



## 2019 – 2023 Capital Improvement Program (CIP)

The Capital Improvement Program (CIP) represents the City of Naperville's commitment to plan and maintain assets linked to the City's mission as well as the long-term investment in the City's infrastructure. The CIP provides the City's long-range financial plan that complements the annual budget, which provides the short-term financial plan to fund operations. The City publishes the CIP as part of the annual budget; together, the two documents provide the comprehensive plan for financing the programs of Naperville's City government. The CIP is an integral part of the City's efforts to preserve and enhance the quality of life in Naperville. This document summarizes all major capital outlay anticipated over the next five years. It is comprised of a description of projects, the financial requirements of the projects and funding sources.

Projects may include land acquisition, the construction of new buildings, additions to or renovations of existing buildings, construction or reconstruction of streets, infrastructure for utilities, major equipment purchases and technology upgrades, including both software and hardware. While some projects are funded through current revenues, the size and magnitude of these projects have historically required the use of bond funds to supplement revenue streams.

During the preparation and review of the CIP, staff sets priorities and identifies which projects can be accomplished in a given year, within the limits of the City's control. The City also incorporates resource allocation, prioritization, consideration of external factors and cost evaluation to arrive at the final capital program. As would be expected, the data available, and therefore the expenditure estimates, for the earlier years are more precise than the later years.

Additionally, the 2019–2023 CIP recommendation is based upon the three financial principles that were approved by City Council in 2015.

- **Principle #1** – The City will pass a structurally balanced operating budget annually;
- **Principle #2** – The City commits to continuous improvement in the delivery of necessary and cost-effective services; and
- **Principle #3** – The City will actively seek to increase its reserves to twenty-five percent (25%) and reduce its debt by twenty-five percent (25%) in the next eight (8) years.

While all three principals have been instrumental in the development of the 2019 budget recommendations, Principle #3 is most directly tied toward the CIP. Principle #3 provides guidance on the appropriate level of debt, the aggressiveness of a debt reduction plan and how debt policies shape future property tax levies and the City's AAA bond rating.

### Budget Structure

Capital and debt service funds contain expenses that fall into both maintenance expenditures and one-time capital expenditures. Capital and debt service funds include the following:

- |                              |  |
|------------------------------|--|
| ▪ Bond Funds                 | ▪ Capital Projects Fund                  |
| ▪ Debt Service Fund          | ▪ Downtown Parking Fund                  |
| ▪ Motor Fuel Tax Fund        | ▪ Phosphorus Fund                        |
| ▪ Road and Bridge Fund       | ▪ SSA #21 – Van Buren Parking Deck Fund  |
| ▪ SSA # 23 – Naper Main Fund | ▪ SSA #25 – Lacrosse Traffic Signal Fund |
| ▪ Water Street TIF Fund      | ▪ SSA #30 – Downtown Streetscape Fund    |



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## Capital Project Funding

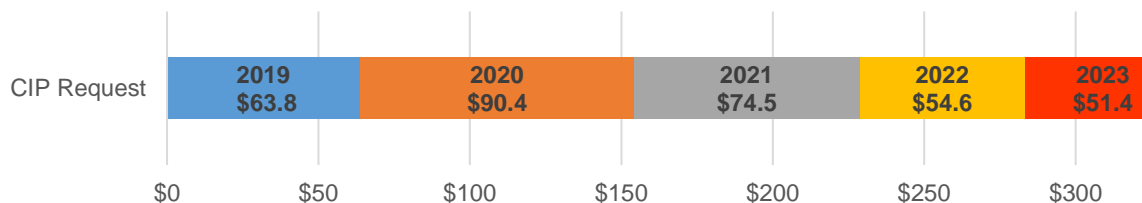
Historically, the City defined “capital” as not only the construction of assets but also the maintenance of assets. The City’s CIP has included recurring infrastructure maintenance programs that require funding at a semi-consistent level to ensure the same level of service year over year. Prior to 2016, recurring revenue sources were not available to fully support these programs. However, the implementation of the 0.75% Home Rule Sales Tax (, 0.50% passed in 2015 and incremental 0.25% passed in 2018), provide a revenue option for capital maintenance programs. Therefore, in 2019 and into future years, staff recommends the following funding mechanisms for unfunded capital:

1. **Capital Maintenance Projects** – Can utilize dedicated funding sources such as the home rule sales tax or other one-time sources such as property sales.
2. **Capital Upgrade Projects** – Can utilize both debt financing or funds generated by sources such as home rule sales tax that are in excess of capital maintenance projects.

## Program Highlights

### *Five-Year Overview*

The five-year CIP totals \$334.79 million and ensures that needed capital projects and infrastructure are in place in a timely manner to accommodate the continued development of the community. Below is the distribution by calendar year of the five-year CIP. In each year, the CIP request becomes more refined. Expenses in 2019 are based upon engineering estimates or recent bid prices and accurately reflect the expected cost for the upcoming year. Conversely, expenses projected in 2023 are based upon historical expenses and foreseeable needs of the community but ultimately are forecasts. For that reason, staff presents City Council with a five-year overview of projects but limits the dollars requested to be authorized to only those necessary to support the upcoming year. (See Exhibit #1 for a listing of projects by category.)

