



City of North Mankato, Minnesota

To: Mayor Dehen & City Council
From: Clara Thorne, Finance Director
Date: November 18, 2013
Re: Proposed 2014-2018 Capital Improvement Schedule

Background

Exhibit A attached to this memo is the proposed 2014-2018 Capital Improvement Schedule (CIP) for the City of North Mankato. This document serves as a multi-year planning instrument identifying needs and financing sources for equipment and public infrastructure improvements and also informs city residents how the City plans to address significant capital needs over the next five years. The City prepares a CIP separately from the operating budgets; however they are closely linked. Program expenditures proposed for the first year of the CIP are included in the annual budget for that year, together with the chosen funding source(s).

Five-Year Capital Improvements

At \$8.3 million, the total value of projects in the 2014-2018 CIP is smaller than the previous five-year schedule. This compares to the \$20.5 million formerly adopted in 2012 for the 2013-2017 CIP program. While the proposed budget is less than last year, the capital needs of the city have not reduced. Three variables drive this reduced spending:

1. Repayment of interfund loans to the General Fund, Water Fund, & Sewer Fund
2. Limiting the debt service levy to \$1.53 million
3. Rising debt payment for the 2010C Refunding Bond

Staff has limited planned capital expenditures until we are assured the city can support both the capital funding and any resultant increases in operating costs. The reduction in proposed spending is based on assumptions staff have made regarding the City Council's expectations of tax policy in the debt service fund. It is assumed the total property tax levied in the fund would be maintained at \$1.5 million. Projects requiring financing in the five-year CIP include:

1. Old Belgrade Hill & Main Lift Station - \$1.7 million
2. New Well #9 - \$1.35 million
3. Roe Crest Reconstruction - \$1.1 million
4. Lookout Drive Roundabout - \$700,000

The funding for these projects comes from the issuance of debt to be repaid from utility revenues, property taxes and special assessments.

One project in the five-year CIP scheduled for payment with sales tax revenue is \$250,000 for completion of the concession stand at Caswell North Soccer Fields.

Increased Cash Funding for Equipment Replacement

The 2014-2018 CIP incorporates the use of the Capital Facilities and Equipment Replacement Fund, found in Exhibit C, to help fund projects without the issuance of debt. This fund was established in the past, but has not been funded for a number of years. The General Fund, Water, Sewer, Stormwater and

Sanitation funds will contribute annually to this fund to establish and maintain a base for the purchase of capital expenditures estimated to be \$1.8 million over the next five years. In 2014, \$205,000 will allow for the purchase of a financial computer system, general equipment from various departments, police squad cars and an armored car for the Drug Task Force.

Projects Moved Out of the Five-Year Plan

Exhibit B lists projects moved out of the five-year plan as a result of changes to planned sales tax expenditures and projects which will be triggered by new development. These sales tax projects could be incorporated into the five-year CIP; however, it would require a tradeoff to be made with the Old Belgrade Hill Project, Roe Crest reconstruction, or Lookout drive. These projects account for most of the difference between the previous \$20.5 million CIP and the proposed \$8.3 million CIP. Staff remains committed to the projects proposed to be funded with sales tax; however, funding sources have not been identified to complete them. One option includes an increase in the sales tax rate and/or an extension of the sales tax.

