Capital Improvement Planning Guide

Principles And Process

City of Owasso
Capital Improvement Planning Guide
Owasso Capital Improvement Committee

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[introduction]

From Humble Beginnings

As one of the fastest growing cities in Oklahoma, Owasso has blossomed from a small, agricultural community into a lively, diverse city in which thousands of citizens make their home. Alongside this extraordinary growth in population, Owasso residents have seen an influx of business and retail opportunities as entrepreneurs and investors have seen the possibilities that this emergent area has to offer. Yet, as Owasso has grown and developed, so too have the needs of our residents. Now more than ever, citizens look to their community to be a place where they can both work and enjoy time with friends and family. Thus, as our population increases and our community expands, City services and amenities must also evolve with the needs of a changing population.

With this in mind, the City of Owasso has evaluated current City assets and amenities in an effort to discern what must be done to continue moving Owasso forward. Through efforts such as the 2009 Strong Neighborhood Initiative, 2010 "Go Green", 2011 Quality of Life initiative, and the 2030 GrOwasso Land Use Plan, the City is seeking to lay the foundation for a future in which Owasso attracts both residents and jobs, encourages sustainable living practices, and provides an array of amenities to those who live and work here. In achieving these objectives, the City hopes to establish proactive development policies that promote long-term stability for home values and business investments.

At the very heart of this initiative is the knowledge that our biggest challenges do not lie in the next few years, but in the coming decades. As our children become adults and face the decision as to where they will make their future, we must be vigilant of the fact that the the city's present state does not necessarily guarantee greatness in the future. Rather, we must constantly evaluate City streets and thoroughfares, parks and recreational amenities, and City facilities. Are our roads wide enough to accommodate increased traffic flow from newly opened businesses? Do our children and families have opportunities to live a healthy, outdoor lifestyle? Can the men and women on our public safety forces efficiently provide the most basic and necessary services to the community? These are the questions which are at the forefront of our minds as we seek to build a community which is not only attractive to today's residents

Our biggest challenges do not lie in the next few years, but in the coming decades.

Haybales (Photo Credit: Tobra Avery, Picture It! Owasso Entrant)

and business, but also the residents and businesses of tomorrow.

Planning for Tomorrow, Today

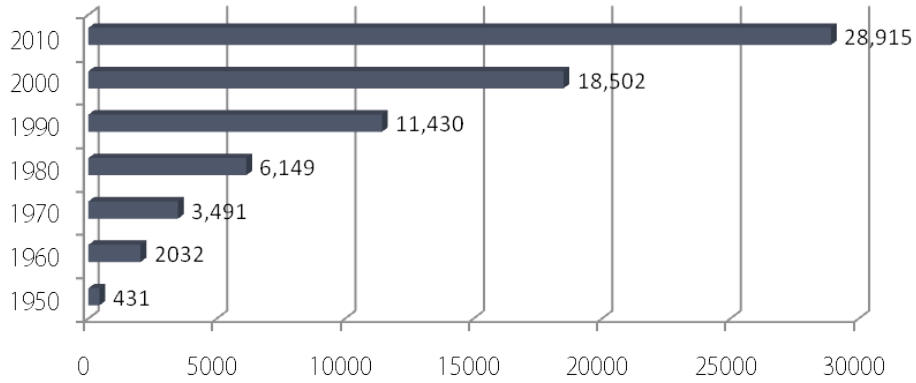
Just as we have sought to provide continuous improvement during the growth of the past decades, we now look to the future with an eye as to how the city cannot only continue to grow, but grow with foresight and consciousness for our residents and the surrounding environment. Acting as a steward of the public's limited and valuable resources and as the leaders of a future in which we plan proactively rather than reactively, the Capital Improvement Planning Guide has been developed as a "blueprint" for City leaders, current and future Capital Improvement Committee members, and Owasso residents.

With this document as our guide, we will continue to build upon the success of the previous decades by thoroughly reviewing current City assets, projecting possible needs for the future, and reconciling costs with estimated revenues. This thorough process allows us to develop more than just a wish list of future projects and improvements - rather, the Capital Improvement Planning Guide is justifiably one of the City's most important policy documents, helping to provide the foundation for future civic activity.

Using this document as our guide, the City Council, Capital Improvements Committee, and City staff can set priorities, make sound decisions, and manage our community with greater consistency, clarity, and predictability. Most importantly, this document seeks to ensure that Owasso remains the hometown of our current citizens, their children, and those of future generations.

Fireman Tommy (Photo Credit: Joe Lord, Picture It! Owasso Entrant)

Population Growth by Decade

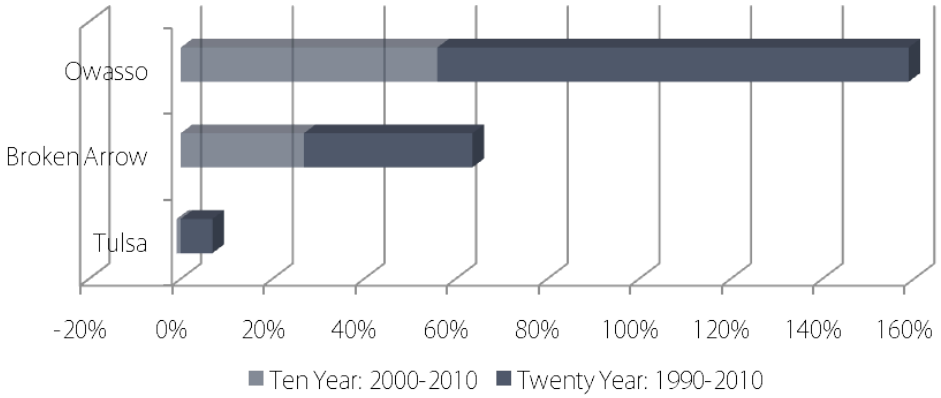


Population Growth and Planning

As the graphs pictured above and below illustrate, the Owasso area has witnessed a phenomenal growth rate over the past several decades. Once a small community of under 5,000 people, Owasso's fenceline now contains over 46,000 people, with nearly 31,000 of those living within the City limits. In addition, the projected rate of growth for the coming decades is expected to exceed not only that of any other city in the Tulsa area, but also the entire state.

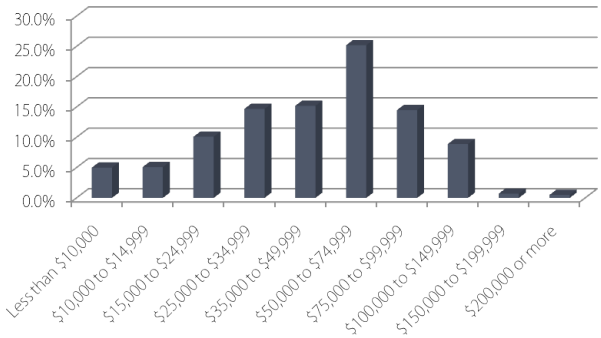
In considering the effects of such growth on City infrastructure, the need for a comprehensive plan for capital improvements becomes immediately apparent. As the population increases rapidly each year, City streets and sidewalks, parks and recreational amenities, and public service facilities become increasingly burdened with the increased demand of a growing population. Without a plan in place, improvement projects can be ignored or put off as the City works to deal with the many other burdens of providing basic services to its growing customer base. The result is reactionary planning which deals only with the *immediate* needs of Owassons - a tactic which is often costly and results in the disruption of services as the City works to catch up to the current demands of the population. In adopting a guide, the City is in a sense pledging to continuously observe the needs and desires of its residents by prioritizing the projects which have the greatest urgency and will have the largest impact in the future.

Population Percentage Growth Comparison

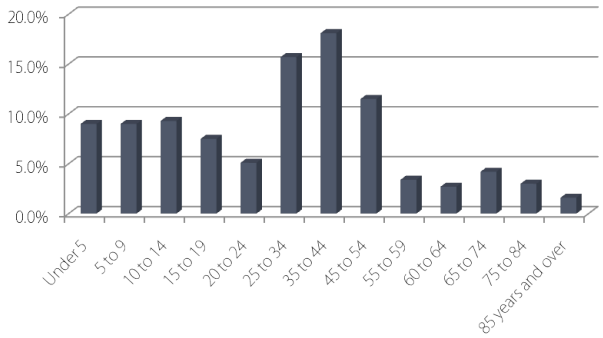


Population Information Source: U.S. Census Bureau

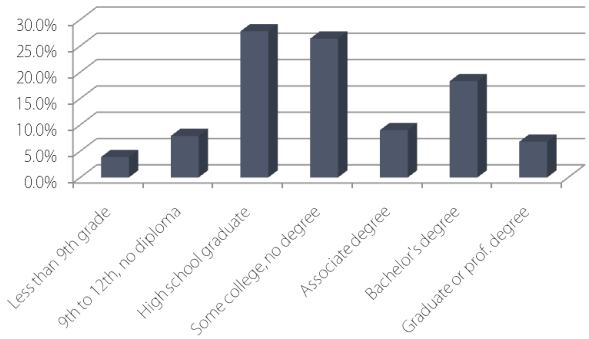
Household Income in Owasso



Age Characteristics of Population



Educational Attainment



Taking Care of Today's Residents, Planning for Tomorrow's

In considering the priorities and objectives of the City's Capital Improvement plan, committee members and City staff have also considered the demographics of the City's population. What this data shows is that not only is Owasso gaining more and more residents with each year, but also that these residents are young, educated, and well-paid. In other words, today's Owasson most likely has a certain amount of free time, and is looking for opportunities beyond basic amenities - they are looking for a high quality of life which allows them to truly experience the community in which they live.

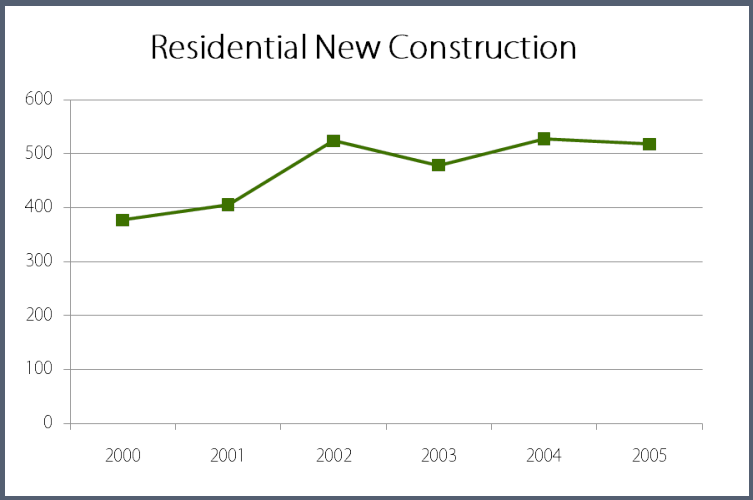
While Owasso is certainly known today for its close-knit atmosphere and what has been termed a "Leave it to Beaver" lifestyle, the Capital Improvement plan seeks to build upon the characteristics which have made Owasso so good to-date. In doing so, one of the guiding questions has also been: "What will the *future residents* of Owasso look for in a city?" As committee members and City staff have noted throughout the process of developing this document, Owasso competes with any number of cities throughout the Tulsa metropolitan area for residents. As young professionals, families, and businesses begin their searches to find a place they can call "home," quality of life issues certainly factor into such major decisions. Are the streets and roadways congested? Will children have a safe and welcoming place to play? Does the community value its natural resources and offer opportunities for its residents to live sustainably? These are the questions which both current *and* future residents ask themselves when they are making the crucial decision of whether to stay in or move to a location.

