Proposal Capital Improvement Projects

1. Police Department Projects

The Police Department has six projects or equipment purchases listed in the CIP. The equipment items could be included in the FY 2012-13 City budget and financed with property taxes from the General Fund. The new police cars and communications radio may have to be financed with a general obligation G.O. loan that would preferably be paid back within five years.

If the City were to finance the police car and communications radio ($43,000) with a G.O. loan for five years the following impact on property taxes:

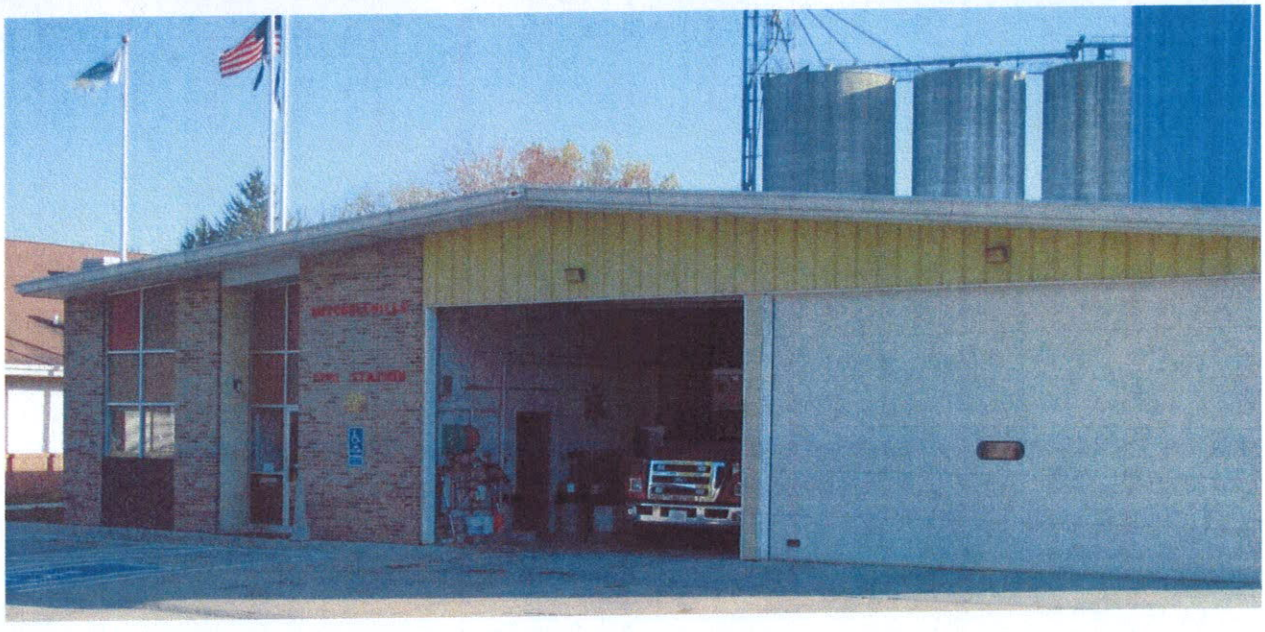
$100,000 House	$10.86
$150,000 House	$16.29
$200,000 House	$21.72

2. Fire Department Projects

The Fire Department has identified three projects. The $20,000 pumper truck could be purchased with money from the fire truck replacement fund, which had a balance of $27,101 on July 1, 2011. The new public safety building would have to be financed with a combination of grants, donations, and general obligation bonds. If the City issued $500,000 in G.O. bonds for this project, it would have the following impact on property taxes, if the length of the loan was 10 years:

$100,000 House	$69.02
$150,000 House	$103.53
$200,000 House	$138.04

Since this project meets the definition of a "general corporate purchase", as defined by the Code of Iowa, a 60% voter approval would be needed in order to borrow $500,000 to build a new public safety building.