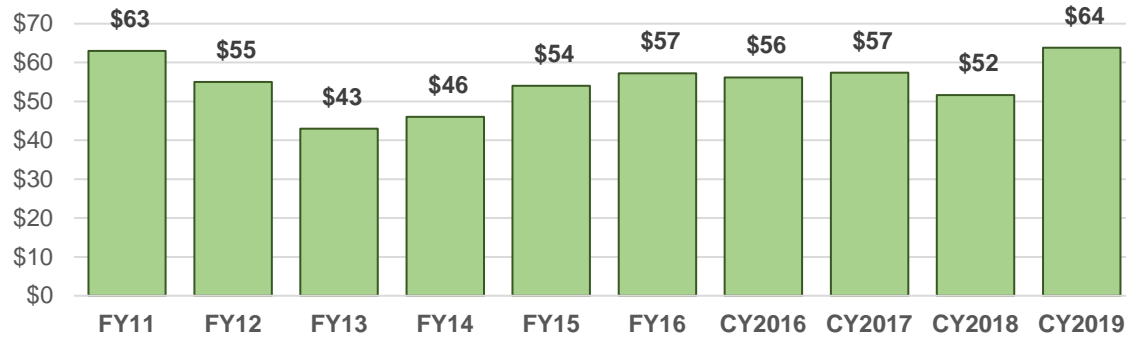


### *2019 Overview*

The 2019 CIP is valued at \$63.83 million (see Exhibit #2 for a listing of 2019 projects), which is a 23.6% increase from the 2018 approved program of \$51.6 million. This year’s program is the highest level in the past 10 years as the City continues to invest more in its aging infrastructure. The graph below shows the value of the approved capital programs over the last 10 years.



## 2019 – 2023 Capital Improvement Program (CIP)



### 2019 Change

While the 2019 increase of 23.6% is significant, it should be noted that the original projection included in the 2018 budget submission had a total capital request of \$82.06 million, which would have equaled a 58.9% increase in capital expenditures. Throughout 2018, staff worked to refine the final capital budget request. Below is breakdown of the capital request from the 2018 budget to the 2019 projection to the 2019 request.

	2018 Approved	2019 Projection	2019 Request
Building Maintenance/Upgrade	2.91	2.61	3.08
eGovernment	4.06	8.21	4.68
Electric	11.41	10.80	14.21
Other Capital	1.89	5.17	2.62
Roadway & Bridge	13.43	33.83	18.19
Sidewalk & Parking Lot	1.05	4.23	2.95
Stormwater	1.08	1.50	1.35
Traffic Control & Street Lighting	1.32	0.67	0.82
Vehicles	3.91	3.28	4.35
Water/Wastewater	10.57	11.77	11.77
<b>TOTALS</b>	<b>\$ 51.62</b>	<b>\$ 82.06</b>	<b>\$ 63.83</b>

Overall, the City is seeing a significant increase in the capital investment associated with the Water Utilities, the Electric Utility, and roadway and bridge projects. These three categories account for 72% of the overall capital increase for 2019.

Additionally, there was a significant amount of refinement from the initial project submissions for 2019 compared to the final 2019 request. The capital program was reduced by \$18.23 million from the initial submission. This included projection additions as well as project deferrals and removals. The most significant project changes included:

- Capital Additions
  - Edward Substation Capacity Expansion - \$2.99 million
  - Downtown Streetscape - \$1.99 million
  - Cable Replacement Program - \$1.68 million
  - North Aurora Road Construction - \$1.54 million
  - Water Meter Replacements - \$1.45 million



## 2019 – 2023 Capital Improvement Program (CIP)

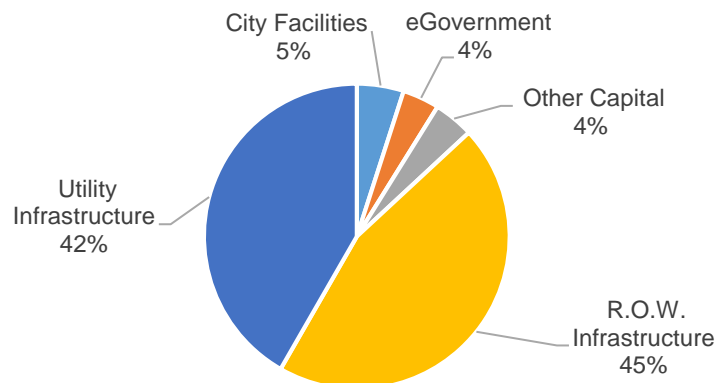
- Capital Deferrals or Removals
  - North Aurora Road Underpass - \$17.44 million
  - Moser Tower Rehabilitation - \$3.63 million
  - CAD/RMS Replacement - \$2.75 million
  - Ogden Avenue Corridor Enhancements - \$2.75 million
  - NextGen E-9-1-1 Upgrades - \$1.40 million

### Project Categories

#### Five-Year Overview

Each project within the five-year CIP is assigned to one of six categories. These categories are meant to help define the type of projects being requested for capital investment. As the chart shows, construction and maintenance projects related to right-of-way infrastructure (roads, stormwater, etc.) and utility infrastructure make up the majority of the City's next five years of capital spending at 87%. The project categories include:

