



December 6, 2012

Honorable Mayor and City Councilors
City of Clive
1900 NW 114th Street
Clive, IA 50325

SUBJECT: 2013-2017 Capital Improvements Program

Mayor Cirksema and City Council Members,

Several critical success factors influence how well the City of Clive can innovate to meet the challenges ahead; one of the most important is a smart, forward looking and integrated infrastructure program. The focus is on three core missions in this citizen-centric program:

- Provide a healthy, pleasant and safe living environment for Clive residents
- Strengthen economic vitality, demand, and competitiveness, and
- Sustain a pattern of funding infrastructure investments—buildings, roads, utilities, waterways, and quality of life.

Clive has been proactive in our response to changing demographics as the country and the Des Moines Metropolitan Area emerges from this latest economic recession. Started last year, we now continue a process to prepare the capital improvements program which supports achievement of the City Council's vision and strategy. Key to this strategy is the Council's recognition of investment in infrastructure as a source of sustained competitive advantage for Clive as identified in the Clive Plan 2012-2017-2027 Goal of "Upgrade City Facilities and Infrastructure."

Continuing to meet the growing needs of our community is made more difficult by the many financial constraints facing many cities, including Clive, for the foreseeable future. Previous efforts to develop a long-term strategy and prioritize short-term goals have helped to achieve sustained prosperity. That is to say Clive has been deliberate, tactical, and paid special attention to its fiscal responsibilities. Still, we have arrived at a time when we face significant challenges and threats to our ongoing efforts of competitiveness and economic growth.

Unquestionably, continued investment in effective and efficient infrastructure is a key factor supporting our core mission. This proposed infrastructure strategy takes a holistic view of the community, determining where and when to invest, articulate key objectives and help define schedules. This framework for strategic infrastructure investment respects two key realities: the city has to perform on

an array of prioritized goals, and the city has limited resources. The question is how to leverage these realities successfully as we navigate this new political and economic landscape.

Although a shift in thinking about our new realities is prudent, it is also critical to maintain an annual capital improvement process for the purpose of developing a five-year capital improvement plan (CIP). The five-year capital improvement plan being developed from this year's capital improvement process is for calendar years 2013-2017. The CIP process is intended to provide a format for departments to submit projects to the City Manager and to the City Council while providing an objective means for reviewing and ranking capital projects. The first year of the capital improvement program will be included as part of the budget submitted for Council approval in March, 2013. The first two years of the program also determines the amount of infrastructure bonds and other debt instruments to be issued over the upcoming year.

Just like last year, there is discussion about "the new normal". In the same way cities have different visions and priorities for achieving their objectives; I submit the idea that Clive's new normal is familiar; one where city leaders chart a course that continues to provide sustainable prosperity for its residents. Of course, we must optimize the use of limited resources, identify investments having the greatest impact, and secure our ability to emerge from the Great Recession, poised to take advantage of the inevitable economic upswing, and maintain our position as one of Iowa's leading communities.

Work on the 2013-2017 CIP has progressed on schedule to a point where information about projects and the corresponding financial plan are now ready for presentation to Council. Notable observations about the 2013-2017 CIP include:

1. Traditional support from federal and state governments for construction of new infrastructure or reconstruction of existing infrastructure has waned, and greater sums of local resources are necessary to finance local infrastructure investments.
2. With the new realities of less state and federal resources the City is looking to partnerships with neighboring cities for joint construction projects that are mutually beneficial.
3. Implementation of projects identified in the 2009 Comprehensive Parks, Recreation & Open Space Plan.
4. Needs in terms of initial infrastructure investment to encourage development and growth in the Northern Neighborhood area.
5. Reduced reliance on the Water Fund for capital resources due to the recent increases in water utility rates.
6. An emphasis on maintaining the City's existing infrastructure through the use of annual maintenance programs for city streets and traffic systems, the Greenbelt Trail, stormwater drainage and underground utilities.
7. Approximately one third of the entire CIP (33%) is focused on the City's strategy for replacement and enhancement of existing facilities, such as the library, police station and city hall.
8. A focus on incorporating the City's new logo and tagline through replacement and enhancement of community signage on City streets, parks and trails to reinforce Clive's distinct identity.

