

**CAPITAL FUNDS**

**PROPOSED BUDGET**

**2016-2017**



**Public Works Plow Drivers Clear the Roadways.**

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## CAPITAL FUNDS OVERVIEW

Capital improvements are the bricks-and-mortar type investments that municipalities need to make in order to maintain the City's infrastructure, buildings, and equipment in fair condition. Utilizing long-term capital financing is a useful mechanism to retain sufficient cash balances in operations, while ensuring the integrity of the City's property and infrastructure system. Furthermore, it is important for the City to maintain an adequate balance between capital improvements and non-capital expenditures, as both play important roles in the long-term financial health of the City.

Capital Funds account for the City's investments of this type. A general rule is that only those items that are in single instance in excess of \$50,000 with a useful life of five years or longer would be included in these funds. Water and Sewer capital projects, while they meet the capitalization threshold, are accounted for in the Enterprise Funds and are not included here. Likewise, additional street resurfacing projects funded from the City's share of the State's Motor Fuel Tax or economic development projects funded from Tax Increment Financing dollars are accounted for in the Special Revenues Funds. Details of those expenditures may be found in the *Special Revenue Funds* and *Enterprise Funds* sections of this report.

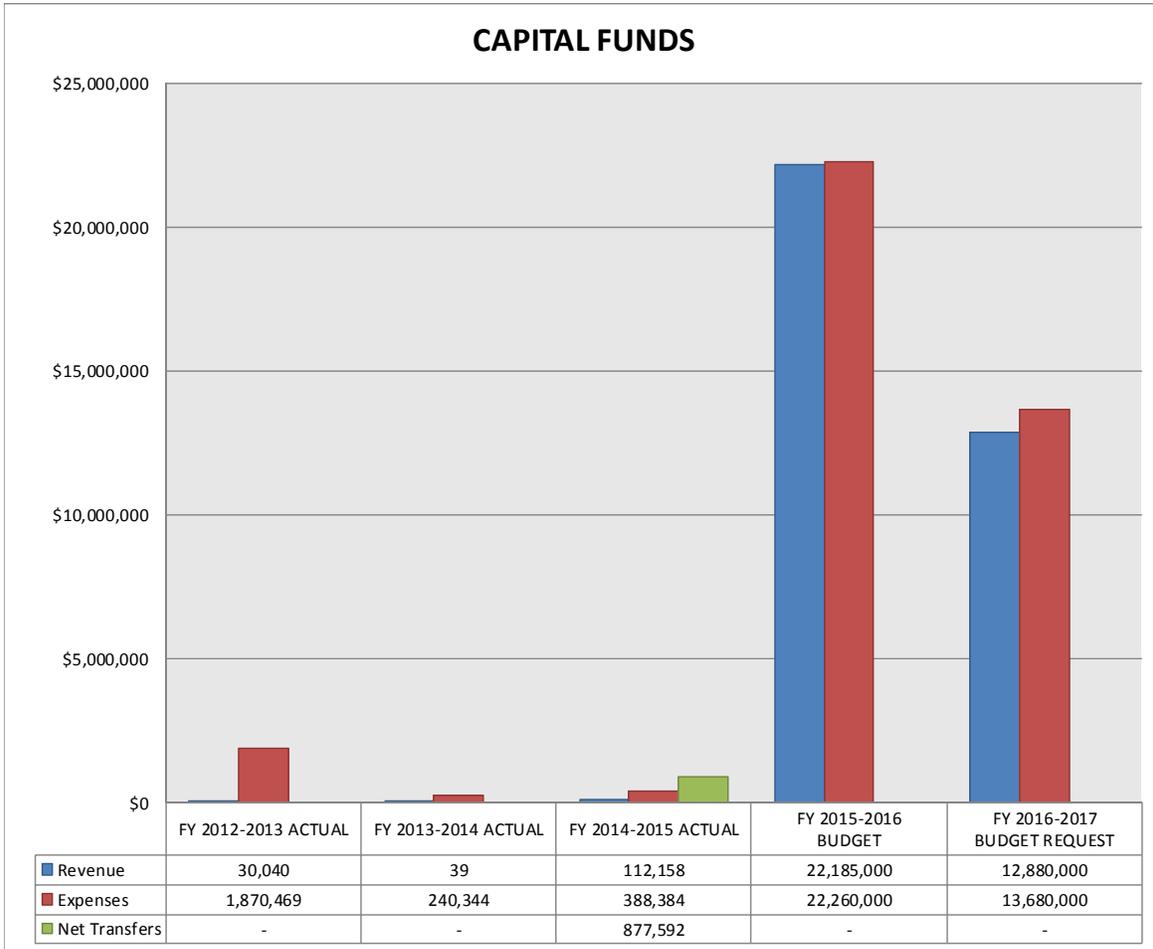
## SOURCES & USES OF FUNDS

Total Capital Fund estimated revenues of \$12.88 million are comprised of potential \$12.88 million in bond and notes proceeds. Total Capital Fund estimated expenditures of \$13.68 million include \$7.33 million in street renewal and replacement, and \$5.55 million in land acquisition. The operating deficit of \$800 thousand is due to monies remaining from the prior fiscal year's street renewal bond issue being carried forward and added to new bond proceeds to complete the FY2016-2017 road program.

