

Memo To: Finance Committee of the Village Board

Memo From: Lisa Shelley, Interim Village Manager

Cc: Steve Drazner, Chief Financial Officer

Date: September 9, 2021

RE: Review of Recommended FY 22 Capital Improvement Budget and FY22- FY 26
Five-Year Capital Improvement Budget

The Village of Oak Park regularly undertakes projects to improve public facilities and infrastructure for the benefit of the citizens. Collectively these projects are referred to as the Capital Improvements Program (CIP). Projects in the CIP may include the construction and renovation of village-owned facilities or buildings, such as fire stations or parking garages; repaving of streets and alleys; replacement of water lines, vehicles and equipment; and numerous other needs contained in this document. The difference between a capital improvement project and routine maintenance is typically the cost of the improvement and its expected lifespan.

The definition of a capital improvement plan has some flexibility, as does the format of the plan itself. What qualifies as a CIP project? This varies greatly by municipality. However the Government Finance Officers Association (GFOA) lists a recommended capitalization threshold of no less than \$5,000. For financial reporting purposes only (i.e. audit), the Village uses three different tiers (\$10,000, \$75,000 and \$100,000) for capitalizing projects and/or equipment based on whether the project is an equipment purchase, building improvement, or infrastructure project. The projects listed in the Village's plan typically cost more than \$10,000. Maintenance or recurring operational costs falling below that amount would be contained in the annual operating budget. Staff has discretion on including capital expenses lower than \$10,000 which may be part of a larger project. There are many types of CIP projects. Some projects require years of planning and construction, while others are completed more quickly. The time frame for completing a project depends on many different factors.

The purpose of a CIP is for the following:

- to facilitate the orderly planning of infrastructure improvements;
- to maintain, preserve, and protect the village's existing infrastructure system;
- and to provide for the acquisition or scheduled replacement of equipment to help to ensure the efficient delivery of services that the community desires.

The goal is to use the CIP as a tool to implement the Village's various master plans, goals, objectives, policies and to assist with the Village's financial planning. The CIP plays an important role by providing the link between planning and budgeting for capital and non-routine operating expenditures.

How the CIP Document is Organized

The attached annually updated five-year capital improvement plan (CIP) serves as the Village's multi-year planning instrument used to identify needs and potential financing sources for public infrastructure improvements. The funding for these improvements comes from bonds, grants, sales tax revenue, local gasoline tax, cannabis tax, and a portion of the telecommunications tax.

The Public Works Department and the Finance Department oversee the Capital Improvement Program (CIP) in coordination with all of the departments, who integrate into their annual budget recommendations aspects of sustainability and recently, SMART city technologies. The plan may also be adjusted on an annual basis to address specific board goals. Staff also coordinates with other government agencies on long-range CIP planning initiatives to determine where opportunities for improved alignment of investments exist (i.e. projects that may involve other jurisdictions such as the IL Department of Transportation (IDOT), or the City of Chicago). Preparation of this document by staff generally begins in early summer. The busiest time of the budget process is late summer to early fall, when the Village Manager's Office works closely with the departments and Village Board to adopt a balanced budget by the beginning of the fiscal year.

The CIP document layout is divided into several areas:

- street improvements and other high dollar value infrastructure projects (the Village recognizes this as the main CIP fund),
- equipment replacement & technology,
- vehicles/equipment replacement
- capital projects for the enterprise funds (water & sewer improvements, environmental services, and parking
- capital projects for the special revenue funds (sustainability, TIF, CDBG)

Each project contains a narrative, an overall cost of each project (in today's dollars), timeline for each project, anticipated or recommended funding sources and a prioritization of each project. There is also a "priority code" at the top of each page. Please refer to the legend at the beginning of the document describing the priority codes used within the document.

Village Board CIP Review Process

The CIP review process and adoption occurs generally in September prior to the review of the operating budget process in October. Approval of the Five-Year Capital Improvement Plan does not signify final approval or funding of any project contained within the plan. Rather, by approving a CIP, the Village Board acknowledges that they agree to appropriate the necessary funding for the first year of each project (FY22) and that the projects present a reasonable interpretation of the upcoming future needs / wants for the Village. Final approval and funding will occur throughout the fiscal year as each project or equipment purchase follows the required process for approval set

forth in the law and in the Village's Purchasing Manual. Ultimately final approval is awarded by the Village Board as an agenda item on a regular meeting agenda.

Each year (since at least 2014 when a five-year CIP planning process was initiated) staff recommends that the Village Board adopt in October the Five-Year Capital Plan at the conclusion of the CIP review by the Finance Committee to allow the Public Works Department to begin engineering for the projects shown for the next fiscal year (in this case FY22). This is a critical step so that projects are prepared for formal bid and ready to be released early in the next fiscal year to optimize competitive bidding and pricing at a time when there are the most uncommitted contractors available for work. The Village Board then continues to review the remainder of the village manager's recommended operating budget for FY22 during the months of October and November. Adoption of the FY22 budget is usually the first Monday in December.