- **Right-of-Way Infrastructure** – This includes projects required to maintain and build upon the City's existing infrastructure, including construction and maintenance projects for the City's roads, stormwater, bridges, street lights and traffic control.
- **Utility Infrastructure** – This includes all projects required to maintain the City's Water Utilities and the Electric Utility.
- **City Facilities** – This includes projects such as building construction and renovations, roof replacements, parking deck maintenance and all other facility work.
- **E-Government** – This includes projects related to enhancing and maintaining the City's technology platform, such as the Enterprise Resource Planning (ERP) system, work order system and network security.
- **Other Capital** – This includes equipment purchases, vehicle replacement, the Emerald Ash Borer (EAB) Program, Naper Settlement and Riverwalk projects.

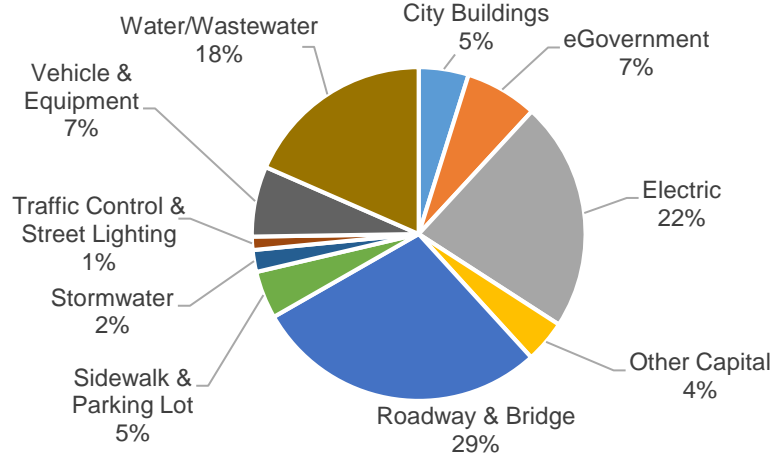


#### 2019 Overview

Projects within the CIP are also assigned an asset type. This year's CIP allocates funding for improvements to all asset types within our community. The below chart shows a breakdown by asset type of the \$63.8 million in the 2019 CIP request. As the chart shows, the largest investment this year will be made in assets for the utility funds, with the City planning to re-invest 41% of its capital program towards the Electric and Water/Wastewater Utilities. The next largest asset investment is in transportation projects, with 29% of CIP funds going to this category.



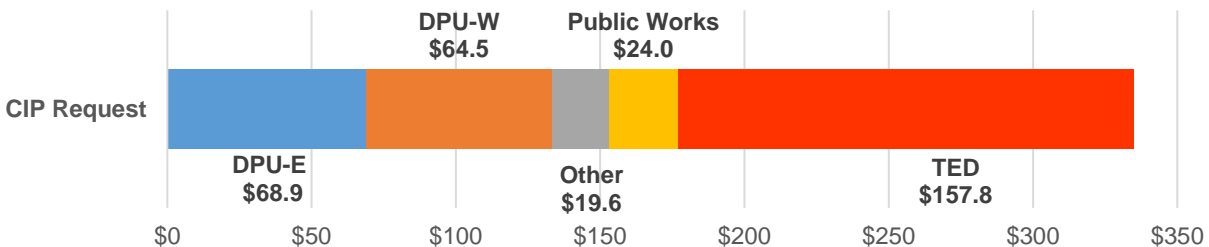
## 2019 – 2023 Capital Improvement Program (CIP)



### Department Overview

#### Five-Year Overview

Each department is responsible for projects that relate to the different components of citywide infrastructure they oversee. The below graphic shows the five-year CIP broken down by department, depicting the corresponding allocation of responsibility for capital project maintenance. Most of the capital program is related to the Transportation, Engineering and Development (TED) Business Group, primarily due to the group's large focus on roadway improvement and construction projects.



#### 2019 Overview

Below is a high-level listing of departments and their major projects that are included in the 2019 CIP request. This is meant to give a perspective to the different functions and responsibilities of each of the City departments.

#### Transportation, Engineering, and Development

Construction, engineering and preservation of assets continue to be the focus for TED.

- Street Construction and Bridges
  - North Aurora Road: Frontenac Road to Weston Ridge Drive - \$2.81 million
  - 91<sup>st</sup> Street from 250<sup>th</sup> to Schoger - \$1.35 million
  - 248<sup>th</sup> Avenue from 95<sup>th</sup> Street to 103<sup>rd</sup> Street - \$350,000
  - 95<sup>th</sup> Street and Book Road - \$235,000
  - Downtown Washington Street Bridge Rehabilitation - \$1.93 million
- Annual Maintenance
  - Maintenance Improvement Program (MIP) - \$11 million



## 2019 – 2023 Capital Improvement Program (CIP)

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- Sidewalk and Curb Replacement Program - \$670,000
  - Bikeway System Maintenance Program - \$100,000
- Stormwater
  - Clow Creek Farm Drainage Improvements - \$153,000
  - Hobson Mill Drive Culvert Replacement - \$175,000
- Other
  - Downtown Streetscape Program - \$2.15 million
  - Naper Boulevard Retaining Wall Renovation - \$566,000

### ***Riverwalk***

Continuing rehabilitation is the focus for the Riverwalk Commission in 2019.

