maintenance for streets, buildings, equipment and public property are funded in the operating budget. Specifically there are monies in the operating budget to pay for maintenance crews and the oversight of maintenance contracts at all city facilities. The city uses a combination of contract and city forces to perform basic routine maintenance such as street sweeping, mowing and weed control. The majority of these services are coordinated through either the Public Works or Parks departments. Through the operating budget the Parks and Recreation department provides the following maintenance programs: Boulevard and Parkways, Community Centers, Golf Courses and the Tennis Center, Park Areas, Property, Equipment and the Zoo. The Public Works department provides similar maintenance services under the following programs: Motor Equipment, Public Buildings, and Street and Traffic which includes, street cut inspections, street maintenance and cleaning, signs and markings, signals and street lights.

These programs are funded through the operating budget and usually complement a capital maintenance program funded through the CIP. Both of the enterprise departments, which include Water Services and Aviation, have similar arrangements where they fund both capital maintenance and routine maintenance for various assets.

The continual purchase and replacement of the city's rolling stock is not funded through the capital improvements program. Rather, it is funded in the operating budget and administered by the Motor Equipment divisions of Public Works and Parks.

Summary

In sum, Kansas City has a variety of mechanisms for addressing the impact capital projects have on the operating budget. First and most importantly is to get the decision makers to understand the issue, and try to avoid creating these situations. There are several practices which supplement this effort. For instance, a pre-screening process and the rating committee help to deter such projects from being funded.

Secondly, we pay for most of the maintenance from the capital budget, so any new roads, bridges or buildings that are constructed are maintained with funds from the capital budget, not the operating budget.

Finally, for those projects which are recommended that could have a negative impact on the operating budget, staff and the elected officials have identified other sources of funds for maintenance, either from other agencies, private contributions or maintenance endowments.