

Agenda

City of Plymouth Special City Council Meeting

**Tuesday, January 16, 2007
6:00 p.m.**

Medicine Lake Room

1. Call to Order
2. Discuss 2007-2011 Capital Improvements Program
3. Adjourn

Agenda Number:

CITY OF PLYMOUTH
CITY COUNCIL AGENDA REPORT

TO: Laurie Ahrens, City Manager
FROM: Mike Kohn, Financial Analyst through Jean McGann, Administrative Services Director
SUBJECT: Draft 2007-2011 CIP
DATE: January 9, 2007 for Council Study Session on January 16, 2007

1. **ACTION REQUESTED:** Consider draft 2007-2011 CIP and provide staff with direction on the 2007-2011 CIP.
2. **BACKGROUND:** As has been the past practice, the 2007-2011 CIP is being provided to the City Council for their input prior to going to the Planning Commission for public hearing. If there are no major changes, the CIP can come to the Council for formal adoption on February 13, 2007. The tentative calendar of events is as follows:

January 16 th	City Council Study Session
January 17 th	Legal Notice Due
January 25 th	Final CIP Draft Available For Public Inspection
February 7 th	Planning Commission – Public Hearing
February 13 th	Council Adoption of CIP

The 2007-2011 CIP has a somewhat different look and feel from previous versions. It is now being prepared with Plan-It capital improvement software that handles the project detail sheets and summary information. The CIP also differs in the fact that major facility replacement items, information technology items, and equipment/vehicle items have now been added. The inclusion of these items will better enable the City to plan in these areas which have a significant impact both operationally and financially.

3. **DISCUSSION:** Development of the 2007-2011 CIP has been more difficult than those prepared over the last few years. This is due predominantly to an increase in “needs” without a corresponding increase in revenues. For the most part, this is attributable to the fact that Plymouth, like many other cities, has lived through the years when infrastructure was new and funding for replacement was not necessary. As a result, Plymouth has enjoyed property tax and utility rates that are among the lowest in the state. Now, however; streets, watermain, water treatment plants, sewermain, and liftstations that were installed in the 1960’s, 1970’s, and 1980’s are in need of repair or replacement.

Another factor contributing to the increase in "needs" is growth. Streets and facilities that were adequate to serve Plymouth at half its current population are no longer adequate. Stop signs are being replaced by traffic signals, parks need to be purchased before land is no longer available, water quality needs to be preserved before development takes its toll. All of these items lead to an increase in "needs".

What this all means is that there are more projects than dollars. This leads to the need to make difficult decisions regarding prioritization, rate/fee and or tax increases, and alternate means of deferring rate/fee or tax increases (bonding). In preparing the draft 2007-2011 CIP, staff attempted to work through these difficult decisions to get a program that will work and is in the best interests of the City as a whole. At this point, staff needs Council's input regarding their assumptions to produce a CIP that can be forwarded for public hearing and final adoption.

The following is a summary of each category of the CIP and any major issues or highlights:

Building/Facility Projects

Expenditures for Building/Facility projects are as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
\$277,000	\$56,000	\$436,000	\$215,000	\$795,000	\$1,779,000

Major items of note include (totals in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Roof Replacement - Fire Station 3	\$105				
Recarpet - Council Chambers	\$35				
Recarpet/Repaint - City Hall			\$300		
Roof Replacement - Public Works					\$750

All funding for Building/Facility projects is from the Facilities Management Fund. Despite some of the large projects, the Facilities Management Fund will increase cash reserves over the next five-year period from approximately \$2,600,000 to \$2,900,000.

Issues:

- Facilities Management is in the process of beginning a comprehensive needs analysis. This will include a detailed inventory of all structures to identify and prioritize needs.
- Once the needs have been determined, an evaluation of funding sources will be undertaken. Currently, Facilities Management pays for replacement of major building components such as boilers, HVAC equipment, carpet, roofs, furnishings, etc. However, at some point a determination needs to be made as to how the City plans on financing building replacements and expansions. Should they be from new funds or accumulation of reserves?

