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CAPITAL IMPROVEMENT PROGRAM

FOR

ALGONA, IOWA

May, 1969

Prepared by

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HENNINGSON, DURHAM & RICHARDSON

ENGINEERING • ARCHITECTURE • PLANNING

3555 Farnam Street
Omaha, Nebraska 68131
May 1, 1969

Mayor, City Council, Planning Commission
City of Algona
Algona, Iowa

Gentlemen:

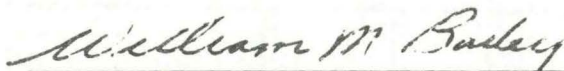
Transmitted herewith are text materials and an illustrative Six Year Capital Improvement Program for the City of Algona, 1969 to 1974.

This is one of the last of a series of reports and services provided to the city under a State and Federally assisted planning project identified as "Urban Planning Grant Project, Iowa P-61".

This report was prepared by consulting city department heads, the mayor, the city planning commission and the planning reports. Although this is one of the last of the reports to be performed under this project, it is sincerely hoped that the City of Algona will continue its fine participation in its planning program. The plans worked out during the past two years should be continually evaluated, and change made accordingly. In this way the plan can always be used as a guide for the development of the city.

It has been a pleasure to work for the people of Algona.

Sincerely,
HENNINGSON, DURHAM AND RICHARDSON


William M. Bailey, Vice President

WMB/jg

CAPITAL BUDGETING - GENERAL DISCUSSION

Every great corporation, be it private or municipal, makes two types of expenditures; one is for purchases of land, permanent facilities and major equipment; the other is for goods and services annually to be consumed. The first type is called capital expenditures and is treated in the capital budget, and the second type is called operating expenditures and is found in the operating budget. A five or six-year plan for future capital expenditures is called a Capital Improvement Program, and the portion being acted on for the current year, a Capital Budget.

It is common for municipal corporations to lump both types of expenditures into a single mixing bowl, with only minor consideration given to the fundamental difference between the two type of items. Quite often the capital expenditures are deferred or accelerated as pressure and available funds dictate, with the result that such expenditures are not made at the most efficient time or in the order of their importance.

City Planners become concerned with the functioning of the budget process primarily because of their realization that city progress should be in an orderly and efficient manner toward the goals set forth in the city plan. A city is more likely successfully to develop its physical facilities if it has a clearly defined path laid out.

There are three distinct advantages of having a separate capital budget.

1. The council and the citizenry are more likely to find ways of upgrading the facilities of the city if they have clearly defined goals. This suggests that a fairly well defined city plan is a necessary pre-requisite to effective capital budgeting.
2. If the capital improvement program is set forth in tentative form for a five to six year period, the more important things are likely to be accomplished first.
3. There will be more continuity in government with a long term capital improvement program. Councils change; pressure groups spring up to push a pet project; and the total budget picture is usually too complicated to interest more than a few citizens. With distinct division within the budget, the citizens are more likely to understand it.

BUDGET STRUCTURE

Since good business practice dictates that long term investment be separated from expenditures for current consumption, division of the operating budget and the capital budget is recommended.

THE OPERATING BUDGET

Operating budgets should be based on city objectives in terms of the desired level of city services. It should include funds to maintain equipment, streets, facilities and buildings. A city should never finance maintenance items out of bond funds; anything paid for out of bond funds should at least have an expected life equal to the term of the bonds.

A large city should probably consider some equipment items in the operating budget which a smaller city should treat as a capital item. For instance, if fire trucks must be replaced every fifteen years, and the city has about fifteen pieces of equipment, it should buy a new piece of equipment every year. A smaller city may alternate between fire equipment and major public works equipment items in the capital budget.

THE CAPITAL BUDGET

The capital budget encompasses those items which have a fairly long life. Land naturally heads the list. Also included are the construction or reconstruction of streets, and bridges, major street lighting projects, public building construction or major rehabilitation, swimming pools, park construction, major construction or reconstruction of utilities and similar items. Normally on water and sewer systems, the laterals would be treated as an operating expenditure, while the trunks and feeder mains would be included in the capital budget. This is a helpful rule even though laterals may last just as long as the larger mains. As a practical matter, all or nearly all sewer laterals and local streets, outside new subdivisions, are paid by special assessment. Accepted modern procedure is for the developers of new subdivisions to stand the full cost of sewer and street improvements.

