



MEMORANDUM

DATE: October 21, 2019
TO: Honorable Mayor and City Councilmembers
 Dave Perrault, City Administrator
FROM: Gayle Bauman, Finance Director
SUBJECT: 2020 – 2024 Capital Improvement Plan (CIP)

| | | |
|------------------|----------------|-----------------|
| Budgeted Amount: | Actual Amount: | Funding Source: |
| N/A | N/A | Various |

Council Should Consider

Provide feedback to staff on Preliminary 2020 – 2024 CIP Plan.

Background

Annually, the City prepares a five (5) year Capital Improvement Plan for budgeting and forecasting. The focus of the CIP is on the maintenance and protection of the City’s existing assets, redevelopment, and investment in new initiatives. The CIP does not commit the council to the proposed projects, nor implement the assumptions made during the preparation; however, this is the basis for the 2020 Budget as we continue with its preparation.

Discussion

This item was first brought to the council at the 07/15/19 workshop. At that time, the proposed 2020-2024 CIP totaled \$15.9 million in expenditures. City staff has since made updates to the plan based on current information and the proposed 2020-2024 CIP now sits at \$18.2 million. The changes made are noted in Attachment C. The biggest change relates to the two trail projects scheduled for 2024. State bonding will be required in order for these projects to move forward. This is a 31.1% increase from the previous year’s program or \$4,318,703.

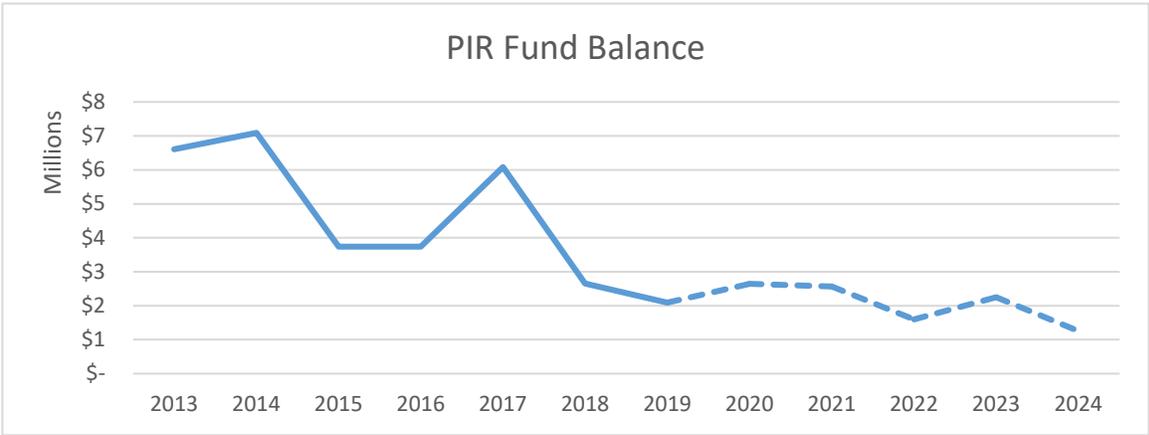
Projects included in the 2020 Proposed Budget and CIP are as follows:

| Project | Fund Source | Amount |
|----------------------------------|------------------------|-----------|
| City Hall Parking Lot | Equip/Bldg Replacement | \$175,000 |
| Hazelnut Park Improvements | Capital Improvement | \$550,000 |
| Hard Court Reconstruction | Capital Improvement | \$275,000 |
| Playground Structure Replacement | Capital Improvement | \$210,000 |
| LJFD Capital Items | Public Safety Capital | \$67,480 |
| Lift Station Rehab | Sewer | \$100,000 |
| Utility Communication System | Sewer/Water | \$75,000 |
| Hamline Avenue Retaining Walls | Capital Improvement | \$130,000 |

| | | |
|--|------------------------|-------------|
| Hamline Avenue Crosswalks | Capital Improvement | \$120,000 |
| Old Snelling Ave/County Rd E PMP | Capital Improvement | \$2,850,000 |
| Lexington Avenue Improvements | Capital Improvement | \$20,000 |
| Karth Lake Retaining Wall, Pump, Panel | Surface Water Mgmt | \$142,000 |
| Storm Pond Maintenance | Surface Water Mgmt | \$100,000 |
| Replace 2010 Bobcat Toolcat | Equip/Bldg Replacement | \$40,000 |
| Replace 2012 F-350 Truck | Equip/Bldg Replacement | \$48,000 |
| Replace 2010 F-350 Truck | Equip/Bldg Replacement | \$46,000 |

Capital Improvement Fund (PIR)

City staff has identified an ongoing funding concern regarding future Pavement Management Projects (PMP's) and the Permanent Improvement Revolving (PIR) Fund. The PIR Fund expenses are anticipated to outpace revenues for the foreseeable future. The fund balance was just over \$6 million at the end of 2017 and is projected to drop to \$1,254,566 by the end of 2024. The driving factor for the expected deficit is the PIR Fund has limited revenue sources (\$250,000 from the property tax levy, MSA funding, special assessments, etc.), which do not cover the cost of a typical PMP (this is not accounting for other projects that also come out of the PIR Fund, such as park and trail improvements). To better understand the long-term budget and operational impacts of the PMP's, staff would request Council consider a comprehensive study of the City's current and future needs for infrastructure projects. This study would be the first step in outlining a twenty-year maintenance plan for the City's infrastructure needs, and the next step would be identifying a funding mechanism to ensure the City is able to pay for future projects.



Park hard court and playground projects total \$1,285,000 over the next five years. This averages out to \$257,000 per year and, in the absence of any Park Dedication Fees, property tax levy funds will be needed to cover these costs. The City also needs to find funding for any improvements the council approves to be made at Hazelnut Park. This park is in need of a new warming house and parking lot.

For street improvement projects, the net City cost has been coming in between \$300,000 and \$750,000 depending on size and type of work completed. If the policy is to complete one of these every other year, that would mean that between \$150,000 and \$375,000 of property tax levy dollars are needed on an annual basis.

Based on the above two items, the PIR Fund requires a cash inflow of between \$407,000 and \$632,000 annually. The City currently contributes \$250,000.

Additional funding is also necessary for the Public Safety Capital Fund. The fund is currently being used to account for capital expenditures made by the Lake Johanna Fire Department. Current capital needs are outpacing revenues and the proposed 2020-2024 CIP does not include any assumptions for the proposed new fire station. The fire station could potentially require another \$200,000 annually from the City.

Budget Impact

The Council should review the estimated fund balances and funding sources. The City conducted a rate study in 2017-2018 to address Utility rates and financing further Enterprise Fund operations. The City will want to take a closer look at future funding for the Permanent Improvement Revolving (PIR) Fund, Equipment Building Replacement Fund, and the Public Safety Capital Fund.

Attachments

- Attachment A: PowerPoint Overview of Capital Improvement Plan
- Attachment B: Capital Improvement Plan
- Attachment C: Updates to CIP since July workshop