- NCC Park: 430 South Washington St. - \$1.18 million
- Moser Tower Rehabilitation Assessment - \$200,000

### ***Public Works***

2019 projects focus on facility maintenance and upgrades, EAB mitigation, stormwater maintenance and the LED upgrade of the citywide street lighting system.

- Storm Sewer Lining - \$600,000
- EAB Program - \$346,250
- Alley Improvement Program - \$125,000
- Municipal Center Front Plaza and Parking Deck Repairs - \$381,000
- Municipal Facility Roof Replacement Program - \$725,000
- LED Streetlight Conversion - \$570,000
- Stormwater Management Projects - \$425,000

### ***Public Utilities – Water & Wastewater***

2019 projects in the Water & Wastewater Utility will focus on infrastructure maintenance and replacement.

- Water Meter Replacement - \$2.3 million
- Emergency Standby Well Rehabilitation - \$1.1 million
- Sanitary Sewer System Rehab/Replacement-Interceptors - \$4.0 million
- Water Distribution System – Rehabilitation/Replacements - \$700,000
- Sanitary Sewer Lift Station Rehabilitation Program - \$560,000
- SWRC Facility Replacement - \$775,000

### ***Public Utilities - Electric***

The Electric Utility will focus on infrastructure maintenance in 2019.

- Edward Hospital Substation Capacity Expansion - \$3.1 million
- New Electric System Installations - \$1 million
- Cable Replacement Program - \$2.9 million
- Underground Transmission and Distribution - \$1.0 million
- Fiber Optic Cable for Communication - \$904,000
- Electric Distribution Transformer - \$625,000

### ***Police***

The Police Department will be upgrading technology for telecommunications.

- NextGen E-9-1-1 Service Upgrades - \$500,000



## 2019 – 2023 Capital Improvement Program (CIP)

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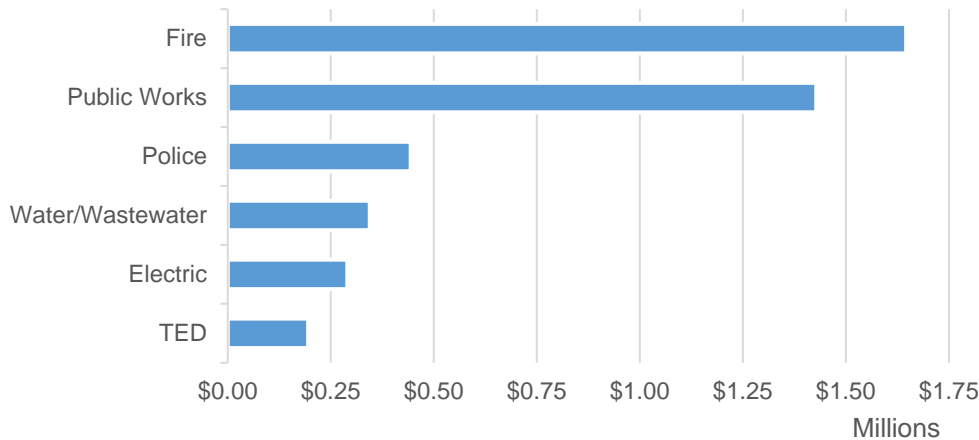
### **Information Technology**

2019 projects align with the City's ends policies.

- Enterprise Resource Planning (ERP) Software Migration - \$895,000
- Work Order Management System Upgrades - \$545,000
- Upgrade Citywide Radio Communication System - \$1 million
- City Council Chamber A/V Equipment Replacement - \$200,000
- Conference Room Upgrades - \$120,000

### **Vehicle Replacement**

The below chart breaks out the vehicle replacement listing by department. See Exhibit #3 for a specific listing of all vehicle replacements planned for 2019.



### **Capital Upgrade and Capital Maintenance Projects**

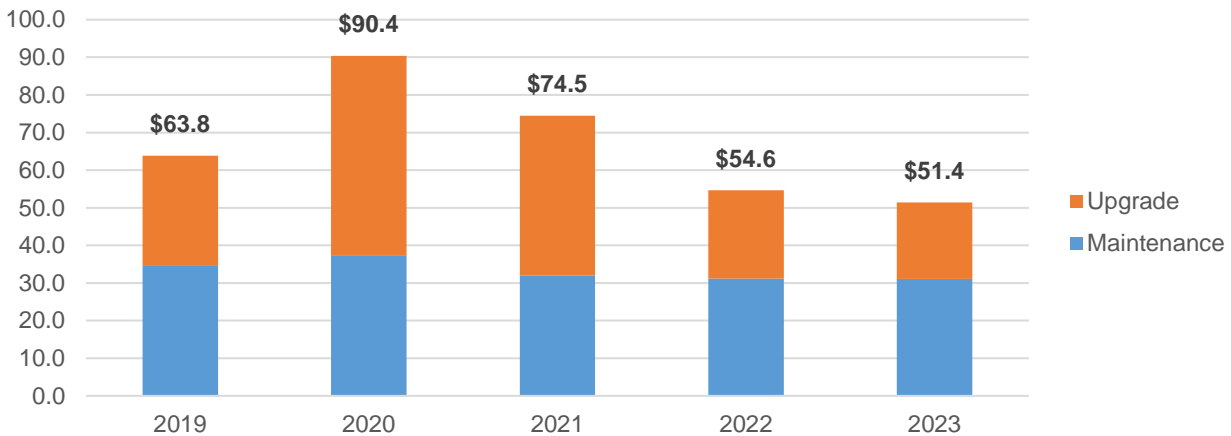
Capital programs will be presented in the following two category types:

- **Capital Upgrade Projects** – One-time capital expenditures that bring new assets or completely replace existing ones. This also includes the debt associated with borrowing for these projects. This category includes capital outlays for new buildings, roadways or technology.
- **Capital Maintenance Projects** – These expenditures include the street Maintenance Improvement Program (MIP), storm sewer lining program, Electric Utility's underground transmission and distribution program, sidewalk and curb replacement program and water meter replacement program.





## 2019 – 2023 Capital Improvement Program (CIP)



Capital maintenance projects make up 49.7% of the total capital program over five years and are stable with an average annual cost of \$33.25 million. The lowest projected cost is \$31.1 million in 2023, and the highest projected cost is \$37.2 million in 2020.

Conversely, capital upgrade projects vary significantly from year to year. These capital upgrade projects are 50.34% of the total capital program over five years. The annual variation is driven by large construction projects, including:

- \$32.53 million for the engineering and construction of the North Aurora Underpass at the CN Railroad – construction scheduled in 2020 and 2021;
- \$4.59 million for the engineering and construction of the Downtown Washington Street Bridge – construction scheduled for 2019 and 2020;
- \$2.75 million for the CAD/RMS System Replacement – scheduled for 2020;
- \$2.15 million for the Downtown Streetscape Project – construction and engineering scheduled for 2019
- \$15.42 million for the engineering and construction of North Aurora Road from Frontenac to Weston Ridge – work in 2019 and 2020;
- \$3.1 million for the Edward Hospital Substation Capacity Expansion– planned construction in 2019; and
- \$7.58 million for the South Plant Grit Removal and RAS Upgrades and Improvement – engineering and construction scheduled for 2021 through 2023.

## Funding Sources

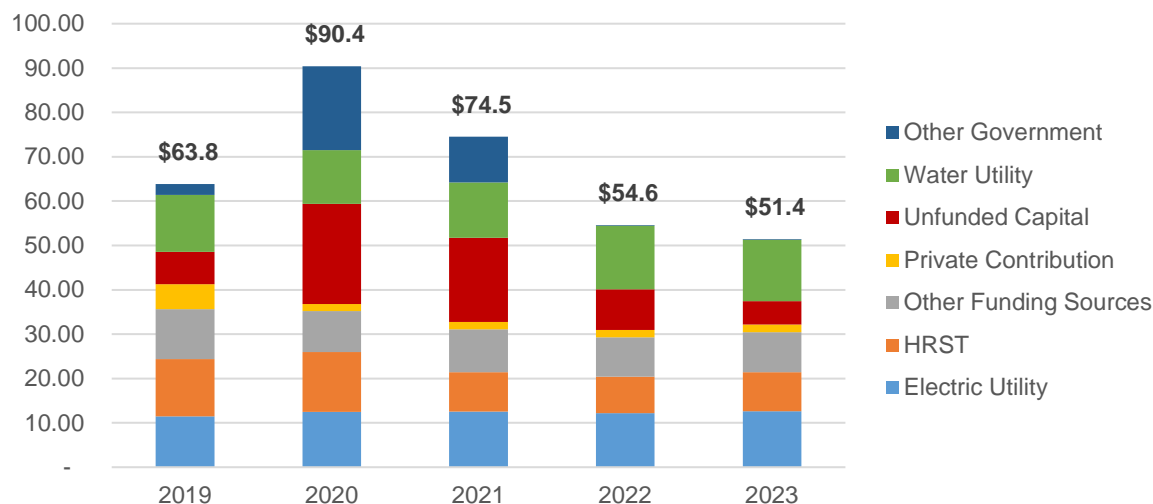
### Five-Year Overview

The CIP leverages a variety of funding sources. Over the last several years, the City has been transitioning from a growth mode to a maintenance mode. With growth-related funding sources declining, staff has evaluated projects with this concept in mind to ensure that funding is available for the entire infrastructure to be properly maintained. Many CIP projects involve cooperation and participation with other governments, particularly related to road and bridge construction. While staff works diligently to identify appropriate funding sources for all projects, a portion of the annual CIP program is unfunded. The below chart identifies the major funding sources for requested projects over the next five years.





