



# 2021 Capital Improvement Plan

## Executive Summary

### Introduction

This executive summary highlights the updates to the City's 2021 Capital Improvement Plan (CIP). The City's CIP is updated annually per Section 3 of City Council Resolution No. 8788-R14. This resolution also outlines funding policies for various types of capital improvement and maintenance projects and directs implementation through the budget process.

### What is the CIP?

The CIP outlines planned projects for the subsequent five fiscal years (currently for FY 22-26) for capital improvements for City infrastructure assets. The City currently organizes its capital assets into eight categories: 1. Bridges 2. Public Facilities 3. Lights, Signals, & Signs 4. Road Pavement 5. Sidewalks and Pathways 6. Sanitary Sewers 7. Stormwater Facilities and 8. Arbor/Canopy.

The CIP is comprised of five major funds.

#### *Capital Replacement and Improvement Fund (CR&I)*

The CR&I Fund is replenished by transfers from the General Fund. The CR&I Fund supports transportation projects, facilities projects, and other capital projects that require unrestricted funds.

#### *Local Motor Fuel Tax Fund*

Revenue for the Local MFT Fund comes from the local gas tax ordinance, last updated July 1, 2011. Funds are used for transportation capital projects and maintenance.

#### *State Motor Fuel Tax Fund*

The State MFT Fund receives revenue from the State of Illinois' motor fuel tax. Transportation projects that utilize State funds have extra restrictions and reporting requirements and are typically reserved for larger projects. Periodic transportation grants also support this fund.

#### *Sewer Benefit Tax Fund*

The Sewer Benefit Tax Fund derives its revenue from the sewer tax and is reserved for sanitary sewer improvements.

#### *Stormwater Utility Fee Fund*

The Stormwater Utility Fee Fund derives its revenue from the stormwater utility fee and is reserved for storm sewers and stormwater-related improvements.

In addition to the dedicated CIP funds, many operational and maintenance activities are supported by the City's General Fund. Other funds will occasionally support capital improvement projects, but in an ancillary capacity to their primary purpose; these include: TIF funds, parking fund, and CDBG funds. Grant opportunities are also continuously monitored.

### CIP Planning Process

The CIP planning process begins in earnest January with a review of asset information. The CIP is then refined using the process immediately below and presented to Council during the budget review process. The CIP is adopted with a resolution and the proposed expenditures for the upcoming fiscal year are incorporated in, and approved by, the Budget Ordinance.

The general CIP planning process is as follows:

1. *Asset Summary Review*: Updating asset valuations to develop funding targets for capital replacement and investment as well as operations and maintenance.
2. *Review Capital Projects List*: Existing projects are analyzed and new potential projects are added based on input from Operations staff, Engineering staff, a review of Master Plans, and in response to public concerns. For new projects, back of the envelope (BOE) costs are used.
3. *Review of Maintenance Programs*: Expenditures for recurring maintenance line items are reviewed to ensure that there is an appropriate amount of funds to cover expected expenditures to reduce maintenance deferral.
4. *Prioritize Projects*: Information is gathered for potential projects and then prospective projects are evaluated for priority based off the data.
5. *Financial Projections*: Revenue projections and fund balances are updated each year. Grant opportunities are evaluated and considered.
6. *Schedule Projects for CIP*: Based off the availability of funds, the amount of expenditures on maintenance, and project prioritization, projects are added into the 5-year CIP.
7. *Review Fund Balances*: After projects are added into the CIP, the fund balances and trends are analyzed to ensure that implementation of the CIP is feasible.

#### *CIP Team*

Tim Cowan, Public Works Director  
 Vince Gustafson, Deputy Director of Operations  
 Andy Murphy, Operations Supervisor  
 Ben Holzhausen, Operations Supervisor  
 Shannon Beranek, Civil Engineer II  
 Troy Richmond, Public Facilities Supervisor  
 Kevin Sanderson, Arbor Supervisor  
 Scott Tess, Sustainability and Resilience Officer  
 Carol Mitten, City Administrator  
 William Kolschowsky, Management Analyst  
 Elizabeth Hannan, HRF Director  
 Shaennon Clark, Deputy Finance Director  
 Kris Francisco, Financial Services Manager

### **Major Highlights for the 2021 Capital Improvement Plan**

#### *Asset Summary & Funding Targets*

The City has been aware that it has been lagging in investment in infrastructure for some time. The past several years, the City has invested in more planning and data collection efforts. In order to contextualize the data and use it effectively, this year's CIP includes a new 'Asset Summary' section. This section identifies the value of the assets, identifies capital replacement spending targets, analyzes revenues and compiles a summary for each asset class. The asset summaries are a work in progress in the sense that as the City collects and analyzes more data, the information will be updated and insights improved.

#### *Equity and Quality of Life Project (EQL)*

The FY 21-22 budget allocates \$2 million in funding for a new Equity and Quality of Life project. The project scope is to be defined as the year progresses based off of future directives from the Mayor and City Council.

#### *Facilities Master Plan Implementation – The Need to Borrow*

The bulk of implementing the Facilities Master Plan will occur during the next two years, with an expected \$10 million of expenditures on City facilities. The largest projects include a City Building lobby redesign, two new fire stations, a new storage building, and a reconstruction of Public Work facilities. For practical and financial reasons, it makes sense to undertake these projects in tight succession. However, this creates a short-term cash flow issue. In order to undertake these facilities improvements, the City will need to borrow. City staff will evaluate the cost and benefits

between intra-fund borrowing and issuing debt. Overall, the City has very little debt and has significant capacity to borrow more.

