

SULTAN CITY COUNCIL

AGENDA ITEM COVER SHEET

ITEM NO: D-1
DATE: February 22, 2007
SUBJECT: 2007 Capital Budget
2008-2013 Capital Improvement Plan Calendar

CONTACT PERSON: Deborah Knight, City Administrator



SUMMARY:

This staff report presents the 2007 Capital Budget and lays the foundation for future discussion and adoption of the 2008-2013 (six-year) Capital Improvement Plan.

Staff is requesting:

1. Council approval to proceed with the proposed 2007 Capital project expenditures as outlined in Attachment A.
2. Authorization to return with budget amendments and contracts necessary to implement the 2007 Capital Budget.
3. Direction to proceed with the 2008-2013 Capital Improvement Plan process.

Policy Questions

1. The first policy question for the City Council is whether the 2007 capital projects, proposed expenditures, and identified revenue sources address the City's short- and long-range capital investment priorities.

In other words, are the projects listed in the 2007 Capital Budget the projects to focus on in 2007, are the expenditures adequate for the level of work, and are the funding sources appropriate? Attachment A includes the complete list of proposed 2007 projects and expenditures.

2. A second policy question is what process does the City Council want to follow to adopt its 2008-2013 Capital Improvement Plan? Attachment B includes a draft CIP calendar for Council review and approval.

The CIP calendar is a valuable tool that identifies "who does what and when" throughout the entire process. It serves to guide participants through the CIP

process and lets everyone know when deadlines occur and critical decisions are made.

Preparing and adopting a six-year capital improvement plan is a year long endeavour involving the Mayor, Council, staff and community. An effective capital improvement plan calendar includes several key steps:

1. Formulating evaluation criteria to guide project selection
2. Compiling an inventory of existing capital assets and future needs
3. Assessing the financial capacity of the City to undertake new projects
4. Evaluating funding options
5. Compiling, evaluate and rank project requests.
6. Adopting a capital program and capital budget
7. Implementing and monitoring the capital budget and projects
8. Evaluating the CIP process

In order to build the necessary support for the CIP process, the City should get an early start and develop realistic deadlines based on available staff resources.

The remainder of this agenda cover sheet provides additional details about the 2007 capital budget and corresponding 2008-2013 capital improvement plan.

2007 Capital Budget

The attached 2007 Capital Budget outlines the proposed project expenditures and funding sources for the capital projects the City will be working on in the coming year. Capital project expenditures for 2007 must be included in the City's adopted 2007 Budget.

There have been some changes to the proposed capital project expenditures since the Council adopted the 2007 Budget in December 2006. This is not an unusual situation. Capital projects move forward and change as the budget is put together in late fall and early winter. Projects are further refined as the year begins and the projects progress.

For example, the City sold the Date Avenue property with instructions to use the revenues to purchase park property. The proceeds from the property sale need to be entered into the budget and transferred to the Park Improvement Fund before staff can begin working on acquiring property.

Recommendation

City staff recommend amending the 2007 Budget to accommodate the proposed capital budget expenditures and ask Council approval to proceed with the proposed 2007 Capital project expenditures.

2007 Capital Budget Revenues and Expenses

City staff have reviewed the proposed capital project expenditures against available revenues. Page 2 of Attachment A provides a detail of:

- Capital fund beginning balances for 2007
- Expected revenues for each fund
- Proposed project expenditures

The 2007 Capital Budget identifies 16 projects in six categories: motorized transportation, non-motorized transportation, parks, water, sewer, and facilities. The total expenditure for 2007 is estimated at \$3.3 million. The two largest projects account for 52% of the budget: the wastewater treatment plan design (\$1,000,000) and Sultan Basin Road – Phase III (\$720,000).

The proposed expenditures are from 11 sources of revenue. The budget includes the Surface Water Utility as a place holder. The City starts the year with \$3.4 million in capital funds. The City anticipates collecting \$1.3 million. If projects and expenses proceed as planned, the City should have approximately \$1.3 million at the beginning of 2008 to complete on-going projects and add new projects to the list.