3. Library Projects

There are seven projects listed under the Public Library. The total costs of all seven projects would be about $68,600 with the roof replacement project at $30,000 being the most expensive item. Many of these items can be paid from property taxes from the General Fund. If all seven items were included in G.O. loan that was paid back over a five year period, it would have the following impact on property taxes:

$100,000 House	$17.76	For 5 Years
$150,000 House	$26.64	For 5 Years
$200,000 House	$35.52	For 5 Years

Library projects often qualify for various grants, such as the Clement Trust.

4. Park & Recreation Project

Some major improvements have been proposed for the City Park. The estimated cost for all the improvements is $174,150, including the resurfacing of the tennis courts and the bathroom improvements. It is hoped that many of these improvements can be financed with grants and donations.

While there is considerable interest in trails in the community, the City does not have an overall plan that identifies the location of the trails, cost estimates, and funding sources. The first step in the process would be to prepare a master plan for trails that identifies locations and provides cost estimates. Although, there is currently no master plan for trails, the City staff did identify four potential trail projects for this CIP in order to start the discussion within the community and spark some interest in recreational trails and sidewalks.

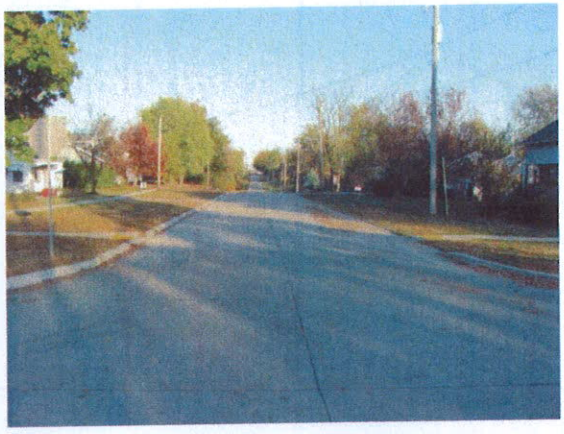
These trial projects may qualify for MPO grants or state and federal grants that typically provide 80% funding.

5. Street Improvement Projects

The City of Mitchellville is responsible for the maintenance and repair of 62,770 feet or 11.88 miles of City Street. The type of surface on these streets is as follows:

Surface	Length	Percent
Chip & Seal	32,940	52.48%
Asphalt Overlay	17,475	27.84%
Concrete	12,355	19.68%
Total	**62,770**	**100%**

The vast majority of the chip & seal streets have no curb and gutter with drainage that is an open ditch system and some storm sewer pipes.



The City has funded an annual seal coating program on many of the City streets in order to maintain a smooth dust-free surface. The City spent $48,500 in 2011 to apply a seal coat to 11 blocks of City street or approximately 6,000 feet of street surface. The City spent slightly less than $60,000 for the seal coating program and street repairs in 2010.

The City does not have an overall plan for the reconstruction of City streets. The City could spend a significant amount of City money on the reconstruction of streets in Mitchellville, much like many other cities in Iowa. However, it may be advantageous to survey and inspect the City streets to determine the amount of repairs needed and to prepare cost estimates. The City may also want to identify the replacement of underground utilities prior to the start of any major street reconstruction projects.

The financing of major street reconstruction projects in most cities is usually financed with one or more of the following options:

1. Road Use Tax (RUT) funds
2. General Obligation loans or bonds
3. Special assessments for benefited properties.

The City of Mitchellville receives about $210,000 per year in Road Use Tax money from the State of Iowa. The Iowa Department of Transportation (Iowa DOT) provides estimates of future road use tax revenues on a per capita basis. Since the 2010 Census listed the population of Mitchellville at 2,254, the estimated RUT revenues would be as follows:

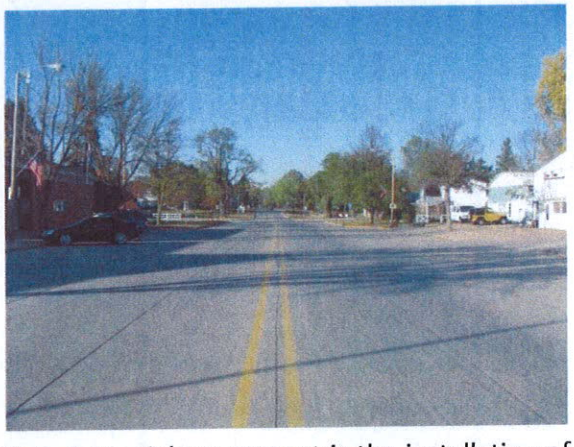
Fiscal Year	IA DOT Per Capita Forecast	Estimated RUT Revenue
2011-12	$91.25	$205,678
2012-13	$94.00	$211,876
2013-14	$95.50	$215,257
2014-15	$97.50	$219,765
2015-16	$98.50	$222,019

Exhibit E has been prepared that shows a two year history of how the City has spent the RUT revenues in recent years. Exhibit E also includes the proposed expenditures for the current fiscal year of July 1, 2011 to June 30, 2012. A brief summary of how the City intends to spend its RUT money in FY 2011-12 is as follows:

Road Use Tax Fund – FY 2011-12 Budget Estimate

Expenditures	Amount	Percent
1. Street Department Personnel	$31,650	14.6%
2. Vehicle & Equipment Costs	$11,300	5.2%
3. Utilities	$3,700	1.7%
4. Building Costs	$2,000	0.9%
5. Engineering	$3,000	1.4%
6. Insurance	$5,600	2.6%
7. Parts & Supplies	$26,100	12.1%
8. Street Maintenance	$8,750	4.0%
9. Street Projects	$94,788	43.8%
10. Contract Service	$3,000	1.4%
11. G.O. Loan Payment – Center Ave	$26,500	12.3%
Total	**$216,388**	**100.00%**

Although it is very rarely used, the City can issue what is called a road use tax revenue bond for street construction projects. If the City were to reallocate the $94,788 earmarked for street projects to a RUT revenue bond payment, the City could finance about $770,000 in major street reconstruction. This amount assumes a RUT revenue bond with an interest rate of 4% and would be paid back over a 10 year period. The positive feature of this option is that the City would be able to reconstruct a significant number of streets. The downside of this plan is that the City would have no RUT money to finance the street seal coating program for the remaining streets in the City for ten years or until the RUT debt was retired.



Many cities issue general obligation bonds to finance street reconstruction projects, such as what the City of Mitchellville did in 2008 for the Center Avenue paving project. Most G.O. bonds for street construction are usually paid back with a property tax debt service levy. Exhibit D provides a summary of the impact that $1,000,000 G.O. bond issue for street projects would have on property taxes in Mitchellville.

Some cities finance a portion of street reconstruction projects with special assessments that are paid by property owners who own houses or buildings along the streets that are rebuilt. The typical criteria that results in a special assessment is the installation of curb and gutter and storm sewers, which then eliminates the need for open ditches for drainage. The argument in favor of the special assessment is that the new street with curb and gutter adds value to the adjacent properties and the benefited property owners should be required to pay a portion of the project costs. The portion of the project costs not paid from special assessments is normally financed with other city sources, such as general obligation bonds and RUT funds.

