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February 20, 2015

CALL OF MEETING TO THE MEMBERS OF THE COUNCIL OF THE CITY OF NEW RICHMOND

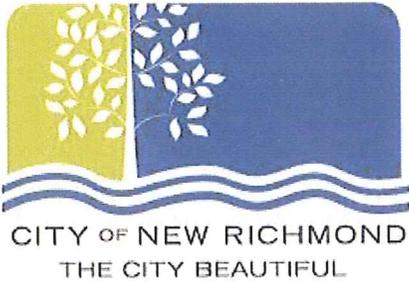
Notice is hereby given that there will be a Special Session of the Council of the City of New Richmond on Monday, February 23, 2015 at 5:00 p.m. in Lower Conference Room #1 of the Civic Center, 156 East First Street, New Richmond, WI 54017.

AGENDA:

- 1. Call to Order**
- 2. Clerk's Roll Call**
- 3. Pledge of Allegiance**
- 4. Adoption of Agenda**
- 5. Capital Improvement Planning**
- 6. Communications and Miscellaneous**
- 7. Adjournment**

Fred Horne, Mayor

**cc: The New Richmond News
Northwest Communications
City Website**



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TO: Mayor and City Council
 FROM: Mike Darrow, City Administrator
 DATE: February 19, 2015
 RE: Capital Improvement Plan

During the last Council work session on January 26th, the City Council directed staff to provide further review and analysis on short and long-term needs related to potential capital projects in FY15 and FY16. During this meeting several areas were highlighted:

- Discussion of alternative plans/scope for CIP projects
- Outline of project timelines
- Separate out, and provide detail on, “other” funding sources
- Outline potential grants or other funding sources
- Update project lists as necessary
- Provide information on debt service if these projects are approved, as well as potential financial implications

During the meeting on February 23, 2015, we will provide an updated presentation related to these areas as well as outline three options for consideration:

Option 1. Project Build Borrow \$4,455,580 to complete the projects on the CIP Matrix in FY15 and FY16. **Projects in red indicate that they are shared with another municipality or agency.**

- | | |
|------------------------------------|--|
| • Boiler System | \$66,409 *This project received grant monies |
| • Ladder Truck (Reimburse Utility) | \$266,721 (City's portion only) |
| • Boat landing | \$27,200 |
| • Peninsula Trail | \$15,000 |
| • North Fourth (SWU pd w/Fund Bal) | \$1,199,326 |
| • High Street | \$47,748 |
| • 115 th | \$120,114 |
| • 175 th | \$26,616 |
| • 170 th | \$16,000 |

• Starr Hughes	\$268,956
• Starr Hughes SWU	\$100,070
• 115 th Street SWU	\$85,643
• Paperjack	\$638,045
• River and Fairfield	\$931,004
• Minnesota Ave. Bike Path	\$140,000
• Canoe Launch	\$5,000
• 125 th	\$117,728
• Fire Department (CIP)	\$200,000
• <u>Police Department (Garage)</u>	<u>\$184,000</u>
Total Project Costs	\$4,455,580

Pros

This option would allow the City to complete projects that address aging infrastructure, particularly, several projects that require financial partnership with towns and/or private parties such as Lakeside Foods.

Cons

The City Council has been very aggressive in ensuring that the City’s debt is reduced. By incurring this amount of debt, we anticipate a large levy increase in FY16. Another potential concern with this proposal would be the increased workload for the Public Works Department as well administrative staff. This aggressive schedule would limit opportunities for internal cost savings due to the scale of these projects.

Debt Implications

The City Council, along with City staff, has worked aggressively to reduce the total debt. Option 1 would result in available General Obligation debt capacity dropping from 37 percent at the beginning of the year to 28 percent at the end of the year. Additionally, the G.O. debt levy would increase from \$1,507,301 in 2015 to an estimated level of approximately \$1,650,000 in 2016. While there is some flexibility to reduce the initial tax impact, a debt levy of \$1,650,000 is a realistic benchmark if that does not require deferring principal for a significant period. Based on current equalized values, the increase in debt levy would result in an estimated increase in equalized mills for debt service from 2.79 to 3.04. Some borrowing would be possible in 2017 without a significant tax increase, but the City may find its borrowing capacity strained depending on the level of growth.