The annual CIP planning process starts this month with a review of the overall capital program, goals, and prioritizing capital improvements. It continues with the establishment of a capital financing strategy, which involves major decisions and long-term commitments responsive to the purposes of limiting the cost of providing capital infrastructure and equipment while meeting the community's needs; ensures financial strength and flexibility in the future; strengthens Clive's standing with the bond

rating agencies, bond buyers, regulators, and the local community, and; culminates in December 2012 with the City Council's adoption of the 2013-2017 CIP document. Policy guidance on the development of the 2013-2017 CIP is provided in the Capital Improvements Program Policy Statement, approved by Council on July 21, 2011.

Pending further discussion of the 2013-2017 CIP, City Council approval of the new CIP is scheduled to occur on December 6, 2012. With this action, next year's 2013 capital expenditures and debt issues will be finalized and ready to be included in the City's final budget for the upcoming 2014 fiscal year.

I am pleased to forward for your review the attached set of CIP information documents including appendices, plan maps, individual project sheets, and summaries of projects by year and by category. I look forward to our discussions regarding projects, timing, financing, and determining the scope of the 2013-2017 capital program.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Dennis Henderson". The signature is written in a cursive, flowing style.

Dennis T. Henderson
City Manager

Capital Improvements Program (CIP)

The Capital Improvements Program (CIP) serves as an effective guide for the efficient and effective provision of public facilities, outlining timing and financing schedules of capital and infrastructure projects for a five-year planning period, and for the next fiscal year capital budget.

The CIP identifies capital needs, establishes priorities, and identifies potential funding sources. Key sources of identifying capital requirements include the Clive Comprehensive Plan as well as professional studies of facilities, transportation, utilities, and drainage needs.

The CIP neither appropriates funds nor authorizes projects. The City Council must act to initiate each project. Proceedings to initiate capital improvements are presented when sources of funding are available.

The capital budget is a significant part of the 2013-2014 Budget. It represents costs associated with capital projects in the first year of the 2013-2017 Capital Improvements Program.

Such projects may include land acquisitions, the construction of new buildings, additions to or renovations of existing buildings, construction or reconstruction of street and utility infrastructure, and major equipment purchases. Because of the size and magnitude of these projects, bond funds are a major source of financing for projects including utility projects.

Staff performs a systematic evaluation of capital project requirements, identifies any project changes, incorporates recommended changes, and submits the revised program to the City Council for consideration, modification, and adoption as a part of the annual budget process.

During the preparation and review of the recommended Capital Improvements Program, city management staff employed experience-based judgment to identify which projects can be accomplished within a given year, within the limit of the City's control. As would be expected, project expenditure and revenue estimates for the earlier years are more precise than the latter years.

Numerous sources are drawn upon to develop the expenditures included within this document including plans and/or studies completed or currently in process (See Appendix 1).

Capital Improvement Program Goals

- **City Council Goals.** In September the City Council approved four goals in the new Clive Strategic Plan to provide policy guidance for the evaluation of capital improvement projects. Clive 2017 Goals include:
 1. Financially Sound City Providing Services Valued by Residents
 2. Great Place to Live: Premier Location for Families
 3. Upgrade City Facilities and Infrastructure
 4. Vibrant Corridors and Town Center
- **Comprehensive Plan.** In addition to the Clive 2017 Goals the Clive Comprehensive Plan serves as the basis for many of the City's policy decisions related to a wide range of issues. Decisions

related to capital projects also are tied to the Comprehensive Plan. Comprehensive Plan goals related to the 2013-2017 Capital Improvements Program include:

1. Provide infrastructure investments that correspond to the community's growth potential.
 2. Ensure that development within Clive demonstrates environmental responsibility and adheres to the City's long-term growth goals.
 3. Assure the transportation system is adequate to meet future needs.
 4. Encourage the development of an interconnected system of parks, trails, and civic parkways and maintain a high level of service for recreational facilities as new neighborhoods emerge.
- City of Clive Space Needs Assessment. Performed in March, 2012, the City retained the services of an architect from Shive-Hattery to evaluate the City's office and facility space needs to obtain data and analysis to be used in future facility planning and development.

