

2011-2015

Capital Improvement Plan



2011-2015

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I. OVERVIEW

The City of Arlington has developed the following Capital Improvement Plan (CIP) in order to proactively plan for the maintenance, improvement, and expansion of the City's infrastructure and equipment. This CIP addresses the:

- ❖ Purpose of the Capital Improvement Plan,
- ❖ Procedures for this plan and future CIP updates,
- ❖ Capital Expenditures or Uses of Funds,
- ❖ Sources of Funds for Capital Expenditures,
- ❖ Capital Improvement Plan for 2011-2016,
- ❖ Existing Debt and Future Project Funding, and
- ❖ Conclusion and Recommendations.

II. PURPOSE

- A.** The Arlington Capital Improvement Plan is a short and long-range financial planning tool. It is intended to be linked to the City's Comprehensive Plan, adopted in 2008, and fiscal plan to assist in providing a means for:
- Planning, prioritizing, and scheduling capital projects and equipment over the next five years.
 - Budgeting for high priority projects.
 - Assisting with inter-department planning and coordination of projects and major expenditures.
 - Developing policies and procedures for future improvements and purchases.
 - Estimating capital requirements for various departments and identifying sources of funds and/or impacts on tax payers.
 - Informing the public and other governmental agencies of planned capital improvements and purchases.
- B.** The Capital Improvement Plan includes the following contents:
- The Project title and category,
 - The estimated schedule or timing of the capital improvement by year,
 - Details of specific capital improvements,
 - The estimated cost,
 - The need for the improvement, and
 - Sources of revenue to pay for the improvement.

III. PROCEDURES

A. Concept.

The Capital Improvement Plan is intended to be a fluid document which is updated on an annual basis as a part of the annual budgeting process. Projects may be added or deleted from the CIP, by the City Council, based on funding availability and changes in priorities. Following is a list of criteria in order to be considered for inclusion in the CIP:

- The purchase/expense must be \$5,000 or greater in cost;
- The improvement must have a life expectancy of five years or greater;
- This plan assumes purchases less than \$100,000 shall be paid in cash from the Capital Projects Fund.
- Vehicles or heavy equipment or machinery must have a value of \$5,000 or greater or be a part of a larger capital construction project or purchase.

B. Process.

On an annual basis the City Administrator shall initiate the request for capital projects from other City departments, consultants (e.g. City Engineer, Finance Advisor) and Council members. Attached, as Exhibit I, is a sample CIP Request Form. Upon summarizing the submittal of requests, the City Council shall evaluate the projects. In accordance with Minnesota Statutes 475.521, Subd. 3, the City Council must consider for each project and for the overall plan, the following:

- The condition of the municipality's existing infrastructure, including the projected need for repair or replacement;
- The likely demand for the improvement;
- The estimated cost of the improvement;
- The available public resources;
- The level of overlapping debt in the municipality;
- The relative benefits and costs of alternative uses of the funds;
- Operating costs of the proposed improvements; and
- Alternatives for providing services most efficiently through shared facilities with other municipalities or local government units.

In addition, the Council shall consider:

- Public health and safety
- Expected life of the improvement or purchase

- Percent of population served
- Intensity of use
- Relationship of requested purchase to adopted plans
- External capital requirements
- Economic development
- Benefit/cost of the improvement or purchase
- Special needs
- Public support
- Impacts on operating budget
- Scheduling

C. Public Hearing.

On a regular basis, but not less than once per year, the Council shall develop and approve a financing plan for the projects to be ordered or purchased in the following year and develop tentative financing plans for longer-term project and purchases. A public hearing shall be held prior to the adoption of the capital improvement plan. A public hearing shall not be required for annual amendments.

D. Capital Project Fund.

The City does not currently have a “Capital Improvement Fund” but rather a Capital Project Fund. The Capital Project Fund is used for specific capital facility projects and equipment purchases relating to public works, parks, and buildings other than those financed by Enterprise Funds. The Capital Project Fund had an audited balance of \$138,447 as of December 31, 2009. The fund balance will decrease by approximately \$56,000 in 2010 due to projects completed in 2009 and 2010. The 2011 budget includes \$371,500 for capital projects.

IV. CAPITAL EXPENDITURES OR USES OF FUNDS

A. Categories.

The Arlington Capital Improvement Plan is comprised of eight major program categories:

- Water projects
- Electric projects
- Sanitary sewer projects
- Storm sewer Projects
- Street or transportation projects
- Public safety projects
- Equipment purchases
- Park and recreation projects
- Public facilities

Project expenditures are included on a budget basis rather than cash flow basis. Budgeted items are typically paid for in the period in which they are noted, while the cash flow would depict the actual annual expenditures for purchase or improvement.

Following is a description of the major program categories:

1. Water projects.

Water distribution improvements are also planned as a part of larger street, water and sewer improvement projects. Areas for water distribution system updates include: railway crossings at Main Street, First Avenue South, and West Adams Street and those included with street improvement projects covering 3rd Avenue NW, 4th Avenue NW, West Douglas Street, West Brooks Street, West Alden Street, West Chandler Street, Elgin Street, Marion Drive and Shamrock Drive. No improvements are forecast for wells, storage, or treatment.

2. Sanitary Sewer Projects.

Sanitary sewer projects are included with two five year infrastructure projects including sanitary sewer improvements in conjunction with street improvement projects covering 3rd Avenue NW, 4th Avenue NW, West Douglas Street, West Brooks Street, West Alden Street, West Chandler Street, Elgin Street, Marion Drive, and Shamrock Drive.

In addition, a plant expansion/upgrade is included for the year 2012.

3. Storm Sewer Projects.

Storm sewer projects are included with street improvement projects covering 3rd Avenue NW, 4th Avenue NW, West Douglas Street, West Brooks Street, West Alden Street, West Chandler Street, Elgin Street, Marion Drive and Shamrock Drive.

4. Electrical Utility Projects.

Electric utility projects include wire/pole replacement, system updates, meter upgrades, and line conversions and changes. Electric utility managers are currently developing a five year capital plan; at this time \$100,000 is included in the 2011 CIP for electrical system improvements.

5. Street or Transportation Projects.

Street or transportation projects include railway crossings at Main Street, First Avenue South, and West Adams Street and those included with street improvement projects covering 3rd Avenue NW, 4th Avenue NW, West Douglas Street, West Brooks Street, West Alden Street, West Chandler Street, Elgin Street, Marion Drive and Shamrock Drive.

New sidewalk is planned for 2nd Avenue NW (east side of school) and sidewalk repairs are planned throughout the existing pedestrian system. A new multiple purpose sidewalk is planned for the southwest portion of the city, a means of getting pedestrians from the internal sidewalks to all parks and a planned regional trail system. Bike lane striping is recommended. The internal sidewalk/trail improvements are proposed as the local match to a \$700,000 transportation enhancement grant from the Minnesota Department of Transportation which will install a multiple use pathway from CSAH 17 in Arlington to Sportsman's Park.

