



City of Chaska Memorandum

To: Chaska City Council and Planning Commission
From: Matt Podhradsky
Date: July 27, 2009
Subject: 2009-2013 Capital Improvement Program

Submitted herein is the proposed 2009-2013 Capital Improvement Program. As you will see in this plan, over the next 5-year period, the City of Chaska proposes to scheduled approximately \$27,576,000 in improvements to our internal infrastructure system. Expenditures for the proposed improvements are listed below:

Department	2009	2010	2011	2012	2013	TOTAL
Electric	\$395,000	\$445,000	\$1,925,000	\$1,475,000	\$780,000	\$5,020,000
Parks	\$657,000	\$583,000	\$58,000	\$14,000	\$114,000	\$1,426,000
Sewer	\$0	\$300,000	\$500,000	\$0	\$0	\$800,000
Storm Water	\$420,000	\$80,000	\$80,000	\$80,000	\$142,000	\$802,000
Streets	\$2,954,000	\$9,100,000	\$174,000	\$1,405,000	\$0	\$13,633,000
Street Renovation Program	\$249,000	\$1,056,000	\$831,000	\$962,000	\$1,197,000	\$4,295,000
Water	\$0	\$500,000	\$800,000	\$0	\$300,000	\$1,600,000
Department Total	\$4,675,000	\$12,064,000	\$4,368,000	\$3,936,000	\$2,533,000	\$27,576,000

Revenues are categorized below:

Source	2009	2010	2011	2012	2013	Total
Park Dev.	\$607,000	\$283,000	\$58,000	\$14,000	\$114,000	\$1,076,000
Maj. Road	\$999,000	\$50,000	\$174,000	\$305,000	\$0	\$1,528,000
Water Trunk	\$181,000	\$500,000	\$500,000	\$0	\$300,000	\$1,481,000
Sewer Trunk	\$469,000	\$150,000	\$300,000	\$0	\$0	\$919,000
Storm Trunk	\$800,000	\$40,000	\$0	\$0	\$170,000	\$1,010,000
Water Quality	\$0	\$500,000	\$0	\$0	\$0	\$500,000
Electric	\$395,000	\$445,000	\$1,925,000	\$1,475,000	\$780,000	\$5,020,000
Water	\$0	\$0	\$300,000	\$0	\$0	\$300,000
Sewer	\$0	\$0	\$50,000	\$50,000	\$50,000	\$150,000
Storm	\$80,000	\$80,000	\$280,000	\$280,000	\$280,000	\$1,000,000
Grants	\$0	\$150,000	\$0	\$1,100,000	\$0	\$1,250,000
Other	\$645,000	\$300,000	\$0	\$0	\$47,000	\$992,000

Assess Princ.	\$250,000	\$9,050,000	\$200,000	\$0	\$0	\$9,500,000
Assess P&I	\$0	\$0	\$69,000	\$148,000	\$232,000	\$449,000
Street Levy-Future	\$0	\$250,000	\$250,000	\$250,000	\$250,000	\$1,000,000
Street Levy-Issued Bonds	\$249,000	\$266,000	\$262,000	\$314,000	\$310,000	\$1,401,000
Source Total	\$4,675,000	\$12,064,000	\$4,368,000	\$3,936,000	\$2,533,000	\$27,576,000

As has been the City's goal in preparing previous Capital Improvement Plans, the 2009-2013 CIP is based on the goal of implementing the City's five year goals, maintaining the existing level of services provided, and doing so in a manner that keeps our tax rate low over the planning period.

Adoption of the CIP is an important step in the development of a logical and goal oriented program for allocating the City's capital resources. Through the use of this plan, the City Council can annually allocate resources consistent with the community's priorities.

In reviewing the plan, it is suggested that policy makers give specific consideration to the following two questions:

- 1) Is the overall level of financial commitment for capital expenditures compatible with the resources available to the City?
- 2) Are the priorities established in the program consistent with the City's 5-year goals and actual needs of the community?