Capital Improvement Program projects scheduled for completion during each year for the next five-year period are summarized in Appendix 2, 3 & 4.

Process

The annual capital improvement process is a process created for the purpose of developing a five-year capital improvement program. The five-year capital improvement process is for calendar years 2013-2017. The CIP process is intended to provide a format for departments to submit projects to the City Manager and to the City Council while providing an objective means for reviewing and ranking capital projects. The first year of the capital improvement program will be included as part of the budget submitted for Council approval next March. The first two years of the program also determines the amount of bond issues and other debt instruments that will be issued over the upcoming year(s).

The capital improvement process includes a submittal form that gathers information about capital projects including information on the department, the project type and purpose, funding sources, underlying City studies, and reasons for the project's timing. These factors will be combined with other factors such as relevance to City Council goals, method of financing, and whether or not it is new or replacement work. Evaluation criteria will be applied to the relevant factors to provide each project with a score that will be used to rank and prioritize each project.

Since the debt for the upcoming year's projects will be issued next fall and these projects will also become part of the adopted budget, the emphasis in the capital improvement process will be on the first two years of the capital program. The projects for the remaining three years of the program will become part of the City's long-term financial plan and five-year capital improvement plan, and will not have debt issued for them until future years. These projects are still an important part of the capital improvements program as they help shape the debt issues and debt service levy into the future.

Appendix #5 included in the packet shows the changes from the 2012-2016 Capital Improvements Plan that are proposed for the 2013-2017 CIP. The baseline of projects was established in the 2012-2016 CIP and future CIP processes will focus on changes to the baseline as projects are completed and new projects are added through future planning and once the update to the City's Comprehensive Plan is completed in early 2013.

Synopsis

The Capital Improvements Program for 2013-2017 totals \$27,890,959. Of this total 22.8% is for transportation projects, 8.2% is for municipal utility projects, 2.3% is for parks facilities, 2.9% is identified for public safety, 35.5% for citywide facility projects and 28.3% for annual infrastructure reinvestment.

Capital Budget requirements for 2013 total approximately \$5.3 million. Capital spending authorizations by year/project/category are contained in Appendix 3 and for the upcoming year include:

- Annual Maintenance \$1,625,000
- Transportation \$1,253,025
- Municipal Utilities \$1,033,800
- Park Facilities \$ 183,634
- Citywide Facilities \$1,293,000

This program represents a concerted effort to ensure that needed capital projects and infrastructure are in place in a timely manner to accommodate continued growth and development in the community. Staff has worked to mitigate the impact that debt service requirements would have on the annual property tax levy by careful review of the need for the projects, timing of these projects, and by making several policy recommendations for funding, described in other sections of this document.

Program Overview

The capital improvement program provides an organized timeline and objective grading criteria for the purpose of scheduling capital projects and planning long-term debt. The annual program calendar starts in October and culminates in late 2012 so that next year's capital expenditures and debt issues are finalized and ready to be included in the City's final budget for the upcoming year.

As a part of the process, capital projects are individually submitted on forms by each department. The projects are then evaluated based on the information provided on the forms. The following criteria are used for evaluating capital projects:

- Meets Legal Mandates
- Removes or Reduces Hazards
- Advances a Council Goal
- Improves Efficiency
- Maintains Standard of Service
- Supports Economic Development
- Improves Service
- Facilitates New Services
- Improves the Quality of Life or Aesthetic Values
- Offers Convenience

These urgency-of-need criteria are used as general guidelines that point to rather than determine priorities among capital project requests. In evaluating the urgency of need, affordability is given strong consideration.

Once the projects are evaluated using the above criteria, they will then be ordered based upon their fund source and project year. Project summaries and order will then be reviewed by the City Manager and organized for presentation to the City Council.

Program Calendar

October 17, 2012

The 1st Citizen Review Committee meeting is held where the City Manager presents a draft 5-year CIP program for discussion and feedback.

