

City of Shoreview, Minnesota

Capital Improvement Planning



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Prepared by Department of Finance

Introduction

Planning for and financing of capital costs is a difficult challenge for governmental entities, and requires a different emphasis than for operating budgets. The operating budget plans for the cost of delivering City services over one calendar year. As such, the budget focuses on the cost of staff, supplies, contractual services, and ongoing maintenance. Capital planning requires a longer view of all assets and infrastructure systems for the purpose of determining replacement needs and anticipated improvements.

In Shoreview, capital planning is documented through two efforts, and each is intended to identify future capital needs and the resulting demand on existing revenue streams.

The Capital Improvement Plan (CIP) identifies specific projects over a 5-year period, including replacement of existing assets, possible expansion or improvements to existing systems, and proposed additions. The CIP identifies funding sources for each project, and examines the impact on tax levies and user fees.

The Comprehensive Infrastructure Replacement Plan (CHIRP) covers a minimum of 40 years, with an examination of entire systems of assets, for the purpose of identifying long-term replacement needs and the resulting impact on levies and user fees.

An important policy governing these efforts is the belief that reinvestment for replacement and maintenance, and the increased efficiency of existing systems is a priority over expansion of existing systems or the provision of new services.

The City's emphasis on reinvestment, replacement and maintenance is illustrated in how spending decisions are made. Throughout the capital planning process, spending decisions are considered within the following order of priority:

1. Contribute to the public health and welfare
2. Maintain an existing system
3. Make an existing system more efficient
4. Expand an existing system or service, or add a completely new public facility or service

To ensure that the City's capital planning efforts reflect an assessment of community need in conjunction with the ability to pay for major improvements, the following components have been identified as essential parts of the capital planning process:

- Evaluate assets and determine expected useful life
- Estimate future replacement costs
- Examine financing options
- Determine bonding levels
- Identify funding sources
- Estimate impact on user fees and tax levies
- Evaluate impact on customers and property owners
- Identify major public improvements necessary to serve existing development or to support future growth
- Establish timing for improvements

Objectives

In addition to the policies, priorities and components described on the previous pages; an important philosophy, that is relatively unique among cities, guides Shoreview's capital planning process. This philosophy states that the City as a whole, is primarily responsible for replacement and rehabilitation costs, meaning the maximum cost to be assessed for any reconstruction or rehabilitation improvement is limited to new improvements plus a proportionate share of engineering and administrative costs.

The philosophy is noticeably different than many metro-area cities, in that cities typically assess a portion of replacement costs to property owners. Shoreview's approach does place greater demands on limited resources, and in turn strengthens the need for ongoing long-term capital replacement and financial planning, and yet has not resulted in higher City property tax levels.

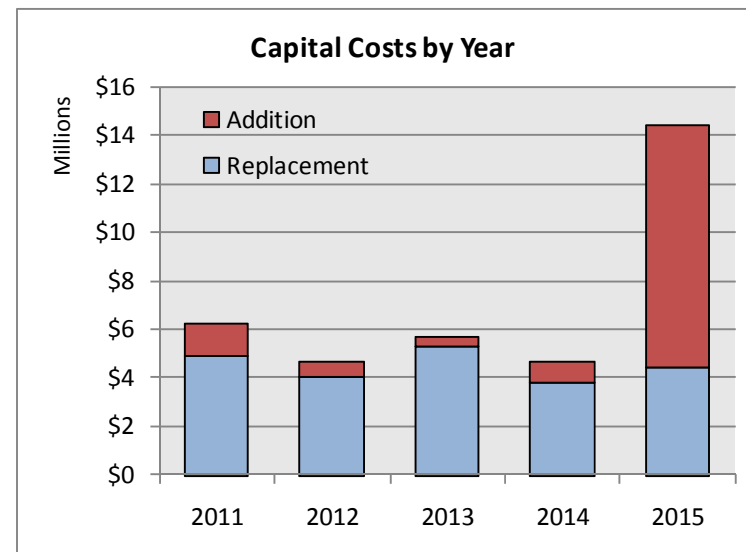
In late 1992 the Shoreview City Council adopted a Comprehensive Infrastructure Replacement Policy requiring a periodic examination of estimated replacement costs covering a minimum of 40 years, as well as the likely funding sources for replacement costs. The policy formally establishes the following objectives:

- Create a permanent program and update it annually
- Moderate annual increases in tax levies and user fees by developing a long-term financing strategy
- Plan for debt issuance, and the corresponding impact on fees and levies
- Avoid assessing property owners twice for improvements

Adjusting tax levies and user fees gradually to support replacement costs avoids dramatic fluctuations caused by unanticipated costs or insufficient balances. For this reason, tax levies and user fees are set with consideration for long-term capital replacement costs.