Community Development Slowdown

As can be expected, the dramatic slowdown in development in all sectors of the economy has had an effect on the rate at which we anticipate the need to complete improvements in the community. To give a sense of the impact the economic slowdown has had on planned improvements in the community, the 2007 CIP programmed just over \$50 million in improvements, with this CIP now revised to meet our development patterns over the next 5-years being almost half of this number, at just over \$27 million. With an inventory of residential and commercial lots expected to be available over this 2009-2013 planning horizon, the need for significant capital improvements to service new development will be limited, with any large development-driven capital investment reserved for the new Corporate/Industrial center at the new 212/Engler interchange. As you will see in this proposed Capital Improvement Program, the primary focus of resource allocation is broken down generally into three major areas:

- 1) Continued implementation of our Street Reconstruction Program
- 2) Installation of necessary infrastructure to service the new Corporate/Industrial land when it is ready to develop
- 3) Completion of projects that were already started prior to the economic slowdown, and which now need to be completed despite revenues coming in to support these projects at levels lower than anticipated

The third major category of this year's CIP includes such projects as Veteran's Park and the new Water Treatment Plant, both of which were developed assuming growth at rates higher than we are experiencing. These projects that are already completed, or are nearing completion and relied on development revenue, forced us in this year's CIP to focus on what management strategies we will have to use to bring each of our trunk funds into balance over this planning period. As an example, in response to the issues we anticipate in the Water Operating Fund and Water Trunk Fund, the City completed a water rate analysis that helped us define what action we will need to take with rates in the short term to address these issues. While this CIP does show that in some of the trunk funds we will experience short-term deficits in these funds, we do feel that the management techniques we recommend in this document will help us bring each of these trunk funds in this CIP into balance over the 5-year planning period.

As you will find, the remainder of this memo will focus on each of the specific trunk funds, specific projects that are either being completed now, or are identified during this planning period, and any strategies to deal with short-term deficits in each of the funds.

Park Fund

Park Improvements can be separated into three separate categories:

- A. Neighborhood Parks
- B. Community Parks
- C. Trail Construction

Neighborhood Parks generally consist of parcels between 3-5 acres and serve a radius of approximately 1/4th mile. With few new residential projects expected to materialize over the 5-year planning period, neighborhood park development is only planned to occur in the new Victoria Point Subdivision. This new neighborhood is adjacent to the Liberty Heights neighborhood, which has been waiting for a neighborhood park develops for several years. With the first phase of the Victoria Point nearing completion, and donation of the parkland in this neighborhood already complete, completion of this new park (Moers/Hammers Park) should occur in the short term. As you will see in the plan, we have planned this improvement for 2010 at a cost of \$100,000.

Community Parks are those facilities that serve the overall community and tend to have a more specialized function.

In the 2009-2013 CIP, we have identified only two community park facilities to complete. One is Veteran's Park, which was started in 2008 and will be finished in 2009 on the land the City acquired just to the north and west of our Municipal Services Building. Most of the 20+ acres of land utilized for this park was purchased as excess right-of-way from MnDOT from the 212 freeway project. This land has been developed into a full baseball field, parking facility and playground facility at a cost of \$600,000. The second phase of development would likely come at a time after this 5-year period, and is yet to be determined what would occur at this location. Discussion has occurred, and a concept plan developed, to potentially include a Veteran's memorial in this second phase of development.

In 2010, \$175,000 has been programmed for Fireman’s Park to continue the overall park upgrade. It has been planned that this money would be utilized toward the park improvements that would occur as part of the overall redevelopment of the Block 6 corner. Additional funds for further park improvements would be planned to be brought in from other revenue sources associated directly with this project.

The final category of park system expenditures relates to community and roadway trail improvements. Due to a slowdown of development activity, and hence a slowdown of revenue coming in through parkland dedication fees, we do propose still keeping in \$150,000 (\$50,000 in 2011 and \$100,000 in 2013) to complete such improvements as continuing to pave our unpaved pedestrian trails. This is down from \$400,000 that we had originally proposed in last year’s CIP.