As a community, we should remain vigilant of the fact that geographic location and proximity are no longer the sole determining factors in decisions of residents and businesses. Rather, the opportunities which a community affords its citizens plays an intensely prominent role which often out-leverages traditional considerations. As such, we must ask what we do well, how we can do it better, and how we can improve the quality of life of our residents.

Demographic Information Source: U.S. Census Bureau, Census 2000

City of Opportunity: Bringing Business and Jobs to Owasso

As the population of Owasso has steadily increased, so too has the demand for housing options. Given Owasso's history as a small, rural community, the influx of population into the area resulted in a surge of residential building during the 1990s and 2000s, as newly-transplanted and current residents sought to "move up" into high quality homes and neighborhoods. Coupled with Owasso's oustanding school system, the city's capacity for continued growth in the area of residential construction has been high on the list of determining factors for those considering a move. While the recent economic downturn in 2009 slowed construction as compared to previous years, Oklahoma has fared extraordinarily well, and Owasso is well-placed for continued residential expansion in the improving economy.



Yet, while the growth in residential construction has certainly led to the *current* success of the city, we must look beyond our past and toward a future where individuals move to Owasso not just to live, but also to *work*. According to statistics gathered during the 2000 Census, the commute time for Owasso residents averaged twenty (20) minutes - in other words, most residents were required to leave the city limits in order to make a living.

In considering this fact in relation to quality of life, this plan makes the assumption that daily commutes have a negative impact on residents' attitudes and feelings. As such, as we look to the future and contemplate what decisions must be made to keep our current residents *and* attract new ones, the City must actively work to promote projects which attract businesses and jobs within our city limits.

Yet, how exactly does one determine what factors influence the decisions made by potential job providers? While this can never be one hundred percent determined, the age of the mobile worker has meant that businesses are more apt to locate to a city where individuals *want* to live - with a low cost of living, a high quality of life, and convenient access to amenities, such as shopping, entertainment, and the airport.

In considering the relationship between quality of life and capital improvements, the Capital Improvement Committee has sought to take into consideration the changing needs of modern individuals and families, and how the fulfillment of these needs also has the ability to attract businesses. A fantastic example of a newly discovered need focuses on the sustainability movement and ways to live "green." While Owasso was a pioneer in municipally-owned recycle centers, our current facility is under-sized and over-burdened. By offering state-of-the-art recycling facilities, the City could not only meet the needs - and in some cases, *demands* - of current and future Owasso residents, but also demonstrate to environmentally friendly businesses that we are truly committed to respecting the environment and finding ways to conserve limited resources.

While this is just one example of how a capital improvement could lure in businesses and jobs, it is undeniable that modern companies consider quality of life a high priority when considering where to locate or relocate. By planning for capital improvements, this committee hopes to ensure that, in the future, Owassons can live, play, *and work* here.

[guiding principles]

The priorities established within this document and the vision which they support are guided by a set of fundamental principles which outline both the Capital Improvements Committee and the City of Owasso's commitment to a progressive, proactive future. The following overarching principles have guided the Capital Improvements Committee throughout the process and reflect the vision which the Committee seeks to attain for the City of Owasso:

Building the ideal city begins with a shared vision between residents, businesses, and city leadership. Creating the ideal vision involves forward thinking with future generations in mind.

(1) Planning for the Ideal Owasso

(2) Attracting Business and Jobs;

(3) Promoting Environmental Stewardship;

(4) Establishing Partnerships and Collaborative Relationships;

(5) Spurring Future Economic Development;

(6) Considering the Residents of Today and Tomorrow

(7) Building on Owasso's Excellence.

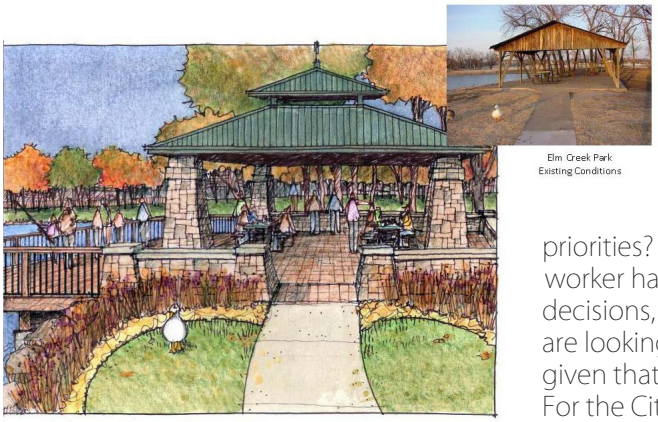
Planning for the Ideal Owasso

While the growth of the past decades has catapulted Owasso beyond what many could have expected for our community, we must strive to move from being what many consider a good place to live, to what all consider a *great* place to live - A city where the streets are not just good, but *great*; where the parks are not just good, but *great*; and where services are not just good, but *great*.

In achieving this objective, we must push past the tendency to accept the projects and priorities which would be "good enough for now," or those which would meet only the current needs of our residents. Rather, we must seek to continuously ask ourselves, "Will this project contribute to the *Ideal Owasso*?" By creating a vision of what our community could look like in fifty years and identifying the projects which contribute to the fulfilment of this vision, we can move past "good enough for now" and toward our ideal community. As stewards of the public's limited resources, this means evaluating current *and* projected needs, so that we are truly investing in the future of our community. By adhering to this maxim, we hope to create that *great* community in which people strive to live - in essence, we hope to become the *Ideal Owasso*.

Attracting Business and Jobs

While Owasso has experienced a phenomenal rate of growth over the past decades, the majority of our residents commute, primarily to Tulsa, in order to make a living. In the 2011 Quality of Life survey cited earlier, fifty-eight percent (58%) of respondents noted that Owasso's proximity to Tulsa had a significant impact on their decision to move here. While Owasso's location and ease-of-access to the largest city in the area has undoubtedly been one of the core determining factors in its current success, we must now look toward a future where Owasso - not just Tulsa - helps drive the region's economic engine. In fact, Owassons *themselves* consider this a primary objective, as over eighty-nine percent (89%) either agreed or strongly agreed that, without compromising roads and basic utilities, the City should prioritize developing amenities that will attract high paying jobs.



Elm Creek Park
Existing Conditions

ELM CREEK PARK - CONCEPTUAL ENHANCEMENTS

Yet, how does this translate into capital improvement priorities? As noted earlier in this report, the age of the mobile worker has given the employee the upper-hand in employment decisions, rather than the employer. As such, today's businesses are looking to locate in places where their employees *want* to stay, given that it is rare that an employee *has* to stay in one location. For the City of Owasso, this means that a high quality of life is crucial in attracting not just residents, but the businesses which will employ them. Whether it be roads and streets, parks and recreational opportunities, or state-of-the-art City facilities, we must continuously invest in a future which expands the economic opportunities for the residents of today and tomorrow.

Promoting Environmental Stewardship

As we have leapt into the new millenium, residents, businesses, and municipalities have been forced to constantly deal with an uncertain energy market, as the price of oil, natural gas, and electricity has swung back and forth from historic highs to short-lived lows. While this has largely resulted in inconveniences for most and budget adjustments for all, the cost of energy has set off a worldwide movement to re-evaluate our everyday practices and their impact on the surrounding environment. For the City of Owasso, this began with the *Go Green!* Initiative, as City departments have sought to reduce energy usage by actions as small as turning off lights or as large as seeking grants that will fund the conversion of city vehicles to compressed natural gas (CNG). But, in looking toward our future, as members of this community, we recognize that we cannot and should not let these initial efforts be our only efforts. Rather, we should extend the spirit of the *Go Green!* Initiative to our planning for capital improvements, and continue to evaluate how our improvements impact the surrounding environment, how we can design them to have as minimal an impact as possible, and how we can invest in facilities which allow our residents to minimize their impact as well.

Centennial Park
Existing Conditions

CENTENNIAL PARK - CONCEPTUAL ENHANCEMENTS

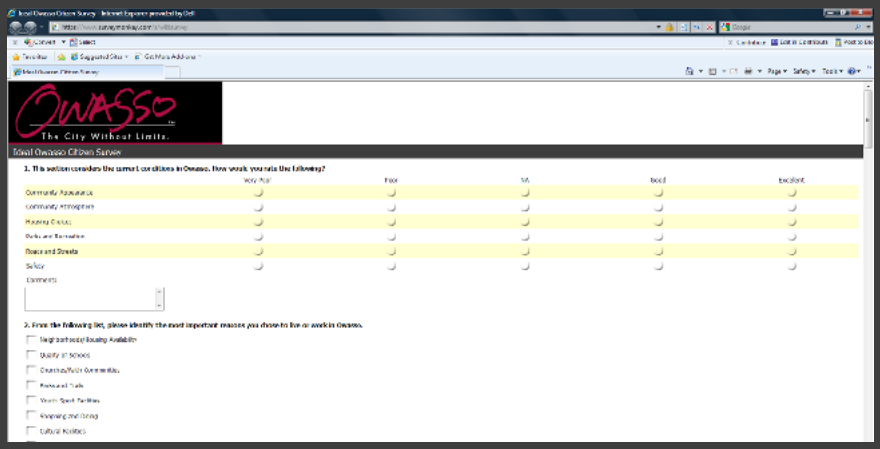
These objectives can be accomplished in any number of ways, but begin with the conscientious decision to value green spaces and the natural environment which has made Owasso what it is today. Whether this means investing in low-maintenance, indigenous plants to line streets or beautify parks and open spaces; developing trail

City of Collaboration: Wikiplanning and Public Input

Just as this plan is guided by an overarching set of principles which assist in the prioritization of proposed projects, the City of Owasso hopes to use the needs, desires, and opinions of Owasso residents to help guide our leaders in establishing priorities and creating long-range plans for improvements. Our desire to do so is guided by one simple fact: the best public policy is that which takes into account citizens themselves. As we work to move from what many consider a "good" community, to a truly *great* community, any plan must take into consideration what types of projects are at the top of our residents' list. In doing so, we not only ensure that our current residents are satisfied with their hometown, but also we help attract *future* residential and commercial development.