## 2019 – 2023 Capital Improvement Program (CIP)



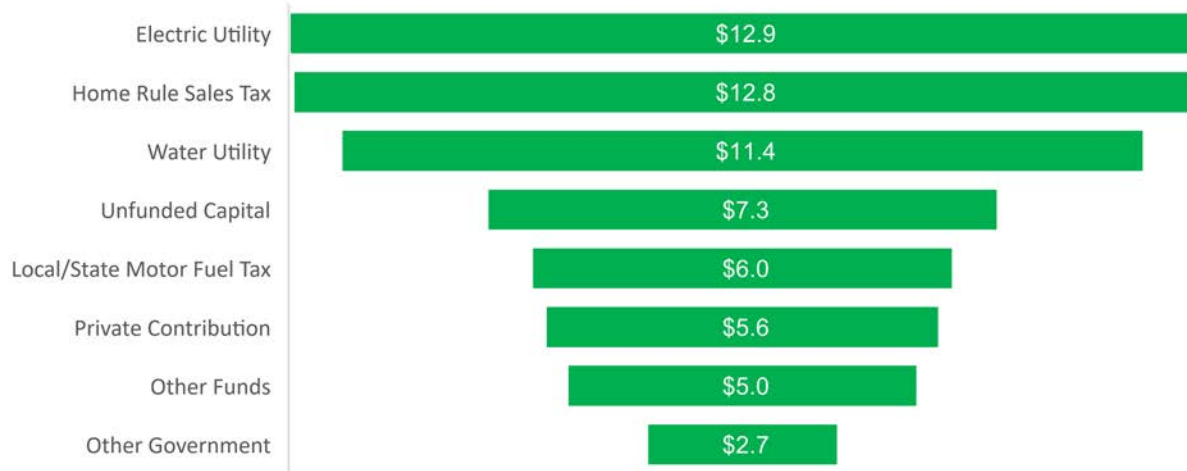
### 2019 Funding Overview

On the next page is a chart which further breaks down the funding sources for the upcoming 2019 \$63.8 million CIP submittal. The funding sources are as follows:

- **Utility Funds** – Broken up into the Water & Wastewater Utility fund and Electric Utility fund. These funding sources are used to pay for capital infrastructure re-investment. Funds are earned through the utility rates.
- **Home Rule Sales Tax** – Funds from the City's 0.75% Home Rule Sales Tax. These funds are dedicated to debt reduction and reducing future borrowing for capital.
- **Unfunded Capital** – Funds that would be required to borrow for project completion.
- **Local/State Motor Fuel Tax** – These funds are collected from the State's Motor Fuel Tax and the City's local gas tax. Funds are used for road construction projects.
- **Private Contribution** – Funds provided by developers or private organizations for the construction of new or upgraded infrastructure. These funds can be used for road construction, stormwater construction and utility construction.
- **Other Government** – Funds that are received from other government agencies, such as grants or intergovernmental agreements.
- **Other Funds** – Funds from the Burlington Fund for commuter station projects, funds from Special Service Areas, prior bond issuances, property sales, and a variety of other small funds. These also include Library Reserves which are used for building renovations and upgrades.



## 2019 – 2023 Capital Improvement Program (CIP)



### Debt Reduction

#### *Home Rule Sales Tax*

In 2015, the City passed an ordinance establishing a home rule sales tax at the rate of 0.50% and specified that the proceeds of the home rule sales tax be directed to increasing the City's cash reserves and reducing the City's debt. The Home Rule Sales Tax was re-affirmed in 2017. City Council passed an incremental 0.25% home rule sales tax in early 2018 for a total home rule sales tax rate of 0.75% throughout the City.

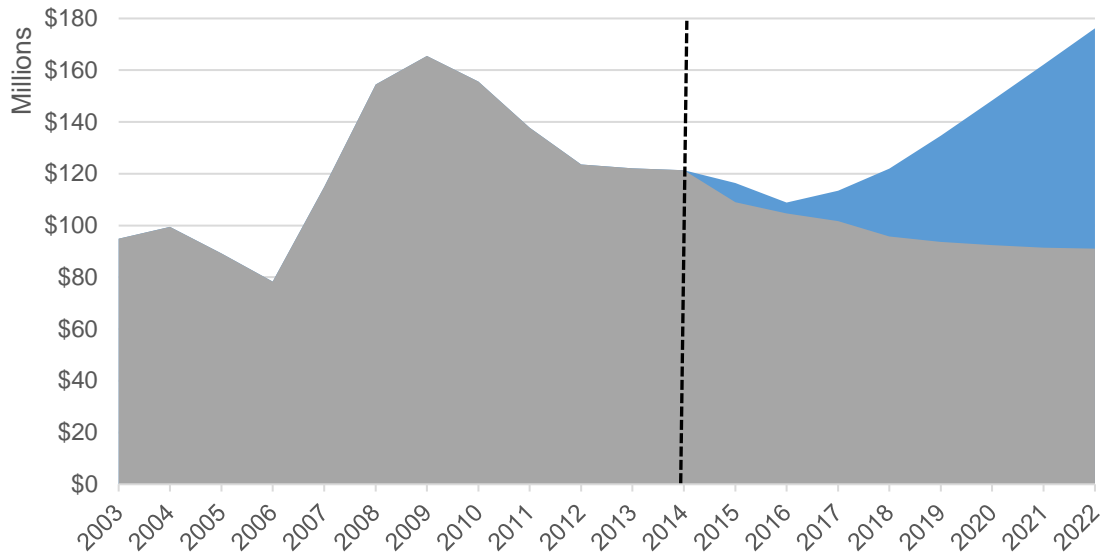
Staff projects that the 0.50% home rule sales tax will generate \$13.98 million in 2019 to build cash reserves and decrease City debt. There are two methods to drive down debt; the first is to pay off existing debt and the second is to reduce future borrowing requirements through identifying dedicated funding sources for the CIP.