EXHIBIT E

CITY OF MITCHELVILLE: ROAD USE TAX FUND

REVENUES AND EXPENDITURES

	FY 2009-10	FY 2010-11	FY 2011-12
REVENUES			
State Payments	$203,483	$208,220	$216,388
I-Jobs Payment	$10,054		
Total Revenue	$213,537	$208,221	$216,388
EXPENDITURES			
1. Salaries	$50,404	$27,929	$30,750
2. Training	$702	$735	$900
3. Building Maintenance	$1,923	$208	$2,000
4. Fuel	$2,842	$2,112	$3,500
5. Vehicle Repair	$2,998	$1,484	$5,000
6. Equipment Repair	$1,338	$735	800
7. Utilities	$6,963	$19,000	$2,500
8. Telecom	$1,361	$1,232	$1,200
9. Engineering	$97	-	$3,000
10. Insurance	$5,000	$1,361	$5,600
11. Street Maintenance	$7,430	$16,956	$5,000
12. Control Services	-	-	$3,000
13. Office Supplies	$27	$33	-
14. Supplies	$245	$153	$600
15. Street Projects	$98,025	$59,752	$94,788
16. Transfers	$13,954	-	-
17. Loan Payments	-	-	$26,500
18. Safety Supplies	$19,223	-	$20,000
19. Posts & Signs	$147	-	$500
20. Equipment Repair	$2,362	-	$2,000
21. Operating Supplies	$3,057	-	$5,000
22. Street Maintenance	$2,825	-	$3,000
23. Water/Sewer	-	-	$750
24. Street Lighting	-	$1,603	-
25. Traffic Control	-	$302	-
26. Snow Removal	-	$779	-
27. Street Cleaning	-	$575	-
Total Expenditures	$220,923	$134,949	$216,388
Beginning Balance	$50,860	$43,474	$106,691
Ending Balance	$43,474	$116,745	$106,691
Adjustment (I-Jobs)		-$10,054	
Revised Balance		$106,691	

Prepared October 7, 2011 by Patrick Callahan

Storm Sewer Project

The City contracted with Veentra & Kim in 2009 to complete a storm drainage study that encompassed the north side of the City. The main objectives of this study were:

1. Inventory and assess the existing storm drainage system within the north side study area
2. Present recommendations for the drainage improvements to the City system
3. Provide cost estimates for the recommended improvements
4. Discuss funding options

The drainage study concluded that the City had a significant need for the installation of numerous storm sewers. The study divided the north side of the community into four areas and cost estimates were prepared for these four sections of Mitchellville. A summary of the four areas is as follows:

Area	Streets	Feet	Cost
1. N.W. Area 4	Cotton, Fourth, & Walnut	3,290'	$496,329
2. N.W. Area 7	Market & Elm	1,700'	$286,313
3. N.W. Area 6 & 7	Third & Arch	800'	$127,763
4. N.E. Area 4 & 5, N.W. Area 2, 3, & 5	Numerous	1,900'	$194,171
Total		7,690'	$1,101,576

The last five pages of the study listed the financing alternatives for the storm sewer projects, which included:

1. General obligation bonds
2. Special assessment bonds
3. Storm water utility revenues
4. Community development block grants

It is recommended that the North Area Storm Drainage Study be reviewed as part of the approval process for this capital improvements plan. It is important to note that the estimates in the study are now 3 years old.

If the City decided to issue G.O. bonds to finance all the projects that were recommended in the 2009 drainage study, then the City would probably need to borrow at least $1,200,000. If the City were to repay this G.O. debt over ten years, the property tax debt service levy would be about $3.27 per $1,000 for the ten years. If the City issued G.O. bonds for $1,200,000 and retired the debt over a fifteen year period, the property tax debt service levy would be $2.47 per $1,000 of taxable value. The estimated annual impact on actual property taxes would be as follows:

Example	10 Year G.O. Bond	15 Year G.O. Bond
$100,000 House	$165.95	$125.35
$150,000 House	$248.93	$188.03
$200,000 House	$331.90	$250.70

It is important to note that this additional property tax payment would be over and above the current property taxes and would be due annually for the entire 10 or 15 year period.

Any construction of storm sewer projects may need to be financed with a combination of two or more options, such as storm water utility fees, G.O. bonds, local option sales tax money, and franchise fees.

If the City decided to adopt a storm water utility, the user fee revenues could be used to retire a portion of the debt and thus reduce the required increase in property taxes. If the City secured CDBG funding for the project, it would substantially reduce the amount of the G.O. bonds and lower the estimated property tax debt service levy.