November 15, 2012

City Council CIP Workshop during Regular City Council meeting. City Manager and City Council review capital budget process overview, capital planning, project ranking/priority list for Calendar Year 2013, review financial plan and debt service requirements for proposed 2013-2017 CIP. Feedback from Citizen Review Committee is considered and discussion is held on Council preferences.

December 6, 2012

Following a public hearing, City Council approval of the 2013-2017 Capital Improvements Program and distribution of the final CIP book.

March 7, 2013

Following public hearing, City Council FY 2014 Budget adopted, including Debt Service Fund appropriation and 2013 capital project expenditures.

City Council CIP Policies

The following is the Capital Improvements Program Section of the Budget Policy Statement approved by the City Council on July 21, 2011.

- **Capital Improvement Expenditure** – The improvement of land or buildings that is greater than \$5,000, is not an ordinary repair or maintenance expenditure, and has a useful life of three years or more. A capital improvement is budgeted in the Capital Improvement Fund if it is greater than \$50,000 and has a useful life of ten years or more and especially if funded through general obligation bonds.
- **Projects**—Evaluate all requests for capital improvement projects using the following criteria:
 - a. Source of funding including availability of additional revenue
 - b. Total project cost (design and development) and schedule for completion
 - c. Operating and maintenance costs for at least a five-year period following completion
 - d. Useful life of asset
 - e. Benefits to the city including but not limited to the affect on future operating and maintenance costs, economy, services, public health and safety, environment, segment of population to be affected, and special considerations.
 - f. Alternatives considered

- g. Consequences of not funding or deferral
 - h. Evaluation of citizen input
 - i. Impact on strategic goals for the city
- Cost Estimates—Revise cost estimates after completion of design.
 - Design—Design facilities using current technology in order to be efficient and cost effective, protect the public welfare and minimize adverse effects on the environment.
 - Multi-Year Projects—Annually evaluate multi-year capital projects.
 - Priorities—Give priority to replacement or repair of existing assets.
 - Plan Maintenance—Prepare and update annually a capital improvement plan including construction and purchases of city assets.
 - Non-Construction Expenses—Limit interest on financing, operating, administrative and/or maintenance expenses capitalized for capital projects to those expenses incurred prior to actual operation of the facility.
 - Offices/Facilities—Plan facility needs for a built out population of 23,000. If additional city space becomes available, consolidate offices into the fewest number of buildings as much as possible.
 - Leveraging/Partnerships – Where possible identify and encourage opportunities where leveraging resources with neighboring or overlapping governmental jurisdictions is beneficial for joint infrastructure projects or studies/analysis.
 - Long-Term Financing—Long-term borrowing, defined as borrowing over at least a ten year period for repayment, shall be limited to capital improvement projects that cannot be financed from current revenues and to capital equipment with a useful life of 10 years or greater and a purchase cost of \$250,000 or greater. Long-term debt shall not be budgeted for current operations. Other policies governing long-term debt include:
 - a. Finance capital projects for a period not to exceed the expected useful life of the project.
 - b. Maintain good communication with rating agencies and provide required disclosure on every financial report and bond prospectus.
 - c. Debt or bond financing cannot be budgeted to support current operating expenditures.
 - d. Total debt outstanding, including overlapping debt, will be considered when planning additional debt issuance.
 - e. The City’s share of road projects, including City costs of over-width or over-depth paving of major streets, should be financed with road use tax funds or other revenue sources when funds are available and appropriate.

- f. The City's share of utility projects, including City cost of over-sizing of water, sewer and storm sewer mains, should be financed with utility funds and other revenue sources when funds are appropriate and available.
 - g. The use of general obligation bonds for projects does not dismiss the potential of pro rata payment for debt service by specifically benefitted funds such as water, sewer and storm water.
 - h. Financing requirements will be reviewed annually. The timing for financing will be based upon the City's needs for funds, market conditions and debt management policies.
- Debt Service Property Tax Levy – The City's property tax levy funding debt service payments for general obligation bonds (Debt Service Levy) shall not exceed a rate of \$2.00/\$1,000 of taxable valuation, excluding voter approved referendum bond projects.