Staff's recommendation includes using the \$12.8 million generated through the Home Rule Sales Tax to reduce future borrowing requirements. \$690,000 is a make-whole payment to the downtown parking fund and \$475,000 is recommended for direct debt service payments. The \$12.8 million has been assigned to capital projects that did not have a dedicated revenue source and were previously categorized as unfunded. The Funding Sources section highlights how the home rule sales tax dollars have been allocated over the five-year program and in 2019.

The chart below focuses on the debt reduction component of Principle #3 and shows the City's total governmental debt (excluding utility and other funds) through 2022, eight years from the beginning of 2015 (when the principles were adopted). The gray area shows the City's projected debt and assumes borrowing at the annual borrowing limit. The next section in blue denotes what the City's total debt would have been if the City had not implemented a home rule sales tax to drive down debt and reduce capital borrowing. This scenario assumes projected borrowing figures over the next eight years, a 4% interest rate and no changes to the existing repayment policy of a 20-year term with payback of 20% of principle and interest in the first five years and payback of 50% of principle and interest in first 10 years.

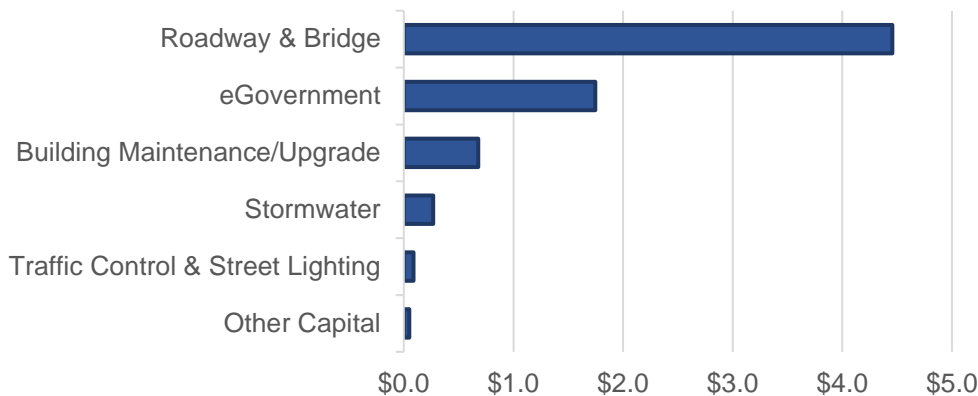


## 2019 – 2023 Capital Improvement Program (CIP)



### ***Projected Borrowing***

The remaining capital projects without a dedicated funding source are categorized as unfunded and are broken down in the Unfunded Overview section. These projects would require borrowing to complete. Exhibit #4 includes a complete listing of projects recommended for borrowing. These amounts have been fully factored into the scenarios below regarding the future effect on debt and future reserve requirements. Of the 2019 CIP budget's \$63.8 million, \$56.4 million in funding has been identified to support the 2019 program. This represents 88% of the total cost, leaving \$7.29 million of the capital program unfunded. The unfunded projects that are recommended to be borrowed for are broken into the following project categories:

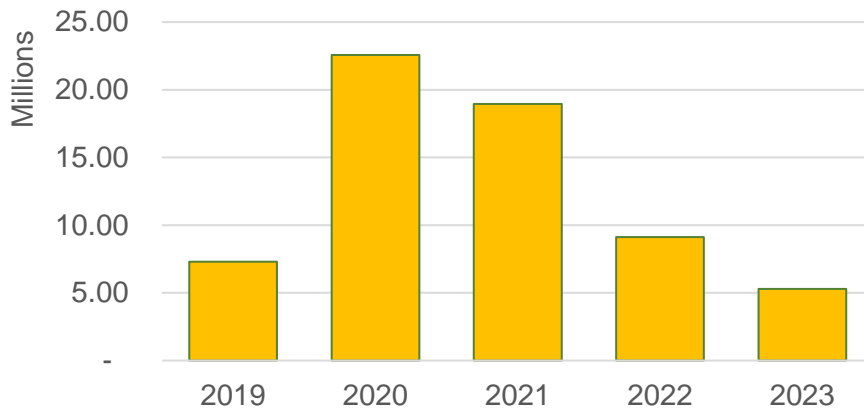


### ***Five-Year Overview***

The five-year value of unfunded capital projects is \$63.24 million. This includes capital maintenance projects and capital upgrade projects for both the Maintenance Improvement Program (MIP) and non-MIP projects as well as vehicle and equipment purchases. This is an average of \$12.65 million per year and is broken down as follows:



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### ***Borrowing Capacity***

Borrowing at these estimated levels is incompatible with the City's goal of a 25% debt reduction. If the City were to borrow based upon the current unfunded projects, the City would increase overall debt by 6.4% to \$129.11 million at the end of 2022. Each year the City's capital program is further refined with better estimates on pricing and project timing; staff projects an annual borrowing capacity of \$7.65 million to align with the 25% debt reduction goal.

