

**Capital  
Improvement  
Plan**

**2014**

**2019**



**LEBANON**  
MISSOURI  
*Friendly people. Friendly place.®*

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Radio Communications Upgrade	99-MTL-001-14	\$ 156,500	Multiple	1
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## **EXECUTIVE SUMMARY**

In the course of conducting business many questions are asked of the City - Questions like who decides which roads are improved? What's the plan for park improvements? Which City facilities need to expand? Answers to these questions are contained in the City's Capital Improvement Plan (CIP). The FY2014-FY2019 CIP is an overview of the needs for infrastructure, parks, facilities, and other improvements which make significant contributions to the community's livability.

The CIP sets forth a systematic means to address the need to maintain, upgrade, and replace components of City infrastructure. This plan is the result of various processes and incorporates input from the public, elected officials, appointed boards, and various staff. As one of the primary City documents, the CIP serves as an inventory of recommended and current projects (i.e. street maintenance and landscaping) and major purchases (i.e. vehicles and facilities) that the City uses to support its services and programs. The projects and acquisitions contained in this plan are not approved for execution or implementation, rather they represent an articulation of needs as seen by City staff. Prior to undertaking any project or purchase in the CIP, staff would seek the approval of the governing body.

## **INTRODUCTION**

The Capital Improvement Plan (CIP) is a guide encompassing the new and continuing capital improvement needs of the City. Outlined in the CIP is a schedule of capital improvement projects and financial resources for the plan's five-year horizon.

The CIP sets forth proposed expenditures for systematically constructing, maintaining, upgrading, and replacing the City's physical infrastructure necessary for continuing operations and providing city services.

Throughout the process of formulating the CIP, needs are evaluated, improvement projects examined and prioritized, and costs estimated, allowing the City look for ways to maximize leverage of funds through partnerships with local, state and federal agencies. The CIP is reviewed annually to maintain visibility and allow for the adjustments to be made in the plans due to changes in priority as well as shifts in the fiscal environment.

A CIP provides many benefits including:

- Allows for a systematic evaluation of all potential projects at the same time.
- The ability to stabilize debt and consolidate projects to reduce borrowing costs.
- Promote a dialog with citizens both individual and corporate
- Serve as a public relations and economic development tool.
- Create opportunities for collaboration among other governmental units to realize cost savings for the taxpayers.
- Aids in grant funding opportunities.
- A focus on preserving a governmental entity's infrastructure while ensuring the efficient use of public funds.

## **TYPES OF CAPITAL IMPROVEMENTS:**

- Major Building Additions & Remodeling
- Electrical Distribution Lines
- Substation Upgrade
- Park Land and Development
- Wastewater Treatment Plants
- Sewer Mains
- Storm Water Sewers
- Street Construction Projects
- Traffic Signals
- Computer Systems and Network Infrastructure
- Water Mains
- Water Towers & Wells
- New Building Construction
- Land Purchases
- Equipment Purchases
- Fire Trucks

## **WHY IS THE CITY OF LEBANON DEVELOPING A CIP?**

It is the intention of the City of Lebanon to create a document for short range project planning and identifying the needs of the City and its citizens. The CIP is developed to help guide the governing body's discussions of community needs, and create an effective communication tool for project forecasting. The high level discussion of the projects in the document would be further refined and come before the City Council prior to execution. Additional reasons to create a CIP are:

- Facilitate coordination between capital needs and the operating budgets.
- Enhance the community's credit rating, control of its tax rate, and avoids sudden changes in its debt service requirements.
- Identify the most economical means of financing capital projects.
- Increasing opportunities for obtaining federal and state aid.
- Relating public facilities to other public and private development and redevelopment policies and plans.
- Focusing attention on community objectives and fiscal capacity.
- Keeping the public informed about future needs and projects.
- Coordinating activities among neighboring governmental units to reduce duplication.
- Encouraging careful project planning and design to avoid costly mistakes and help the community reach desired goals.

## **CITY OF LEBANON'S STRATEGY FOR THE CAPITAL IMPROVEMENT PROGRAM**

In creating the CIP the City must endeavor to balance its resources among previously committed projects, major reconstruction and maintenance needs, and new projects. The capital improvements program was formulated with various obligations in mind, including debt service requirements, federal and state mandates, and cooperative funding agreements.

Funding decisions in the CIP are based on need as reflected in infrastructure condition assessments and growth patterns, with an additional effort made to complete projects begun in previous years. The first step is to determine the status of previously approved projects underway, determine whether additional funds are required, and determine the amount of unspent funds available from completed and discontinued projects. The benefit of this update is that officials involved in the budget process will be kept informed of the progress of projects approved in prior years.