Table 1 - 2007 Capital Budget Revenue Sources

2007 Funding Source	2007 Beginning Balance	Anticipated 2007 Revenues	2007 Total
Real Estate Excise Tax 1	\$199,000	\$125,000	\$324,000
Real Estate Excise Tax 2	\$199,000	\$125,000	\$324,000
Transportation Impact Fees	\$631,000	\$129,000	\$760,000
Park Impact Fees	\$78,000	\$239,000	\$317,000
Cumulative Utility Reserve	\$1,124,500	\$333,000	\$1,457,000
Surface Water Utility	\$0	\$0	\$0
Grants	\$1,205,000	\$185,000	\$1,390,000
Debt (PWTF)	\$1,000,000	\$0	\$1,000,000
Private Contributions	\$10,000	\$0	\$10,000
Developer Contributions (Twin Rivers RR crossing)	\$20,000	\$0	\$20,000
Special Parks Fund (Treasurer's Trust)	\$65,000	\$125,000	\$190,000
Total revenues	\$3,436,000	\$1,359,000	\$4,795,000
Total 2007 proposed expenses			<\$3,359,000>
2007 Ending Balance			\$1,436,000
Less (\$125,000) for Debt Service			\$1,310,000

Anticipated revenues for the 2007 Capital Budget are based on beginning fund balances, previous budget histories (REET), anticipated building permits, and anticipated developer contributions through the land use process.

The staff used an estimate of 70 building permits to develop revenue estimates for:

- Transportation Impact Fees
- Park Impact Fees
- Sewer General Facility Charge
- Cumulative Utility Reserve

2008-2013 Capital Improvement Plan

The Capital Improvement Program (CIP) should not be confused with the capital budget. The capital budget represents the first year of the capital improvement plan. The capital budget is a city's annual appropriation for capital spending and is the legally adopted city budget.

The capital budget authorizes specific projects and appropriates specific funding for those projects. The capital budget is usually adopted in conjunction with the the city's operating budget and provides the legal authority to proceed with specific projects.

Projects and financing sources listed in the CIP for years other than Year 1 (years 2-6) are not authorized until the annual budget for those years is legally adopted. Years 2-6 serve only as a guide for future planning and are subject to further review and modification in subsequent years.

With approval of the proposed 2007 Capital Budget, the City will be ready to begin the process of evaluating and prioritizing projects for the 2008-2013 Capital Improvement Plan. The CIP is the tool for evaluating, planning and implementing the recommendations of individual studies such as:

- Industrial Park Master Plan
- General Sewer Plan
- Water System Plan
- Water Quality Report

The CIP is necessary to meet concurrency requirements (public improvements made concurrent with growth) under the Growth Management Act.

In addition, the City needs to begin the process of preparing the 2008-2013 Six-Year CIP in order to have capital project expenses and funding sources identified for the 2008 budget.

Preparing and adopting a six-year capital improvement plan is a year long endeavour. Attachment B includes a Capital Project Calendar with established deadlines.

Recommendation

Approve the 2008-2013 Six-Year Capital Improvement Plan calendar and direct staff to proceed with the 2008-2013 Capital Improvement Plan process.

Procedures for Citizen Input

Capital improvement decisions can impact community development and tax rates if projects are identified as funded through local improvement districts, connection fees or other assessments.

The City should create opportunities for citizen involvement in the CIP process to provide community members with a voice in determining what physical improvements should be funded. Citizen input can help assure that all project ideas and suggestions are considered. Involving the community can help gain support for the capital plan and budget, and for funding options such as issuance of bonds where community approval is required.

The CIP calendar provides a number of alternatives for citizen input including comment sheets on existing projects and recommended projects, two open houses (March 2007 and September 2007), regular Council and Board meetings, and public hearings in front of the Planning Board and City Council.

FISCAL IMPACT:

The fiscal impact for 2007 is approximately \$3.4 million. The sixteen proposed projects will be funded from the City's capital funds including Real Estate Excise Tax (REET), Transportation Impact fees, Park Impact fees, and the Sewer General Facilities Charge which are specifically for capital project expenses.

There may be some general fund expense (less than \$100) for advertising and hosting an open house or placing paid ads in the city's paper of record to advertise public hearings.

The fiscal impact for 2008-2012 is unknown at this time and will be discussed throughout the 2008-2013 CIP process.