THE CAPITAL IMPROVEMENT PROGRAM

The capital improvement program is usually developed and advance planning continued for a five or six year period. Thus, each year the capital improvement program is implemented by (1) including in the capital budget the projects recommended for the current year and (2) adding new projects for implementation 5-6 years in the future. Each functional division of the city is given attention. This is done by using the department of the government as a check list, and developing the lists of needed capital improvements. The city plan provides guidelines, but does not include detailed coverage of the full range of projects, nor the order of importance. A suggested form for use by the various departments is included in this report.

CAPITAL IMPROVEMENT PROGRAM REPORT FORM

1. For Period: 19__ to 19__

2. Department: _____

3. Capital Improvement Project:

- a. Name and location -
- b. Purpose and justification-
- c. Relationship to other projects (if any) -

4. Estimated total cost of project:

- a. Planning- \$ _____
- b. Land - \$ _____
- c. Construction \$ _____
- d. Equipment \$ _____

TOTAL \$ _____

8. Status of plans & specifications: (Circle one according to code on instructions)

1 2 3 4 5 6 7 8 9

9. Recommended financing:

Method	Percent
General Revenue	_____
Service Charges	_____
Utility Revenue	_____
Gen. Oblig. Bonds	_____
Revenue Bonds	_____
Federal Aid	_____
State Aid	_____
Assessments	_____

5. Estimated project expenditure by years:

- 19__ (Budgeted)- \$ _____
- 19__ \$ _____
- 19__ \$ _____
- 19__ \$ _____
- 19__ \$ _____
- 19__ \$ _____
- 19__ \$ _____

- a. Project cost already spent \$ _____
- b. Estimated cost beyond 19__ \$ _____

6. Estimated future financial burden resulting from project:

- a. Annual maintenance & operation - \$ _____
 - b. Additional staff cost- \$ _____
- TOTAL \$ _____

Department Head

Date Submitted

7. Estimated annual incomes (if revenue producing project): \$ _____

Henningson, Durham & Richardson

DEVELOPING THE CAPITAL IMPROVEMENT PROGRAM

The capital improvement program consists of two fundamental parts. One is the development of revenue estimates and the other is the development of project lists. These must be balanced.

Planning for capital improvements requires review of past expenditures and revenues, a conservative estimate of future operating costs and future revenues, and decisions on what proportion of income may be made available for capital improvements.

It is important to understand that under most circumstances a city in Iowa is not permitted to set aside funds for future improvements. This makes it necessary to finance capital improvements in only two ways; (1) From current revenues or (2) by issuing bonds. Since a legal limit is placed on the amount of taxes which may be levied in any one year, only small capital improvements may be planned out of current revenue. The larger items will require financing by means of bonds. This provision of state law is based on the theory that those who benefit by the new capital improvement should pay the taxes necessary to retire the bonds.

Since much of the financing of capital improvements is through incurring bonded indebtedness, and since Iowa law provides a limit on such indebtedness, a study of bonding capacity is needed in the preparation of a capital improvement plan.

A review of Algona's past fiscal operation shows that tax revenues are about half of the total expenditures of the city. Other sources of city revenue include a share in gasoline taxes collected by the state, the sale of property, parking meters, a share of profits from liquor sales, license and permit fees, fines and penalties, etc.

The basis for city revenue from taxation is the assessed valuation of property within the city limits. It is also the basis for computing bonded debt limits. Increases in assessed valuation will occur by annexation of additional territory, increasing values of existing property, and the erection of new improvements, and, consequently, the revenue and bonded debt base of the city will be increased.

DEBT LIMITS.

Any city in Iowa may issue general obligation bonds to be retired from tax revenues, up to a total of 5% of the actual value of the property within the city. Revenue bonds, such as those pledged to be paid by revenue from water department income, and special assessment bonds secured by liens against private property, are excluded from the bonded indebtedness total.