Replacement Costs

Repair, replacement and rehabilitation efforts (excluding the water treatment plant) account for approximately 84% of costs in the 5-year CIP . During the mid 1980's, only half of project costs were for replacements. The graph below illustrates project costs over the next 5 years, split into replacements and additions.



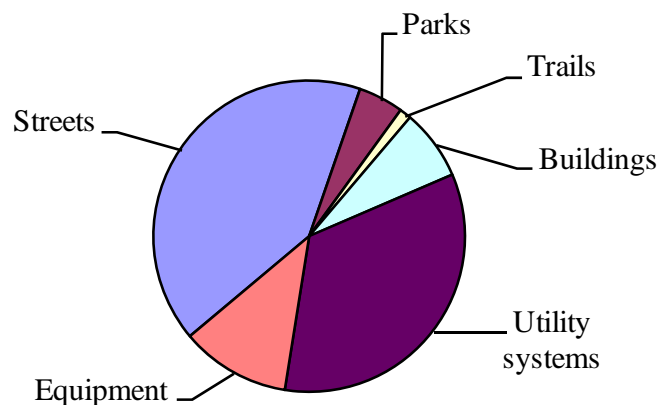
As the City continues to age, the emphasis on replacement planning becomes even more critical. Recognizing this shift in the City's life cycle, and planning for the replacement of assets is an essential part of maintaining a quality system that meets the needs of the community.

Overview of CIP

The proposed CIP amounts to \$28.2 million in spending over 5 years (2011 to 2015). The table on the facing page shows total project costs and planned resources for the 5 years combined.

Despite the implied tentative commitment for individual projects, adoption of the CIP does not authorize individual projects because State statutes and City policies govern the authorization of specific projects. The CIP makes a tentative commitment to proceed with planned projects, unless circumstances or priorities change in the future. The commitment is more certain in the first year of the CIP, and becomes increasingly more tenuous in subsequent years.

The CIP does indicate the present plan and priority for improvements, and also makes a general policy statement about proposed projects because it allocates limited financial resources. The document states Council prioritization of resources available for capital project spending by identifying which projects should be included, when they should be constructed, and how they will be financed.



	Total Cost (5 Years)	Percent of Total
Bonding		
General obligation bonds	\$ 2,500,000	7.1%
Improvement bonds	782,600	2.2%
Water bonds	11,404,000	32.1%
Sewer bonds	1,614,000	4.6%
Surface water bonds	1,577,900	4.5%
Intergovernmental	3,450,000	9.7%
Internal Funds		
General & spec rev funds	185,800	0.5%
Capital impr funds	992,500	2.8%
Replacement funds	9,970,935	28.0%
Water fund	76,600	0.2%
Sewer fund	53,600	0.2%
Street lighting fund	593,450	1.7%
Central garage fund	2,255,000	6.4%
Total Resources	\$ 35,456,385	100.0%
Total Outlays		
Collector streets	\$ 3,882,000	10.9%
Local streets	10,800,100	30.5%
Parks	1,662,000	4.7%
Trails	433,000	1.2%
Municipal buildings	2,600,108	7.3%
Water	10,130,000	28.6%
Sewer	1,235,000	3.5%
Surface water	326,000	0.9%
Street lighting	353,450	1.0%
Major equipment	4,034,727	11.4%
Total Outlays	\$ 35,456,385	100.0%

Funding Capital Projects

Capital costs are financed through a variety of sources and funding strategies determined by the type of cost, the total cost of the project, as well as the impact on fund balances and user fees. A general description of funding sources and strategies is presented below and on the facing page.

Long-term financing strategies such as the issuance of bonded debt allow the City to spread large improvement projects over the useful life of the asset. Debt payments are remitted each year with resources dedicated to the payment of bonds. Bonded debt provides financing for about 50% of project costs in the current CIP. Of this amount, 7% will be repaid from future property tax levies, 2% from special assessments and 41% from utility funds.

Intergovernmental revenue provides support for about 10% of project costs. The most significant of these is Municipal State Aid (MSA) funding that is provided by the State of Minnesota from gas tax revenues. These funds are dedicated to the reconstruction of designated State-aid streets within the City, and the projects are subject to State standards.

On occasion, the Rice Creek Watershed provides funding through a grant process for eligible projects through their Urban Storm Water Remediation Cost-share Program. No projects planned as part of the proposed CIP are anticipated to receive funding from the Watershed.