#### *New Transportation Projects in the CIP*

The following transportation projects are newly included the proposed FY 22-26 CIP. More details about each project can be found in the attached project book.

- Florida: Lincoln to Vine (construction component now slated for funding)
- Springfield: Wright to McCullough
- Anderson: Colorado to Florida (combines several past proposed projects)
- Pennsylvania: Lincoln to Race
- Race: Windsor to Florida

#### *Maintenance and Capital Replacement Schedules*

As part of a more strategic approach to asset management, the City is reevaluating maintenance programs and capital improvement schedules to be more thoughtful and with an eye towards extending asset life-cycles in a proactive and cost-effective manner. This year's CIP includes additional maintenance programs for roads, sanitary sewers, and stormwater sewers. It also calls for planning in FY 22 and later implementation for both signal and streetlight annual CR&I programs.

## **Financial Impact**

#### *Capital Replacement and Improvement Fund (CR&I)*

The CR&I Fund revenues and expenses fluctuate significantly in the CIP. In FY 22, revenues are projected to be \$6.7M, inclusive of a \$2M general fund transfer for the EQL project and \$3.9M in borrowing for facilities projects; there are \$6.6M in expenses. FY 23 increases revenues and expenses further to \$7.0M and \$7.8M, respectively. Future years have expenses exceeding revenues, with the result of a drawing down of the fund balance by FY 26. At that point, either revenue will need to be increased or future projects reduced in scope.

#### *Local Motor Fuel Tax Fund (MFT)*

The Local MFT Fund is still recovering from the impact of COVID-19, with revenue expected to be \$793,000, which is still below pre-pandemic levels. Revenue expectations return to the previous baseline in FY 23. The Local MFT is used to pay for maintenance programs and smaller transportation projects as funds allow. FY 22 expenses are \$1.0M and the fund balance is projected to fluctuate, ending at \$170,000 in FY 26.

#### *State Motor Fuel Tax Fund (State MFT)*

The State MFT has several revenue sources in the CIP and is projected to be \$2.6M in FY 22. Like the Local MFT, State motor fuel taxes are still recovering from the pandemic. However, the City is still receiving funds from the Rebuild Illinois Capital program through 2023. The City will receive six periodic payments of \$453,000 and received the first in FY 20. Future year revenues also contemplate receiving grants for two major projects, Florida from Lincoln to Vine in FY 24 and Lincoln from Oregon to Florida in FY 26. The grants are for 80% of the project cost and require a 20% local match. If the City does not secure these grants, implementation of the projects would be delayed, or come at the expense of other projects. FY 22 calls for \$5.0M in spending for transportation projects. The fund balance fluctuates over the life of the CIP, and is projected to be \$300,000 at the end of FY 26.

#### *Stormwater Utility Fund*

There are few significant changes in total revenues or expenditures expected for FY 22, with modest increases to both. Over the five-year CIP, revenues increase from \$1.6M to \$1.9M and expenses hover around \$1.4M. FY 22 sees an increase of expense to \$1.9M, with the extra \$300,000 dedicated to a new street sweeper. While not yet incorporated in the CIP, it is expected that the completion and implementation of the Stormwater Master Plan will change the schedule and nature of expenses to be more project based and significantly greater. The current fund balance is a healthy \$3.0M at the end of FY 26.

### *Sanitary Sewer Fund*

There are not any significant changes to revenues in the Sanitary Sewer Fund, increasing slightly in FY 22 to \$1.57M. This CIP includes more resources dedicated to maintenance and capital replacement adding televising, lining and reconstruction projects progressively through the CIP, causing regular expense to increase from \$1.6M in FY 22 to \$1.9M in FY 26. This increase, coupled with a few discrete projects, results in a fund balance that steadily declines over the life of the CIP. Staff expects to reevaluate revenues and expenses in FY 22 to determine the appropriate path forward.

### **Looking Ahead**

In the upcoming year there are multiple activities that are planned that will significantly impact future CIP's.

### *Defining EQL Project*

The project scope for EQL is currently undefined. The projects ultimately undertaken through this funding will be determined by goals and guidelines set by Council and the Mayor.

### *Design for Facilities Projects*

Design for multiple City facility improvements is slated for FY 22. As design and engineering estimates are conducted and completed, cost figures will ultimately need to be revised. Cost figures currently included in the CIP come directly from the Facilities Master Plan and are top-level estimates for replacement exactly in-kind.

### *Reviewing Revenues*

As Section 2. *Asset Summaries* shows, the City underspends on all capital improvements by an estimated \$10.9M a year. Over the next year, staff will evaluate options for revenue increases, specifically for local motor fuel tax, the sewer benefit tax, and stormwater utility fee.

### *Incorporating Parking Fund*

The City has a Parking Fund that is used to collect parking revenues and maintain the parking infrastructure apparatus of garage, meters, software, and staff. The Parking Fund has had surplus in past years but COVID-19 has had a severe negative impact on the Parking Fund revenues and reserves. In the upcoming year, staff will need to re-evaluate the revenues, expenses, fund balance, and projects to determine a sustainable plan.

### *Strategic Asset Management*

The backlog of deferred maintenance and replacement implies that the City needs to be even more creative and sophisticated in our approach. There are a multitude of software and asset management best practices staff continues to explore to improve our CIP and outcomes.

### **Remaining Sections of the CIP**

Section 2. Asset Summaries

Section 3. Transportation Project Book

Section 4. Facilities Project Book

Section 5. Sewer System Project Book

Section 6. Fund Reports