EXHIBIT A

Five-Year Capital Improvement Schedule For Years 2014 - 2018

Project or Activity	Location	Department	Department	Year	Total Estimated Cost	2014	2015	2016	2017	2018	Funding Source
Financial Computer System	Municipal Building	Administration	41320	2014	\$150,000	\$150,000					Cash / Capital Facilities \$50,000, Water \$50,000, Sewer \$50,000
General Equipment - Trucks, Skid loaders, Mowers, etc.	Public Works - Street	All Departments	41320	2014	\$300,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	Cash / Capital Facilities & Equipment Replacement
Sirens - Upgrade (from 2012)	Property in the Open	Civil Defense	42510	2015	\$20,000	\$20,000					Cash / Capital Facilities & Equipment Replacement
Sirens - Water Plant #2	Property in the Open	Civil Defense	42510	2016	\$28,000		\$28,000				Cash / Capital Facilities & Equipment Replacement
Sirens - New for Expansion	Property in the Open	Civil Defense	42510	2017	\$28,000			\$28,000			Cash / Capital Facilities & Equipment Replacement
Sirens - Replacement at City Shop	Property in the Open	Civil Defense	42510	2018	\$28,000				\$28,000		Cash / Capital Facilities & Equipment Replacement
SCBA Air Packs (masks)	Fire Station #2	Fire	42220	2015	\$60,000		\$60,000				Cash / Capital Facilities & Equipment Replacement
Police Cruiser	Police Annex	Police	42120	2014	\$175,000	\$35,000	\$35,000	\$35,000	\$35,000		Cash / Capital Facilities & Equipment Replacement
Drug Task Force Armored Car	Police Annex	Police	42120	2014	\$60,000	\$60,000					Cash / Capital Facilities & Equipment Replacement
Jeffer	Public Works - Street	Sewer	49490	2015	\$300,000		\$300,000				Cash / Capital Facilities & Equipment Replacement
Street Sweeper	Public Works - Street	Streets	43121	2016	\$200,000			\$200,000			Cash / Capital Facilities & Equipment Replacement
Tractor Backhoe	Public Works - Street	Streets	43121	2016	\$100,000			\$100,000			Cash / Capital Facilities & Equipment Replacement
Loader	Public Works - Street	Streets	43121	2017	\$150,000				\$150,000		Cash / Capital Facilities & Equipment Replacement
Tar Distributor (Used, 1/2 Nicolet County)	Public Works - Street	Streets	43121	2018	\$75,000					\$75,000	Cash / Capital Facilities & Equipment Replacement
Dump Truck	Public Works - Street	Streets	43121	2018	\$225,000					\$225,000	Cash / Capital Facilities & Equipment Replacement
Highway 14 Trail from LorRay to Lake Street	Park Improvements	Parks	45202	2014	\$50,000	\$50,000					Cash / Construction Fund (State Aid, Grant, Area Transportation Partnership)
Standby Power from Water II to Fire II	Fire Station #2	Civil Defense	42510	2014	\$10,000	\$10,000					Cash / General Fund
Park Improvements	Park Improvements	Parks	45202	2014	\$305,000	\$61,000	\$61,000	\$61,000	\$61,000		Cash / General Fund
Caswell North Soccer Complex (Concession Stand)	Park Improvements	Parks	45151		\$250,000	\$250,000					Cash / Sales Tax
250 KW Portable Generator	Public Works - Street	Sewer	49490	2016	\$102,000			\$102,000			Cash / Sewer Fund
Sewer Camera Update	Public Works - Street	Sewer	49490	2017	\$20,000				\$20,000		Cash / Sewer Fund
Replace Pump Parts at Wheeler Corp Station	Levee	Flood Control	49700	2014	\$40,000	\$40,000					Cash / Storm Water Fund
Levee Re-Certification	Levee	Flood Control	49700	2015	\$50,000		\$50,000				Cash / Storm Water Fund
Replace Caulking on Concrete Dike	Levee	Flood Control	49700	2016	\$25,000			\$25,000			Cash / Storm Water Fund
Pull & Repair Well Pump #6	Water Plant #1	Water	49440	2014	\$70,000	\$70,000					Cash / Water Fund
Recoat 500K Water Tower Interior	Infrastructure	Water	49440	2014	\$150,000	\$150,000					Cash / Water Fund
Driveway into Tower Boulevard on Tower Drive	Infrastructure	Water	49440	2015	\$50,000		\$50,000				Cash / Water Fund
Recoat 500K Water Tower Exterior	Water Plant #2	Water	49440	2015	\$150,000		\$150,000				Cash / Water Fund
Pull & Repair Well Pump #7 and #9	Water	Water	49440	2016	\$130,000			\$65,000			Cash / Water Fund
Well #5 Building & Vehicle Storage	Water	Water	49440	2019	\$150,000					\$150,000	Cash / Water Fund
Replace Controls at Main Lift Station	1008 North River Drive	Sewer	49490	2014	\$550,000	\$550,000					G.O. Revenue Bonds / Sewer
Roe Crest / Noretta / Old Belgrade Hill Sewer	Infrastructure	Sewer	49490	2014	\$350,000	\$350,000					G.O. Revenue Bonds / Sewer
Roe Crest / Noretta / Old Belgrade Hill Ravine	Infrastructure	Storm Water	49700	2014	\$900,000	\$900,000					G.O. Capital Project Bonds / Property Tax
Complete Reconstruction - Roe Crest - Lee Blvd to Marie Lane	Infrastructure	Streets	43121	2015	\$1,100,000	\$1,100,000					G.O. Improvement Bonds / Property Tax & Special Assessments / Sewer / Water
Lookout Drive Roundabout and from Hwy 14 to Commerce	Infrastructure	Streets	43121	2017	\$700,000				\$700,000		G.O. Improvement Bonds / Property Tax
New Well #9	Property in the Open	Water	49440	2014	\$1,350,000	\$1,350,000					G.O. Revenue Bonds / Water
Total					\$8,301,000	\$3,986,000	\$1,886,000	\$676,000	\$1,119,000	\$634,000	