The combined support provided by internal funds covers about 40% of costs in the CIP. These funds provide funding through accumulated cash balances. Internal fund support includes:

- General and Special Revenue funds provide funding for less than 1% of project costs primarily through cable franchise fees.
- The Capital Improvement fund provides support for about 2.8% of project costs through cell phone antenna leases and an annual tax levy dedicated to enhancements and improvements to City facilities (parks, trails and the community center).
- Replacement funds provide support for about 28% of project costs through an annual property tax levy and interest earned on cash balances. Resources held in these funds are dedicated to replacement costs per City policy. The Street Renewal fund and the General Fixed Asset Replacement fund provide 12.8% and 15.3% respectively for project costs in the CIP.
- The Central Garage fund provides support for about 6.4% of project costs through use fees charged to City departments for equipment used in the delivery of City services. Use fees are designed to cover operating and maintenance costs as well as allowances for future equipment replacements.
- Utility funds provide direct support for about 2.1% of project costs through accumulated cash balances in utility funds. These projects tend to be smaller repair projects, and are not suitable for financing by debt issuance.

Collector Street Improvements

From the late 1990s through 2005 the City was very active in construction and reconstruction of Municipal State Aid (MSA) streets, completing five major street segments. This was possible because state policies allowed cities to advance encumber future MSA allocations. This practice was halted in recent years as a result of declining fund balances at MnDOT. Although Shoreview is still waiting for reimbursement of some previous project costs, staff expects full payment of the outstanding advance in 2010.

Collector street projects planned over the next 5 years are as follows:

- Hamline Avenue reconstruction from Lexington to County Rd I, in 2011. This project includes pavement resurfacing, road sub-grade repairs, storm drainage improvements, extension of water and sanitary sewer lines, and an off-street pedestrian trail.
- Tanglewood Drive rehabilitation from Lexington to Victoria Street in 2013, including resurfacing of the pavement.
- Rice Street/I-694 Interchange reconstruction in 2014, in cooperation with Ramsey County. The project consists of replacing the existing Rice Street bridge over I-694 as well as the associated access ramps.
- Highway 49/Hodgson reconstruction from Highway 96 to Gramsie in 2014. This project includes improving the road to modern suburban standards through the installation of concrete curb and gutter, drainage improvements, sidewalks/trails, additional through and turn lanes, and relocation or rehabilitation of City-owned water main and sewer lines.

Street Improvements

In 2006 the City Council changed the course of the street renewal program by utilizing street bonds for large-scale mill and overlay of City streets. This change enabled the City to direct more street renewal dollars toward the reconstruction of all remaining substandard streets in the City by 2020.

Residential street projects over the next 5 years are as follows:

- Seal coating and crack filling of about one-seventh of residential streets each year (approximately 13 miles per year)
- Street Rehabilitation of local street segments throughout the community in 2012 and 2013. The specific segments will be determined based on the City's pavement management program.
- County Road F reconstruction from Demar to Floral in 2012. This includes replacing road surfaces and cast iron water main, as well as the addition of curb and gutter, and storm sewer improvements.
- Hansen and Oakridge Neighborhood reconstruction in 2013. This includes rehabilitation of road surfaces, storm sewer repairs and potentially the addition of a storm pond.
- Turtle Lane Neighborhood reconstruction in 2014. This includes rehabilitation of road surfaces, storm sewer repairs and potentially the addition of a storm pond.
- Windward Heights Neighborhood reconstruction in 2015. This includes complete reconstruction and rehabilitation of road surfaces, as well as replacement of cast iron water main and any necessary sanitary sewer repairs.

Park Improvements

The City's park system consists of 10 parks covering 268 acres, and includes 8 park buildings, 6 picnic shelters, and the Community Center. Planned park projects include:

- 2011 Wading Pool Renovation with a shallow water splash pool and large interactive water play structure at the community center.
- 2011 Park projects include seal coat of Shamrock courts, landscape replacement at Commons and along Highway 96, Sitzer concession room changes, park sign replacement, and portable toilet enclosures at McCullough and Rice Creek.
- 2012 Park projects include landscape replacements and added trail connections at Shamrock.
- 2013 Park projects include replacement of the Commons picnic shelter (in the neighborhood park), resurfacing Commons courts, Wilson parking lot and driveways and an allowance for additional replacement items.
- 2014 Park projects include replacement of the roofs on the McCullough park building and picnic shelter and the roof on the Shamrock Park picnic shelter.
- 2014 Bucher Park rehabilitation, including replacement of playground equipment, the addition of new features and an allowance for replacements.
- 2015 Park projects include fencing at Commons and Theisen, scoreboards at Rice Creek, Shamrock parking lot, Lake Judy picnic shelter roof, McCullough driveway and parking lots and an allowance for improvements.