Information Technology

Expenditures for Information Technology initiatives are as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
\$1,342,200	\$1,235,000	\$815,000	\$605,000	\$215,000	\$4,212,000

Major items of note include (totals in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Telephone System Replacement	\$300				
Web Streaming of Council Meetings *	\$18.2				
Complaint Tracking Software *	\$24				
Replace – Finance/Payroll/HR Software	\$1,000	\$1,000			
Records Management System		\$205			
Fiber Connection to Outside			\$200		
Replace Police MDC's			\$115	\$105	
Replace Land Management Software			\$500	\$500	
Replace Network Infrastructure					\$120

All funding for Information Technology initiatives comes from the Information Technology Fund.

* Included in CIP and adopted budget. Items will need separate Council action to proceed.

Issues:

- Information Technology is in the midst of a restructuring which may result in changes to the recently adopted budget and the proposed CIP. Staff may be bringing an amended budget proposal to Council at a later date.
- The current financial/payroll system has been identified as a significant risk going forward due to reliability and support issues. It also appears that new software integrating financials, payroll, human resources and budget would offer significant functional and operational advantages. Staff is in the beginning stages of selecting new software, with implementation beginning in the later part of 2007.
- Other software also needs to be evaluated. Packages such as land management, permits, utility billing, special assessments, and police records may also need to be replaced if increased functionality and productivity can be demonstrated. These items will be evaluated for future CIP's.
- Any changes in software will likely have hardware/infrastructure implications. This may result in increased costs for hardware/infrastructure replacement.
- Funding appears sufficient to cover items contained in the proposed CIP with some safety factor. The model shows cash balance staying above \$2,000,000.
-

Park Projects

Expenditures for Park projects are as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
\$6,235,000	\$5,635,000	\$5,015,000	\$660,000	\$420,000	\$17,965,000

The \$17,965,000 of funding is from the following sources:

Bonds	\$9,000,000
Capital Improvement Fund	\$475,000
Community Improvement Fund	\$2,250,000
Donations	\$200,000
Insurance	\$40,000
Park Dedication	\$3,475,000
Park Replacement Fund	\$1,705,000
State/County/Federal	\$820,000

Major items of note include (totals in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Land Acquisition	\$5,000	\$4,000	\$3,750	\$250	
Greenwood Park Building	\$230				
Seven Greens Neighborhood Park	\$300				
Trail Crossing - 494 or Vicksburg		\$1,000			
Taryn Hills Neighborhood Park		\$150			
Trail Crossing – Cheshire Lane			\$250		
East Side Skate Park			\$350		
Repair/Replace Zachary Tennis Courts			\$140		

Issues:

- All funding sources for the park projects appear adequate given current expenditures and revenue estimates for Park Dedication fees. If park dedication fees fail to reach projections some projects may have to be deferred. This is monitored on an annual basis.
- The single biggest park initiative is the acquisition of land for the NW Greenway and 10th Playfield. Expenditure of funds and timing of bonding depends on the willingness of sellers. The City must decide how aggressive it wants to be in pursuing acquisition of land.

Street Projects

Expenditures for Street Projects are as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
\$16,504,000	\$19,583,000	\$18,576,000	\$7,730,000	\$19,375,000	\$81,768,000

The \$81,768,000 of funding is from the following sources:

Capital Improvement Fund	\$227,500
Developer Construction	\$2,070,000
Donations	\$40,000
Federal Funding	\$17,932,500
Hennepin County	\$7,285,000

Municipal State Aid	\$11,599,000
Sewer Fund	\$427,000
Special Assessments	\$14,795,000
State Bridge Funds	\$156,000
Street Replacement	\$20,598,000
Water Fund	\$6,088,000
Water Resources	\$550,000

