



## Review and discuss the Capital Improvement Fund Budget

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Attached to this report is a **Capital Improvement Fund Budget** worksheet for 2014-2017 with actual amounts for 2012 and the budget for 2013 included. Please note in the final budget, the 2012 year will be removed and replaced with 2013 estimated actual amounts and the year 2018 will be added. Staff has been working on updating this budget worksheet for the past few weeks.

**The primary funding source for the projects included in this budget is property taxes.** Other revenue sources include various grants, funding from the bridge and culvert fund held by Brown County on behalf of the village, impact fees and other items. Transfers from the golf course are made into this fund; however, for 2014 and 2015 staff is proposing to make no golf transfers.

The single largest project within this fund is **street resurfacing**. One of the budget objectives (and a Strategic Plan objective) is to continue to increase funding for street resurfacing. The typical road life for asphalt roadways is between 20 and 25 years. The village began a building boom in the late 1980s for new subdivisions which did not slow until 2006. All of the roads constructed in the late 1980s will be due for replacing the asphalt layer in the coming years. Staff is recommending funding increases for resurfacing projects to allow for higher levels of cost in order to keep pace with the need to replace roadway asphalt as the roads deteriorate. The attached budget worksheet shows increased funding but not at the levels desired by public works. (Later in this report, I will discuss a few alternatives to increase funding per a recent request from Trustee Steffen.)

Some of the other larger projects included on this budget worksheet are as follows:

<b>Velp Avenue</b> – bury power lines (2014)	\$350,000
<b>County FF</b> – reconstruction with state (2014)	302,000
<b>Bridges</b> – Evergreen bridge/culvert over Lancaster Brook (2014)	425,000
<b>Velp Avenue</b> – decorative lights (2016)	150,000
<b>Engineering Department</b> , net cost (each year)	varies

Some of the smaller projects include funding for **crack sealing roads, street sign replacements, Christmas light replacement and other village signs for way finding and welcome signs**. There will also be village cost associated with roundabouts at the intersection of Taylor/Shawano and New Shawano/Packerland/Cardinal.

**Velp Avenue:** Burying the power lines has been included within the budget document since the village committed to the redesign of Velp Avenue (on the east side of US Hwy 41) several years ago. The decorative lights scheduled for 2016 will complete this project. The power lines being buried will be between Memorial Drive and Riverview Drive, the lines crossing US Hwy 41 and are being completed with the highway reconstruction.

**County FF or Sherwood Street** is currently being reconstructed by the state as part of the interchange construction at this road and Hwy 29. The state is reconstructing the entire section of County FF located in Howard as part of their project. The village's share of the cost relates to urbanizing the roadway. The state's reconstruction costs are associated with reconstructing the road to its existing configuration; the village is responsible for any upgrades made to the road.

**Bridges:** Evergreen Avenue over Lancaster Brook is a project that has been in the budget for several years but continues to be pushed back. The project is now scheduled for 2014 and will be funded by reimbursements from the village's county bridge fund. The current balance within the fund is \$527,000. The village ceased adding tax levy to this fund several years ago but could once again begin to allocate tax levy (outside of the levy limit) and the county would match the funding. Only existing bridges in the village are eligible for reimbursements from this county held fund. Geoff Farr could give the board an update of all the existing bridges in the village and their need for replacement. Bridges are very expensive to replace and adding tax dollars to this fund might be prudent for 2014. Such increased funding would, in all likelihood, increase the tax rate.

**Engineering Department** (Net cost, accounts for all of the non-allocated cost of the engineering department, net of any fees charged for services to developers): During the 1990s and first decade of the 2000s, the engineering department had no net cost to the village based on fees collected for services provided. As of the time of writing this report, we do not yet have cost estimates for the village subdivision for 2014 on Spring Green Road to estimate the fees the department will generate in 2014. The costs reported in 2015 and beyond are also unknown at this time since staff is not currently aware of any subdivisions scheduled for development in those years. The possibility exists that there will be no net cost of this department in later years.

#### **Plan for Increased Funding of Road Resurfacing:**

Trustee Steffen made a request during the July 8 board meeting for staff to structure a pathway to enable increased funding levels for road resurfacing projects. This section of the report will detail a few different methods that could be used to enable increased funding levels for resurfacing. Please keep in mind that state levy limits do not allow the village to increase the tax levy more than the growth in the tax base with exceptions for paying new debt payments and a referendum passed by Howard voters allowing a levy increase above the limit.

#### Method 1 (Staff Preferred Method) – Growth in Tax Base

One method to provide additional funding for road resurfacing would be to have a substantial increase in the tax base each and every year. The tax base in non-TIF areas of the village would need to grow by at least \$50 million annually to begin to add funding to the resurfacing budget. A portion of this growth would be needed in the General Fund, but I anticipate the resurfacing budget could grow by at least \$50,000 per year with this type of growth. The one large assumption within this method is that the state does not continue to cut various forms of aid payments currently given to the village each year (shared revenue, transportation aids, recycling grants, etc.). Another assumption is that all other revenue sources within the General Fund remain at current levels (or are able to be increased annually).