Trail Improvements

The City's trail improvement program consists of trail replacements and resurfacing of trails with a slurry seal coat (used successfully in the past few years). The new seal coat has proven to be a cost effective method to extend the life of the trail system.

Municipal Buildings

Most building-related costs over the next 5 years are for repairs and replacements, including:

- Fire station repair and replacement allowances include modifications to fire stations to accommodate duty crew implementation, security cameras, industrial dryer, carpeting, emergency generator, overhead doors, painting walls surfaces and driveway/parking lot replacement.
- Community center items include replacements of pool features, whirlpool circulation system, locker room counters, pool heater, hot water storage tank, mechanical system controls, waterslide resurfacing, waterslide stairs, furniture, movable walls in banquet room, technology improvements for meeting room information and paging, gymnasium roof, carpeting, fitness equipment and wall surface updates. Planned improvements include added pool features, and allowances for improvements.
- General government building repair and replacements include furniture, repair of water damaged exterior wall coverings, election equipment, sound and lighting system improvements for the Council Chambers, cooling system repairs and relocation and rehabilitation of the Guerin gas station.

Utility Improvements

The most significant utility project planned for the future is the addition of a \$9 million water treatment plant, to address the rising levels of iron and manganese in the City's wells.

Although these substances are not considered harmful to health, they can cause esthetic problems, as well as taste and odor issues for customers. Water treatment will effectively remove dissolved iron and manganese from the City's water supply.

Utility projects planned in the next 5 years include:

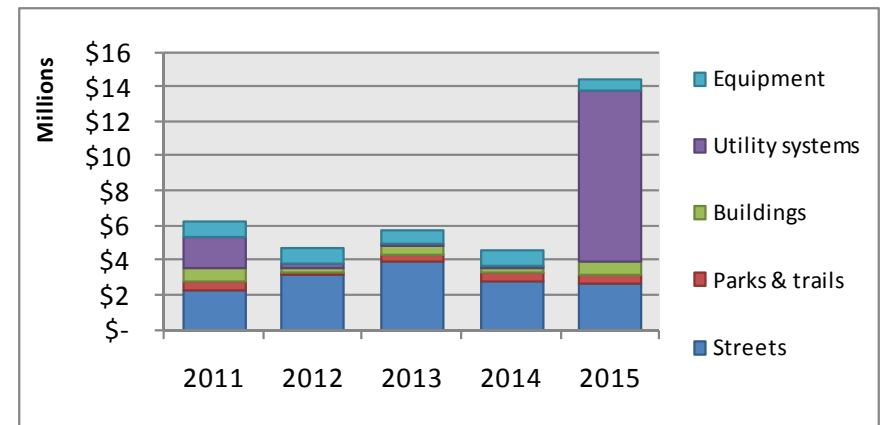
- Water projects include improvements to the underground water reservoir, exterior painting of the South water tower, an update to the SCADA system controls, roof replacement on the booster station and well #5, and the addition of a water treatment plant.
- Sewer projects include sewer rehabilitation and relining, and lift station rehabilitation/upgrades.
- Storm projects include limited pond dredging, storm lift station control updates, and eliminating direct discharges into lakes (Snail Lake and Shoreview Lake).
- Street lighting projects include continuation of an initiative to replace residential street lights. Many of the City's lights were installed in the 1970s and early 1980s, with hollow wood poles that are subject to damage from birds and insects. In addition, much of the wiring for these lights is not encased in conduit and has been subject to increasing electrical failures.

Major Equipment

Equipment costs include the replacement of computers, fire equipment, vehicles and heavy equipment. Replacement of major pieces of fire equipment is a significant factor in future costs.

Summary

The City's capital improvement planning documents represent a formal commitment to maintaining quality services and facilities through long-term capital planning. The City's efforts to preserve high quality services, while maintaining lower tax rates and user fees will help Shoreview remain an attractive location for area business and residents. As the City's assets age and deteriorate, these efforts become even more important.



Complete copies of the CIP and CHIRP are available at city hall and on the website at www.shoreviewmn.gov.

Statistical Facts

Street miles	88
Parks and playgrounds	10
Park acreage	268
Park buildings	8
Picnic shelters	6
Trail and sidewalk miles	55
Buildings:	
Community center and city hall	111,000 sq ft
Maintenance center	55,000 sq ft
Water system:	
Hydrants	1,318
Water main miles	103
Wells	6
Water towers, 1.5 million gallons each	2
Underground reservoir, 1 million gallons	1
Sewer system:	
Sanitary sewer main miles	108
Sanitary sewer lift stations	17
Surface water management system:	
Storm water lift stations	5
Storm ponds	200
Street lights	707