7. Wastewater/Sanitary Sewers Projects

The City has identified five wastewater/sanitary sewer projects. Cost estimates have been prepared for two of the projects. The City's wastewater treatment plant (WWTP) was upgraded in 2005 and does not appear to need any immediate repairs. The EPA has mandated some adjustments at the WWTP, but none of the recommendations involved a significant capital project. However, the WWTP facility may need to be expanded to accommodate future growth from new businesses and industries. The City may need to conduct a WWTP facilities study to identify future needs of the plant and the sanitary sewer system to meet the anticipated commercial and industrial growth.

The City recently completed smoke testing of the sanitary sewer system to locate the sources of inflow and infiltration (I/I) in the system. Two sections of sanitary sewer lines were identified as needing immediate attention. The "worst case scenario" was assumed and the cost of replacing these sections of sanitary sewer lines was included on the list of capital projects. The very preliminary estimated cost to replace the three blocks of sewer line or 1,560 feet was $215,180. Since the City has over $550,000 in the sewer fund, these two projects could be financed with cash reserves.

8. Water Utility Projects

The Mitchellville Water Utility invested about $3,140,000 in its water utility infrastructure in 2005 and 2006. These water improvements were financed with an SRF G.O. loan for $910,000, which has an outstanding balance of $723,000 and an SRF Water Revenue loan for $2,230,000, which has an outstanding balance of $1,789,000. The combined outstanding balance of both loans is $2,512,000, which is the equivalent of $4,294 per account for the 585 water customers in Mitchellville.

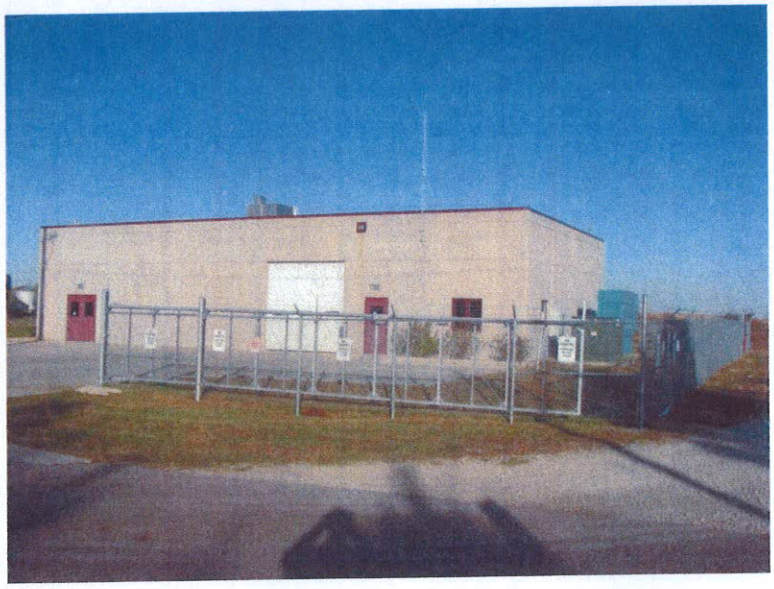
The current water utility budget allocated $61,500 to retire the SRF –G.O. loan and $154,375 to make the payments on the SRF sewer revenue loan. The final payments are scheduled for June 1, 2026. Since 44.5% of the water utility budget will go to retire debt for the next 14 years, it will be very difficult to fund additional water improvement projects without a significant increase in water rates.

The most urgent need of the water utility is to replace the 24,194 feet of four inch water mains with new eight inch water mains located throughout the City. If a "ball park" estimate of $80 per lineal foot is used to calculate the cost of installing the new 8" water mains, then the City would need over $1,935,000 to complete the 21 water main projects listed in the initial list of projects shown in Exhibit A.

If the City completed all of the listed water main projects and obtained a 20 year SRF loan to fund the projects, the average annual SRF loan payments would be slightly over $130,000. The City would need to increase the water base rate by about $18.00 to $19.00 per month just to make these SRF loan payments.

The Iowa DNR requires new water mains to be at least six inch diameter when serving fire hydrants. The benefits to residents to increasing the size of the City's water mains from the current four inch lines to six or eight inch lines are two-fold. It will improve the City's fire suppression capabilities and it should also increase the water pressure to their houses.