Major items of note include (totals in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Fernbrook Lane Reconstruction	\$5,884				
Intersection Improvements - CR47 & CR 61	\$930				
Temporary Traffic Signal – Vicksburg & CR47	\$200				
Street Reconstruction Program	\$8,145	\$6,935	\$5,180	\$6,220	\$6,330
Mill & Overlay – Vicskburg (32 nd to Old Rock)	\$560				
CR 101 Reconstruction		\$7,700	\$5,500		
CR 24 Reconstruction		\$3,000			
Street Reconstruction – 36 th Ave		\$460			
Construction Cheshire Lane – Glacier Vista/CR 47			\$1,000		
Street Reconstruction South Shore Drive (including bridge)			\$1,381		
Vicksburg Lane Reconstruction – Old Rock/Schmidt Lake			\$3,800		
Vicksburg Lane Reconstruction, widening, and bridge					\$10,000
Campus Drive Street Reconstruction					\$1,620

Issues:

- MSA Fund expenditures exceed revenues for the five-year period resulting in a negative fund balance and interest charges for internal borrowing.
- Street Reconstruction expenditures greatly exceed property tax revenues for future years. This will necessitate bonding, or deferring projects, and increased property taxes. (Background materials are attached.)
- The temporary traffic signal at Vicksburg and CR47 has been held up by the County. (Background materials are attached.)
- Street reconstruction projects will require watermain replacement in 2007, 2008, and every other year thereafter. This will cost \$6,088,000 and will impact the Water Fund and water rates.
- The assessment rate for special assessments is currently pegged to the prime rate. This results in rates of 8.25% for 5-years, 8.75% for 10-years and 9.25% for 15-years. These rates have been deemed by some to be excessive.
- The Water Resources Fund is asked to pay for installation of rain gardens on street reconstruction projects for a total of \$550,000.

Transit Projects

Expenditures for Transit items are as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
\$177,000	\$436,000	\$3,700,000	\$17,200,000	\$5,200,000	\$26,713,000

The \$26,713,000 of funding is from the following sources:

Federal Transit Funding	\$5,000,000
National Transit Data Base	\$800,000
Regional Transit Capital Bonds	\$20,913,000

Major items of note include (totals in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Purchase Of Buses	\$177	\$236	\$3,500		
Construction - 169 Transit Facility				\$2,000	\$5,000
Construction - NW Transit Bus Garage				\$15,000	

All Transit projects are funded by outside sources. No capital items contained in the 2007-2011 CIP are anticipated to be paid from Transit Fund reserves.

Issues:

- The City must decide whether it wishes to pursue the transit facility and bus garage projects.

Vehicles/Equipment

Expenditures for vehicles/equipment are as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
\$1,541,600	\$1,095,400	\$1,054,100	\$1,508,800	\$1,849,300	\$7,049,200

All vehicle/equipment items are funded by the Central Equipment Fund.

Major items of note include (totals in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Refurbishment of Ladder 31	\$475				
Replacement of Pumper/Engine				\$284	\$296
Replacement of Aerial Telesquint					\$342

Issues:

- While the Central Equipment Fund remains solvent for the next five-year period, it does show a significant decline from \$4,000,000 to about \$2,600,000. This fund needs to be modeled on a longer term basis to determine rate sufficiency.

Water Quality & Drainage

Expenditures for Water Quality & Drainage are as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
\$1,495,000	\$1,615,000	\$1,021,300	\$465,000	\$768,100	\$5,365,000

The \$5,365,000 of funding is from the following sources:

Bassett Creek Watershed	\$1,050,000
Minnehaha Creek Watershed	\$125,000
State/County/Federal	\$198,000
Water Resources Fund	\$3,992,000

Major items of note include (totals in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Erosion Repair - Wood Creek	\$390				
Erosion Repair - Conor Meadows	\$200				\$250
Erosion Repair - CR 61 & CR 9	\$350				
Highway 55 Drainage Improvements	\$175				
Mooney Lake Permanent Outlet	\$250				
Plymouth Creek Water Quality Pond		\$925	\$36.3	\$25.6	\$13.1
Wild Wings Development Wetland	\$75	\$175			
Timber Creek Structure & Pipe		\$100			
Plymouth Creek Stream Bank Repairs		\$50	\$250		
Ranchview/Medina Road Wetland			\$125		
Bass Lake Outlet		\$35	\$200		
Unspecified Drainage Improvements		\$200	\$250	\$250	\$250
Storm System Sewer Repairs		\$75	\$100	\$100	\$100

