

Capital Improvement Policy and Process

Overview of the Five-Year Capital Improvement Program

A Capital Improvement Plan (CIP) is a critical community planning and fiscal management tool that coordinates the location, timing, and financing of major capital improvements over a five-year horizon. Capital improvements are defined as non-recurring physical expenditures, typically costing \$100,000 or more, including land, facilities, infrastructure, and major equipment.

The CIP ensures that the City of Tucson invests in infrastructure that supports the community's economic, aesthetic, and functional vitality. This planning process helps City officials make informed decisions, align long-range goals with available resources, and maintain transparency with residents.

The City of Tucson develops, maintains, and updates its CIP annually. The Fiscal Year (FY) 2026 Budget incorporates the first year of the five-year CIP, covering Fiscal Year 2026 through Fiscal Year 2030.

Capital Improvement Program Process

To be included in the CIP, a project must meet one of the following criteria:

- Construction or expansion of a City-owned asset, including land acquisition, planning, design, construction, and related equipment.
- Initial acquisition of a major equipment system costing \$100,000 or more with a useful life of at least six years.
- Major renovation of an existing City-owned facility costing \$100,000 or more that extends the facility's life.

Exceptions are made for projects such as Sun Tran buses, Sun Van paratransit vans, and voter-approved initiatives like Tucson Delivers (parks, streets, and connections), to provide visibility into key community investments.

Each year, the process begins with guidance from the Budget and Long-Term Financial Planning Division. Departments submit proposals, which are reviewed, refined, and ultimately incorporated into the Recommended Budget presented to Mayor and Council in April. Following study sessions and public hearings, the CIP is adopted as part of the final budget in June.

The Fiscal Year 2026 Capital Improvement Plan represents a balanced, forward-looking investment strategy totaling \$600.1 million. The plan prioritizes transportation, water infrastructure, and parks, while maintaining commitments to public safety, environmental services, and community development. This CIP reflects the City's strategic focus on equitable growth, sustainable infrastructure, and enhanced quality of life for Tucson residents.

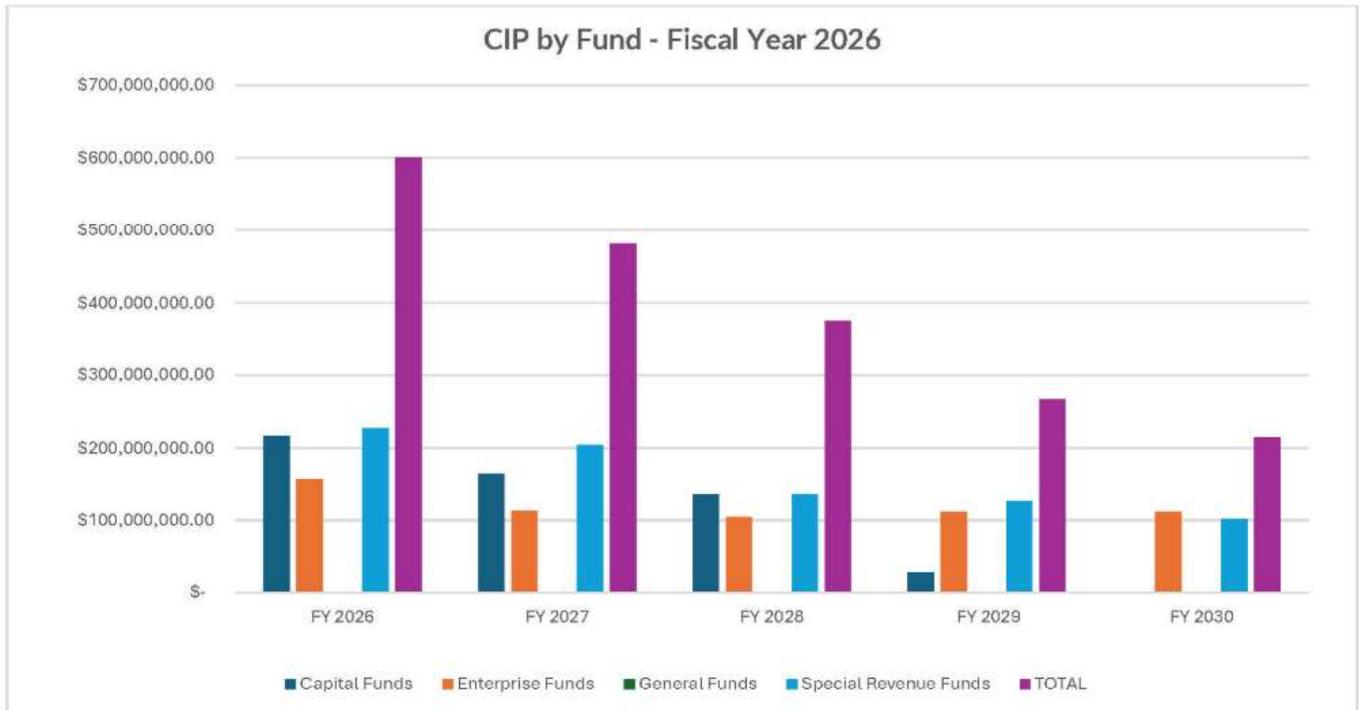
Capital Improvements Plan - Five-Year Plan

The Five-Year Capital Improvements Plan (CIP) provides a forward-looking blueprint for infrastructure investment and development across the City of Tucson from Fiscal Year 2025 through Fiscal Year 2029. This plan ensures long-term planning and funding to meet the community’s growing needs and to maintain essential services and facilities.

