

Watertown City Council

August 8, 2023

Agenda Item:	Budget Work Session #2 - CIP
Request for Action:	Discussion on 2024 Capital Improvement Plan
Employee/Dept.:	Jake Foster, City Administrator

Background:

The City Council has been maintaining a Capital Improvement Plan (CIP) for several years. Attached is a draft of the 5-year CIP. It is very important to note that this is a *working* document and will likely change based on pricing and Council direction as project, items, and pricing changes. Adopting the CIP does not mean that the City Council is required to make these purchases. It is simply meant to serve as a long-term planning roadmap.

There are several items of note listed below.

Debt/Bonding:

The debt schedule proposed during the 2023 CIP process called for issuances of \$1,355,000 in 2023, \$1,355,000 in 2024, and \$1,730,000 in 2027 for the general CIP Fund. (There was also a 2023 issuance prescribed for the water capital fund for the water tower). However, Council elected to combine the mill and overlay projects for 2023 and 2024 and not issue bonds in consecutive years. Per the recommendation of the City's financial advisor all street reconstruction projects were included, but no additional items beyond that scope. The final issuance to fund the street projects within the general capital fund account was \$1,860,000 rather than the combined \$2,710,000 shown in the 2023 CIP. For that reason, staff is recommending pushing the 2027 issues up to 2025. The City's financial advisors are working updating debt scenarios based on this information. The debt scenario document used to determine the bond issuance schedules in the 2023 CIP is attached. Note: the final bond issuance for the water tower was \$3,920,000 and not the \$6,120,000 used in the debt planning document, which reflects the \$3,000,000 received from the State and additional funds and updated project costs.

Capital Improvement Fund:

High Street Upgrade \$750,000

Evergreen Park Master Plan Development - \$2,200,000

Paul Ave. Collector Project - \$750,000

Other items of note:

- There is a \$327,818 Park Shelter at the Community Park programmed for 2026. As the park fund has less funds available this is an item that could be moved.
- The Forest Hills 9th Addition Park price increased from just under \$30,000 to \$150,000. There is also an already existing park in the Forest Hills development. This is another item that could be easily moved and has already moved from 2024 to 2026. This is also a very small area that was programmed to fit a half court basketball court. It is something the Park Commission could look into and provide additional alternatives (perhaps an additional pickleball court)
- The Landings Trail Connection and Sidewalks project is programmed for 2027 to coincide with that year's mill and overlay project. This project would include constructing sidewalks on both sides of the street, as they do not exist today, but it has generally been regarded as a City standard (it is something we typically require of developers now). However, the scope of the project could be reduced to

eliminate the addition of the sidewalks but keeping the trail connection. The total cost of the project is \$470,000.

Additional noteworthy information:

- Engineering estimates have increased drastically. Staff has prioritized items, and extended others outside of the 5-year CIP to account for the increased cost. A redlined document from Phil with Bolton and Menk is attached that illustrates the price increases for the effected items. Many of these items were simply placeholders, and they have been updated to reflect a true cost now that they associated with specific projects.
- Attached is the 2022 rate study that prescribes the rate increases for each of our enterprise funds (Water, Sewer, Stormwater). The rate increases will allow for additional funds to be transferred from each of these general funds to the capital funds, but it is not certain the dollar amounts that will be available, so they have been left “flat.” Attached is the debt study adopted in 2022 showing the rate increases to be implemented. Staff is having the recommended rates updated using the new figures (fund balances and project costs).
- The \$494,000 American Recovery Plan Act (ARPA) funds have been discussed to be used for the 2024 sewer extension project to be done in conjunction with the second water tower project. These funds are showing as a revenue in the Sewer Capital Fund.
- The City will be receiving approximately \$210,000 in one-time public safety aid. \$200,000 of those funds has been programed as a 2024 revenue source in the Fire Capital Fund. The additional \$10,000 could be used to offset the cost increase of the Policing contract. Council has the discretion to allocate those funds, however, staff recommends leaving a large majority of them in the Fire Capital Fund as they are one-time funds and will not be allocated in future years.
- The starting fund balances are reflective of the items/projects already approved in 2023. Any CIP item that has not yet been approved by Council would need to be subtracted from the starting fund balances.

Attachments:

Draft 2024 CIP

Redlined document showing engineering price changes

Debt scenario document provided by Northland (October 2022)

Debt and Rate Study Adopted March 2022