As you will see in the chart below, while we do see some initial deficit in 2009 and 2010 of this plan, this deficit is eliminated by 2011 with an ending balance in 2013 of over \$2 million. The initial deficits are caused by projects that were already committed to and started prior to the economic slowdown, and therefore did not draw in the parkland dedication revenues originally anticipated when these projects were commenced. While we do anticipate building back a positive balance in the park fund over this 5-year period based on our anticipated development, Staff does recommend that we not over-program what we commit funds to in this time period, as development may continue to be unpredictable in nature. Depending on the pace of when development comes back, especially when it starts in the Height of Chaska, will determine when our next large investment would occur with the development of a large community park in the Heights of Chaska Area.

Year	2009	2010	2011	2012	2013
Fund Balance	(\$474,000)	(\$214,000)	\$412,000	\$1,153,000	\$2,261,000

Major Road Fund

The Capital Improvement Program attempts to schedule, over the 5-year planning period, those street projects that are primarily funded through Municipal State Aid, tax levy, or those that have a direct impact on our collector street system. The program does not attempt to include those projects constructed as part of a new subdivision, as these projects are financed 100% through special assessments, and do not have a direct impact on City revenues. Some of the projects we can anticipate through the 5-year planning period that would fall into this category include:

- Hundertmark Road/Highway 41 Intersection Improvements (2010)-Associated with the development of the 212 Medical Center
- Engler Boulevard Improvements west of 212 Interchange (2010 or 2011)- Associated with Bioscience Center Development
- Highway 41/2nd Street Intersection Improvements (2009 and 2010)-This is funded through Federal Stimulus dollars
- Heights of Chaska Collector Road (2011)-This would be associated with the start of the Heights of Chaska residential development

As you will notice in the 2009-2013 CIP, there are very few new projects that are scheduled with the primary source of funds being Municipal State Aid. This is both because our allocation of MSA through 2013 has, for the most part, been previously allocated as a funding source to pay for debt service on projects that have already been completed, or are being completed in 2009. These projects include the city's share of the upgrades to Lyman Boulevard and Pioneer Trail, and dollars needed to complete the debt service payments for our First Street reconstruction project. With these dollars already committed to previously completed projects, the only new project that we have on this 5-year CIP is the completion of the McKnight Bridge reconstruction. While the total cost of this project is nearly \$1.4 million, the city's share will be approximately \$475,000 for project design/engineering and for the cost of constructing temporary approaches to the bridge. The State of Minnesota is anticipated to cover the actual cost of reconstructing the bridge itself, which would be funded through State Bonding dollars. We do think that we could get this project funded for a 2012 construction date.

The Street Reconstruction Program is the other major project programmed in the 2009-2013 CIP, with the major sources of funding during the initial 5-year period coming from a \$250,000 per year tax levy contribution to the plan, special assessments, and trunk fund contributions. The Street Program will bring in MSA dollars starting in 2015, as at that point we have not yet committed the use of our MSA dollars. The first streets anticipated to be done on the Street reconstruction plan would be Cardinal Street reconstruction in 2011, with full overlays of the Sandy Acres and the Valley View neighborhoods in 2010.

With the MSA funds being fully committed at this time, we will run an internal deficit we will need to cover for the first years of the plan, with it being fully repaid by the end of this planning period. As the plan was put together for the use of MSA in the Street Reconstruction Program, we did utilize only a percentage of what will be available to us in each of the years after 2015, both to avoid carrying any further internal deficit for projects committed, and to allow some MSA dollars to be reserved for other projects or for maintenance activities. Below is a projection of our cash balances in the Major Road account, and what deficits we will have to carry the first four years of this plan to bring this fund back into balance:

Year	2009	2010	2011	2012	2013
Fund Balance	(\$1,427,000)	(\$925,000)	(\$490,000)	(\$142,000)	\$535,000

Water Improvements

The two types of capital needs in the Water Fund are related to system-wide improvements and improvements related to specific developments.