One of the primary methods of gathering citizen opinions and ideas has been a series of public input opportunities made possible through the City's Quality of Life Initiative. Throughout 2010, City staff hosted an online survey using a Wkiplanning website, which allowed residents to not only complete a multi-question survey, but also participate in online message boards and upload photos of areas they considered in need of improvement throughout the City or photos that illustrated ideas for improvement. Over a ninety (90) day period, over eight hundred (800) people visited the Wikiplanning site, with more than five hundred (500) leaving comments, ideas, and opinions on how quality of life can be improved in Owasso. In addition to high-tech methods such as the Wikiplanning website, the City also conducted a series of public input workshops throughout the community. Each workshop was open to all residents, and a special event was held at the Owasso 7th Grade Center, which targeted the *youth* users of City services. In the end, the City gained an invaluable amount of information which has helped our staff and community leaders understand why our residents choose to live here, how our current amenities and infrastructure rate, and what type of improvements need to be made in the future.

Given the success of the Quality of Life Initiative and, more specifically, the online Wikiplanning survey tool, City staff has endeavored to continue this open dialogue with our residents by creating a permanent location where residents can offer their perspective on City improvements from the comfort of their own home. *Ideal Owasso* does exactly this and is formatted in an easy-to-use style, similar to the initial wikiplanning website. Using *Ideal Owasso*, Owassons can continue to provide invaluable information to our City leaders, which, in turn, will help ensure that we are constantly aware of the changing needs and desires of our residents. This expanded platform can be accessed through the City's website by clicking *Ideal Owasso* under the quicklinks section of the homepage.



systems which provide an opportunity for children and adults to explore the natural landscape; or investing in state-of-the-art recycling facilities, the priorities contained within this document have been guided by the simple principle that we must value our natural resources. In doing so, we not only help shape a better tomorrow environmentally, but also we help shape a tomorrow in which our residents are provided a higher quality of life.

VETERAN'S PARK - CONCEPTUAL ENHANCEMENTS

Establishing Partnerships and Collaborative Relationships

In an age of increasing needs and decreasing revenues, the relevance of partnerships between public, private, and regional entities has become all the more apparent, as Cities have sought out innovative ways to provide a higher quality of life to their residents. The City of Owasso is lucky to be part of a region which is dedicated to the advancement of the entire area, and efforts such as the Indian Nation Council of Government's (INCOG) Regional Transportation Study, which is currently evaluating the plausibility of rail networks connecting Tulsa and its outlying suburbs, prove that the loftiest of goals can be undertaken through strategic partnerships.

Yet, as we look toward the future and map out the path toward achieving the Ideal Owasso, we must not limit ourselves to whom we partner with and how we will achieve our objectives. As the Funtastic Island community build project so aptly illustrates, we can accomplish almost anything if we pool our time, resources, and talent as a community. One of the City's most publicly acclaimed projects, the reconstruction of a historic filling station as a CNG facility, was pursued by soliciting private donations to facilitate the purchase of land and subsequent construction. The funding for the CNG aspect of the project was provided through Federal grant monies, thus illustrating that we must always think outside the box when considering how to achieve our objectives.

Spurring Future Economic Development

One of the most fundamental considerations in developing capital improvement priorities relates to the impact a proposed project is projected to have on the community's economic well-being. Given the inherently high cost of capital improvements - which are, by definition, projects with a price tag in excess of $100,000 - the Capital Improvement Committee and City staff have sought to evaluate whether or not projects are truly an *investment* in our future. In other words, how large of an impact will the proposed improvements have on the community at large and what type of a return can we expect to see?

From a historical perspective, the City of Owasso has selectively chosen projects in the past which have undoubtedly helped shape the success of the present. While many younger Owassons have grown up with easy access to stores such as Wal-Mart and Target and a multitude of other restaurants and grocery stores, prior to the expansion of 86th and 96th Street North, the current retail boom would not have been possible. In both cases, the utilization of public funds to finance street expansion projects provided the foundation for future developments which have not only improved the quality of life of our citizens, but provided crucial tax dollars to the city and jobs to men and women throughout the area.

In looking back at the importance of these projects and toward the City's future, this Committee is committed to ensuring that prioritized capital projects act as a catalyst in the community at large. Whether through street expansions and widenings, water and sanitary sewer infrastructure improvements, or improvements to youth sports venues and facilities, we hope to to create an environment in which individuals, familes, and businesses can excel. By setting the stage for the success of those in our community, we will all reap the benefits of an Owasso abundant with opportunities.

Considering the Residents of Today and Tomorrow

As a city known for it's small-town feel and close-knit lifestyle, maintianing these aspects of our community has been one of the primary objectives of City and local leaders. Through the Strong Neighborhood Initiative, the City has embarked upon a strategy that focuses on strengthening the relationships which bond us all together and help maintain not only the happiness of individuals, but also the property values of those who live here and the economic viability of our businesses. As is woefully apparent in cities with crumbling neighborhoods, declining property values serve to reduce the likelihood of future investment and create distinct divisions between "good" and "bad" parts of a community. As City leaders, we have made a pledge to prevent such divisions from occurring by investing in our residents and working to energize individuals and families to continue to invest their time and talents into not only their own neighborhoods, but the neighborhoods of others and the city at large.

Yet, just as we have made a commitment to the residents of today, we must also consider the residents of tomorrow. What does the Owasson of the future look for in a city? How do we convince that person to move here, instead of any other city in the area - or state, or nation, for that matter? While we cannot pretend to have a crystal ball which tells us which amenities are preferred over others, or what one thing may tip the scale in favor of one city over another, we do know this: The residents of tomorrow expect a higher quality of life than ever before. Nationwide trends point to the fact that young professionals and families are looking for opportunities to actually enjoy the city in which they live - whether through parks and trails, outdoor festivals, shopping and retail, or through transportation opportunities. On top of this, the resident of tomorrow is environmentally conscious and wants their City to be so as well. So the question becomes: How do we become the *city of tomorrow*?

Building on Owasso's Excellence

As we ask ourselves just how we will attain the Ideal Owasso, the most obvious answer lies right in front of us: build upon what has already made Owasso outstanding. In an online survey initiated during the public input portion of the Quality of Life Initiative, out of over 550 survey respondents, sixty-six percent

(66%) said that the friendly atmosphere and family-oriented nature of Owasso was one of the five most important reasons they had chosen to live or work in Owasso. Answers such as these reflect Owasso's small-town roots and illustrate that our community's success has come from ensuring that our residents and families feel as if they are still connected, regardless of how much our population grows.

This Capital Improvement Plan prioritizes this consideration, and Committee members have sought to consider how the City can utilize existing resources to move toward our ideal future. Owasso is extraordinarily lucky to have a variety of parks and other resources which provide residents the opportunity to maintain that small-town feel which brought them here. However, the vast majority of these amenities are merely *good*, rather than *great*. As such, an immense opportunity exists to use our current assets in moving toward the Ideal Owasso. By maximizing what we are already known for and by reinvesting in the qualities which have brought Owasso to its current level of success, we demonstrate that we are committed to not only establishing a high standard of excellence through our capital investments, but also maintaining those investments for future generations of Owasso residents, businesses, and City leaders.

Fall Sparkle (Photo Credit: Debra Holman, Picture It! Owasso Entrant)

[planning process]

Origins of the Capital Improvement Committee

The Owasso Capital Improvement Committee was established in 1988 under Ordinance No. 395, as the City was faced with the daunting task of initiating major improvements to 86th Street North. The primary action taken under Ordinance No. 395 was to extend the one-cent sales tax increase that was initially established in 1983. At this time, the City Council elected to appoint a Committee to develop, prioritize, and recommend the capital improvement needs of the city in the hopes of creating a more orderly, planned process than had existed before. This initial committee was comprised of Council members, citizens, staff members, education representatives, and representatives of the Owasso Economic Development Authority (OEDA).

Our vision is to create a community where infrastructure works to bring people together.

Upon organization of the committee, its members immediately began to recognize the deficiencies of the City's previous capital improvement planning process, which had largely been of a reactionary nature and neglected to account for funding sources for prioritized projects. As such, the Capital Improvement Committee developed the City's first Comprehensive Capital Improvement Plan, outlining capital improvement priorities, as well as proposed funding sources for these projects.

As Vice Mayor and Committee Chairwoman Pat Marlar noted at the time in her report to the Owasso City Council, capital improvement planning was essential to maintaining a high quality of life throughout Owasso, and continuing the growth pattern which had led to increased economic opportunity. The 2003 update to the comprehensive Capital Improvement Plan made the same assumption, and this statement still holds true and serves as a guide for the members of the current committee.

Capital Improvements in the New Millenium

While City of Owasso staff and the Capital Improvements Committee have continued the comprehensive planning process since the creation of the initial plan in 1988 and the update in 2003, amendments have largely been short-term and reactionary, and guided by staff recommendations, rather than a comprehensive plan for the City's future. In addition to this, much of the planning process has failed to be consolidated into a single public document, leaving current Committee members with little guidance in making priority recommendations to the City Council. As such, one of the primary missions of this Capital Improvement Plan is to document this process, not only for future Capital Improvement Committee members, but also for the public at large. In doing so, we hope to create a deeper understanding of how capital improvements impact the economic opportunities available to current and future generations of Owassons.

Committee Structure

The Owasso Capital Improvement Committee is composed of a variety of individuals, selected from a cross-section of other City Committees, professions, and civic-minded citizens. The committee structure, including term limit schedule, is as follows:

(2) City Council members serving one year terms

(1) OEDA representative serving a one year term

(1) Planning Commission Representative serving a one year term

(6) Citizens at Large serving three year terms

(1) City Manager

(2) Assistant City Managers

(1) City Finance Director

In addition to these designated voting members, five (5) City Department Directors from Police, Fire, Community Development, Public Works, and Economic Development serve as non-voting ex-officio committee members.

Annual Process - Focus - Discuss - Decide - Recommend

While the formation of the Capital Improvement Committee in 1988 ensured that planning would be much more structured than in the previous decades, the Capital Improvement Committee largely met on an irregular basis, or in order to make updates to the Capital Improvement Plan. While this schedule has certainly met the needs of the City in previous decades, it is the goal of the current committee, as well as that of City staff, to provide multiple opportunities for members to convene to evaluate and reassess current priorities and future needs. In doing so, we hope to remain constantly vigilant of the plan adopted within this document, thus ensuring that Owasso is continuously moving toward a future in which the quality of life is greater than in previous years. With this in mind, the committee will meet as follows.