6. Public Safety Projects.

Public safety projects requested include replacement of the 2003 police department squad in the year 2013 and replacement of a 1984 pumper truck in 2015. A federal mandate requires updating of radios.

7. Economic Development Projects.

The EDA is processing several goals to determine future capital improvement requests.

8. Equipment Purchases.

Equipment purchases planned include \$140,000 in new/replacement equipment purchases for the public works/street department.

9. Park and Recreation Projects.

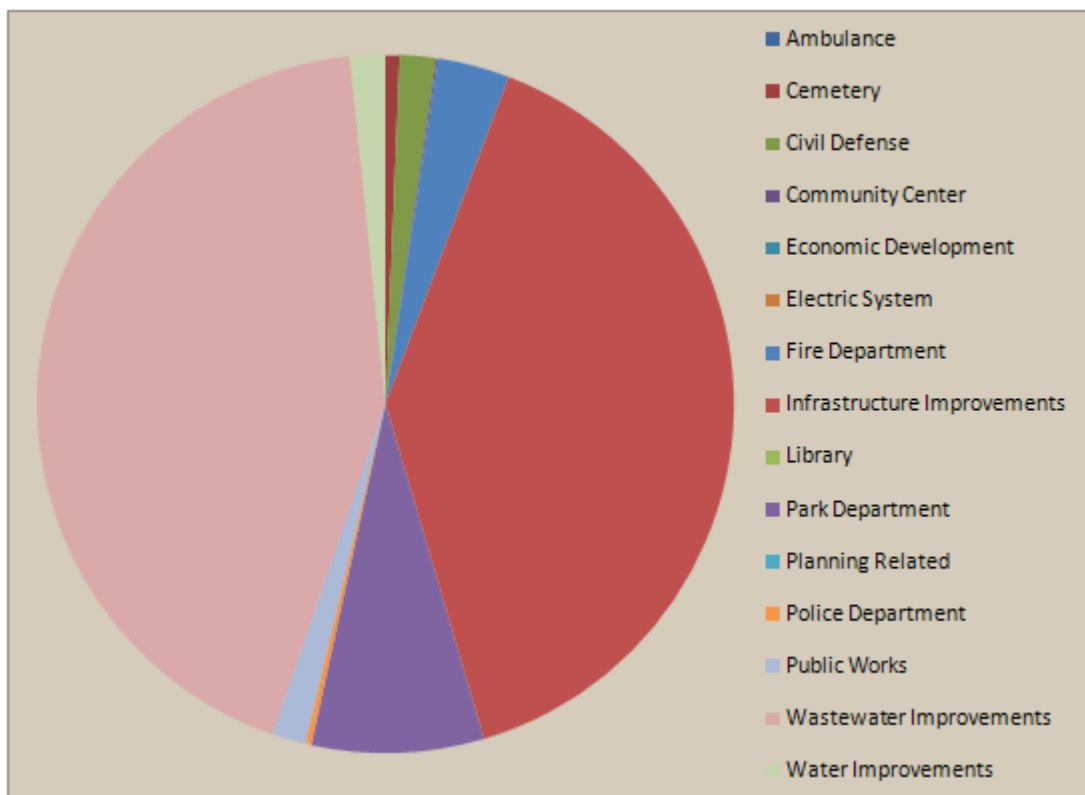
Park and recreation projects include replacement of mulch at Sportsman's Park, updating of shelters at Sportsman's Park, and installation of permanent restrooms at Sportsman's Park.

10. Public Facilities Projects.

Public facilities projects planned include the addition of a columbarium at the cemetery, installation of a roadway at the cemetery, and equipment purchases for the community center.

Proposed Capital Expenditures

Project Description	Estimated Cost
Ambulance	\$ -
Cemetery	\$ 58,000
Civil Defense	\$ 150,700
Community Center	\$ 7,500
Electric System	\$ -
Fire Department	\$ 300,000
Infrastructure Improvements	\$ 3,568,366
Library	\$ -
Park Department	\$ 716,000
Planning Related	\$ -
Police Department	\$ 25,000
Public Works	\$ 140,000
Wastewater Improvements	\$ 3,875,000
Water Improvements	\$ 147,000
Total	\$ 8,987,566



V. SOURCES OF FUNDS

Following are summaries of various funding sources available for CIP projects. Actual sources may vary depending on fund balances, specific projects and actual costs. Sources of funds for proposed projects include but are not limited to:

A. General Obligation (G.O. Bonds)

Pure G.O. bonds are secured by the full faith and credit of the issuer, which in this case the City of Arlington. Pure G.O. bonds must be approved by voters. They are secured by a pledge of the City to use its property taxing power to repay the bond principal and interest on the debt issue. These types of bonds are typically used for capital improvement to items such as parks, city halls, fire halls, libraries, etc. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both governmental and enterprise (utilities) activities.

B. General Obligation Capital Improvement Bond

These bonds may be used to acquire and construct facilities such as a city halls, public works buildings, and police, fire or ambulance facilities. G.O. Capital Improvement Bonds do not require an election by the voters, but is subject to reverse referendum (voters petition to hold a special election to see if enough voters wish to reverse a Council decision). The amount of the bond may not exceed two percent (2.00%) of the taxable market value of the City. For the City of Arlington, the assessed market value in 2010 was \$95,379,818 resulting in a maximum general obligation capital improvement bond of \$ 1,907,596. In addition, the maximum principal and interest payment cannot exceed point sixteen percent (0.16%) of the city's taxable market value (\$160,829 in 2010). A public hearing is required prior to issuance of these types of bonds. A three fifths simple majority vote of the City Council is required to approve the bond issuance.

C. General Obligation Street Improvement Bonds

These bonds may be used for street reconstruction (including utility replacement and relocation) for streets described in a street replacement plan for a five year period. The widening of streets or addition of curbs and gutters where none previously existed may not be included in this type of bond issuance. The maximum bond amount is two percent (2.00%) of the city's taxable market value. The street plan and issuance of general obligation street improvement bonds must be approved by a unanimous vote of the City Council. No general election is required for the issuance, but the issuance is subject to a reverse referendum.

D. Water and/or Sewer Revenue Bonds

These bonds pledge the revenue from the water and/or sewer enterprise funds such as water and sewer rates, availability fees (i.e. WAC/SAC), trunk charges, etc. Types of projects funded with these bonds include water towers, drinking water wells, drinking water treatment plants, wastewater treatment facilities, sewer mains, water mains, etc.

E. Special Assessment Improvement Bonds

These bonds may be issued when a minimum of twenty percent (20%) of the project cost is assessed to the developer or adjacent benefiting property owners. These bonds are typically issued for street and utility replacement projects and if the M.S. 429 process is used, for new subdivision projects. The City of Arlington adopted Special Assessment and Trunk Area Policies and Procedures for Public Improvements and Maintenance Costs Manual (dated November 8, 2007), which establishes policies and percentages for assessment of improvement projects. Types of projects included as assessable include new and upgraded or reconstructed roadways, sanitary sewer, water mains, alleys, sidewalks lighting and curb and gutter. The method of assessment (e.g. per lot, adjusted front foot, area, or a

combination of assessment types) will be recommending in the Feasibility Report for the proposed project. Assessment rates in Arlington range from 25% to 100% of the cost and are dependent on project type. Street improvement projects may be financed with this type of bond.