Revenues	\$12,880,000
Expenditures	-13,680,000
Surplus / (Deficit) before transfers	0
Transfers-In	0
Transfers-Out	0
Surplus / (Deficit) after transfers	-800,000

As demonstrated in the following chart, significant capital investments have occurred in the prior and upcoming fiscal year. The budgeted plan for the 2015-2016 fiscal year included \$22 million in bond proceeds related to land acquisition

and road improvements; however, due to market conditions and City Council directive only \$7 million in sales-tax supported bonds were issued to begin the City's 3-year roadway improvement program. In the 2016-2017 fiscal year, the budget includes \$5.55 million in potential property-tax supported notes or bonds to support lakefront land acquisition to further the City's economic development plans and \$7.33 million in potential sales-tax supported bonds to continue the City's roadway improvements.



## **STREETS & SIDEWALKS**

The City maintains 247 miles of roadway including arterial and residential roads, as well as alleys and sidewalks. Ideally arterial roads are repaired / replaced every 15 years, and residential roads every 20 years. Due to downward economic pressures on the City's resources, the City has been unable to follow this ideal renewal and replacement plan for several years. Therefore, the City increased its home rule sales tax effective January 2015 by 0.25%, and has earmarked those new revenues for the specific purpose of infrastructure investment. As a result, the City issued the first series of Sales Tax General Obligation bonds during the 2015-2016 fiscal year, and will be issuing a second series of bonds in early 2016-2017 in order to fund roadway improvements. These bonds will be repaid with the aforementioned increase in home rule sales tax, and will have a secondary pledge of the City's real estate property tax. If market conditions remain favorable, a third series of bonds is planned for issuance in fiscal year 2017-2018. During the 2015-2016 fiscal year, over 16 miles of road repair and replacement were accomplished under this program. It is anticipated that, over a 3-year period, approximately 40% of the City's arterial and residential roadways will be replaced or repaired.

## **ECONOMIC DEVELOPMENT**

The City's economic development projects contemplated in the 2016-2017 fiscal year budget proposal focus primarily on the City's lakefront, and are driven largely by the Master Plan, titled *A 21<sup>st</sup> Century Vision for Waukegan's Downtown and Lakefront*, adopted by the City Council in 2003 and supported by the recent *Lakefront Active Implementation Plan*, adopted by the City Council in 2016. Both plans are available in their entirety on the City's website [www.waukeganil.gov](http://www.waukeganil.gov).

The budget proposal includes the potential for borrowing of up to \$5.55 million in short-term notes for land acquisition. The Master Plan calls for a combination of public and private investment needed to revitalize the City's downtown and lakefront. Only certain projects which are likely to come to fruition in the next fiscal year are included in the current budget proposal. These projects will allow the City to continue developing downtown and the lakefront by acquiring and banking properties, allowing for necessary pre-development work for new or improved roads and sidewalks, bike paths or open space, or future private development. Acquisition of key properties in downtown and along the lakefront would allow for City control of vacant and deteriorating buildings, land requiring remediation, and consolidation or re-subdivision of properties, making the area a more attractive and flexible development opportunity.

**LINE ITEM DETAIL**

**FUND 307 FIXED ASSETS  
REPLACEMENT FUND**

REVENUE		
Sub 4900	Other Financing Sources	
307 49310	Bond Proceeds	-5,550,000
		-----
Sub 4900	Other Financing Sources	-5,550,000
		-----
TOTAL REVENUE		-5,550,000
EXPENSE		
Sub 2600	Capital Outlay	
307		
130726490	Land Acquisition	5,550,000
		-----
Sub 2600	Capital Outlay	5,550,000
		-----
TOTAL EXPENSE		5,550,000
		=====
Fnd 307	FIXED ASSETS REPLACEMENT FUND	0

**FUND 312 STREET/SIDEWALK  
REHABILITATION FUND**

REVENUE		
Sub 4900	Other Financing Sources	
312 49310	Bond Proceeds	-7,330,000
		-----
Sub 4900	Other Financing Sources	-7,330,000
		-----
TOTAL REVENUE		-7,330,000
EXPENSE		
Sub 2700	Capital Improvements	
312		
131227619	Street Renewal/Replacement	8,130,000
		-----
Sub 2700	Capital Improvements	8,130,000
		-----
TOTAL EXPENSE		8,130,000
		=====
Fnd 312	STREET/SIDEWALK REHABILITATION	800,000