Spring – tentatively scheduled CIP Committee Meeting the 4th Tuesday in April with additional meetings as deemed necessary by the CIP Committee

- Focus – Review All Data
    - Grades and Standards for Facilities, Parks, and Roads

        Facilities – condition, projected lifespan, usage, impact, urgency

        Parks – condition, usage, volume, QL study

        Roads – condition, traffic volume, maintenance ranking
- City Council Priority List – determine if additions or deletions needed
- CIP Project List with staff grades and rankings of pared down project list
- Financial spreadsheet – Projects vs. Fund Availability (Cash Flow)
- Master Plans – Transportation, Parks, Land Use Plan, Quality of Life Plan
- Projected population and development growth patterns
- Consider a recommended percentage to be allotted to each area – Facilities, Parks, Roads

Summer – tentatively scheduled CIP Committee Meeting the 4th Tuesday in July with additional meetings as deemed necessary by the CIP Committee

- Discuss – Project Rankings, Grades, Priorities, Funding
- Discuss each area – Facilities, Parks, Roads
- Discuss validity of grades and rankings for purpose of adjusting priorities
- Develop Top 5 projects in each area – Facilities, Parks, Roads
- Review all projects in comparison to funding availability
- Discuss need for additions or changes to the City Council approved Priority List
- Discuss whether there is a need for additional Special Meetings
- Public Meeting(s) for input
- CIP Special Meeting(s) for continued discussion and debate

Fall – tentatively scheduled CIP Committee Meeting the 4th Tuesday in October with additional meetings as deemed necessary by the CIP Committee

- Decide – Project Recommendations (if warranted)
- CIP Special Meetings for continued discussion and debate if needed
- Special Meeting – Posted/Open Meeting for further discussion and a vote on recommendation to City Council concerning CIP Priority List

Winter – tentatively scheduled for City Council Meeting the 3rd Tuesday in January

- Recommend – Priority List Amendments
- Public Hearing – as required for purpose of receiving public input on projects
- Resolution – tentatively scheduled for City Council Meeting in February
- Following at least two weeks of consideration of public comments
- City Council considers adoption of amendment by resolution

Vision, Mission, and Values

In consolidating the history, purpose, and structure of the Capital Improvement Committee, it was recognized that, in order for the committee to begin the process of prioritizing projects and establishing a plan, the vision, mission, and values of the committee had to be established. They are as follows:

Vision: A community where infrastructure works to bring people together.

Mission: To incorporate strategic planning and rational prioritization in determining capital improvement recommendations to the City Council that will best serve to enhance the quality of life for Owasso residents.

Values: Flexibility; Long-range Perspective; Fiduciary Efficiency; Quality of Life; and Openness to Diversity of Thought, Ideas, and Projects

City of Connectivity: Bringing People Together Through Infrastructure

Owasso is known throughout the area and the state as a city where families come to raise their children and where those children excel in a top-notch educational environment. As a "City of Character," it's not unusual to see men and women taking time out of their day to hold a door for a busy mother, carrying a grocery sack for an elderly man, or informing a neighbor that they've left their gate open. These attributes have allowed Owasso to retain that small town feeling as it has grown and grown over the past decades, and are some of the main reasons as to why we are continuing to grow.

Yet, as our population increases with each Census, that sense of connectivity is often diminished as the City limits expand and the distance between point A and point B is measured in miles, rather than blocks. Especially, in the midwest, this dilemma is compounded by the fact that infrastructure has largely been structured around one mode of transportation: the car. As such, cities throughout the central part of the US - including Owasso - have become masses of concrete roadways, with little thought to pedestrians traversing the sidewalks, or cyclists attempting to utilize what little bit of pavement we motorists will allow. The result, unfortunately, are cities which are merely observed, rather than enjoyed, and residents who are disconnected from the community at large.

In developing the Capital Improvement Plan and establishing the priorities which it encompasses, the primary vision of this Committe has been to create *a community where infrastructure works to bring people together.* Rather than simply looking at street improvement projects as part of the tedium of necessary and practical improvements, we envision a future in which projects such as these are a catalyst for increased connectivity among our citizens. In an age of energy uncertainty, this goal can open up a variety of opportunities for Owassons, as alternative forms of transportation such as walking or cycling are made practical, safe, and enjoyable.

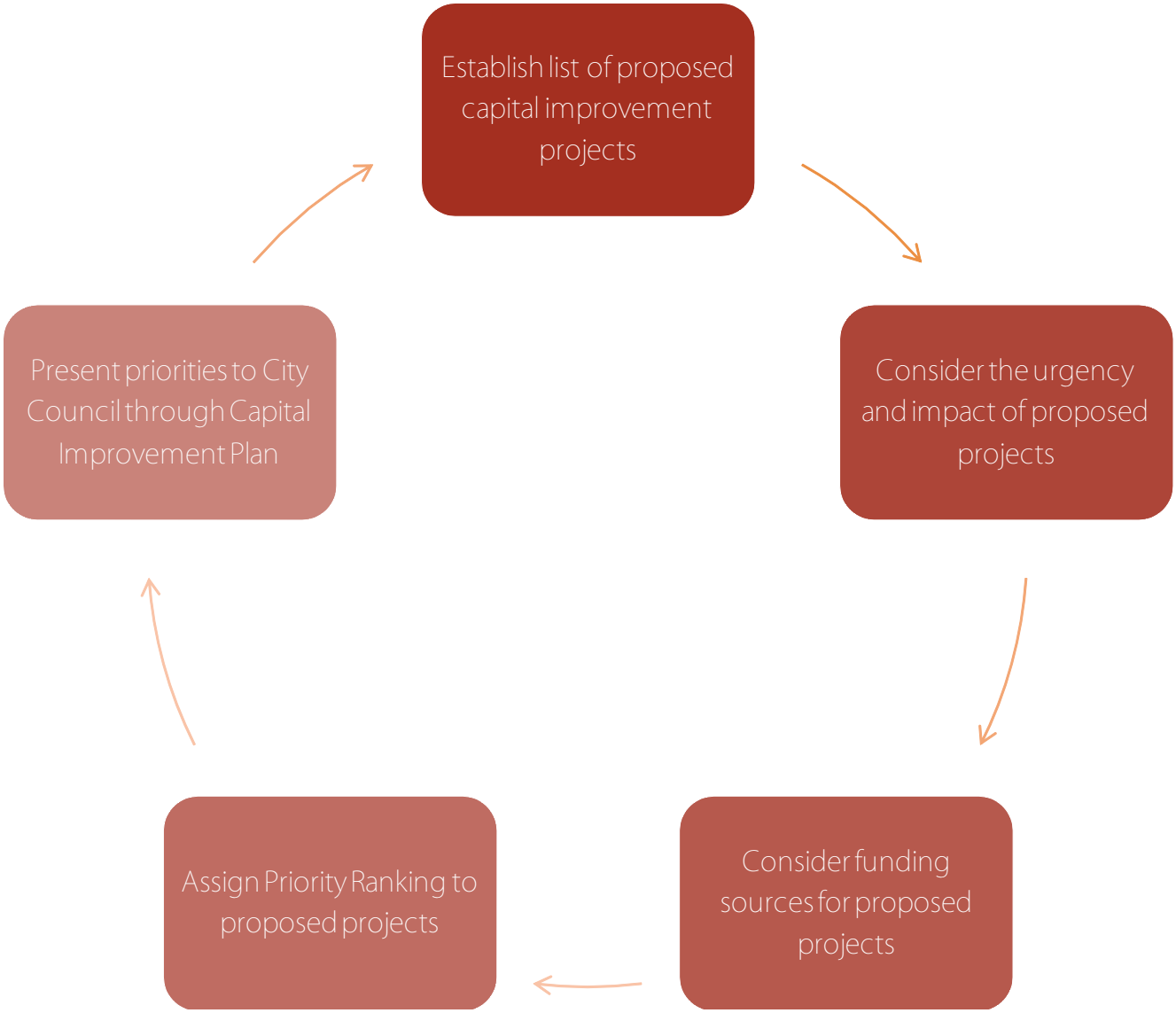
In addition to serving a need for our current residents, designing our streets and roadways for multiple uses serves the dual purpose of working to attract high-quality businesses and jobs and future residents who are looking for a community which promotes healthy, active lifestyles.

By working to provide a higher quality of life to Owassons, we can make a conscientious decision to maximize the opportunities the City has both now and in the future. In addition to this, by striving to utilize public funds in a way that impacts future development possibilities, we ensure that, as public servants, we are truly acting as responsible stewards of the public's limited resources and that the work which is prioritized is truly in the interest of the City and community at large.

Determining and Recommending Priorities

The actual process through which the Capital Improvement Plan has been created consists of a series of progressive steps through which the Capital Improvement Committee assesses the status of current City infrastructure and assets and proposes future improvement projects. This process is illustrated in the diagram below, and demonstrates a cyclical series of events, given that the evaluation and priority setting process is ideally one that is revisited each year as Committee members seek to determine the capital needs of Owasso in an ever-changing environment. As the diagram shows, the first step is establishing an extensive listing of all proposed capital improvement projects (categorized as either Parks and Recreation, Transportation, or City Facilities). From this initial point, Committee members consider the urgency of need and perceived impact of the proposed project, alongside possible funding sources. Following this, the Committee assigns a Priority Ranking to each proposed project, which becomes the basis for the recommended priorities presented to the City Council.

Figure 2: Capital Improvement Planning Process



Amending Capital Improvement Priorities

From time to time, the need arises for the Capital Improvement Committee to amend the Priority Listing of Capital Improvement Projects. Cases such as these generally arise in the event that an immediate need becomes apparent and elevated to Priority status (such as the unexpected failure of an asset or infrastructure) in order to provide funding. For Example, an amendment to the Priority Listing can arise out of the unexpected award of grant funding, making a previously unrealistic project now possible.

In the event that an amendment is needed, City staff can call a Special Meeting of the Capital Improvement Committee for the purpose of presenting information relating to the proposed project. As with the normal planning process, this should include information on the nature of the project, the perceived urgency and impact of the project, as well as funding mechanisms or sources for the project. If the Committee approves the project, they must then make a recommendation to the City Council that the current Priority Listing be amended to include the newly proposed project. Following the Committee's recommendation to the City Council, the City Council must hold a public hearing to gather comments and input relating to the proposed project. As with all public hearings, adequate notice will be given to the public, and all residents will be allowed to speak on the subject. In the event that the project is determined to be worthwhile, the City Council will pass a resolution amending the Priority Listing of capital improvement projects eligible for funding from the Capital Improvement Fund.