F. Lease Revenue Bonds

These bonds are issued if lease or rent payments will be used to repay the bond. This may include facilities owned by the EDA and leased back by the City such as public works facilities, libraries, city halls, etc.

G. Equipment Certificates

This form of debt is placed privately, typically with institutions such as banks, rather than a public offering. The City Council may approve the issuance of an equipment certificate with certain restrictions, including a five year maximum term. This type of municipal debt is typically used for the purchase of items such as police vehicles, ambulances, fire trucks, etc.

H. Electric, Water, and Sewer Rates

These utility bill revenues are received from the sale of municipal electricity and water and the revenues collected for the collection and treatment of municipal sanitary sewer. Electric, water and sewer operating revenues in excess of operating expenditures may be transferred to the CIP for electric, water, and sewer capital improvement projects. A utility rate study was completed in 2008 by the City's Financial Consultant, the study recommended gradual increases in both sewer and water rates as a means of funding future capital improvements.

I. Water and Sewer Access Charges (WAC & SAC)

This fee or revenue, currently at \$1,325 for water and \$3,500 for sewer, is collected at the time a new customer connects to the municipal water or sewer systems. These fees may be used to fund water and sewer capital improvements. Water and Sewer connection fees appear low in comparison to area communities which were surveyed. In order to assist in reducing the impact on water rates, the Council may wish to consider increasing water connection fees.

J. Capital Project Fund

This account has been established by the city and funded by annual appropriations from the general levy or other sources of revenue and is dedicated to capital improvements. These funds could be used to purchase items such as the proposed vehicles or equipment or be used to service the debt for equipment certificates or bonds which require annual levies. Transfers from other funds (excess revenues) may also be a source of funding for this account. The City has included \$371,500 in the preliminary budget for 2011.

K. Prior year carry-overs

These are funds from a prior year's budget which are re-budgeted until they are expended.

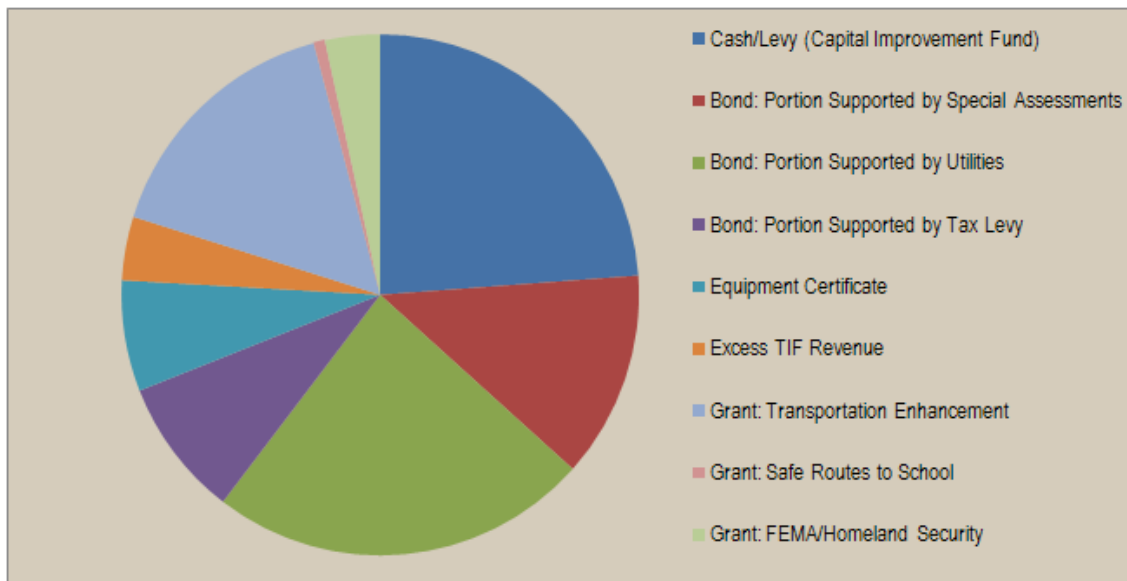
L. Other's Funds

This includes County participation in a project (e.g. county road), state or federal grants or participation by another governmental agencies.

Sources of funds for the projects proposed in the City of Arlington’s CIP are identified in the following table and depicted in the following chart.

Sources of Funding (2011-2016)

Source of Funding	Amount
Cash/Levy (Capital Improvement Fund)	\$1,041,500
Bond: Portion Supported by Special Assessments	\$559,439
Bond: Portion Supported by Utilities	\$1,040,999
Bond: Portion Supported by Tax Levy	\$375,848
Equipment Certificate	\$300,000
Excess TIF Revenue	\$172,392
Grant: Transportation Enhancement	\$700,000
Grant: Safe Routes to School	\$31,000
Grant: FEMA/Homeland Security	\$150,700



VI. PROPOSED CAPITAL IMPROVEMENTS 2011-2015

The following pages contain (a) a summary of proposed capital improvement projects by department, (b) a summary of proposed CIP and recommended funding sources, and (c) a summary of proposed CIP uses of funds by year. The information reflects capital planning for the years 2011-2015. It is anticipated the following tables will change as the CIP is updated on an annual basis.

Project Description		Year	Priority*	In Comp. Plan	Estimated Cost
Ambulance	-				
TOTAL					\$0.00
Cemetery	New roadway to the south	2015	4	No	\$35,000.00
	Columbarium	2012	3.5	No	\$20,000.00
	Lawn Mower (split with Public Works)	2011	3	No	\$3,000.00
TOTAL					\$58,000.00
Civil Defense	Radio System Upgrade (covers fire, police, and ambulance)	2013	1	No	\$150,700.00
TOTAL					\$150,700.00
Community Center	Floor Scrubber	2011	3	No	\$7,500.00
TOTAL					\$7,500.00
Economic Development					
TOTAL					\$0.00
Electric System					
TOTAL					