CIP by Fund

Over the next five years, the City will invest steadily across various fund types:

- Enterprise Funds and Special Revenue Funds consistently make up the largest portions of annual CIP budgets, with Fiscal Year 2025 peaking at over \$639 million.
- Investment gradually tapers through Fiscal Year 2029, aligning with the projected completion of major initiatives and evolving priorities.
- Capital Projects and General Funds remain steady contributors throughout the five-year horizon, supporting targeted improvements and citywide enhancements.

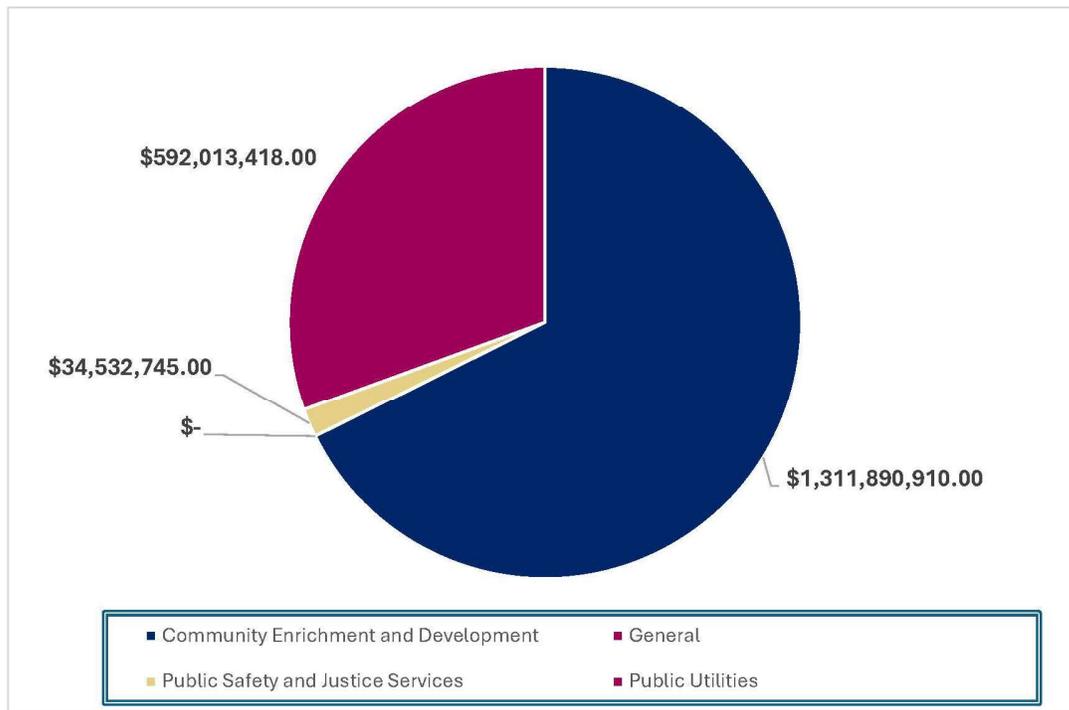


CIP by Department

Capital investment by the department reflects the City's priorities:

- Community Enrichment and Development leads in Fiscal Year 2025 and Fiscal Year 2026, signaling strong support for neighborhoods, parks, and housing.
- Public Utility and Public Safety & Justice Services maintain steady funding levels, ensuring infrastructure reliability and community safety.
- General Government allocations ensure administrative and operational infrastructure keeps pace with service demands.

CIP by Department - Fiscal Year 2026



Together, these investments support Tucson's vision for a safe, sustainable, and thriving future—delivering long-term value to residents and reinforcing the City's commitment to equitable growth and service delivery.

CIP Policy & Process - Fiscal Year 2026 to Fiscal Year 2030

Fiscal Year 2026

Defining a Capital Improvement

To be included in the CIP, projects need to meet one of the following criteria:

- Construction of a new City asset or expansion of an existing City-owned facility, including preliminary planning and surveys, cost of land, staff, and contractual services for design and construction, and related furnishings and equipment.
- Initial acquisition of a major equipment system which will become a City asset, with a cost of \$100,000 or more and a useful life of at least six years.
- Major renovation or rehabilitation of an existing City-owned facility that requires an expenditure of \$100,000 or more and will extend the life of the original City asset.

Exceptions have been made for the inclusion of a few projects that do not meet the above criteria (Sun Tran buses, Sun Van paratransit vans, street improvements, and Tucson Delivers: Parks and Connections) to make the planning, funding, and acquisition of these purchases more visible to the public and the governing body.

Steps from Submittal to Approval

In December 2023, the CIP process commenced with the Budget and Long-Term Financial Planning Division of the Business Services Department, which provided direction and guidelines to department liaisons. Departments had approximately seven weeks to develop their CIP requests based on their needs assessment, existing bond authorizations, and grant awards. Departments include only projects with secured funding. Exceptions were made for annual federal grant appropriations from the Federal Transit Administration (FTA), other pending awards that would require budget capacity (including any non-federal grant or contribution), and future enterprise revenue bonds. Department requests were reviewed by the Budget and Financial Planning Division, and applicable revisions were made.