A recent example of an amendment made to the Priority Listing relates to the East 76th Street North from Highway 169 to 129th East Avenue Project, which was approved by City Council Resolution No. 2010-13. The Priority Listing was amended to include this project due to an unexpected source of grant funding, which assisted with right of way acquisition and construction costs.

Figure 3: Amending the Priority Listing

Capital Improvement Committee Meets

- Staff presents project information
- Committee recommends amendments to City Council

City Council holds public hearing

- City Council receives public input

Resolution presented to the City Council

- City Council approves a resolution
- Projects are added to the Capital Improvement Priority List

[definitions]

Defining Capital Improvements

In establishing a Capital Improvement Plan, one of the most basic - and fundamental - questions that must be answered is, "What exactly is a capital improvement?" The committee operates using the following definition:

Capital improvements are typically major projects undertaken by the city for repairs, maintenance, improvement, or acquisition, with a total cost of at least $100,000, and a minimum life of ten years.

Capital Improvement Plan

With this definition as our guide, the City of Owasso has sought to create a comprehensive plan for capital improvement project expenditures, or, more succinctly, a Capital Improvement Plan. This plan is a guide for identifying capital improvement projects for recommending to the City Council an annual listing of projects eligible to receive funding.

By adopting this plan, the City and its leaders have created a "roadmap" for continuing our community's commitment to a shared vision of responsible and sustainable growth. The Capital Improvement Plan becomes the strategic policy direction for new City Councils and City Administrations, regardless of the current political environment, thus ensuring a concentrated effort for systematic construction and maintenance of the City's capital assets.

Paying for Capital Improvements

Capital improvements in the City of Owasso have a history of gaining wide support throughout the populace. In 1983, residents passed a one cent sales tax increase to fund capital projects, which was set to expire in 1992. However, recognizing the need to continue investing in the infrastructure of their community, Owassons elected to extend the one-cent sales tax for an additional fifteen (15) years. With this additional source of funding established, the Owasso Capital Improvement Committee developed a comprehensive Capital Improvement Plan, which identified needs, proposed funding, and recommended projects.

Two years later, the Capital Improvements Committee continued an annual review and update of the Capital Improvement Plan and recommended the creation of an Owasso Public Works Authority (OPWA) Capital Improvement Fund. In 1992, the City Council and Trustees of the OPWA approved an increase in water and wastewater rates, which was earmarked by ordinance for funding OPWA Capital Improvement Projects. With these actions as their guide, in 2003 Owasso citizens approved making the one-cent sales tax permanent, thus paving the way for a future of continued investment in the community and its infrastructure.

In recent history, capital improvements in the City of Owasso have been funded through fee increases (as in the case of the OPWA Capital Improvement Fund), and through sales tax revenue increases. The following

is a listing of definitions for each of these items, as well as other pertinent funding terminology which is relevant to the funding of capital improvements.

Ad Valorem Tax: A tax based on the assessed value of real estate or personal property.

Sales Tax: A tax collected at the point of sale or delivery on retail goods and services.

Municipal Bond: A debt security issued by a state, municipality, or county to finance its capital expenditures.

Fee: A charge assessed for the provision of services.

Debt Financing: The issuance of bonds and other debt instruments to finance municipal improvements.

Debt Service: The cost of paying the principal and interest on borrowed money, according to a predetermined payment schedule.

Expenditure: The cost for personnel, materials, equipment, and contractual obligations.

Fiscal Year: A time period designated by the state, signifying the beginning and ending period for recording financial transactions. The City of Owasso's fiscal year begins July 1st and ends June 30th.

Grant: A contribution from another government agency or outside entity to be used for a specific purpose.

Community Development Block Grant: A Federal grant provided by the US Department of Housing and Urban Development aimed at funding local community development activities such as affordable housing, anti-poverty programs, and infrastructure development in targeted geographic areas.

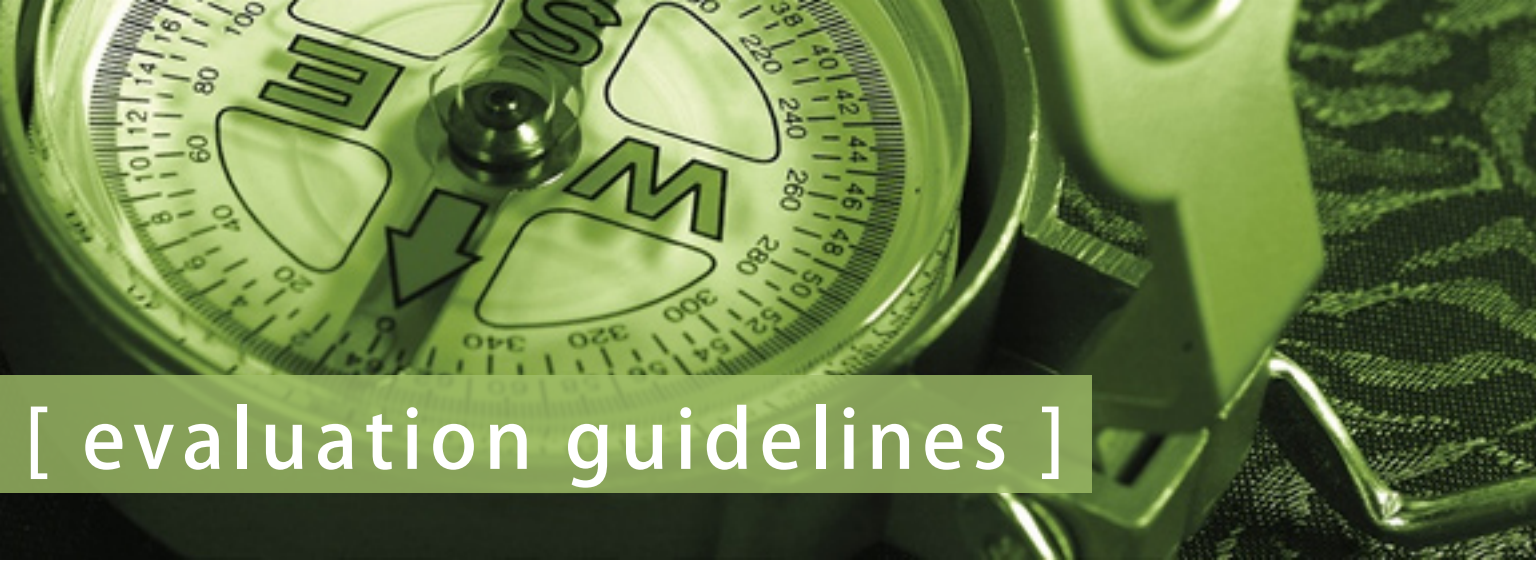
Matching Requirement: The amount of money required from the beneficiary of a grant in order to receive the grant monies.

Other Definitions

Complete Streets: An initiative aimed at ensuring roadways are designed and operated to enable safe, attractive, and comfortable access and travel for all users (pedestrians, cyclists, motorists, and public transportation.)

Master Plan: A policy document that establishes the general priorities and goals relating to issues such land use, infrastructure, transportation, recreational amenities, etc.

Elm Creek Park (Photo Credit: Camille Rutherford, Picture It! Owasso Entrant)



[evaluation guidelines]

Capital Improvement Plan Project Evaluation Guidelines

By definition, Capital Improvements are major projects undertaken by the city for repairs, maintenance, improvement or acquisition, with a total cost of at least $100,000, and a minimum life of ten years. Capital Improvements result in creation of a fixed asset, or the revitalization of a fixed asset.

Included within the definition of a Capital project are the following items:

- Construction of new City facilities
- Remodeling or expansion of existing facilities
- Purchase, improvement, and development of land
- Operating equipment and the machinery for new or expanded facilities
- Planning and engineering costs related to specific capital improvements
- Vehicles and other large equipment
- Street construction, reconstruction, resurfacing, or renovation

Capital improvement projects are identified when Department Directors prepare and submit capital improvement requests within the budget process along with project descriptions, asset inventory and replacement schedules, supporting studies, strategic planning documents, and five-year capital requests. They are also identified for consideration when City Councilors, CIP Committee members, or the City Manager submits them to the CIP Committee for consideration.

In evaluating potential capital improvement projects, there are two general questions one might ask in order to form an opinion as to the project's worthiness or prioritization:

What type of IMPACT will the project have on the community?

- Improved service to the public
- Increased safety in the community
- Increased employment opportunities
- Increased retail opportunities
- Increased property values
- "Catalyst effect" for future development

What is the URGENCY of the project?

- Needed immediately or within the next 1-2 years

  Current facility or infrastructure (or lack thereof) is unable to handle the current demand of the population

- Needed within the next 3-5 years

  Current facility or infrastructure (or lack thereof) will be unable to handle the projected near-term demand of the population

- Needed within the next 5-10 years

  Current facility or infrastructure (or lack thereof) will be unable to handle the projected mid-term demand of the population

- Needed within the next 10-20 years

  Facility or infrastructure could contribute to the city's Ideal Owasso vision

To consider capital improvement projects in more specific terms or to make use of a more extensive prioritization process, projects can be prioritized based on City critical objectives and strategies, the Comprehensive Plan, special studies, initiatives, and reports, City Council and department priorities, and anticipated funding sources. Projects can then be evaluated on the following project prioritization matrix as recommended by the International City Management Association.

1. Capital Costs - These represent the annual total costs, including future year capital costs. Also to be considered is whether the proposed project will reduce future capital costs, for example, a rehabilitation project that averts a more expensive, subsequent replacement, and the extent of such savings.
   - Lower future capital costs
   - High future capital costs
   - No impact
2. Annual Costs - The expected change in operation and maintenance costs. Operating departments provide year-by-year estimates of the additional costs or reductions likely in the operating budget because of the new project. Also to be considered is changes in revenues, which may be affected by a project, for example, the loss of property taxes incurred when private land is used for a capital project.
   - Lower operating costs
   - Higher source of revenues
   - Increases in productivity or opportunity
   - Higher operating costs
   - Lower source of revenues
   - No impact
3. Health and Safety Effects - This criterion includes health-related environmental impacts like reductions/increases in traffic accidents, injuries, deaths, sickness due to poor water quality, health hazards due to sewer problems, etc.
   - Increase public health
   - Increase public safety
   - No impact
4. Community and Citizen Benefits - Economic impacts such as property values, the future tax base, added jobs, income to citizens, changes in business income, and the stabilization (or revitalization) of neighborhoods. Such impacts may apply more to capital projects related to growth and expansion than to infrastructure maintenance though deteriorating structures can adversely affect business.
   - Add to tax base
   - Promote economic development
   - Create employment
   - Stabilize or revitalize neighborhood(s)

5. Environmental, Aesthetic, and Social Effects - A catch-all criterion for other significant quality-of-life-related impacts, this includes community appearance, noise, air and water pollution effects, households displaced, damage to home, effect on commuters, changes in recreational opportunities, etc.