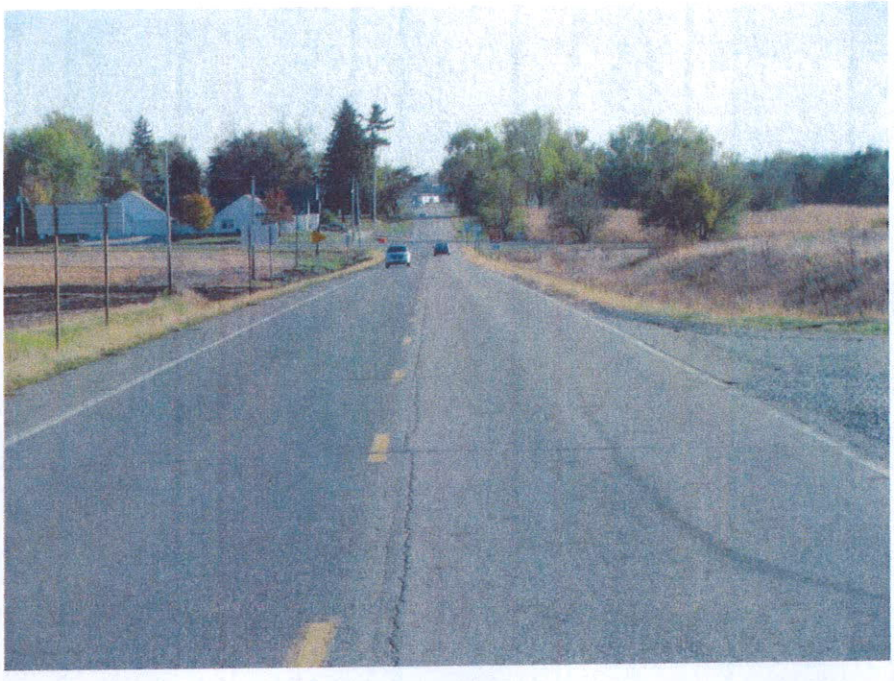
When the water plant was built in 2005, the City Council considered the purchase of water softening equipment. In order to reduce the total costs, the City deleted the water softening equipment from the project with the hope that is could be added at a later date.



9. Economic Development Projects

A number of very extensive economic development projects have been proposed for the CIP. These projects are basically located between Interstate 80 and 6th Street. The projects include:

1. Acquisition of private property for development.
2. Water main and sanitary sewer extensions to the site.
3. Widening of Cotton Avenue.
4. Interchange improvements at I-80 and Exit 149.
5. Extension of Center Avenue to the North and creation of 7th Street from Center Avenue (extended) to Cotton Avenue.



The only project with a recent cost estimate is the Cotton Avenue Widening Project, which was calculated at $1,448,500 in 2010. There are no cost estimates for the remaining four projects.

While the City has the option of issuing general obligation bonds, water revenue loans, and sewer revenue loans for these economic development projects, it would result in a significant increase in property taxes, as well as, water and sewer user fees. The most probable sources of funding would be grants and future TIF revenues. If the City issued G.O. bonds for the project and retired the debt with future TIF revenue, this new debt would still substantially impact the City's G.O. debt capacity limit, which would have an adverse effect on the City's ability to finance other capital projects in the future.

The ideal arrangement would be for the City to locate a private developer to pursue the projects with some minimal financial assistance from the City. The City could be asked to provide assistance in the form of a TIF rebate, upfront TIF grant, or property tax abatement.

It is critical that the City carefully review the overall "big picture" on infrastructure needs prior to making commitments on the economic development projects. For example, the capacity of the wastewater treatment plant may need to be increased in advance of any significant commercial or industrial development. The City's water mains, sanitary sewer lines, or storm sewer pipes may need to be increased in size and extended in order to adequately serve the area between interstate 80 and 6th Street.