ALTERNATIVES:

The Council has two policy questions to consider.

1. Approval to proceed with the 2007 Capital Budget in Attachment A. Council will need to direct staff to areas of concern if the City Council has questions about the project list, estimated expenditures or capital funds.

A decision to delay approval of the 2007 Capital Budget expenditures could result in project delays if funding is not available in the adopted budget.

2. Approval to proceed with the 2008-2013 Capital Improvement Plan.

Council will need to direct staff to areas of concern if the Council has questions or suggestions for improving the process.

A decision to delay moving forward with the 2008-2013 Capital Improvement Plan could delay adoption of the 2008 Capital Budget. Also, the 2008-2013 Capital Improvement Plan is typically a part of a City's annual Comprehensive Plan Amendment Process. Delaying the start of the six-year CIP process could put the City behind in adopting the CIP by the end of 2007 as required under the Growth Management Act.

RECOMMENDATION:

1. Approve proceeding with the proposed 2007 Capital project expenditures as outlined in Attachment A.
2. Authorize City staff to return with budget amendments and contracts necessary to implement the 2007 Capital Budget.
3. Direct staff to proceed with the 2008-2013 Capital Improvement Plan process.

COUNCIL ACTION:

DATE:

Attachment A

Capital Budget 2007

Year Complete	2007 CIP Expenditures				2007 CIP Expenditures				
	Sultan	Grants	Total Project Cost	Engineering	Design	Construction	Property/Buy	CIP Expense	
Motorized									
CDBG Date Avenue - Phase II	\$0	\$185,000	\$185,000	\$0	\$0	\$185,000	\$0	\$185,000	
Sultan Basin Road - Overlay	\$200,000	\$0	\$200,000	\$0	\$25,000	\$175,000	\$0	\$200,000	
CDBG 2nd Street Railroad Crossing Improvements	\$0	\$25,000	\$25,000	\$5,000	\$20,000	\$0	\$0	\$25,000	
Sultan Basin Rd - Phase III	\$0	\$20,000	\$40,000	\$5,000	\$0	\$35,000	\$0	\$40,000	
CDBG 6th Street	\$0	\$720,000	\$720,000	\$20,000	\$250,000	\$0	\$450,000	\$720,000	
Non-Motorized									
Sultan Basin Rd Sidewalk and waterline	\$250,000	\$0	\$250,000	\$5,000	\$20,000	\$225,000	\$0	\$250,000	
CDBG light guard	\$60,000	\$60,000	\$60,000	\$0	\$0	\$60,000	\$0	\$60,000	
Parks									
Reese/Sportsmans Parks	\$18,320	\$111,256	\$129,576	\$0	\$4,000	\$125,576	\$0	\$129,576	
Skate Park - Phase I	\$75,000	\$0	\$75,000	\$0	\$10,000	\$65,000	\$0	\$75,000	
Community Park - Westside	\$115,000	\$0	\$115,000	\$0	\$0	\$0	\$115,000	\$115,000	
Water									
Highlevel reservoir and transmission line - Design Only	\$200,000	\$0	\$200,000	\$200,000	\$0	\$0	\$0	\$200,000	
Sultan River Crossing, 12" - Design only	\$25,000	\$0	\$25,000	\$0	\$25,000	\$0	\$0	\$25,000	
Sewer									
Waste water treatment plant short term	\$250,000	\$0	\$250,000	\$0	\$50,000	\$200,000	\$0	\$250,000	
Sultan River Crossing, 12" force main - design only	\$25,000	\$0	\$25,000	\$25,000	\$0	\$0	\$0	\$25,000	
Waste water treatment plant MBR	\$1,000,000	\$0	\$1,000,000	\$250,000	\$750,000	\$0	\$0	\$1,000,000	
Inflow and Infiltration Rehabilitation	\$60,000	\$0	\$60,000	\$60,000	\$0	\$0	\$0	\$60,000	
Facilities									
TOTAL	\$2,238,320	\$1,121,266	\$3,359,576	\$570,000	\$1,164,000	\$1,070,576	\$565,000	\$3,359,576	