    - Improve environmental protection effort (clean air, land and water)
    - Improve quality of life for residents (i.e. noise, light pollution)
    - Improves community appearance
    - Improves recreational/cultural opportunities

6. Distributional Effects - Estimates of the number and type of persons likely to be affected by the project and nature of the impact - for instance, explicit examination of project impact on various geographical areas; on low-moderate income areas; and on specific target groups. Equity issues are central here - who pays, who benefits.

    - Significant regional benefit
    - City wide improvement
    - Benefits large portion of City
    - Benefits one neighborhood
    - Assists in elimination of slum and blight
    - No impact

7. Public Perception of Need - This criterion refers to project assessment of (a) the extent of public support; (b) interest group advocacy and/or opposition.

    - Identified in the Comprehensive Land Use Plan, special initiative, or other study
    - Specific request of the City Council
    - Project requested by neighborhood organization or other group
    - Knowledge of public perception of need unknown
    - Public opposition

8. Feasibility of Implementation - This element is a measure of (a) special implementation problems (e.g. physical or engineering restraints) and (b) compatibility with the general direction of the City.

    - Feasibility of implementation is manageable
    - Feasibility of implementation presents special implementation challenges
    - Project is dependent on the actions of another agency or organization

9. Implication of Deferring the Project - Deferring capital projects is tempting for hard-pressed governments, but an estimate of the possible effects, such as higher future costs and inconvenience to the public, provides valuable guidance in proposal assessment.

    - Deferral of the capital project will significantly increase the cost of the project
    - Deferral of the capital project will significantly increase the inconvenience to the public of not completing the project
    - Deferral of the capital project will increase operating costs
    - Deferral of the capital project will prevent operating cost savings or productivity improvements

10. Certainty of Information Supplied - Amount of uncertainty and risk - For each proposal, each of the above criteria will have associated with it some degree of uncertainty as to cost estimates, effect on service quality, or impact of new procedures. When substantial uncertainties exist regarding any of the evaluation criteria for any proposal, the City should consider estimating, at least in broad terms, the amount of uncertainty - probability of occurrence - and the magnitude of the likely negative consequences. Few cities generate such information, but even "educated guesses" are useful here.

    - Certainty of the cost estimate is high based on recent bid document or publicly advertised price
    - Certainty of the cost estimate is high based on engineering estimate
    - Certainty of the cost estimate is moderately high based on best professional judgement

11. Effect on Interjurisdictional Relationships - Possible beneficial/adverse effects on relationships with other jurisdictions or quasi-governmental agencies in the area constitute this criterion. Such effects, e.g., waste disposal via landfills in other jurisdictions, are likely to require special regional coordination and could impair the proposal's attractiveness.
    - Interjurisdictional benefit will be achieved
    - Interjurisdictional project that has the support of another community or agency
    - Interjurisdictional project that will need to obtain approval from another community or agency.
12. City Critical Objective - If a capital project directly addresses a City critical objective, the relative attractiveness of that project increases.
    - Identified in the Comprehensive Land Use Plan, special initiative, or other study
    - Specific request of the City Council
    - Consistent with vision statement "to remove obstacles standing in the way of people celebrating their lives"
    - Consistent with goals of annual operating budget
    - Important; but not critical
13. Nature of the Investment - Does the capital improvement request replace or maintain an existing asset or provide for a new capital asset?
    - Maintenance of an existing asset
    - Replacement of an existing asset
    - Expansion of an existing asset
    - New capital asset
14. Significant Investment in Previous Years - Has the City made a significant investment in this programmatic area within the last five years?
    - Significant investment made by the City in the last five years
    - Significant investment made by the City to meet legal obligation
    - Moderate investment
    - No investment
15. Project Linkages - Are any projects related to each other such that having them accomplished concurrently would be advantageous?
    - Geographically related or dependent
    - Timing relationship or sequentially dependent
    - Dependent upon the completion of other projects

Finally, after all proposed projects are prioritized using these criteria, one might ask the question as to whether the list stands up to an "intuitive check." Do the projects fall in the priority order that was "anticipated?"

ADDENDUM

OPTIONS FOR FINANCING CAPITAL NEEDS

PAY AS YOU GO

SPECIAL IMPROVEMENT DISTRICTS

TAX INCREMENT FINANCE (TIF)

GENERAL OBLIGATION AND REVENUE BOND ISSUANCE

INTERGOVERNMENTAL SHARED REVENUE PROGRAMS

MUNICIPAL LEASING AND CERTIFICATE OF PARTICIPATION PROGRAMS

EARMARKED MUNICIPAL REVENUES

OPTIONS FOR FINANCING CAPITAL NEEDS

Pay As You Go

Financing capital projects on a pay-as-you-go basis involves identifying available funds from the operating budget to fund capital expenditures. Most municipalities set aside some portion of their operating budgets both for maintenance to existing infrastructure and for the construction of long-term capital improvements. The major benefits of financing projects on a pay-as-you-go basis include saving of interest and debt issuance costs, and the ability to complete projects without the legal and political restrictions involved in debt issuance.

The major drawbacks with funding projects on a pay-as-you-go basis are the increased burden on operating budgets of funding capital improvements and equity issues. Funding projects with a long-term useful life on a pay-as-you-go basis is inequitable to some extent, because beneficiaries of the improvements will be added over the life of the improvements. Instead of paying a "fair share" of the amortized cost of the improvements in future years, the "new" users will be relieved of the burden of paying. For example, if the construction of a new street is paid for on a pay-as-you-go basis in 1999 and the street has a 3D-year useful life, the citizens of the municipality paid for the street in funds wholly generated in 1999. Citizens who come to the municipality after 1999 use the street, while their share of taxes goes for services other than the street.

Further, pay-as-you-go financing can exacerbate the problems of revenue base imbalance discussed in the Municipal Revenue Report. As noted in the Revenue Report, the average municipality in Oklahoma relies on sales taxes for half of its revenues, outside of utilities, and the figure is much higher in some cities.

To the extent that capital improvement projects are funded on a pay-as-you-go basis, the positive result of increasing the amount of the revenue base of the city that is derived from property taxes is reduced and the revenue picture is less diversified.

Special Improvement Districts

One of the methods available to municipalities to address their infrastructure financing needs is the implementation of Special Improvement/Assessment Districts (for purposes of this discussion, Special Improvement Districts and Special Assessment Districts are discussed interchangeably). Special Improvement Districts (SIOs) are authorized for cities in Title 11, Section 39 of the Oklahoma Statutes; for counties in Title 19, Section 871. SIOs can be used for the following public purposes:

- Street, sidewalk, curb/gutter, drainage improvements;
- Water, sewer, gas, electric and other utility main connections;
- Storm and/or sanitary sewer system improvements;
- Street lighting system improvements;
- Improvement of parks and recreational facilities;
- Landscaping of public facilities;

- Improvement of flood control works;
- Construction of retaining walls on public ways
- Construction/repair of bridges, overpasses and tunnels
- Construction of parking facilities
- Construction of pedestrian malls
- Acquisition of property for other authorized purposes
- Other public purposes approved by the governing body

Process for establishment of improvement districts

- Filing with City Clerk of petition signed by a majority of property owners liable for
- payment under the district
- Filing with City Clerk of petition signed by a majority of the owners of over half of the property (in land area) in the district
- Preparation of plans and specifications and cost estimates for the project
- Notice of hearing regarding creation of the district
- Conduct hearing regarding the creation of district, and receive any protests
- Award construction contract
- Establish assessment roll
- Conduct hearing on assessment roll/accept objections

The statutes provide that the SID can be established and property owners assessed their portion of the costs of the improvements upon majority vote of the legislative authority, absent formal protest by a majority of the impacted property owners. Once established, the construction costs related to the improvements can be financed on a pay-as-you-go basis from the assessment proceeds, or indebtedness can be issued and repaid through the assessment proceeds. A contractor hired by the municipality can do the improvements, or the construction can be done directly by the governmental entity, with the jurisdiction's costs reimbursed from assessment proceeds.

- Allows improvements made in limited areas to be financed by beneficiaries
- Flexibility of boundaries and purposes
- Relative ease of establishment (no vote of the people required)
- Allows for citizen initiation of improvements
- Frees municipality's capital and operational resources for other needed purposes

Of these benefits, perhaps the most important, relative to other methods of financing infrastructure needs, is flexibility. The statutes related to SIOs allow for a great amount of latitude in the establishment of the purposes for and boundaries of individual improvement districts. A district can be established, for example, to

construct sidewalks on an individual block, in a given neighborhood, or throughout a city. A district can be established to provide parking for an individual business or group of businesses, and the business owners as-

sessed the construction costs over a period of years at tax-exempt rates. Problems with assessment districts

- Impacted residents who disagree with district purposes must pay against their will
- Municipality has burdensome administrative responsibilities on the front-end and less burdensome ongoing responsibilities
- Municipality maintenance responsibilities for district projects can drain available operating resources
- Market for assessment-backed debt is limited in many cases to local lenders (banks)
- Assessments can be politically unpopular, as they are often viewed as a property tax

For these reasons, particularly the administrative responsibilities upon the municipality, the use of SIDs for financing infrastructure improvements has been rather limited in Oklahoma. A further reason for this "underuse" of this financing tool may be that some jurisdictions are unaware that the tool is available to them, or that the authorized uses for SIDs have been expanded beyond streets and utilities. Many successful applications have been made of SIDs throughout the State, however. The City of Broken Arrow, for example, completed the Oak Ridge II Improvement District in 1989. The district installed streets and sidewalks in an area of the City that had previously not been served.

Tax Increment Finance

Another method for financing capital and infrastructural improvements in urban areas is through the establishment of tax increment finance districts. George Marlin and Joe Mysak in The Guidebook to Municipal Bonds describes the concept of Tax Increment Finance bonds:

In general, tax increment bonds are issued by redevelopment agencies as part of a financing program to eliminate urban blight or to ease the way for development. These taxes help to payoff the bonds as well as fund other improvements....