Financial Plan - Capital Improvements Program (CIP)

Annually the city undertakes a wide variety of infrastructure projects ranging from water/sewer pipe installation to paving of city streets. The same goes for the funding of those projects, with an assortment of funding sources from levying of property tax to federal appropriations. A constant challenge for city staff is trying to find resources beyond property taxes to help with maintaining and enhancing the city's infrastructure while lessening the burden on Clive taxpayers.

The financial plan for the proposed 2013-2017 leverages resources in excess of \$27 million. When discussing a financial plan for a CIP the issuing of debt to cover project obligations is always a critical factor. The financial plan uses the city's traditional method of using 10, 15 & 20 year infrastructure bonds for permanent financing. The following summary provides a breakdown for each major funding category the city uses to provide resources for projects. Following the summary please refer to Appendix #4 for a detailed view of financing for each CIP project. In addition, bond summaries and debt projections from Public Financial Management (PFM) are included for reference.

Property Tax

Property taxes, specifically those collected via the city's debt service levy, is the largest source of traditional revenue for the proposed CIP, representing about \$11.4 million or 41.1% of the overall financial plan. Property tax revenue is used to make the principal and interest payments for any general obligation (GO) debt issued by the city to pay for infrastructure projects. There are five types of GO debt issued by the city, with all types backed by the full faith and credit of the city's taxing authority:

- 1) Regular GO debt – debt service levy only
- 2) Water-abated GO debt – reimbursement received from city's water fund
- 3) Sewer-abated GO debt – reimbursement received from city's sewer fund
- 4) Storm-abated GO debt – reimbursement received from city's stormwater fund
- 5) Tax increment financing-abated GO debt – reimbursement received from capturing taxes paid to all taxing authorities on certain new commercial & industrial properties

- 6) Referendum approved GO debt – additional debt service levy authority for capital projects approved by a vote of a super-majority (60%) of Clive taxpayers, such as the bond referendum that was approved for the Clive Aquatic Center.

The proposed CIP contains more reliance on regular GO debt in the early years of the plan and less in the latter years. The largest element of GO debt may require the passage of a bond referendum to provide approximately \$7.1 million for the construction of a new City Government Center in the Town Center for City Hall and Police functions. Voter approval of a bond referendum would require a maximum debt service levy increase of \$0.42 and is likely to be less than that depending on the structure and timing of the debt issuances related to the referendum.

As for the balance of non-referendum GO debt the City's current debt service tax rate of \$1.48 is expected to be sufficient for projects currently identified to receive GO Debt funding. If the City's taxable valuation projections were to drastically change then the debt service levy would need to be reassessed.

Tax Increment Financing (TIF)

The use of tax increment financing (TIF) to abate some of the GO debt issued by the city is a way for the city to allow for growth, specifically commercial & industrial growth, to pay for itself. Of the \$11.4 million of GO debt discussed above, the City is not expecting any of it to be financed through TIF abatements. Over the past few years the City has relied substantially on TIF to provide resources for the various infrastructure projects in the 86th St/University Blvd corridors. Due to decreases in assessed valuations in the City's TIF districts it is not recommended for Clive to utilize additional TIF for the foreseeable future.

Municipal Utility Revenues

The city's municipal utilities (water, sewer, storm water) help support numerous infrastructure projects to ensure each utility can adequately provide service to Clive's utility customers. Resources from the utility funds make up around \$5.5 million, or 19.9%, of the proposed CIP financial plan. Funds from the utilities go to pay for abatements of the GO issued debt discussed above. Another option is for the utilities to issue debt directly and pay principal and interest payments based on the revenues of the utility. These debt instruments are called Revenue Bonds and unlike GO Bonds are not backed by the full faith and credit of the city's taxing authority. Instead, the Bonds are supported by the amount of revenue each utility generates. One additional debt instrument is a loan from the State Revolving Fund (SRF). Iowa's SRF provides low-interest loans to communities looking to provide enhanced sewer service to its residents. Currently, the City is only utilizing utility resources for GO abatements, there is no outstanding SRF or Revenue Bonds for the City. In addition, annual cash transfers are planned from the Water, Sewer, and Stormwater Funds to pay for the annual maintenance programs identified in the CIP.