Fire Department	New pumper truck to replace 1984 pumper	2015	3	Yes	\$300,000.00
TOTAL					\$300,000.00
Infrastructure Improvements	Sealcoating/Crackfilling (1/5 of town)	Every		Yes	\$500,000.00
	Railroad Crossings Improvement Project: Adams, 1st Ave South, East Main	2011	1	Yes	\$109,170.00
	Street/Utilities: 3rd Ave NW, 4th Ave NW, W Douglas, W Brooks, W Alden, W Chandler, and Elgin	2012	2	Yes	\$1,000,000.00
	Street/storm water: Marion Drive, Shamrock Drive	2015	2	Yes	\$1,797,196.00
	Install new sidewalk within TIF District (east side of school)	2013	3	Yes	\$23,000.00
	New multi-use sidewalk - connections to regional trail	2011	3	Yes	\$86,000.00
	Sidewalk Repair - within TIF Districts	2011	3	Yes	\$18,000.00
	Sidewalk Repair - external to TIF Districts	2012	3	Yes	\$23,000.00
	On street bike lane - within TIF districts	2011	3	Yes	\$4,000.00
	On street bike lanes - external to TIF	2012	3	Yes	\$8,000.00
	TOTAL				
Library					
TOTAL					
Park Department	Park Equipment - Sportsmans Park - Institutional Restroom	2011	3		\$10,000.00
	Bridge in park (with multi-use trail)	2013			\$200,000.00
	Multiple Use Trail to Sportsman Park from CSAH 17 (4th Avenue)	2014			\$500,000.00
	Mulch at tot lot	2011	3		\$6,000.00
TOTAL					\$716,000.00
Planning Related					
Police Department	Replace 2003 Squad car	2013		Yes	\$25,000.00
TOTAL					\$25,000.00

Public Works - Streets/Park Equipment	Replace 1974 Sno-Go Snowblower (340 hours)	2012	3		\$100,000.00
	Replace 1998 Chev Diesel pickup/w blade-red (90,500 miles) (replace with 1/2 ton)	2012	3		\$25,000.00
	V-plow to put on gray truck	2012	3		\$7,000.00
	Mosquito sprayer	2014	4		\$5,000.00
	New Lawn Mower (split with public works/streets)	2011	3	No	\$3,000.00
	TOTAL				\$140,000.00
	Wastewater Improvements	Reduce infiltration and inflow to WWTP from storm water runoff/sewer	Every		Yes
New Plant/expansion plan		2012	1	Yes	\$3,750,000.00
TOTAL					\$3,875,000.00
Water Improvements	Update computer software system SCATA system	2012	2		\$37,000.00
	Water meter replacement	Every			\$110,000.00
	TOTAL				\$147,000.00
2011 - 2016 TOTALS					\$8,987,566.00
* 1 = Mandatory; 2 = Necessary; 3 = Advisable; 4 = Desirable					

Project Description		Estimated Cost	Sources of Funding							
			Cash	Utility Fund (water, sewer, electric)	Other Source	Other's \$	Upfront Debt Amount	Type of Debt	Estimate Annual Levy Impact	Assessed Amount
Ambulance	-									
TOTAL		\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Cemetery	New roadway to the south	\$35,000	\$35,000							
	Columbarium	\$20,000	\$20,000							
	Lawn Mower (split w/ PW)	\$3,000	\$3,000							
TOTAL		\$58,000	\$58,000	\$0		\$0	\$0	\$0	\$0	\$0
Civil Defense	Radio System Upgrade (covers fire, police, and ambulance)	\$150,700			Federal Grant	\$150,700				
TOTAL		\$150,700	\$0	\$0		\$150,700	\$0	\$0	\$0	\$0
Community Center	Floor Scrubber	\$7,500	\$7,500							
TOTAL		\$7,500	\$7,500	\$0		\$0	\$0	\$0	\$0	\$0
Economic Development										
TOTAL										
Electric System										
TOTAL										

[CAPITAL IMPROVEMENT PLAN]

2011-2015

Fire Department	New pumper truck to replace 1984 pumper	\$300,000			Twp portion	Annual portion for ten years P/I begins in 2016	\$300,000	GO Equip Cert 10 yrs at 4.25%	City annual portion for ten years P/I begin in 2016	
						\$18,500			\$18,500	
TOTAL		\$300,000	\$0	\$0		\$18,500	\$300,000	\$0	\$18,500	\$0
Infrastructure Improvement	Sealcoating/Crackfilling (1/5 of town)	\$500,000	\$500,000							
	Railroad Crossings Improvement Project: Sanitary, storm & drinking: Adams, 1st Ave S, E Main	\$109,170			Excess TIF	\$64,392				
					County portion	\$44,778				
	Street/Utilities: 3rd Ave NW, 4th Ave NW, W Douglas, W Brooks, W Alden, W Chandler, and Elgin	\$1,000,000			Utility impact annually for 15 yrs starting 2013			\$1,000,000	GO Imp Bond Assume 15 year term	Annual amt of tax levy 15 yr term payment begins in 2013
\$29,796					\$74,491	\$200,000				
Street/Utilities: Marion Drive, Shamrock Drive , and the portion of the NE street improvement project not completed in 2012	\$1,797,196			Utility impact annually for 15 yrs starting 2016 \$53,550			\$1,797,196	GO Imp Bond Assume 15 year term	Annual amt of tax levy . 15 yr term payment begins in 2016	20% of project cost supported by assessment
				\$133,875	\$359,439					

	Install new sidewalk within TIF District (east side of school)	\$23,000			Safe Routes	\$23,000				
	New multi-use sidewalk - connections to regional trail	\$86,000			Excess TIF (city share DOT grant)	\$86,000				
	Sidewalk Repair - within TIF Districts	\$18,000			Excess TIF (city share DOT grant)	\$18,000				
	Sidewalk Repair - external to TIF Districts	\$23,000	\$23,000							
	On street bike lane - within TIF districts	\$4,000			Excess TIF (city share DOT grant)	\$4,000				
	On street bike lanes - external to TIF	\$8,000			Safe Routes	\$8,000				
TOTAL	\$3,568,366	\$523,000	\$142,939			\$248,170	\$2,797,196	\$0	\$357,348	\$559,439
Library										
TOTAL	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
Park Department	Park Equipment - Sportsmans Park - Institutional Restroom	\$10,000	\$10,000							
	Bridge in park (with multi-use trail)	\$200,000			Transpo Enhance Grant	\$200,000				
	Multiple Use Trail to Sportsman Park from CSAH 17 (4th Avenue)	\$500,000			Transpo Enhance Grant	\$500,000				

	Mulch at tot lot	\$6,000	\$6,000							
	TOTAL	\$716,000	\$16,000	\$0		\$700,000	\$0	\$0	\$0	\$0
Planning Related										
		\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Police Department										
	Replace 2003 Squad car	\$25,000	\$25,000							
	TOTAL	\$25,000	\$25,000	\$0		\$0	\$0	\$0	\$0	\$0
Public Works - Streets/Park Equipment										
	Replace 1974 Sno-Go Snowblower (340 hours)	\$100,000	\$100,000							
	Replace 1998 Chev Diesel pickup/w blade-red (90,500 miles) (replace with 1/2 ton)	\$25,000	\$25,000							
	V-plow to put on gray truck	\$7,000	\$7,000							
	Mosquito sprayer	\$5,000	\$5,000							
	New Lawn Mower (split with public works/streets)	\$3,000	\$3,000							
	TOTAL	\$139,000	\$140,000	\$0		\$0	\$0	\$0	\$0	\$0
Wastewater Improvement										
	Reduce infiltration and inflow to WWTP from storm water runoff/sewer	\$125,000	\$125,000	Sewer						
	New Plant/expansion plan	\$3,750,000		Utility impact annually for 20 yrs starting 2013	PFA Grant	\$250,000	\$3,750,000	Assume 20 yr term at 2.5%		
				\$224,515				PFA Loan		