Once previous obligations have been addressed, the remaining resources are divided among maintenance, rehabilitation and new construction. Maintenance projects undertaken through the CIP include the large annual projects necessary to ensure that existing infrastructure does not deteriorate and remains in a usable state. Rehabilitation projects are initiated in those cases when infrastructure has experienced measurable deterioration but is safer or more economical to rebuild. Finally, meeting the development or redevelopment needs of the community necessitate the addition of capital infrastructure to the City systems. The result of the staff's effort to balance these factors over the next five years is represented in this document.

To determine additional needs the budget team will solicit, compile and evaluate project requests from each department through submittal of a request which include a statement of the need and justification for the project, its costs, and its net effect on the operating budget over the projects lifetime, and an implementation schedule.

Annual updating of the Capital Program involves repeating the above steps to reflect new information, policies and proposed projects. The affected departments review and revise the entire program as necessary to reflect its most recent determination of the need for equipment, maintenance of equipment, the town's social and environmental conditions.

Where possible, capital improvement projects which are preferred are those which have a long useful life, benefit the City as a whole, maintain or increase the citizen's quality of life and either protect or have no adverse impact on the environment.

## **FUNDING THE CAPITAL IMPROVEMENT PROGRAM**

The CIP contains 229 capital projects totaling more than 51.2 million dollars between FY 2014 and FY 2019. A variety of instruments are used to finance these projects. There are capital projects featured in the Fiscal Year 2014 Budget which do not appear in the CIP. Airport improvements as well as investments and enhancements to the City's economic development properties, the Downtown Business District and a potential partnership with the Parks Department to rehabilitate and reuse space in the Nelson Education Center are still in the planning processes and will be brought to the governing body when the appropriate. The Capital Improvement Sales tax accounts for 19% of the total proposed financial resources in the CIP. User fees and rates tend to be a significant source of funding for most municipal CIPs. Over the five (5) years the utility funds are proposed to provide 70% of the funds for the CIP. These funds are generated through such municipal enterprise activities as water, sewer, electric, and fiber operations. The general fund, grants, and partnerships with special taxing districts and other funds round out the funding sources for the CIP.

**Property Tax Collections** - The valuation affects City's capacity to fund projects, and it is important that the City resumes reasonable valuation growth in the future. The weakened housing market, coupled with local economic factors, has resulted in flat assessed valuation.

**Capital Improvement Fund** - The voters of Lebanon elected to impose a local sales tax to establish and cover multi-year expenditures of major capital projects and expenditures for all general government programs. Since the sales tax is tied to the spending habits of local consumers it is subject to the local economic conditions affecting local residents.

**Transportation Improvement Sales Tax** – The voters of Lebanon elected to impose a local, one half of one percent, sales tax for the purpose of carrying out the renovation, reconstruction and/or maintenance of existing city streets. As this revenue stream is tied to the local sales prevailing economic factors impacting local residents can affect collections. By state law monies collected by such a tax shall be appropriated and disbursed only for transportation purposes.

**Parks Tax** – A portion of the local property tax is earmarked for the maintenance and enhancement of the City's park system.

**Missouri State Gasoline Sales Tax** – The State of Missouri approved an additional gasoline sales tax of which a portion is returned to the City.

**Missouri Department of Transportation Enhancement Program**— these are matching grants offered by the State Highway Commission to create multi-modal transportation opportunities in selected communities.

**Surface Transportation Program**— Statewide Transportation Improvement Program (STIP) prepared annually, sets forth the specific construction projects the Missouri Department of Transportation MODOT will undertake in the next five years. It covers highways and bridges, transit, aviation, rail, waterways, enhancements and other projects.

**Motor Vehicle Sales Tax**- The City receives funds through a Motor Vehicle Sales Tax and uses it to fund street maintenance activities. These funds are distributed to the City by the Missouri Department of Revenue. Fifty percent of the proceeds from the 3 percent State Motor Vehicle Sales Tax revenues is dedicated to highway and transportation use and is apportioned between cities, counties, and state as follows: 10 percent to counties, 15 percent to cities with allocation based on population from the last federal decennial census, 2 percent to the state transportation fund, and 73 percent to the state road fund.

**Motor Vehicle Tax**- In addition to Motor Vehicle Sales Tax the City and County receives a distribution from increases in the state motor vehicle fees. The Motor Vehicle Fee Increase is state license fees and taxes on motor vehicles that have been increased by law since 1979. The amount distributed is similar to the Motor Vehicle Sales Tax. These revenue sources are somewhat volatile with new and used car sales activity.

**Enterprise Revenues** — these funds are derived from fees and charges for services provided by operations of the utilities, and are used to fund daily operations and provide resources for debt service and pay-as-you-go capital improvements only to enterprise facilities. Budget and

accounting units are created for particular purposes, such as water and sewer or other self-sustaining operations, to separate the revenue and financial control of such operations from the General Fund.