Option 2. Modified Project Reduce the borrowed amount by approximately \$1,100,000 for FY15 & FY16. Under this scenario the projects crossed out below would be moved to a future year:

• Boiler System	\$66,409 *This project received a grant
• Ladder Truck (Reimburse Utility)	\$266,721
• Boat landing	\$27,200 Fund Raise
• Peninsula Trail	\$15,000
• North Fourth (SWU pd w/Fund Bal)	\$1,199,326
• High Street	\$47,748
• 115 th	\$120,114
• 175 th	\$26,616

• 170 th	\$16,000
• Starr Hughes	\$268,956
• Starr Hughes SWU	\$100,070
• 115 th Street SWU	\$85,643
• Paperjack	\$638,045
• River and Fairfield	\$931,004
• Minnesota Ave. Bike Path	\$140,000
• Canoe Launch	\$5,000
• 125 th	\$117,728
• Fire Department (CIP)	\$100,000 * Reduced by \$100,000
• Police Garage	\$184,000 * Use Private funds
Total Project Costs	\$3,346,335

Pros

This would allow the city to complete one large street project (North Fourth), several other smaller projects and the projects that require financial partnership with towns and/or private parties such as Lakeside Foods

Cons

While this option would get some projects moving forward, it would push other projects to FY17 or beyond, causing projects planned for FY17 to be moved to later years. This option would also have a significant debt implication in the very short term.

Debt Implications

Option 2 would leave 32 percent of G.O. borrowing capacity available at the end of the year, which would provide somewhat greater flexibility to issue G.O. debt in the future. Current projections show a very similar levy impact as Option 1, but the City would have greater flexibility with a smaller debt issue to structure lower payments in the earlier years to reduce the initial tax impact. It would be possible to keep the 2016 G.O. debt levy as low as approximately \$1,565,000 if the Council chose to pay interest only in the first year. However, deferring principal makes avoiding tax increases with the issuance of future debt more challenging and should be considered carefully in the context of future debt issuance plans.

Option 3. Design/Build Under this option, staff would recommend commencing with the design work for two large street projects (North Fourth and Paperjack) in FY15 as well as construction of the following projects in **FY15** and **FY16**. **Projects colored in blue could be paid for through grants, fund raising, the storm water utility fund balance, cost sharing or impact fees.**

• Boiler System	\$66,409 *This project received a grant
• Ladder Truck (Reimburse Utility)	\$266,721
• Boat landing	\$27,200 Fund Raise
• Peninsula Trail	\$15,000 - If approved by Park Board, could use Park Impact Fees
• North Fourth (SWU pd w/Fund Bal)	\$1,109,326 – Approximately \$60K Transportation Impact Fees 7.5% for design = \$90,000

- High Street \$12,748 - Must change boundaries
or check ½ mile rule – Possible \$35K from TIF7
- 115th \$60,114 - \$60,000 WWTP cost share
- 175th \$26,616
- 170th \$16,000
- Starr Hughes \$268,956
- Starr Hughes SWU \$100,070
- 115th Street SWU \$85,643
- Paperjack \$590,045 - 7.5% for design = \$48,000
- River and Fairfield \$931,004
- Minnesota Ave. Bike Path \$140,000
- Canoe Launch \$5,000
- 125th \$117,728
- Fire Department (CIP) \$200,000
- Police Garage \$200,000 - Approx. \$16K Police Impact Fees

2015 Project Costs (Borrowed) less impact fees \$795,564

2016 Project Costs (Borrowed) \$2,888,103

Funds needed from Impact/Fundraising/Grants/Assessments \$787,913

Pros

Like Option 1, this option calls for all projects to move forward in 2015 and 2016, however it puts better focus on design, public participation, grant writing, fundraising and usage of impact fees.

Cons

As you are aware, a potential reduction in TAP funds as part of the Governor’s budget may impact the City’s ability to seek funding for things like trails, etc. in the near future.

Timeline

Under this scenario, the City would borrow \$795,564 through the State Trust Fund after September 1, 2015. By doing this, the City would not need to make a debt payment until 2017. What this means, is that the City would not have to take on long term debt in 2015. In 2016, the City would then borrow \$3,683,667 for the remaining balance for the completion of these projects and to refund the 2015 State Trust Fund loan. This would allow additional properties to hit the tax roll in 2017 while being in a much better financial framework for these projects.

Debt Implication

Option 3 results in borrowing capacity increasing to 41 percent remaining by the end of 2015 due to the City paying off more G.O. debt than it issues in 2015. Capacity then drops to 37 percent by the end of 2016. Because this option would see no debt payments until 2017, it results in somewhat more volatility in the G.O. debt levy. It would drop to \$1,456,721 (2.70 equalized mills) in 2016 before increasing in 2017 to approximately \$1,655,000 (3.06 equalized mills) when payments for both the 2015 and 2016 debt begin.

Overall Debt Considerations

The City could also consider restructuring some existing debt to defer principal in an effort to reduce the short-term tax impact of new borrowing. The Series 2006 G.O. Bonds and the Series 2009 G.O. Promissory Notes are both good candidates. However, it is important to note that deferring principal will result in a higher overall interest expense and would further constrain the City's G.O. borrowing capacity.