	TOTAL	\$3,875,000	\$125,000	\$898,060		\$250,000	\$3,750,000	\$0	\$0	\$0
Water Improvement	Update computer software system SCATA system	\$37,000	\$37,000	Water						
	Water meter replacement	\$110,000	\$110,000	Water						
	TOTAL	\$147,000	\$147,000	\$0		\$0	\$0	\$0	\$0	\$0
	2011 - 2016 TOTALS	8,987,566	1,041,500	1,040,999		1,367,370	7,047,196		375,848	559,439
IMPORTANT NOTES		PRINCIPAL ONLY, DOES NOT REFLECT INTEREST APPLICABLE TO LONG TERM DEBT	CASH NEEDED OVER CIP TERM - SIMILAR TO ANNUAL AMOUNT INCLUDED IN PREVIOUS BUDGETS FOR 'CAPITAL PROJECTS'	ADDL REVENUE FROM UTILITIES NEEDED OVER CIP TERM. INCLUDES PRINCIPAL & INTEREST		REVENUE FROM NON-CITY SOURCES ASSUMED OVER CIP TERM	DEBT ISSUED OVER CIP TERM - PRINCIPAL ONLY	DEBT TYPE & TERMS	TOTAL INCREASE IN LEVY OVER CIP TERM - BOTH P&I; DOESN'T INCLUDE DEBT FALLING OFF IS SIGNIFICANT	TOTAL ASSESSED PORTION OF PROJECTS BOTH PRINCIPAL & INTEREST OVER CIP TERM - NO AMORTIZATION ILLUSTRATED

Project Description		Estimated Cost	Program Year				
			2011	2012	2013	2014	2015
Ambulance	-						
	TOTAL	\$0	\$0	\$0	\$0	\$0	\$0
Cemetery	New roadway to the south	\$35,000					\$35,000
	Columbarium	\$20,000		\$20,000			
	Lawn mower (split with Public Works)	\$3,000	\$3,000				
	TOTAL	\$58,000	\$3,000	\$20,000	\$0	\$0	\$35,000
Civil Defense							
	Radio System Upgrade (covers fire, police, and ambulance)	\$150,700			\$150,700		
	TOTAL	\$150,700	\$0	\$0	\$150,700	\$0	\$0
Community Center							
	Floor Scrubber	\$7,500	\$7,500				
	TOTAL	\$7,500	\$7,500	\$0	\$0	\$0	\$0
Economic Development							
	TOTAL		\$0	\$0	\$0	\$0	\$0
Electric System							
	TOTAL	\$0	\$0	\$0	\$0	\$0	\$0

Fire Department							
	New pumper truck to replace 1984 pumper	\$300,000					
							\$300,000
	TOTAL	\$300,000	\$0	\$0	\$0	\$0	\$300,000
Infrastructure Improvements							
	Sealcoating/Crackfilling (1/5 of town)	\$500,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
	Railroad Crossings Improvement Project: Sanitary, storm & drinking: Adams, 1st Ave South, East Main	\$109,170	\$109,170				
	Street/Utilities: 3rd Ave NW, 4th Ave NW, W Douglas, W Brooks, W Alden, W Chandler, and Elgin	\$1,000,000		\$1,000,000			
	Street/Utilities: Marion Drive, Shamrock Drive, plus portion of NW Street Improvement Project not completed in 2012	\$1,797,196					\$1,797,196
	Install new sidewalk within TIF District (east side of school)	\$23,000			\$23,000		
	New multi-use sidewalk - connections to regional trail	\$86,000	\$86,000				
	Sidewalk Repair - within TIF Districts	\$18,000	\$18,000				
Sidewalk Repair - external to TIF Districts	\$23,000		\$23,000				
On street bike lane - within TIF districts	\$4,000	\$4,000					
On street bike lanes - external to TIF	\$8,000		\$8,000				
	TOTAL	\$3,568,366	\$317,170	\$1,131,000	\$123,000	\$100,000	\$1,897,196

Library							
	TOTAL	\$0	\$0	\$0	\$0	\$0	\$0
Park Department							
	Park Equipment - Sportsmans Park - Institutional Restroom	\$10,000		\$10,000			
	Bridge in park (with multi-use trail)	\$200,000			\$200,000		
	Multiple Use Trail to Sportsman Park from CSAH 17 (4th Avenue)	\$500,000				\$500,000	
	Mulch at tot lot	\$6,000	\$6,000				
	TOTAL	\$716,000	\$6,000	\$10,000	\$200,000	\$500,000	\$0
Planning Related							
	TOTAL	\$0	\$0	\$0	\$0	\$0	\$0
Police Department							
	Replace 2003 Squad car	\$25,000			\$25,000		
	TOTAL	\$25,000	\$0	\$0	\$25,000	\$0	\$0
Public Works - Streets/Park Equipment							
	Replace 1974 Sno-Go Snowblower (340 hours)	\$100,000		\$100,000			
	Replace 1998 Chev Diesel pickup/w blade-red (90,500 miles) (replace with 1/2 ton)	\$25,000		\$25,000			
	V-plow to put on gray truck	\$7,000		\$7,000			
	Mosquito sprayer	\$5,000				\$5,000	
	New Lawn Mower (split with public works/streets)	\$3,000	\$3,000				
	TOTAL	\$140,000	\$3,000	\$132,000	\$0	\$5,000	\$0
Wastewater Improvements							
	Reduce infiltration and inflow to WWTP from storm water runoff/sewer	\$125,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

	New Plant/expansion plan	\$3,750,000		\$3,750,000			
	TOTAL	\$3,875,000	\$25,000	\$3,775,000	\$25,000	\$25,000	\$25,000
Water Improvements	Update computer software system SCATA system	\$37,000		\$37,000			
	Water meter replacement	\$110,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
	TOTAL	\$147,000	\$22,000	\$59,000	\$22,000	\$22,000	\$22,000
	2011 - 2016 TOTALS	\$8,987,566	\$383,670	\$5,127,000	\$545,700	\$652,000	\$2,279,196

VII. EXISTING DEBT AND PROPOSED NEW PROJECTS

A. Water, Sewer, and Electric Funds. The City uses two accounts for managing utilities, including an enterprise fund account and a capital project fund for each utility. The City's cash balance as of December 31, 2009 in the water fund was \$17,099. The City's sewer fund had a cash balance of \$480,619 as of December 31, 2009. The City's electric fund had a cash balance of \$1,575,249 as of December 31, 2009. Water and sewer utilities produced operating income of \$113,480 and \$73,687 in 2009; the electric fund posted a loss of \$372,655 in 2009 due to lower Power Cost Adjustment changes during the year. The City's Financial Advisor recommends each utility maintain a cash balance equal to approximately one-year's worth of operating expenses (e.g. \$200,000). The capital project fund includes \$5,000 for 2011 water projects, \$20,000 dedicated to 2011 sewer capital projects, and \$100,000 designated to capital projects for the electric utility.