Community Development Block Grant (CDBG) — Funds received through the CDBG program are awarded to cities for projects meeting at least one of the following federally mandated criteria, of primarily benefiting those of low-to-moderate income. The program offers grants to communities to improve local facilities, address critical health and safety concerns, and develop a greater capacity for growth. Funds are offered for projects that can range from housing and street repairs to industrial loans and job training.

STP (Statewide Transportation Improvement Program) - The Missouri Department of Transportation (MODOT), in accordance with state and federal law, prepares and administers the Statewide Transportation Improvement Program (STIP). The STIP prepared annually, sets forth the specific construction projects the Missouri Department of Transportation MODOT will undertake in the next five years. It covers highways and bridges, transit, aviation, rail, waterways, enhancements and other projects.

Department of Natural Resources- The Missouri Department of Natural Resources offers numerous opportunities for financial assistance including tax credits and exemptions, loans and grants. These opportunities are available for private individuals, communities, organizations and companies. Assistance can range from help in rehabilitating a historic building or building an erosion-control structure, to building sewer and water systems and cleaning up leaking underground storage tanks.

Debt Financing -- Improvements to major streets, bridges, parks, and public facilities are primarily reliant on tax revenue to support payback of General Obligation (GO) bonds, while some projects are backed by other revenue sources. General Obligation bonds provide debt financing not only for property tax-funded projects but also for capital improvement projects where debt service payments are paid by City enterprises (such as Water, Electric, or Storm Water), and special assessments. The interest rates on issued debt and the cost for construction can change substantially due to economic variables and both have a major effect on the costs associated with the CIP projects.

COP (Certificate of Participation) Bond - A type of financing where an investor purchases a share of the lease revenues of a program rather than the bond being secured by those revenues. The authority usually uses the proceeds to construct a facility that is leased to the municipality, releasing the municipality from restrictions on the amount of debt that they can incur.

## **BUDGET TERMS EXPLANATION**

**Budget:** An estimate of revenues and expenditures anticipated during a fiscal year and a summary of anticipate use of those revenues and expenditures.

**Capital Assets:** An asset with a life anticipated life of greater than three years that is of major importance and/or cost.

**Capital Budget:** The City's systematic plan for addressing new construction, major maintenance greater than \$1,000 in a given fiscal year. Additional expenses can include the purchase and improvement of land and the acquisition of new buildings and facilities, or acquisition of longer lived, yet depreciable assets.

**Capital Improvements Project:** Is a project that may include the construction of new facilities, renovation of existing structures or facilities to extend useful life, and major repair of infrastructure such as streets or utility lines that is of a comprehensive and non-routine nature.

**Capital Improvement Plan:** A presentation of the City's long and short-term projected capital improvement needs. The planning document is used by staff and the governing body to guide the discussion of current and intermediate term capital requirements.

**Enterprise Fund:** A fund in which operations are expected to function in a manner similar to a private business enterprise. The costs of operating are expected to be financed on a continuing basis through user charges (rates) rather than through taxes.

**Infrastructure:** The facilities, systems and equipment, needed for the efficient continual operations of a city. Examples of these assets include roads, sidewalks, curbs and gutters, public parking lots, utility lines, traffic signal and street lighting.

**Operating Annual Expenditures:** Items required for the operation of the City departments in the provision of City services. Small tools and equipment less than or equal to \$1,000, the purchase of lower value Capital Assets and minor maintenance to existing buildings and facilities.

**Operating Budget:** The amount of monies the City allots annually to perform municipal functions.

## **CONCLUSION**

The Capital Improvement Plan a five-year capital budget for infrastructure, parks, and facility improvements crucial to the region's livability. The purpose of instituting this annual capital review process is to provide the governing body and the community opportunities to discuss the capital needs of the community at the present and into the future. When building the CIP staff concentrated on building upon core strategic priorities of the governing body and the community. Funds in the CIP are being allocated primarily in support of public safety operations and equipment, protecting the community's sizable investment in its road and utility networks, provided recreational opportunities in park lands and recreational facilities, and assisting in creation of an environment conducive to economic development prospects

The annual nature of this process allows staff to review the appropriateness of various funding mechanism discussed above. By adopting the CIP the governing body is only beginning a dialog with staff and the community. Presentation of the CIP is the first step in the process. Projects featured in the CIP, and also adopted in the annual budget will come before the council prior to their execution. The annual nature of the process allows for more flexibility to alter courses of action in order to serve the needs of the community or respond to economic or other external issues which may impact the dynamics of any given project. As the year progresses various fiscal, regulatory, or other external factors can necessitate changing the scope or even need of a project, this is one of the primary reasons adoption of a CIP is not unilateral approval to carry out a capital project.