Issues:

- Revenues assume the rate increases outlined by the Surface Water Task Force of 7.71% in 2007, 7.62% in 2008, and 7.3% in 2009. Thereafter, rates were modeled at 5% per year.
- If projects are done as projected in the CIP, the cash balance of the Water Resources Fund will decline to about \$320,000 in 2009. This is below the benchmark level recommended by staff. (Background materials are attached.)
- The Plymouth Creek pond project would require an internal borrowing of \$1,000,000. This is necessary because Bassett Creek will reimburse for the project over a four-year period.
- Some proposed projects have been deferred or scaled back to fit the projected stream of revenues. (Background materials are attached for Wood Creek, Conor Meadows, and CR61/CR9)
- The CIP and the Water Resources Fund model do not include provisions for items required to meet future mandates including TMDL's.
- The proposed CIP reflects \$250,000 in additional project costs when compared to the 2007 adopted budget. This is due to including the Wild Wings development at a cost of \$75,000, the Mooney Lake Outlet cost increasing from \$125,000 to \$250,000, and funding for water quality components of the street reconstruction area increasing by \$50,000. If Council chooses to do these projects, without any corresponding decreases to other items, expenditures will exceed the adopted 2007 budget.
- \$550,000 of Water Resources Fund monies are allocated to raingardens for street projects.

Water and Sewer

Expenditures for Water and Sewer are as follows:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>TOTAL</u>
\$2,900,000	\$1,793,000	\$2,389,000	\$638,900	\$1,422,790	\$9,143,690

The \$9,143,690 of funding is from the following sources:

Sewer Fund	\$4,253,690
Utility Trunk Fund	\$3,620,000
Water Fund	\$1,270,000

Major items of note include (totals in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Lining Sanitary Sewer Main	\$330	\$363	\$399	\$439	483
Watermain – Vicksburg (CR47/Schmidt Lake)	\$750				
Well Number 16	\$1,550				
Well Refurbishing	\$220	\$200	\$200	\$200	\$200
Sewer & Liftstation - Vicksburg and 54 th		\$410			
Refurbish & Upgrade 28 th Ave Liftstation		\$600			
Refurbish & Upgrade Pike Lake Liftstation			\$1,000		
Refurbish & Upgrade Imperial Hills Liftstation					\$740

Issues:

- \$6,088,000 of watermain replacement is incorporated in street reconstruction projects. This is the first time that the City proposes large scale replacement of watermain as part of street reconstruction projects. Water rates are not currently sufficient to cover this increase in activity. It will take about a 25% water rate increase in 2007, to bring rates to a level adequate to finance proposed watermain replacement projects with future 5% annual rate increases. (Background materials are attached.)
- In order to lessen the impact of a 25% water rate increase, sewer rates could be frozen for a year. This would raise the annual future rate increase level from 4.5% to 6% for several years. (Background materials are attached.)
- In total, the effect of a 25% water rate increase, 0% sewer rate increase, 7.71% water resources rate increase, and 0% recycling rate increase would be 8.3% or about \$2.90 per month. (Background materials are attached.)
- The Greentree Liftstation just failed. Staff is getting quotes on what it will cost to get it fixed. It may be more cost-effective to replace the liftstation rather than make repairs. This would require a change in the CIP, and deferral of other items to live within the adopted 2007 budget.
- Utility rates need to be adopted for 2007 as soon as the City Council is comfortable with the proposals.
- The Comprehensive Plan process will likely have a great impact on future CIP's for water and sewer projects.

In summary, the 2007-2011 CIP includes projects totaling \$153,995,000. This compares to \$104,427,500 for the current CIP. Major areas of expansion are Parks, Transit and Streets. Also contributing to the increase is the inclusion of Facilities, Information Technology and Vehicles/Equipment. The above totals do not include the additional listing of other potential projects that are either outside the five-year time frame or have no solid funding source.