In 1968 the city's bonded indebtedness is far below the legal limits set by the state. This, along with the adequate level of public facilities now being provided to community residences, indicates that Algona is in a good position for adequately meeting the needs of a growing city and it's citizens.

ESTIMATING REVENUES

The most common approach to revenue estimation is to plot the volume of past revenues and make a straight line projection into the future. Bond maturities are matched against projected assessed valuation. This appears to be quite satisfactory for a stable city. On the other hand, a city which is in the process of drastic economic change may require a detailed and searching economic base study and forecast. The long term debt outlook should be for at least fifteen years, although specific planning is limited to 5-6 years, because leeway must be left in city financial planning for improvements which may become necessary or critical during the period.

ILLUSTRATION OF A LOCAL CAPITAL IMPROVEMENT PLAN

Included with this report is a capital improvement program work sheet, which for illustrative purposes, shows a capital improvement program for the period 1969-74.

Many of the items contained in the illustration will, in fact, be included in the city's capital improvement program schedule, when it is adopted, but the actual program must be prepared by the city council, with the advice and recommendations of the department personnel and planning commission. following the procedures suggested in this report.

CAPITAL IMPROVEMENT PROGRAM SCHEDULE - ALGONA, IOWA - 1969 TO 1974

YEAR START	PROJECTS	RELATION TO OTHER PROJECTS	GENERAL OBLIGATION BONDS	REVENUE BONDS	SPECIAL ASSESSMENTS	MUNICIPAL FUND	OTHER	TOTAL COSTS	COST PRIOR TO 1969							COST BEYOND 1974	COMMENTS	
										1969	1970	1971	1972	1973	1974			
	· STREETS ·																	
1969	Street improvements		160,000		115,000			275,000	—		11,000	11,000	11,000	11,000	11,000	220,000	} Includes curb & gutter & surface on a number of streets	
1970	McGregor street widening (east of Phillips)		170,000					170,000	—			10,000	10,000	10,000	10,000	150,000		
1972	McGregor street widening (west of Phillips)		230,000					230,000	—					11,000	11,000	208,000		
1974	Oak east of bridge & Main from Oak to U.S. 18		100,000					100,000	—							100,000		
1972	Diagonal street from Phillips to Oak		30,000					30,000	—					5,000	5,000	20,000	} Widening	
1970	Launching pads at C.B.D. intersection				12,000			12,000	—			2,000	2,000	2,000	2,000	4,000	} Includes landscape, eng. fees and labor	
1972	Launching pads at mid block					8,000		8,000	—					8,000		—		
	· PUBLIC FACILITIES ·																	
1969	Athletic Park					35,000	10,000	45,000	—	45,000							Warming house and sports area	
1971	Remodeling City Hall		- COST NOT KNOWN -					fed grant										
1972	C.B.D. Parking lots		- WHEN LAND BECOMES AVAILABLE -															
	· UTILITIES ·																	
1969	Sanitary sewer project (new High School)					20,000		20,000	—	20,000								
1969	Storm sewers (new High School)					25,000		25,000	—	25,000								
1970	Sanitary sewers		- COST NOT KNOWN -															} North interceptor from U.S. 169 to treatment plant.
1969	Municipal utility improvement			300,000		500,000		800,000	—		15,000	15,000	15,000	15,000	15,000	225,000	New offices and other misc. improvement	
1973	Other water			100,000				100,000	—						5,000	95,000	Improvements from general plan	
1973	Northeast outfall storm sewer				100,000			100,000	—							100,000		
	· TOTAL ·		690,000	400,000	227,000	588,000	10,000	1,915,000		90,000	26,000	38,000	38,000	62,000	59,000	1,102,000		
	1.) GENERAL OBLIGATION BONDS									0	11,000	21,000	21,000	37,000	37,000			
	2.) REVENUE BONDS										15,000	15,000	15,000	15,000	20,000			
	3.) SPECIAL ASSESSMENTS										4,000	6,000	6,000	6,000	6,000			
	4.) FUND									70,000				8,000				
	5.) FEDERAL GOVERNMENT									10,000								

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