In order to provide for this tax base growth, a combination of new subdivisions constructed creating 150-250 single family lots, new multi-family units and 20-50 new businesses would need to be created each year (not in TIFs). In today's current lending environment, very few developers are able to borrow the money needed to provide the needed number of single-family lots and there is a limited market for new businesses. The village also has limited resources to allow funding of all of the subdivision lots needed to provide \$50 million in new taxes annually.

Method 2 – Borrow for Resurfacing Projects Annually:

Under this method, the village would first need to change the current debt policy to allow for new borrowing. The board would also have to know that the new debt being issued would require a tax rate increase.

There are two ways staff has discussed that resurfacing projects could be financed with debt but paid off in a very short period of time. The first method would be the traditional bond issuance method. Staff would determine all roads needing to be resurfaced, determine the cost associated with these roads, and then borrow enough money to allow for the resurfacing to be completed within three years (required deadline for spending borrowed funds or have possible arbitrage issues with the IRS). The bond schedule could be setup to be repaid over the same three-year period as the project, effectively cash financing the projects and eliminating the debt in the final year of resurfacing. Staff would propose tax rate increases for the associated debt.

The second borrowing method would be to borrow funds in December for the additional resurfacing needed in the following year. Under this method, staff would recommend adding \$100,000 per year to road resurfacing, borrow the \$100,000 from a local bank, then increase the tax levy by the \$100,000 plus three month's interest or an estimated \$1,000-\$1,500. The tax levy would be increased by \$101,000 for 2014, the tax rate would increase by an estimated \$0.07 and road resurfacing would be increased by another \$100,000 (the budget already is showing an increase of \$25,000 for resurfacing). Each year going forward, the same process would be followed but we would borrow an additional \$100,000 per year; meaning, in 2015, the village would borrow \$200,000 to allow for an additional \$200,000 of resurfacing in 2015.

Method 3 – Referendum:

The village would place onto a future ballot a referendum item that would ask for the ability to increase the tax levy by an amount needed for funding resurfacing projects. The amount would need to be determined at a future board meeting. There are no elections scheduled for the remainder of 2013, so this method would not be put into place until one of the fall elections in 2014 for the 2015 budget.

There is no board action required for this report or the attached capital projects. Staff is providing this information in order to facilitate board discussion about the 2014 budget.

**Village of Howard**  
**Schedule of Capital Improvement Projects by Year - Roads**  
With an Analysis of Fund Balance

	2012	2013	2014	2015	2016	2017
	Actual	Budget	Budget	Budget	Budget	Budget
Fund Balance, Jan. 1 (estimate)	\$ 589,107	\$ 508,951	\$ 536,489	\$ 90,769	\$ 121,789	\$ 1,809
<b>Revenue:</b>						
Tax Levy	643,422	695,597	720,000	720,000	720,000	720,000
Grant-County Bridge Aid *	-	-	425,000	-	-	-
Special Assessments	71,545	60,000	60,000	60,000	55,000	55,000
Other Grants	43,409	-	225,000	-	-	-
Impact Fees	97,428	68,392	26,680	40,020	40,020	40,020
LRIP Grant	-	28,349	-	-	-	-
Repayment of Small Business Loans	6,292	6,000	8,000	8,000	4,000	-
Charges for service-developers	97,341	-	-	-	-	-
Fund Transfers In - Golf Course	60,000	30,000	-	-	30,000	60,000
Fund Transfers In - General Fund	-	63,800	50,000	-	-	-
<b>Expenditures:</b>						
Street Resurfacing	(521,020)	(525,000)	(550,000)	(575,000)	(600,000)	(625,000)
Crack sealing	(47,579)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Street sign replacement	-	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Christmas lights	-	(10,000)	(10,000)	(10,000)	-	(10,000)
Village signs - wayfinding & welcome	-	-	(10,000)	(10,000)	-	(10,000)
Sidewalks	(28,419)	(48,000)	(240,000)	-	-	-
<b>Capital Improvements:</b>						
Engineering	(292,286)	(139,600)	(28,400)	(142,000)	(144,000)	(146,000)
Bridges *	-	-	(425,000)	-	-	-
Deerfield-Memorial Boat Ramp	-	(116,000)	-	-	-	-
Village Hall sign	-	(26,000)	-	-	-	-
Ariel photography	-	-	-	-	(15,000)	-
Velp Ave. - bury power lines	-	-	(350,000)	-	-	-
Velp Ave. - decorative lights	-	-	-	-	(150,000)	-
CTH FF project	-	-	(267,000)	-	-	-
Small Business Loans	-	-	(20,000)	-	-	-
Riverdale	(202,075)	-	-	-	-	-
Miscellaneous	(8,214)	-	-	-	-	-
	-	-	-	-	-	-
Fund Balance, Dec. 31	\$ 508,951	\$ 536,489	\$ 90,769	\$ 121,789	\$ 1,809	\$ 25,829

Note: This schedule is used to assist the review of projects constructed in 2014 and review the timing of future projects over the next five years. This schedule is not a comprehensive plan but a tool to analyze approximate start dates for future projects based on available fund balance.

\* The Bridge & Culvert Aid Levy is held by Brown County until funds are needed for bridge expenditures.

Note: Impact fees are charged \$667 for single-family and \$474 for multi-family units.