B. Water and sewer rates. A study comparing the City's water and sewer rates was completed in October, 2008. (See Exhibit II). The City of Arlington currently charges a base rate and monthly flow charge for both water and sewer utility services. The City's Financial Advisor recommended an increase of approximately five (5) percent to both the base rate and flow charges in 2009 with the potential for an additional increase in 2010. The 2008 rate study didn't recognize a need to increase sewer rates based on normal operations in 2008, the study did find a need to ensure future rate increases be sized to appropriately offset major improvements contemplated.

Water rates will need to increase by \$1.46 per month per connection by 2015 to finance the projected annual debt service resulting from the proposed 2012 street improvement project. The City should consider increase water rates to accommodate the 2015 street project which will become payable in 2016 but is not yet reflected in this narrative. Sewer rates will need to increase by \$18.35 per month per connection by 2015 to finance projected debt service resulting from sewer related projects (i.e. 2012 street/utility improvement project and the 2012 wastewater treatment plant expansion. As with water rates, sewer rates will need to increase to accommodate debt starting in 2016 from the 2015 street/utility project.

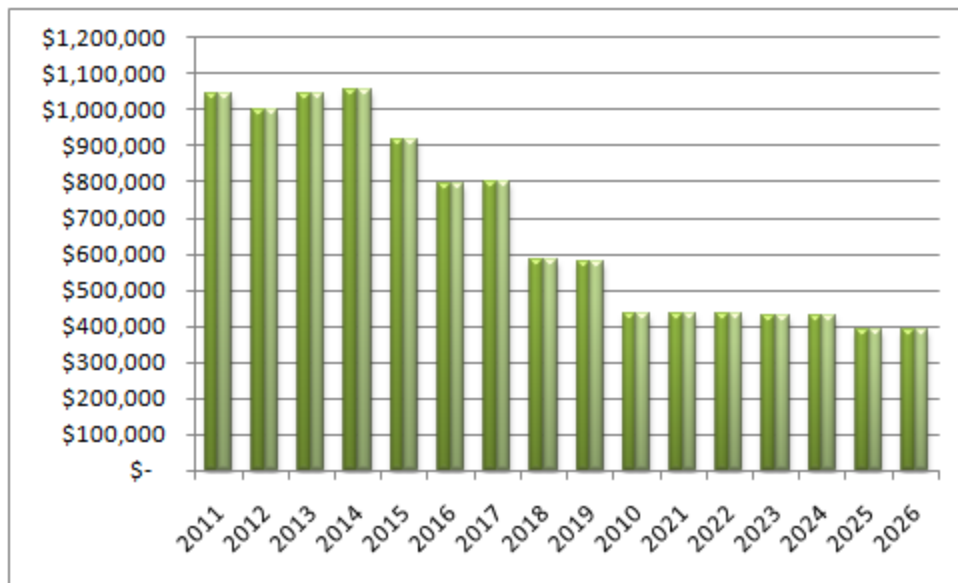
C. Connection Fees. The City of Arlington currently charges \$1,325 for water and \$3,500 for sewer connections. The 2008 rates study recommended an increase to \$4,500 for SAC in 2008. It is noted the pace of development in Arlington has slowed since 2006; however, the rate of growth prior to decline was not as rapid as in areas within the Twin Cities Metropolitan Area, therefore, the rate of decline has not been as significant. Should growth rebound, the City may wish to raise connection fees to assist in funding future projects in order to reduce the impact on water rates.

D. Water and Sewer Revenue Bonds. Although a majority of bonds issued to finance various improvements are primarily repaid from special assessments and partly financed by tax levies, there is one existing general obligation water revenue bond. The bond was issued in 2004 to finance capital improvements in the enterprise funds and will be retired from net revenues of the enterprise funds. The balance as of December 31, 2009 is \$490,000 with a maturity date of December, 2019. This annual amount will need to be considered when servicing future debt.

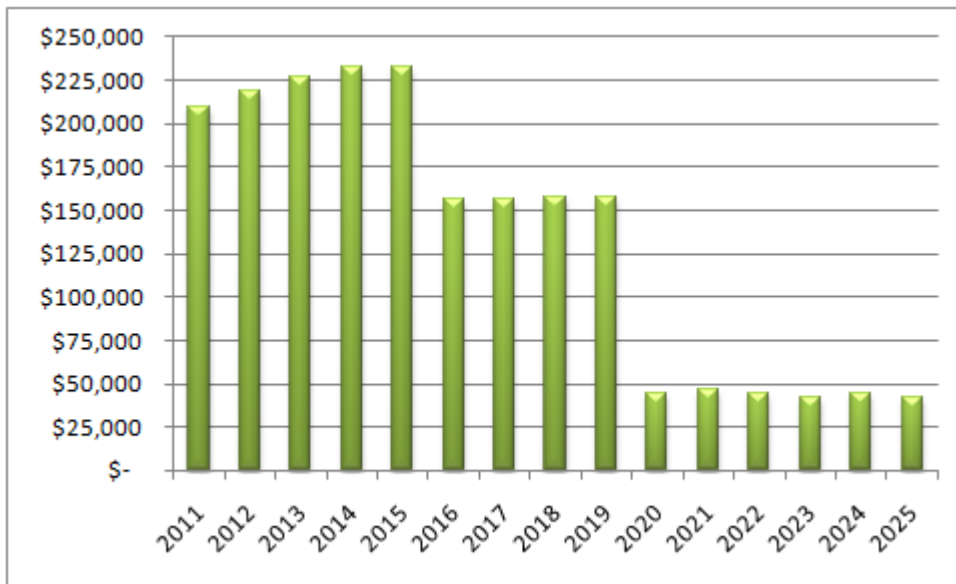
E. Storm Water Fund. The City of Arlington does not currently operate a storm water utility. Other communities have established storm water enterprise funds to treat storm water portions of utility projects and services provided relating to storm water as business-type activities. The City may wish to investigate the addition of a storm water utility.