The fees supporting the utilities are analyzed on an annual basis by the city's financial adviser, Public Financial Management (PFM). Due to increases from the City's water supplier, Des Moines Water Works, Clive has made substantial increases to its water rates over the past few years. To acknowledge this the CIP schedules the majority of the major water main projects in the latter years of the CIP. The delay in water projects will give the Water Fund sufficient time to adjust to the recent financial constraints and attempt to minimize the degree of future water rate increases.

Utility Franchise Fees

After GO debt and utility funds, the 5% electric and gas utility franchise fee generates the most revenue for the 2013-2017 CIP with \$5 million in revenue, 17.9% of the CIP's financial plan. As required by the franchise fee's Revenue Purpose Statement all of these revenues are supporting the City's Annual Street Rehabilitation Program. The City is currently estimating revenue of approximately \$1 million per year coming from the franchise fee. If the City begins to experience higher revenues from the franchise fee those funds will go toward accelerating street rehabilitation projects.

Grants & Intergovernmental

Every year city staff looks for opportunities outside of the normal funding mechanisms (property tax and utility rates) to assist with the construction of infrastructure projects. These opportunities can include awards of federal and state grants, regional resources or assistance from other taxing bodies. The proposed CIP financial plan identifies about \$1.2 million to be received from grant awards or intergovernmental assistance, representing 4.2% of all revenue sources. A few of the grants identified in the financial plan have already been awarded to the city, such as Surface Transportation Program awards from the Des Moines Area Metropolitan Planning Organization (DMAMPO) in 2014 for \$126,000 and in 2016 for \$565,800 for road rehabilitation projects on NW 142nd Street and University Avenue respectively. Other grants have either been applied for already, waiting on award announcements, or the city anticipates making future applications for the funding.

The project relying the most on grant and intergovernmental support is the acquisition of Greenbelt property in Phase III of the Northern Neighborhoods. This project has not received any grants to date, but the City anticipates going after annual grants of \$125,000 from the REAP program to assist in the acquisition of parkland for the final stretch of the Greenbelt Park and Trail in Clive.

Miscellaneous Revenues

The financial plan relies on a few miscellaneous revenue sources to support CIP projects totaling \$4.6 million and 16.9% of all revenue sources. In 2013 existing funds in the 86th Street redevelopment fund will help support the final phase of the streetscaping project, the initial phase of the signage program and initial remodeling efforts for city facilities. Additionally, cash available in project funds are utilized for small elements of some CIP projects, particularly at the design phase of the project. Finally, miscellaneous revenues of \$967,100 are shown in 2016 to account for the funding support from the City

of West Des Moines for the University Avenue Rehabilitation Project, a roadway shared with West Des Moines.

Financial Plan Overview

The financial plan presents a diversified approach to funding the proposed 2013-2017 capital improvements program with over 50% coming from non-property tax sources. The plan focuses on finding non-traditional revenue sources to lessen the burden on Clive taxpayers and aggressively seeks partnerships for enhancing the city's infrastructure. This CIP financial plan includes heavy reliance on regular GO debt in the early years through a proposed bond referendum, with substantial investments in infrastructure rehabilitation through the City's recently implemented utility franchise fee. Below is a quick summary of the funding sources for the proposed 2013-2017 CIP.

<u>Funding Source</u>	<u>Revenue (\$)</u>	<u>% of Overall</u>
Property Taxes	\$11,462,300	41.1%
Municipal Utility Revenues	\$5,547,100	19.9%
Utility Franchise Fees	\$5,000,000	17.9%
Grants & Intergovernmental	\$1,191,800	4.2%
Miscellaneous Revenues	<u>\$4,689,759</u>	<u>16.9%</u>
	\$27,890,959	100%

The financial plan section completes the submittal of the proposed 2013-2017 Capital Improvements Program for the City Council's consideration. If any adjustments in project expenditures are made by the Council similar adjustments will be made to the financial plan. The Council is scheduled to hold a public hearing on the CIP and approve the final draft of the 2013-2017 Capital Improvements Program during the December 6 Council meeting.