



Agenda Item Summary

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Submitted By

Steve Drazner, CFO

Agenda Item Title

Finance Committee Review of the Recommended Five Year Capital Improvement Plan (CIP) 2019-2023.

i. Overview of the CIP Process (5-year capital plan) 10 minutes

ii. Review of the Capital Improvement Fund 20 minutes

Pages 7-65

iii. Review of the Sustainability Fund 15 minutes

Pages 66-70

iv. Review of the Building Maintenance Fund 20 minutes

Pages 71-161

v. Review of the Fleet Replacement Fund 10 minutes

Pages 162-168

vi. Review of the Water and Sewer Fund 15 minutes

Pages 206-238

vii. Review of the Parking Fund 15 minutes

Pages 189-205

viii. Review of the Equipment Replacement Fund 20 minutes

Pages 169-187

Overview

Staff is transmitting the recommended five-year Capital Improvement Plan (CIP) to the Finance Committee of the Village Board. The Village Manager, Deputy Village Manager, and CFO held several meetings to review and discuss all requested projects with operating departments, prioritizing each individual request.

Anticipated Future Actions/Commitments

Staff will prepare the final document for Village Board approval in October/November 2018.

Report

The first year of the plan (2019) will serve as the foundation for all capital elements of the FY19 recommended Village budget which will be reviewed during October by the Finance Committee of the Village Board.

It is also noted that in order to improve the Village's position when bidding capital projects and when scheduling construction of capital improvements, the adoption of a five year capital plan in advance of the annual budget will allow for staff to begin engineer design work and develop bid documents over the winter and be prepared for an early spring bid letting. Subject to approval of the five year CIP, staff will bring forward any contracts necessary for bid.

This is the fourth year in which staff has formally presented a full five year Capital Improvement Plan (CIP) for review by the Finance Committee of the Village Board.

The FY19 Recommended Budget, scheduled to be reviewed by the Finance Committee during October, will be comprised of the first year of the adopted CIP for all Capital Funds as well as the capital portion of the Enterprise Funds for Parking and Water & Sewer.

Chapter 2 of the Municipal Code establishes the foundation for the Municipal Budget and provides:

- The Village fiscal year is January 1 - December 31 annually.
- The Board of Trustees must adopt the annual budget prior to the start of the Fiscal Year and passage of the annual budget shall be in lieu of passage of the appropriation ordinance.
- On or before the Village Board of Trustees' first regular meeting in November of each year, the Village Manager shall submit to the Board of Trustees an annual Municipal budget which contains estimates of revenues together with recommended expenditures in conformity with good fiscal management practice.

The recommended CIP document for non-enterprise funds (Main CIP, Building Improvements, Equipment Replacement, and Fleet) will primarily be funded by the following revenue sources:

<u>Funding Source</u>	<u>Estimated Amount</u>
Home Rule Sales Tax (1.0%)	\$2,900,000
Local Gasoline Tax (\$.06 gallon)	\$800,000
Grants	\$2,145,000
Bond Proceeds <i>(for Lake Street and anticipated to be issued in 2020)</i>	\$10,600,000
Telecommunications Tax	\$220,000
Accumulated Reserve Drawdowns	\$6,000,000
TOTAL	<u>\$22,665,000</u>

Prior to staff meetings on CIP with the Village Manager and CFO, requested CIP projects exceeded \$26M and would have required a bond issue approximating \$17M. Various reductions and deferrals were then made to bring down the total requested projects to about \$22.7M and in order to keep the debt issuance to a more

level that requires flat or diminishing property tax support. It is recommended that reserves totaling \$6M be applied toward the FY19 CIP.

Of this recommended reserve amount, half of this amount, or \$3M, would come from the Debt Service Fund (DSF) which accumulated slightly over \$4M as the result of increased fees to vehicle stickers and refuse collection (both of which were dedicated at the time of increase to debt service for increased alley capital improvements) thus being transferred into the DSF from the General and Environmental Services Funds. In addition, DSF reserves also accumulated from allocated TIF surplus distributions.

The balance of the reserves for the other \$3M appropriately originate from drawing down on accumulations resulting from delayed, cancelled, or reduced costs for prior year projects budgeted in the Building Improvement, Fleet Replacement, and Equipment Replacement Funds.

After applying reserves and the other dedicated CIP revenues (i.e. home rule sales tax, local gasoline tax, etc.), general obligation bonds would be required to support the Lake Street improvement project of approximately \$10.6M. The bond issuance can be solely attributed to the Lake Street project having an estimated FY19 cost of \$10.9M. However, in all likelihood, this project would not be entirely invoiced in FY19 and the bond issue may be partially allocated or even completely deferred into FY20 to reduce debt carrying costs (interest expense).

Finally, please be aware that new to the CIP document in FY19 are projects that will be paid by the Sustainability Fund. Similar to enterprise fund CIP projects, sustainability projects are funded and paid independently and no bond proceeds or other non-restricted revenue sources will be used.