F. Property Taxes. The City of Arlington currently has twelve (12) debt issues, seven (7) of which are payable at least in part through property taxes. Two of the bonds will mature in 2011 and two additional in 2014 leaving some room for additional debt in 2015 without an increase in the levy. The following tables/charts illustrate total annual debt service and the portion of that debt dependent on property taxes:

YEAR	ANNUAL DEBT SERVICE
2011	\$ 1,045,220
2012	\$ 998,961
2013	\$ 1,043,158
2014	\$ 1,054,276
2015	\$ 913,793
2016	\$ 792,476
2017	\$ 801,732
2018	\$ 585,086
2019	\$ 579,774
2010	\$ 435,326
2021	\$ 434,562
2022	\$ 432,788
2023	\$ 430,153
2024	\$ 426,394
2025	\$ 392,350
2026	\$ 388,030

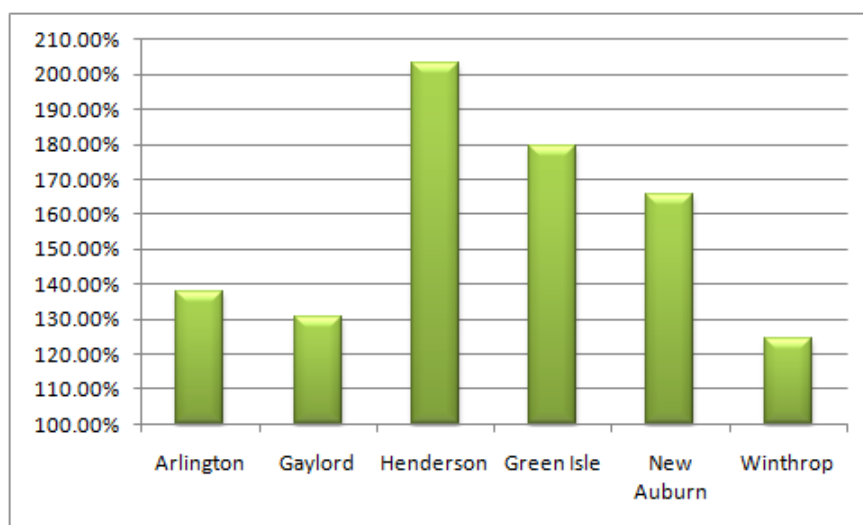


YEAR	ANNUAL LEVY FOR DEBT SERVICE
2011	\$ 209,006
2012	\$ 219,131
2013	\$ 226,420
2014	\$ 231,941
2015	\$ 232,033
2016	\$ 156,699
2017	\$ 156,295
2018	\$ 157,358
2019	\$ 157,930
2020	\$ 44,100
2021	\$ 47,021
2022	\$ 44,513
2023	\$ 41,933
2024	\$ 44,603
2025	\$ 41,737



G. Tax Rate. An examination of the City's tax rates as they relate to other communities was completed to compare rates to determine if the City is competitive with rates and services provided. Following table and chart summarize findings for cities in Sibley County, payable 2010:

	City	School	County	Watershed	Region 9	HRA	Total
Arlington	76.7110%	5.8760%	53.0340%	1.5690%	0.1700%	0.5980%	137.9580%
Gaylord	70.7070%	5.9080%	53.1310%	0.0000%	0.1700%	0.5980%	130.5140%
Henderson	129.5750%	19.5500%	53.2390%	0.0000%	0.1700%	0.5980%	203.1320%
Green Isle	119.6840%	6.0640%	53.2240%	0.0000%	0.1700%	0.5980%	179.7400%
New Auburn	103.9040%	5.9720%	53.2390%	1.5690%	0.1700%	0.5980%	165.4520%
Winthrop	60.4280%	9.5180%	53.4720%	0.0000%	0.1700%	0.5980%	124.1860%



The City's Financial Advisor recommends the City use cash to pay for items within the CIP valued at less than \$100,000. A total of \$1,041,500 of items valued at less than \$100,000 are included in the 2011-2015 CIP.

Items included in the CIP valued at over \$100,000 and not funded through enterprise funds (i.e. utilities) include: street improvements and the purchase of a pumper truck. The annual tax impact of those items is projected at \$162,468.67 which correlates to a 22% increase over 2009 revenues. However, approximately ten (10) percent of the increase would be offset by retiring debt (\$74,636 annually by 2015).

- H. Assessments:** The public infrastructure improvement projects identified as a priority for the next five years assume projects will be assessed as per the City's assessment project. The 2011-201 public improvement projects are estimated to cost \$2,797,196 with approximately \$559,439 assessed to benefiting properties.
- I. Repayment from Utility Funds:** Proposed utility improvement projects and the public facilities authority loan for wastewater plant expansion are to be repaid from utility fund revenues. Annual bond payments are projected at \$14,898 (2013-2015) and \$41,673 (starting in 2016) from the water utility. Annual bond payments are projected at \$239,413 (2013-2015) and \$266,188 from the sewer fund. Water rates would need to increase by \$1.46 per month per connection by 2015

to support the bond payments; sewer rates would need to increase by \$18.35 per month per connection by 2015 to support the bond payments. Increases in water/sewer access charges could lower the impact on utility rates, however, WAC/SAC are highly dependent on the pace of development.

A synopsis of CIP dollars and annual impact on funding sources is included as Exhibit III at the close of this document.

VIII. CONCLUSIONS AND RECOMMENDATIONS

- A. The City should contribute to a capital improvement/equipment fund on an annual basis for current and future purchases by departments (unless they are funded by enterprise funds), including annual allocations for vehicle replacement for public safety (police, ambulance, fire). The annual contributions to the Capital Improvement Capital Equipment Fund may be used to finance items included in the CIP valued at below \$100,000. An alternative is to finance such projects over a 5-10 year term with an equipment certificate. The payment on an \$860,000 equipment certificate structured over 10 years would be approximately \$110,000 per year.
- B. On an annual basis the City Administrator should distribute the request form for Capital Improvement purchases/projects to City Departments. Following staff review, the City Council should review requests and prioritize projects as they relate to criteria established in Section III. B. of this plan.
- C. The City should monitor water and sewer rates/fees to ensure they are sufficient to cover anticipated water and sewer infrastructure projects and debt repayment, as these are enterprise funds which should cover operational and capital expenses. The City should continue to review the assessment policy periodically to ensure the appropriate amount of project costs are being assessed versus placed on utility bills of all users.
- D. The City Council should consider the impact projects will have on the municipal tax rate and consider delaying projects which are paid from tax levies until such time as portions of the existing general obligation debt is retired (e.g. 2013 and 2016).

Exhibit I

Request Form for Capital Improvement Projects/Equipment Purchases

Title of the project: _____

Project Category: Please circle below. Please complete a separate form for each project/purchase.