Over the past 5-years, the major system-wide improvement that was completed was the new Water Filtration Plant. This plant was built to accommodate over 12 million gallons of treated water per day, which will be sufficient to accommodate any future growth. As you will see in this CIP, over the next 5-years, there are three system-wide improvements that will need to be accomplished, including:

- New Well #10 (2010)

- Industrial Water Tower Painting (2011)
- Highway 212 Loop (2013)

Well #10 is the next well that will be needed to meet the projected water demands in our system. The trigger for the need of this well will come from the projected industrial growth coming from our new Corporate/Industrial park at the 212/Engler Interchange. At this time we anticipate that this development will begin in 2010. However, if that were to shift, this improvement would also shift back to whatever year this development occurs. The other two system-wide improvements are unrelated to growth activity, and need to occur to properly maintain our system and avoid future costs in our system. This includes the painting of the Industrial Water Tower, which is located in our Peavey Industrial Park, and creating a loop in our water system along the new 212 freeway corridor. The first is work that needs to occur to ensure that we do not see unnecessary deterioration of our existing water tower, and the second improvement is needed to abandon our Hazeltine Water Tower, which would also need significant maintenance work if we were to keep it in our system past this time. When the 212 loop is completed, the Hazeltine Water Tower will be able to be taken off of our system and demolished.

The second set of improvements in our CIP are improvements that are associated with trunk water facilities needed for specific developments. This includes the following:

- West Industrial Water Main-North of Engler (2010)
- Chaska Township Water Trunk extension (2011)

These are both needed based on the pace of development in the first phase of the Corporate/Industrial development, and when it occurs in the Heights of Chaska. This work will not occur until this development moves forward, which could push the start date back for this to match up with when development does occur.

Over the past two months, the City completed a financial analysis of both our water trunk fund (supported by development fees) and our water operating funds (supported by our water rates). The analysis looked at both of the funds together to make sure that we were not only meeting our current obligations for capital and maintenance in our system, but that we were able to meet our future maintenance obligations based on where our rates were structured. With Chaska having one of the lowest water rates in the Metro Area, and with a dramatic slowdown in building activity, the results of this analysis indicated that if we did not restructure the way we approached funding our water system, that over the next 10-year period, we would be nearly \$7 million in debt, even after restructuring our current Water Treatment Plant debt. This study helped quantify more clearly what we were already seeing in our Water Trunk Fund in our CIP, which shows the following deficits over this five-year period if we were to take no action and keep things structured the way they are currently structured within our Water System:

Year	2009	2010	2011	2012	2013
Fund Balance	(\$1,594,000)	(\$3,201,000)	(\$4,725,000)	(\$4,183,000)	(5,035,000)

Based on the trends we are seeing in our Water Trunk and Water Operation Funds, the City Council is currently in the process of considering changes both to our water rate structure, and refinancing our Water Treatment Plant debt. This will allow us to accommodate not only our current obligations, but to put the City in a position to be able to accommodate future maintenance of our system. While these proposals would increase our water rates in both 2010 and 2011, our water rates would still be lower than any of the surrounding communities, and very competitive in the Twin Cities Metropolitan Area. At the same time, it would help eliminate the deficits we are projecting above in our CIP. Over a 10-year period this would build our balance in our Water Operating and Water Trunk Funds to approximately \$5.5 million, which is what is projected should be in the fund to cover our future maintenance and operating expenses. These changes will help us manage both our water operating and trunk fund's projected deficits while still keeping very competitive rates.

Sanitary Sewer Improvements

Although the current trunk system meets Chaska's existing service needs, there will be two projects that will occur that are necessitated by growth, very similar to what we were seeing in our water system. These two project include:

- Trunk to West Industrial (2010)
- Chaska Township Interceptor (2011)

Both of these improvements are needed based on the pace of development in the first phase of the Corporate/Industrial development and in the Heights of Chaska. This work will not occur until this development moves forward, which could push the start date back for this to match up with when this development actually occurs.