A redevelopment tax-increment financing begins by calculating the base amount of tax assessments within an urban renewal area before implementation of the renewal plan. Any subsequent tax revenue increases over this base amount are assumed to be by-products of the redevelopment efforts, and the urban renewal authority may use these incremental taxes to repay bonds or fund other improvements (on a payas-you-go basis).

Tax Increment Finance (TIF) districts are similar to the Special Assessment Districts discussed above in many ways. The major difference is that rather than accepting the ad valorem tax payments from property owners within the district, impacted taxing jurisdictions forego the acceptance of any increase in tax payments. The

increase in tax payments, or the incremental tax, goes towards the repayment of the TIF debt, or to direct payments for approved public improvements within the district. The public notice, publication and public hearing requirements for TIF districts are similar to those for SIDs, discussed above.

Tax Increment Financing is a method of funding development and redevelopment projects usually related to economic development, abatement of blight or restoration of historic properties. Tax Increment Financing (TIF) in Oklahoma is governed by the Local Development Act (ACT), Oklahoma Statutes 62 I 850 et seq. TIF is intended to reverse economic stagnation or decline and to serve as a catalyst for retaining or expanding employment to attract major investment into an area, or to preserve or enhance the tax base. TIF is not to be used in areas where private investment would have occurred, without government incentives. The Local Development Act sets out guidelines and procedures for the use of TIF.

To summarize the Act, TIF can be used to:

- supplement, not supplant, normal public functions
- work in conjunction with existing programs, such as Main Street Programs, the Oklahoma Enterprise Act, historic preservation areas or other locally implemented local development efforts
- delineate areas that dissect a similar area or create an unfair competitive advantage.

Also the Act encourages local governments to develop a process that:

- recognizes the need for residential and neighborhood treatment, capital improvements to public schools and commercial or industrial development
- encourages public participation and knowledge of the process;
- emphasizes conservation, preservation and rehabilitation while demolition, clearance and relocation be minimized
- applies clear standard, criteria, and threshold limits that are applicable to all similar property

Some of the other procedural requirements of the Act include the creation of a review committee and approval of project plans. A project plan is used to set out a project area and an increment district. A review committee is established by the local governing body. The review committee considers project plans for projects proposing to use TIF. The review committee can recommend, approve, or deny subject to certain conditions, any project plan. The review committee will also determine whether the proposed plan will have a financial impact on a taxing jurisdiction. The governing body then considers the recommendations and findings of the review committee and approves or denies the project plan. Following approval of a project plan, the City Council adopts an ordinance creating the district.

Tax abatement is another tool available through the Local Development Act. Tax exemptions can only be granted on ad valorem taxes from new investment. Ad valorem exemptions are not permitted on the value of property which has been assessed or which is located in a TIF district. Exemptions can be granted for five years, or up to six years, in an enterprise zone.

TIF and tax abatement have been used in limited cases in Oklahoma. Tulsa has created several TIF districts and tax incentive (abatement) districts. Oklahoma City has one TIF district in the medical center area and is working towards the implementation of a second district.

TIF has been especially confusing and put to limited use because of the complexity of this financing method. The governing body may issue tax apportionment bonds or notes to pay for project costs pursuant to the plan (OS 62 '863). TIF bonds have been issued in very few cases in Oklahoma. Bond attorneys have been reluctant to issue "clean" bond opinions for TIF bonds. There have been several legal issues raised in the case of the Muskogee Urban Renewal Authority v. Excise Board of Muskogee County and in the Oklahoma City Urban Renewal Authority v. Medical Technology & Research Authority, et, al. Also, there is still confusion about whether or not TIF bonds can be used to add equity to a privately owned and developed project. Resolution of these issues either through the courts or legislature would improve the availability of TIF in Oklahoma.

The major benefits to TIF districts as a means of financing improvements to distressed urban areas include:

- Allows improvements made in limited areas to be financed by beneficiaries
- Flexibility of boundaries and purposes
- Relative ease of establishment (no vote of the people required)

- Allows for citizen/business owner initiation of improvements
- Accesses capital resources which may otherwise be unavailable within distressed areas
- Frees municipality's capital and operational resources for other needed purposes

Major drawbacks to TIF financing include the following:

- Municipal maintenance responsibilities for district projects can drain available operating resources
- Market for assessment-backed debt is limited in many cases to local lenders (banks) or to the beneficiary of the improvements, as by their nature TIF districts are established in areas where economic growth and therefore market stability has lagged
- Assessments can be politically unpopular, as they are often viewed as a property tax;
- Legal disputes can arise (see above) due to definitions of "distressed" areas and the calculated base amount of tax assessments.

General Obligation and Revenue Bond Issuance

The most common method by which cities finance long-term capital improvement projects is through the issuance of tax-exempt debt. In their book Municipal Bonds. Robert Lamb and Stephen Rappaport state that:

> *to a considerable degree... , state and local governments have forgone pay-as-you-go financing for certain basic services, such as highways, hospitals, housing, power projects, water and sewer systems, transportation networks, and port facilities. As a result, the successful financing of these services that people use daily depends on the underwriting and distribution of municipal bonds by investment banking firms and brokerage houses as well as by commercial banks. Moreover, it seems clear that as government and the investment community become more involved in providing financing for more and more public services needed by Americans, the financing will take the form of public debt and bonds.*

The issuance of "municipal bonds" in Oklahoma is governed by the Oklahoma Constitution, primarily Article 10, Sections 26, 27 and 27B (see Appendix). Under these sections of the Constitution, municipalities (cities, counties, school districts etc.) can issue debt upon approval of three-fifths (60%) of the voters of the issuing jurisdiction. For purposes of financing construction, purchase or repair of "public utilities", a simple majority vote is required 50%. Through various legal interpretations of these Constitutional provisions, "public utility" has been rather broadly defined to include municipally-owned streets, bridges, water lines, sewer lines, park facilities and drainage structures (public utility is synonymous with "public good or use"; City of Shawnee v. Williamson 1959).

The Constitution also provides that upon voter approval, municipalities may collect taxes on the property within the jurisdiction sufficient to pay principal and interest ("debt service") on the approved bonds. Oklahoma law imposes significant restrictions on property taxes. The Oklahoma Constitution provides for a 15 mill ad valorem levy to be appropriated between the county, schools, cities and towns of each county by the County Excise Board. No less than 5 mills of the amount must go to schools. In addition to the minimum of 5 mills the schools have several other millages that are available for school support. Historically, the Excise Boards allocated a portion of the remaining 10 mills to cities and towns. However, by the late 1960s, Excise

Boards across the state began reducing the amount allocated to the towns to reserve the funds for county functions. Counties now rely heavily upon the complete 10 mills for their own use. When municipalities gain approval to issue debt backed by property tax revenues, the millage rates to service the debt on these bonds is considered to be in "excess" of the five mills originally set aside for municipal purposes. Total general obligation debt outstanding cannot exceed ten percent (10%) of the assessed valuation of property in the jurisdiction.

Further, municipalities may issue indebtedness for municipally-owned public utilities which is not guaranteed to be repaid by the full faith and credit of the jurisdiction, but rather by'" specific revenues or properties of the municipality. Collectively, these bonds are called "Revenue Bonds" and are authorized by Section 27B of the Constitution (see Appendix). These revenue bonds must be approved by a majority vote of the relevant jurisdiction's electorate.

Finally, municipalities can establish Public Trusts with the authority to issue indebtedness. Trusts must have a municipality as their major Beneficiary, meaning that the properties and services of the Trust benefit the citizens of, or groups of citizens within, the municipality. Public Trust indebtedness is authorized by Title 60, Section 176 et seq. of the Oklahoma Statutes. Trust debt is almost always considered to be revenue bonds. In most cases, revenue bonds issued by Trusts do not have to be approved by voters. Potential bond holders must be convinced that the revenues supporting repayment of the bonds will be sufficient to make timely debt service payments.

The issuance of revenue bonds has grown rapidly. The Public Securities Association, in its book Fundamentals of Municipal Bonds, states that:

The most far-reaching change in the municipal marketplace has been the rise and eventual domination of the market by revenue bonds. Traditional municipal debt had been issued over the years primarily as a general obligation of the state or local government. General Obligation bonds are backed by the 'full faith and credit' of the issuer - in other words, the full taxing power of the state or local government. Revenue bonds on the other hand, usually have no claim on the other revenues of the issuer. Rather, they are issued to support a particular project, such as a utility, and they are typically paid for out of the revenues generated by that project. By the end of the 1970s, the volume of new revenue bonds was outpacing traditional general obligation debt by almost a two-to-one margin. Only a decade earlier, general obligation debt comprised some 65 percent of annual new issues.

With revenue bonds, municipalities have been able to expand their uses of tax-exempt borrowing. Indeed, municipal debt has increasingly been used to support various public purpose projects once financed only by the private sector. In the 1950s, revenue bonds were issued primarily for highways, turnpikes, and public utilities. By the 1970s, tax-exempt revenue bonds were being issued to provide financing for housing, hospitals, industrial pollution control equipment, massive public power projects sometimes involving several public and private utilities, and sports stadiums and convention centers.

An important feature of municipal indebtedness is that it is "tax-exempt." That is, the interest earned by the bond buyer is exempt from Federal taxation under the United States Internal Revenue Code. Tax exemption of municipal bonds is based upon the United States Constitutional doctrine, upheld in the case of McCulloch v. Maryland (1819), of "reciprocal immunity", which holds that states cannot interfere in the affairs of the Federal government and the Federal government cannot interfere in state affairs. Municipal bonds are tax-exempt under the Internal Revenue Code if certain requirements are met:

- There must be a governmental purpose for the issuance of the debt
- "Arbitrage" restrictions must be met - the interest earned on the proceeds of the bonds by the municipality cannot be greater than the interest paid to the bond holders
- Various reporting requirements have to be met

- The bonds have to be registered in the manner prescribed by the Federal government

Because of this tax-exempt feature and the relative security of municipal bond investments, the interest rates on municipal bonds are generally lower than their taxable counterparts, which is a major benefit to municipal issuers, saving significant interest costs. Municipalities can issue debt whose interest is subject to Federal income taxation, but this is only done in rare instances and then almost always related to revenue bonds.