- | | |
|-----------------------------------|-----------------------------|
| Water Projects | Public Safety Project |
| Sanitary Sewer Projects | Equipment Purchase |
| Storm Sewer Projects | Park and Recreation Project |
| Street or transportation projects | Public Facilities |

Physical description of the asset and/or project scope: _____

Project justification: _____

Schedule or year anticipated for improvement/expenditure: _____

Estimated cost of the project: _____

Proposed source(s) of funding: _____

Cost benefit analysis or description: _____

Project Alternatives: _____

Submitted By: _____

Date: _____

Exhibit II: 2008 Water Rate Study

City of Arlington - Water

Revenues

	2004	2005	2006	2007	2008	2009	2010
Water Sales	306,675.38	273,503.05	284,394.88	339,076.28	361,600.00	379,680.00	398,664.00
Connection Fees	15,840.20	16,346.60	13,678.00	8,434.40	6,625.00	6,625.00	6,625.00
Reimbursement - Green Isle	8,768.86	8,638.89	-	-	-	-	-
Reimbursable Expenses	2,597.72	1,496.02	3,035.02	23,076.31	1,500.00	1,500.00	1,500.00
Interest Earnings	4,949.10	3,117.29	2,522.40	1,291.53	-	-	-
Other	2,893.24	3,514.70	4,976.07	4,574.48	5,000.00	5,000.00	5,000.00
Transfers In	-	-	-	40,000.00	-	-	-
Total Revenues	341,724.50	306,616.55	308,606.37	416,453.00	374,725.00	392,805.00	411,789.00

Expenditures

	2004	2005	2006	2007	2008	2009	2010
Operator Contract	-	-	8,200.00	78,649.00	82,575.00	82,575.00	82,575.00
Wages & Salaries	48,203.89	44,864.33	48,960.03	6,155.44	0	0	0
Utilities	29,333.49	29,141.14	28,011.38	21,699.69	30000	31500	31500
Supplies & Repairs	15,307.15	38,108.91	31,365.25	52,801.55	35000	36750	36750
Capital Outlay	-	1,704.00	6,392.93	43,761.11	8,000.00	8,400.00	8,400.00
Other	34,929.50	38,276.19	37,459.56	35,057.59	26,000.00	22,350.00	22,350.00
Total Expenditures	127,774.03	152,094.57	160,389.15	231,968.94	181,575.00	181,575.00	181,575.00
Net Operating Income	213,950.47	154,521.98	148,217.22	184,484.06	193,150.00	211,230.00	230,214.00
Transfers Out (Bond Payments)	179,318.76	181,500.00	188,000.00	193,000.00	204,392.00	202,933.00	205,425.00
Net Increase (Decrease) in Cash	34,631.71	(26,978.02)	(39,782.78)	(8,515.94)	(11,242.00)	8,297.00	24,789.00

Exhibit II: 2008 Sewer Rate Study

City of Arlington - Sanitary Sewer

Revenues

	2004	2005	2006	2007	2008	2009	2010
Sewer Sales	202,166.28	180,485.36	263,504.85	328,797.54	299,025.00	299,025.00	299,025.00
Connection Fees	36,715.20	18,321.60	20,553.00	8,334.40	22,500.00	22,500.00	22,500.00
Green Isle Reimbursement	5,193.00	9,738.00	12,515.10	14,620.00	15,000.00	15,000.00	15,000.00
Interest Earnings	3,203.51	3,274.72	781.37	4,398.90	3,500.00	3,500.00	3,500.00
Other	8,175.62	11,014.88	2,157.94	2,687.21	7,350.00	7,350.00	7,350.00
Transfers In	-	-	50,000.00	-	-	-	-
Total Revenues	255,453.61	220,834.56	349,512.26	358,836.05	347,375.00	347,375.00	347,375.00

Expenditures

	2004	2005	2006	2007	2008	2009	2010
Operator Contract	-	-	8,200.00	102,334.00	105,100.00	105,100.00	105,100.00
Wages & Salaries	49,749.72	47,080.78	50,292.60	-	-	-	-
Utilities	40,649.30	41,845.76	46,281.92	41,903.63	44,325.00	44,325.00	44,325.00
Supplies & Repairs	12,217.77	7,540.26	21,979.29	15,472.00	1,000.00	10,000.00	15,000.00
Capital Outlay	12,081.50	16,811.68	79,606.78	20,115.87	35,000.00	35,000.00	35,000.00
Other	60,074.85	44,040.53	49,827.60	22,647.00	29,350.00	29,350.00	29,350.00
Total Expenditures	174,773.14	157,319.01	256,188.19	202,472.50	214,775.00	223,775.00	228,775.00
Net Operating Income	80,680.47	63,515.55	93,324.07	156,363.55	132,600.00	123,600.00	118,600.00
Transfers Out (Bond Payments)	79,614.79	77,750.00	114,500.00	128,000.00	132,600.00	118,380.00	119,715.00
Net Increase (Decrease) in Cash	1,065.68	(14,234.45)	(21,175.93)	28,363.55	-	5,220.00	(1,115.00)

Exhibit III Breakdown of CIP Dollars

<u>Total Capital Needs</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
	\$383,670	\$5,127,000	\$545,700	\$652,000	\$2,279,196	\$8,987,566
<u>Payment Method</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Cash Through Taxes	\$119,500	\$285,000	\$125,000	\$105,000	\$135,000	\$769,500
Cash Through Utilities	\$47,000	\$84,000	\$47,000	\$47,000	\$47,000	\$272,000
TIF Dollars	\$172,392	\$0	\$0	\$0	\$0	\$172,392
Sibley County	\$44,778	\$0	\$0	\$0	\$0	\$44,778
Safe Routes Grant	\$0	\$8,000	\$23,000	\$0	\$0	\$31,000
Federal Grant	\$0	\$0	\$150,700	\$0	\$0	\$150,700
Trans. Enhancement Grant	\$0	\$0	\$200,000	\$500,000	\$0	\$700,000
PFA Grant	\$0	\$250,000	\$0	\$0	\$0	\$250,000
General Obligation Debt	\$0	\$1,000,000	\$0	\$0	\$1,797,196	\$2,797,196
G. O. Equip. Certificate (Debt)	\$0	\$0	\$0	\$0	\$300,000	\$300,000
PFA Loan (Debt)	\$0	\$3,500,000	\$0	\$0	\$0	\$3,500,000
TOTAL:	\$383,670	\$5,127,000	\$545,700	\$652,000	\$2,279,196	\$8,987,566
<u>Debt Obligation (Year Payments Fall Off/Go On)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Debt Levy Retired at Year End	\$31,635	\$0	\$0	\$0	\$81,888	\$113,523
Debt Levy Impact at Year End	\$0	\$44,695	\$0	\$0	\$99,050	\$143,745
<i>Difference</i>	<i>-\$31,635</i>	<i>\$44,695</i>	<i>\$0</i>	<i>\$0</i>	<i>\$17,162</i>	<i>\$30,222</i>
<u>Debt Obligation Payments (Payment Year)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual Increase in Special Assessments	\$0	\$0	\$25,000	\$25,000	\$25,000	\$70,500
Annual Increase in Debt Service Taxes	\$0	-\$31,635	\$44,695	\$44,695	\$44,695	\$61,857
<u>Utility Debt Obligation Payments</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual Water Impact	\$0	\$0	\$14,898	\$14,898	\$14,898	\$41,673
Annual Sewer Impact	\$0	\$0	\$239,413	\$239,413	\$239,413	\$266,188
<u>Utility Rate Affect</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Water Base Rate Increase	\$0.00	\$0.00	\$1.46	\$0.00	\$0.00	\$1.46
Sewer Base Rate Increase	\$5.00	\$5.00	\$8.35	\$0.00	\$0.00	\$18.35