The other use of dollars in this fund is for payment of existing debt for past projects that occurred with components of these projects funded from the Sanitary Sewer trunk fund. This includes projects such as First Street Reconstruction, and the trunk extensions that needed to occur along Bavaria Road to service Chevalle and Symphony Hills.

Based on the existing commitments, and our projected new projects, the Sewer Trunk Fund would show the following Fund Balance over the five-year CIP period:

Year	2009	2010	2011	2012	2013
Fund Balance	\$240,000	\$12,000	(\$342,000)	(\$340,000)	(\$299,000)

While we are showing deficits through this 5-year period, there are two things that will change the outlook of the Sewer Trunk Fund over the 5-year period. First, the Met Council still is determining the final reimbursement that is owed to the City of Chaska for sanitary sewer work associated with the First Street Reconstruction project. At this point we believe that this reimbursement will be at least \$200,000, but likely somewhat more

than this. In addition, the City of Chaska significantly reduced our Sanitary Sewer Trunk rates (development charges) several years ago. Prior to 2010, Staff will be doing a survey of surrounding cities to make sure that our Sewer Area Trunk and hookup charges are sufficient and comparable to other cities. This will likely lead to a recommendation to increase these development charges to be comparable with other communities. Between these two actions, we do believe that we will be able to bring the Sewer Trunk Fund back into balance.

Storm Water Improvements

Two keys elements to our City’s overall storm water quality plan is the development of regional treatment ponds for removal of suspended solids, and the addition of storm sewer into the downtown area as part of the overall Street Reconstruction Program. The core area of downtown Chaska has never been serviced by a true Storm Water treatment system, which was started as part of the First Street Reconstruction project and will continue as we move through reconstructing the other streets in our downtown area.

For improvements to our existing system, there are three projects that we do have scheduled in this CIP. All three of these improvement projects are necessary because of extreme erosion we have experienced which is allowing for the deposit of suspended solids into protected water areas. These include:

- Hazeltine Bluff Wetland Restoration and Ravine Stabilization (2009)
- Birdie Lane Retention Pond and Stabilization (2009)
- Assumption Creek Wetland Restoration (2013)

The Hazeltine Bluff restoration is needed in 2009 due to significant deterioration of this bluff, which has been eroding down the bluff into the Seminary Fen area. The Birdie Lane project could potentially be delayed. However, it is best if we tie this improvement into the work occurring with the reconstruction of the Hazeltine National Club House, which will require the construction of a new Stormwater holding pond. By tying it into this work, it will help us reduce our overall costs of the project.

In addition to this, the Storm Water Trunk Fund and Storm Water Quality Fund will be utilized to help fund some of the Street Reconstruction Program, especially since there is currently no Storm Water system in our downtown area. While this 5-year CIP shows \$40,000 towards construction, and \$155,000 toward debt service in 2013, it is important to understand that 2013 is just the first year of obligation by this fund to the debt service on the Street Reconstruction Program. So while this fund shows a very large surplus in 2013, much of this is already committed to this future debt service. The Storm Water Quality Fund will contribute \$500,000 to the Street Reconstruction Program in 2010, which will utilize our entire balance in this fund. Based on this, the Fund Balance in the Storm Water Trunk fund over the 5-year CIP period is:

Year	2009	2010	2011	2012	2013
Fund Balance	(\$729,000)	\$129,000	\$507,000	\$3,696,000	\$4,369,000

Conclusion

While development activities have slowed down dramatically over the past two years, which has reduced the overall number of projects that we are planning for in this current CIP, this slowdown in development activity also did have an impact on funds that were expected for projects that were already planned for and completed. Because of this, it has required us to develop strategies to make sure that our CIP not only addresses the future improvements we will need to make to allow our planned development to move forward, but also make sure that we bring each of our Trunk Funds into a healthy financial position as we move through this 5-year period. It is Staff's hope that this CIP not only serve as a document to look at future improvements we need to make, but that it also serves as a management document to show how we plan, over the 5-year period, to bring each of our funds into a healthy position once again.

I want to thank Staff for the hard work that they put into creation of this document. Any questions on this can be referred to me.