Capital Budget
2007

2007 CIP Revenues/Expenditures														
	Beginning Balance	REET 1	REET 2	Trans. Impact Fee	Park Impact Fee	Sewer GFC	Water Utility Reserve	Surface Water	Grant	Debt	Private Contributions	Developer Contribution (fee in-lieu)	Special Park Fund (Treasurers Trust)	Rev Totals
Beginning Balance 2007	\$198,665	\$198,665	\$631,000	\$78,000	\$0	\$1,124,500	\$0	\$1,205,256	\$1,000,000	\$10,000	\$0	\$65,000	\$3,436,086	
Revenues 2007	\$125,000	\$125,000	\$128,590	\$239,050	\$223,510	\$332,780	\$0	\$185,000	\$0	\$20,000	\$20,000	\$125,000	\$1,358,930	
Transfer - Debt Service		-\$125,000			\$0	\$0							-\$125,000	
Total Revenues	\$0	\$198,665	\$323,665	\$317,050	\$223,510	\$1,457,280	\$0	\$1,390,256	\$1,000,000	\$30,000	\$20,000	\$190,000	\$4,670,016	
CDBG Date Avenue - Phase II								\$185,000					\$185,000	
Sultan Basin Road - Overlay			\$200,000										\$200,000	
CDBG 2nd Street Railroad Crossing Improvements								\$25,000					\$25,000	
Sultan Basin Rd. - Phase III								\$20,000		\$20,000			\$40,000	
CDBG 6th Street		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$720,000	
Non-Motorized Sultan Basin Rd Sidewalk and waterline								\$60,000					\$250,000	
CDBG light guard													\$60,000	
Parks													\$0	
Reese/Sportsmans Parks												\$18,000	\$129,256	
Skate Park - Phase I					\$75,000			\$111,256				\$0	\$75,000	
Community Park - Westside												\$115,000	\$115,000	
Water													\$0	
Highlevel reservoir and transmission line - Design Only						\$200,000							\$200,000	
Sultan River Crossing, 12" - Design only						\$25,000							\$25,000	
Sewer													\$0	
Waste water treatment plant - short term						\$250,000							\$250,000	
Sultan River Crossing, 12" force main - design only						\$25,000							\$25,000	
Waste water treatment plant - IMBR													\$1,000,000	
Inflow and Infiltration Rehabilitation						\$60,000			\$1,000,000				\$60,000	
Facilities													\$0	
Total Expenditures	\$0	\$0	\$200,000	\$250,000	\$75,000	\$560,000	\$0	\$1,121,256	\$1,000,000	\$133,000	\$0	\$133,000	\$3,359,256	
Ending Fund Balance	\$0	\$198,665	\$123,665	\$509,590	\$242,050	\$697,280	\$0	\$269,000	\$0	\$10,000	\$20,000	\$57,000	\$1,310,760	

2008-2013 Capital Improvement Plan
Adoption Strategy and Timeline

1. CIP Staff Committee reviews evaluation criteria options – February
2. Evaluation criteria reviewed by public works committee – March
3. Open House showcasing CIP projects, distribute comment sheets – March 13, 2007
4. Press release with community “call-for-projects” – Friday, March 30, 2007
5. CIP Staff Committee prepares inventory of proposed projects – February/March
 - Capital Facilities Element
 - Transportation Element
 - Parks and Recreation Element
 - Water/Sewer Plan
 - Water Quality Plan
6. Council reviews and approves evaluation criteria – March/April
7. Staff presents proposed project list for evaluation to council committees – April/May
 - Get feedback on proposed project list for evaluation
8. Staff presents proposed project list to City Council - May/June
9. CIP team begins evaluation process – Team meetings
 - Motorized Transportation Evaluation
 - Non-Motorized and Parks
 - Water and Sewer
 - Surface Water and Facilities
10. Report back to council committees– June
 - Get feedback on preliminary CIP
11. Staff report to Council - July
 - Release Preliminary CIP for public comment - July/August
12. Open House – September
13. Presentations to Planning Board
 - Introduction of Preliminary CIP – July
 - Return to prepare for recommendation to City Council – August
 - Recommendation to City Council – September
14. Report back to council committees – September
 - Update on public process and feedback from Community
15. Council Presentations
 - Recommendation from Planning Commission – September
 - Discussion – October, November
 - Adoption - December