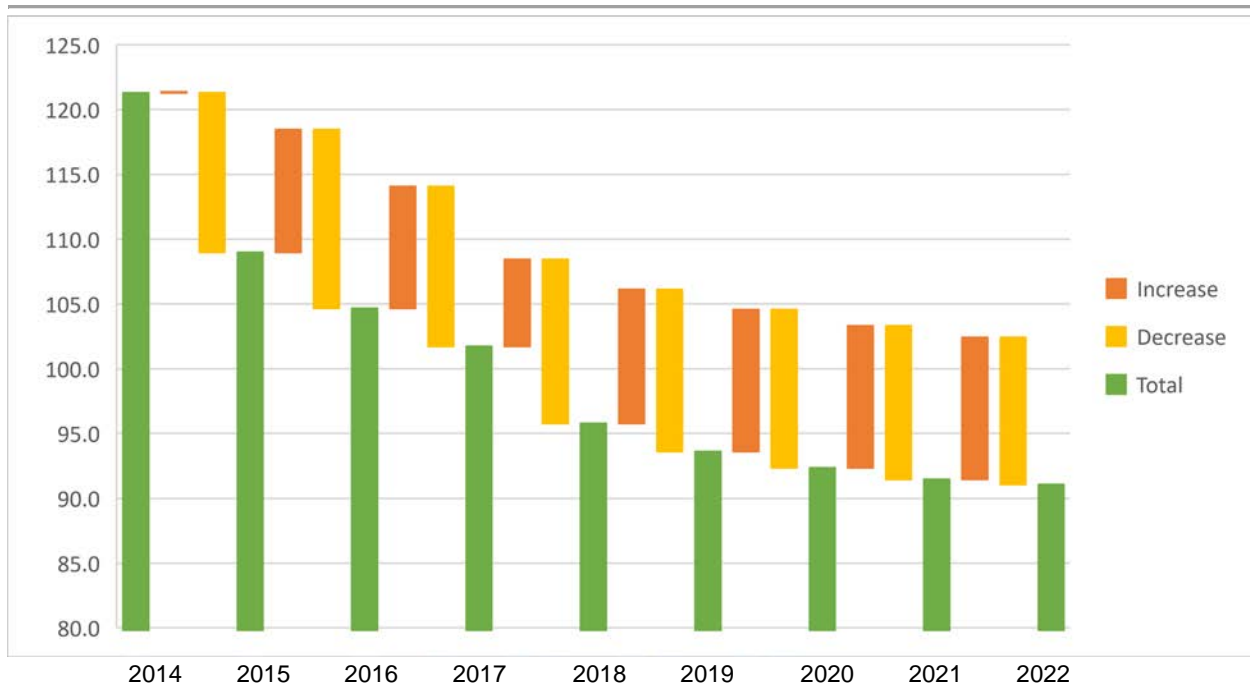
### **Capital Impact on Debt**

At the end of 2014, the City of Naperville had \$121.3 million in general obligation debt that was directly funded through property taxes. The City's goal for the twenty-five percent debt reduction (25%) is \$90.9 million at the end of 2022. Based upon the budget recommendation, at the end of 2019, the period funded by this budget, the City is projected to have \$93.63 million in outstanding debt, a 22.8% reduction. Due to reduced borrowing in the 2018 issuance, the City has additional borrowing capacity in 2019 through 2022. If the City borrowed at the updated capacity of \$7.65 million, the City would meet the goals of Principle #3 at the end of 2022.

The graph and table below shows the City's progress towards the debt reduction goal. The graph shows the annual increases and decreases associated with debt. The green bar indicates the annual starting amount, each orange bar shows an increase in debt and new projects and the yellow bar indicates decreases in debt through the annual debt service payments. The table provides the associated values.



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Year	New Debt	Retired Debt	Debt Refunding	Total Debt	Annual Reduction	Total Reduction
2014 Actual	-	-	-	<b>\$121.30</b>		
2015 Actual	-	12.31	-	<b>\$108.99</b>	10.1%	10.1%
2016 Actual	9.45	8.99	4.78	<b>\$104.67</b>	4.0%	13.7%
2017 Actual	9.39	12.33	-	<b>\$101.73</b>	2.8%	16.1%
2018 Projection	6.70	12.68	-	<b>\$ 95.75</b>	5.9%	21.1%
2019 Projection	10.35	12.48	-	<b>\$ 93.62</b>	2.2%	22.8%
2020 Projection	10.93	12.19	-	<b>\$ 92.37</b>	1.3%	23.8%
2021 Projection	10.93	11.83	-	<b>\$ 91.47</b>	1.0%	24.6%
2022 Projection	10.93	11.34	-	<b>\$ 91.06</b>	0.4%	25.0%

### Summary

The 2019-2023 CIP will ensure that infrastructure and capital projects are available to meet demands created by the continued development of the City. Staff will continue to work closely with the Council to provide information that will allow the Council to make the best long-term decisions for the City.