How Projects Are Identified

A capital improvement plan (CIP) is a dynamic community planning and fiscal management tool used to coordinate the location, timing, and financing of capital improvements over a multi-year period. It is critically important and one of the major responsibilities for a government entity.

The Village uses a variety of planning documents to recommend projects. These planning documents include, but are not limited to the following:

- Property Condition Assessment Report (including a 2019 Space Needs Assessment and Existing Condition Analysis for the Lower Level of Village Hall)
- Street and Alley Pavement Condition Index
- Equipment Replacement Schedule
- Parking Facilities Assessment Report
- Master 10 Year Vehicle Replacement Schedule
- Water System Master Plan
- Combined-Sewer System Master Plan
- Tree Inventory
- Annual Water Audit
- Various Planning Documents such as the Downtown Oak Park Master Plan

All of these plans take into consideration professional expertise and assessment, prior Village Board direction and discussion and associated prior public input over the years.

FY 22 Recommendation

On June 14, 2021 the Village Board adopted the following goal, "The Oak Park Village Board will support its vibrant, diverse neighborhoods." There is a one-page Executive Summary report within

the CIP document that provides a consolidated look at all four of the capital Funds, excluding the enterprise and special revenue Funds. By reviewing this summary, you can see that the total combined recommended capital expenses for FY22 equals approximately \$17.3 million.

How is the Capital Improvement Plan Funded

The Village funds its capital improvement plan in several ways. This process is part of the discussion in the Finance Committee during the review of the Capital Improvement Plan.

1. Dedicated Revenues for the CIP

The Village of Oak Park dedicates the revenues from home rule sales tax, local gasoline tax and cannabis tax. Usually these funds are for core capital projects such as street improvements. **In FY22, this is projected at \$ 4,500,000.**

2. Grants.

The Village of Oak Park receives various grants from sources such as Surface Transportation Program grants through the Federal Highway Administration, Department of Community and Economic Opportunity grants, Community Development Block Grants, and various grants from the IL Department of Public Health. **In FY 22, this is projected at \$4,766,000.**

3. GO Bonds

GO bonds give communities a tool to raise funds for capital improvement projects that are otherwise not funded by Village revenue. The use of this tool and the financial impact to the Village will be reviewed during the Finance Committee meetings. **In FY 22, it is estimated that there will be \$3,948,000 in bond funds remaining from a prior issuance, primarily due to the timing of invoicing for the Lake Street Project.**

4. Other Sources

From time to time there may be other sources of revenue that are not anticipated or expected. One example occurred in 2020, when the Village Board approved use of the Sustainability Fund to cover the cost of the tree planting project due to lost revenues from the pandemic.

In addition, mid-year in 2021, the Village was a recipient of American Rescue Spending Plan (ARPA) funds created by the U.S. Department of Treasury to respond to the impact of the COVID-19 pandemic. In the CIP document you will notice many projects in FY 20 or FY 21 with eliminated or delayed funding due to the financial uncertainty of the pandemic. On August 2, 2020 the Village Board approved the use of a portion of these funds towards lost revenues in FY 20 and FY21 as provided for in the law. This could offer an opportunity to fund some projects that were eliminated due to pandemic. This is also in keeping with the Village Board goal's category of "Neighborhoods". In that category, it further states that "focus should be on Covid recovery that includes infrastructure and business recovery efforts."

If an alternative source of funding is not identified, staff is prepared to identify the impact with the Finance Committee and recommend the removal of some projects **in FY 22 in the amount of approximately 4,000,0000.**

It is important to note one additional issue impacting the FY 22 CIP. On August 2, 2021 the Village Board adopted an amendment to the Village's Personnel Manual to address the Village's difficulty in recruiting and hiring within the Engineering Division of the Public Works Department, an area recognized from a 2020 Classification and Compensation Study as being significantly below market, both from an Average Market Minimum Analysis (which looks at the salary schedule minimums) and an Average Market Rate Analysis (which looks at the actual wages paid). In addition, private sector wages are generally higher. Consequently, the Public Works Department has many vacancies in engineering. Although staff remains hopeful that this action (adjusting the pay range in the Personnel Manual) will resolve this concern, if the Village should not attract candidates by 1st Quarter 2022, the CIP program may be impacted and projects will be at risk of being delayed. The Village already supplements the engineering work needed to run the Village's CIP with a third-party consultant, however in-house staff is still a necessary and vital component.