EXHIBIT B

Sales Tax And Other Projects Council Direction Needed												
Project or Activity	Location	Department	Department	Department	Total Estimated Cost	2014	2015	2016	2017	2018	Funding Source	Reason Moved
Library Expansion	Library	Library		45509	\$500,000		\$500,000				G.O. Revenue Bonds / Sales Tax	Sales Tax
Benson Park - Habitat Restoration / Wildflower Demo / Fishing Pier / Parking Lot / Underground Impr.	Park Improvements	Parks		45202	\$500,000	\$500,000					G.O. Revenue Bonds / Sales Tax (Grant \$499K)	Sales Tax
Benson Park - Pavilion / Restroom / Addl Parking / Trees / Trails / Bridge / Benches	Park Improvements	Parks		45202	\$500,000		\$500,000				G.O. Revenue Bonds / Sales Tax	Sales Tax
Caswell Park - Improvements	Park Improvements	Parks		45150	\$730,000	\$230,000	\$200,000	\$200,000	\$100,000		G.O. Revenue Bonds / Sales Tax	Sales Tax
Land Acquisition (West of Caswell)	Park Improvements	Parks		45150	\$250,000	\$250,000					G.O. Revenue Bonds / Sales Tax	Sales Tax
Spring Lake Park - Parking Improvements	Park Improvements	Parks		45202	\$50,000		\$50,000				G.O. Revenue Bonds / Sales Tax	Sales Tax
Spring Lake Park - Other Improvements	Park Improvements	Parks		45202	\$475,000			\$300,000	\$175,000		G.O. Revenue Bonds / Sales Tax	Sales Tax
Spring Lake Park - South Restrooms	Park Improvements	Parks		45202	\$200,000	\$100,000	\$100,000				G.O. Revenue Bonds / Sales Tax	Sales Tax
75' Ladder Fire Truck	Fire Station #2	Fire		42220	\$750,000			\$750,000			G.O. Equipment Certificates / Property Tax	No Sources
Aspen Lane to Rockford Road	Street Improvements	Streets		43121	\$600,000	400,000	\$200,000				G.O. Improvement Bonds / Property Tax & Special Assessments	Developer Defined
Heated Storage Building	Public Works - Street	Public Buildings		43121	\$450,000				\$450,000		G.O. Capital Project Bonds / Property Tax	No Sources
Complete Reconstruct - Cliff Court	Infrastructure Rehab	Streets		43121	\$500,000	500,000					G.O. Improvement Bonds / Property Tax & Special Assessments	No Sources
The Reserve 2	Street Improvements	Streets		43121	\$1,200,000		\$800,000	\$400,000			G.O. Improvement Bonds / Property Tax & Special Assessments	Developer Defined
Complete Reconstruct - 300 Blks Harrison, Tyler, Jefferson & Monroe, 400 Blk Monroe	Infrastructure Rehab	Streets		43121	\$1,500,000			\$1,500,000			G.O. Improvement Bonds / Property Tax & Special Assessments	No Sources
Complete Reconstruct - McKinley - Range to Sherman & Cross Street - Tyler to Webster	Infrastructure Rehab	Streets		43121	\$1,800,000				\$1,800,000		G.O. Improvement Bonds / Property Tax & Special Assessments	No Sources
Total					\$10,005,000	\$1,980,000	\$2,350,000	\$3,150,000	\$2,525,000	\$0		

**CAPITAL FACILITIES & EQUIPMENT REPLACEMENT
2014 PROPOSED BUDGET**

	Budget 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	COMMENTS
REVENUES:								
UNRESERVED FUND BALANCE	\$0	\$165,000	\$70,000	\$27,000	\$134,000	\$91,000	\$73,000	
Transfer from General Fund	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	
Transfer from Water Fund	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	
Transfer from Wastewater Fund	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	
Transfer from Stormwater Fund	\$31,500	\$41,500	\$41,500	\$41,500	\$41,500	\$41,500	\$41,500	
Transfer from Sanitation Fund	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	
EQUIPMENT RESERVE REVENUE	\$370,000	\$545,000	\$450,000	\$407,000	\$514,000	\$471,000	\$453,000	
EXPENDITURES:								
Police Cruiser	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	
General Equipment - Trucks, Skid loaders, Mowers, etc.	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$80,000	\$80,000	
Drug Taskforce Armored Car	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	
Jetter	\$0	\$300,000	\$0	\$0	\$0	\$0	\$0	
Backhoe	\$0	\$0	\$100,000	\$0	\$0	\$0	\$0	
Street Sweeper	\$0	\$0	\$200,000	\$0	\$0	\$0	\$0	
Loader	\$0	\$0	\$0	\$150,000	\$0	\$150,000	\$0	
Dump Truck	\$0	\$0	\$0	\$0	\$225,000	\$0	\$140,000	
Tar Distributor	\$0	\$0	\$0	\$0	\$75,000	\$0	\$0	1/2 Nicollet County
Roller	\$0	\$0	\$0	\$0	\$0	\$30,000	\$30,000	
Fire Department Masks	\$0	\$60,000	\$0	\$0	\$0	\$0	\$0	
Records Management System	\$0	\$0	\$0	\$0	\$0	\$75,000	\$0	
Update Salt Storage Building	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	
Storage Mezzanine -Shop	\$0	\$0	\$0	\$0	\$0	\$0	\$22,500	
Replace exterior doors municipal building	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000	
Lower Level Restrooms	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	
Civil Defense Sirens	\$0	\$20,000	\$28,000	\$28,000	\$28,000	\$28,000	\$0	
Financial Computer System	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	
EQUIPMENT RESERVE EXPENDITURES	\$205,000	\$475,000	\$423,000	\$273,000	\$423,000	\$398,000	\$342,500	
EQUIPMENT RESERVE (est. end of year fund balance)	\$165,000	\$70,000	\$27,000	\$134,000	\$91,000	\$73,000	\$110,500	