It should be noted that Oklahoma is one of only four states in the nation which does not exempt municipal bond interest from state income taxation (the only others are Illinois, Iowa and Wisconsin). The State of Oklahoma does provide income tax exemption for the interest earnings of bondholders of several State entities, however:

ENTITIES WITH DEBT EXEMPTIONS FROM STATE INCOME TAXATION

Oklahoma Building Bonds Commission

Oklahoma Industrial Finance Authority

Oklahoma Turnpike Authority

Grand River Dam Authority

Oklahoma Colleges and Universities

Oklahoma Capitol Improvement Authority

Oklahoma Student Loan Authority

Oklahoma Educational Television Authority

Oklahoma Tourism and Recreation Commission

Oklahoma Water Resources Board

Oklahoma Development Finance Authority

Oklahoma Municipal Power Authority

Oklahoma Port Authorities

Rural Water, Sewer and Solid Waste Districts

Statutory Housing Authorities

Indian Housing Authorities

Rural Electric Cooperative Housing Authorities

Urban Renewal Authorities

Rural Ambulance Service Districts

A 1998 study conducted by Stephen H. McDonald and Associates found that municipalities could save approximately $665,000 per year in interest costs if a state income tax exemption were provided for Oklahoma municipal bond interest income. Oklahoma municipal bond underwriters estimate that an average of approximately .25 percent (.0025, or 25 "basis points") per issue could be saved if a state tax exemption was granted. On a $1,000,000 bond issue, then, approximately $25,000 per year in interest costs borne by the municipality

could be saved. More important, the bonds could be marketed to a larger set of potential investors. Further, the amount saved by municipal issuers would not be directly "lost" by the State of Oklahoma, as much of the municipal debt issued is purchased by Oklahoma banks (80% per the McDonald study), and their interest income from municipal bonds is exempted from State taxation; and some of the remaining bonds are purchased by out-of-state individuals and entities. The McDonald study estimates that only $129,540 per year would be "lost" to the State of Oklahoma if a municipal interest income tax exemption were approved.

Bond Issuance Procedures

The issuance of municipal bonds in Oklahoma is guided by the Oklahoma Bond Issue Proceeds Act (62 O.S., Section 571 et seq.; see Appendix) and by other statutes. The Act requires the issuer to meet several requirements:

1. The publication, within the proposition(s) to be voted on, of the "general purpose" for which the bond proceeds are to be expended.

2. The publication, in a generally circulated newspaper in the area, of a general statement of all purposes and projects for which seventy percent (70%) of the proceeds of the bonds shall be expended, including dollar amounts for each specific project.

3. Upon approval of the proposition, at least eighty-five percent (85%) of the proceeds of the bonds must be expended on the projects discussed in the publications.

Further, the dates available for holding municipal election's are directed by statutes (26 O.S., Section 3-101) as are requirements to notify County Election Boards of upcoming municipal elections.

Municipal bond issues are rated for "credit worthiness" by any of several national rating agencies. Rating agencies make determinations of the ability of the issuer to meet its debt obligations based on factors such as the stability of the local economy, amounts of debt outstanding relative to revenue, management of the municipality and financial statements of the issuer. Oklahoma municipal bond issuers (not individual issues) are rated by the Municipal Rating Committee of Oklahoma. Issuers are assigned into one of the following "categories", based on their creditworthiness:

GROUP 1

Bonds issued by municipalities, which have been assigned a rating of No. 1, are considered to be of excellent quality. For the past 30 years they have established an outstanding record for collecting adequate taxes, and they have had no bonds that are known to be in default during this period. They are distinguished by having good management as well as having the ability and the willingness to pay their outstanding obligations. In addition, they possess sufficient size and stability to attract investment attention outside as well as within the State of Oklahoma.

GROUP 2

Municipalities rated in the Group 2 are considered to be of high quality. Bonds of municipalities with this rating have suffered no loss of principal or interest to the investor for at least 30 years. Bonds of municipalities in this group have basically almost all of the protective features which are characteristic of Group 1, but those issuers generally are smaller in size, and in many cases, not quite as diversified and, therefore, have a more restricted market.

GROUP 3

Municipalities rated in Group 3 are considered to be of good quality. The protective features are not as pronounced in this classification as are bonds in Groups 1 and 2. All bonds of municipalities rated in this category that matured in the past 25 years have been paid in full, or refunded without a reduction in or compromise of principal or interest.

GROUP 4

The municipalities rated in Group 4 are considered to be of fair quality. Bonds of municipalities in this category are predominantly of good investment quality, but in some cases have speculative characteristics. The protective features afforded bonds by municipalities in this category are not as evident as those existing in Groups 1, 2, and 3. Bonds maturing during the past 20 years in this group have been paid in full, or refunded, without a reduction or compromise of principal.

NON-RATED

Some municipalities show a NR rating. A NR rating is assigned to certain municipalities by the Municipal Rating Committee of Oklahoma, Inc. for several reasons. These reasons range from some of them being free of debt with any rating thus rendered meaningless, to some being considered by this rating committee as too speculative for bank investment, or because investment interest is confined to a very small area. It is obvious, therefore, that many good municipalities are not rated. However, this committee feels that the purchase by banks of bonds issued by these non-rated municipalities may be justified after an individual analysis of the investment characteristics involved. Such a decision is up to the individual bank concerned, and is not within the scope or province of this rating committee.

LIMITED TAX BONDS

With respect to Counties only, the rating when used as to Limited Tax Bonds must be shown as one (1) group lower than for all other purposes. No rating may be shown for City or Town issuers with regard to their limited tax bonds.

INTERPRETATION OF RATINGS

The general obligation bonds of the municipalities of Groups 1, 2, 3, and 4 possess, in the opinion of the rating committee, the characteristics of being predominantly non-speculative in character, and are considered marketable under ordinary circumstances. Therefore, in the opinion of the Municipal Rating Committee of Oklahoma, Inc., municipalities assigned ratings of No.1, 2, 3, and 4 are worthy of consideration for purchase by banks for their own accounts.

Other Capital Financing Mechanisms

Oklahoma municipalities currently use, or are authorized to use, several other methods to finance their capital and infrastructure needs. These include intergovernmental shared revenues, lease/leaseback and sale/leaseback arrangements, certificates of participation, and earmarked municipal taxes.

Intergovernmental Shared Revenue Programs

Local governments receive funding from a variety of Federal and State sources to assist in meeting their capital and infrastructure financing needs (intergovernmental shared revenue programs related to local government operations are discussed in the Municipal Revenue Report). It is obviously in the best interest of central governments to assist local governments in areas of regional concern, such as pollution control, water supply, inter-local transportation law enforcement and criminal justice. In many cases, Federal programs

are administered through State agencies and State programs are often administered through local Councils of governments. It is believed that greater effectiveness can be achieved by granting funds through lower administration levels, as oversight can be maintained, while concerns with unique local circumstances can be better addressed. Federal and State efforts to provide financial aid to localities are concentrated in four major programs:

- Community Development Block Grants - The Federal Community Development Act of 1974 combined several former grant programs into one broadly defined "block grant" program with the objective of improving the overall quality of life in low to moderate income areas of urban and rural areas. Many municipalities use their grant funds to pay for capital infrastructure improvements (streets, drainage facilities, water lines, sewer lines, sidewalks, etc.) in economically distressed areas.

- State Revolving Loan Funds - The Oklahoma Water Resources Board administers several Federal pollution control. and water supply programs funded through the Federal Water Quality Act of 1987. Through these programs, municipalities can receive grants and matching loan funds at below-market interest rates to construct pollution control, sewage collection and treatment facilities, and water supply programs. The Water Resources Board issues debt to finance the programs, which is guaranteed by the Federal government and that has Federal and State income tax exemptions.

- Transportation Programs - The Oklahoma Department of Transportation and Councils of Government throughout the State administers several programs which provide grants and matching funding for the construction and improvement of streets, roads and interstate highways. The largest of these programs is the Federal Intermodal Surface Transportation Efficiency Act of 1991 and its successor, the Transportation Equity Act for the 21 st Century (1999), which provide matching funds for the construction of highways and arterial roads within localities.

- Rural Economic Action Plan of 1996 - the State of Oklahoma authorized funding for direct assistance to smaller rural communities to construct water quality improvements, transportation projects, and other "economic development" projects. The funds are administered by local Councils of Government with oversight by the Oklahoma Water Resources Board, and the Oklahoma Department of Transportation.

Municipal Leasing and Certificate of Participation Programs

Many municipalities in Oklahoma have employed municipal leases to finance the purchase or construction of equipment or facilities which do not require traditional forms of debt financing, but which are beyond the resources of current-year budget allocations. Primary forms of leases include equipment and master leases, and capital facilities leases. Robert Lamb, James Leigland and Stephen Rappaport in The Handbook of Municipal Bonds and Public Finance describe municipal lease-purchase financing, or municipal leasing, as:

> a contractual agreement that government uses to acquire facilities and equipment. Municipal leases are much like other leases, payments are made in installments over time and the lease payments are secured. The security for municipal leases is the lease revenues (Le. the annual governmental appropriations for the lease payments). In addition, many are secured by the equipment or facility that is being leased. There are two types of lease-purchase financing; leasing of individual equipment or several pieces of equipment using a master lease, and building leases. Municipal leasing provides many benefits to a governmental entity

including:

- 100% financing of the equipment and related expenses so the governmental lessee does not have to pay a cash down payment.
- Financing over time which allows the government to pay for the equipment or facility over its full useful life.
- Leases are outside of the traditional governmental debt limitations since the transaction is subject to annual appropriation. Debt is not created so voter approval for municipal leasing is usually not required.

Lease-purchase financing is used for facilities that are essential to the continued provision of government service. A certificate of participation (COP) is an undivided interest in a stream of annual appropriated lease payments from the municipality.

The issuing entity issues COPs or bonds and uses the proceeds to finance projects. The security for the COPs or bonds are the annually appropriated lease payments. Ownership of the equipment or building is held by the issuing entity of an appointed trustee, but the municipality has the exclusive possession, custody and control of the equipment or building and is responsible for its maintenance. If the governmental lessee determines the use of the equipment or building is no longer needed it can terminate the agreement through non-appropriation.

The total appropriations are equal to the purchase amount so at the end of the bond term the equipment or building ownership reverts to the municipality.

Earmarked Municipal Revenues

Many municipalities in Oklahoma earmark various revenue sources for the construction or purchase of capital facilities and infrastructure. The most notable of these recent efforts is the City of Oklahoma City's Metropolitan Area Projects (MAPs) Program, which financed $362.4 million in public improvements through an earmarked sales tax. Further recent examples of the use of earmarked municipal revenues for acquisition and construction of public improvements abound. The City of Stillwater pledged the revenues of an approved use tax to secure revenue bonds for the construction of athletic facilities at Oklahoma State University. The City of Norman pledged revenues from sales taxes earmarked for capital improvements to service debt on a Limited Tax General Obligation Bond issue for street and intersection improvements. The use of earmarked taxes is becoming more and more popular as a method for financing capital needs in Oklahoma municipalities, due to their flexibility and their likeness to pay-as-you-go financing methods, vis a vis property tax-backed debt issuance.