



2020 – 2024 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 a comprehensive plan for financing 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 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 earlier years are more precise than later years.

Additionally, the 2020 – 2024 CIP recommendation is based on 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 were instrumental in development of the 2020 budget recommendation, Principle 3 is most directly tied to the CIP. Principle 3 provides guidance on the appropriate level of debt, 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 |

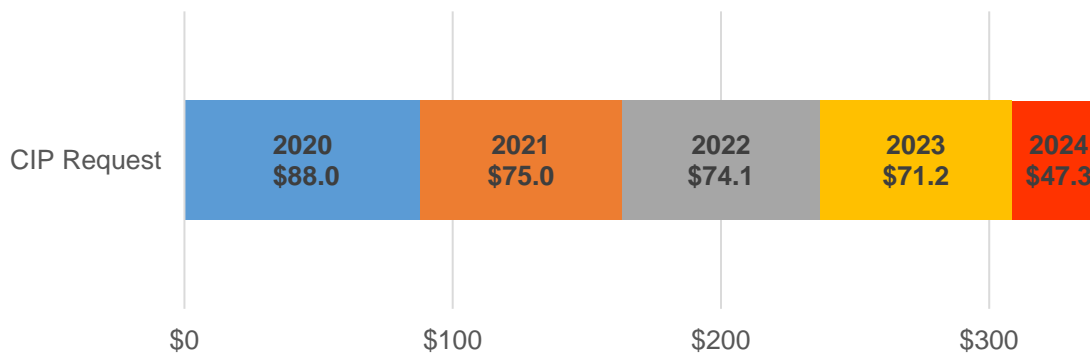


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Program Highlights

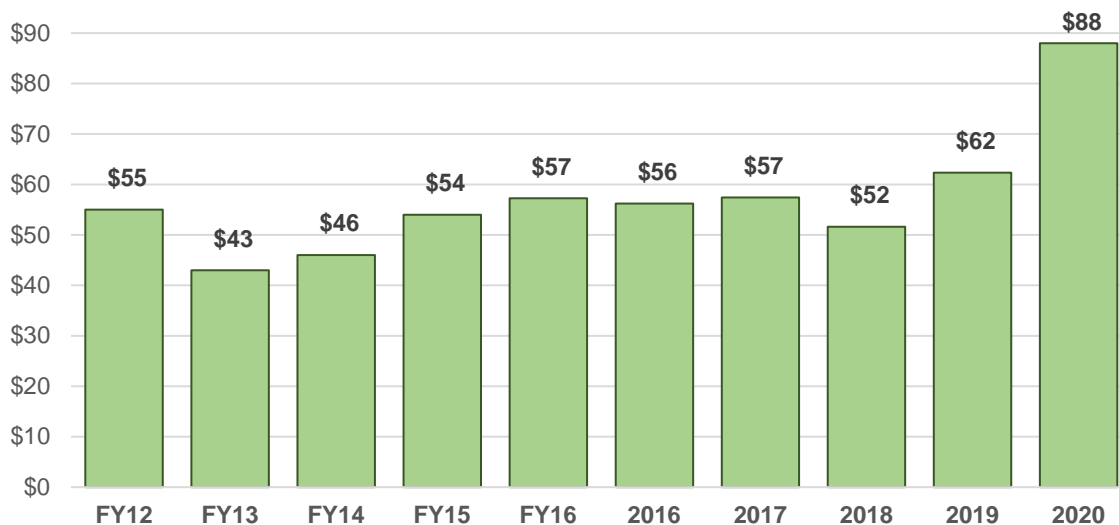
Five-Year Overview

The five-year CIP totals \$355.6 million and ensures needed capital projects and infrastructure are in place in a timely manner to accommodate 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 2020 are based on engineering estimates or recent bid prices and accurately reflect the expected cost for the upcoming year. Conversely, expenses projected in 2024 are based on historical expenses and foreseeable needs of the community but are ultimately forecasts. For this reason, staff presents City Council with a five-year overview of projects but limits the dollars requested to only those necessary to support the upcoming year. (See Exhibit 1 for a listing of projects by category.)



2020 Overview

The 2020 CIP is valued at \$88.0 million, which is a 41.2% increase from the 2019 approved program of \$62.3 million. (See Exhibit 2 for a listing of 2020 projects.) The 2020 program is the highest level in the past 10 years as the City continues to re-invest more in aging infrastructure and invest in new capital programs. The graph below shows the value of the approved capital programs over the last 10 years.





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2020 Change

While the 2020 increase of 41.2% is significant, it should be noted that the original 2020 total capital projection included in the 2019 budget submission was \$93.4 million, which would have equaled a 49.9% increase in capital expenditures. Below is breakdown of the capital request from the 2019 budget to the 2020 projection to the approved 2020 budget.

	2019 Approved	2020 Projection	2020 Proposed
Building Maintenance/Upgrade	2.88	5.86	4.72
eGovernment	4.48	6.14	3.67
Electric	14.21	13.21	16.98
Other Capital	2.62	4.42	3.20
Roadway & Bridge	18.19	44.89	21.98
Sidewalk & Parking Lot	2.95	1.63	4.63
Stormwater	1.35	1.12	1.90
Traffic Control & Street Lighting	0.82	1.30	0.92
Vehicles	3.05	3.00	6.61
Water/Wastewater	11.77	11.82	23.40
TOTALS	\$ 62.33	93.40	87.99

Overall, the City is seeing a significant increase in capital investment associated with the Water Utilities, vehicles, and roadway and bridge projects. The three categories account for 74% of the overall capital increase for 2020.

Additionally, there was a significant amount of refinement from the initial project submissions for 2020 compared to the final 2020 recommendation. This included projection additions as well as project deferrals and removals. The most significant project changes included:

- Capital Deferrals or Removals
 - North Aurora Road Construction - \$4.4 million
 - North Aurora Road Underpass - \$2.18 million
 - Legal Contract Management - \$520,200

Project Categories

Five-Year Overview

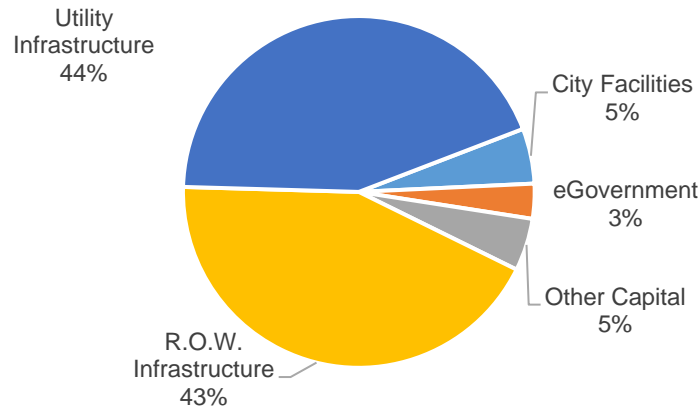
Each project within the five-year CIP is assigned to one of five categories. Categories are meant to help define the type of projects being requested for capital investment. As the chart shows, construction and maintenance projects related to right-of-way infrastructure (roads, stormwater, etc.) and 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** – Projects required to maintain and build upon existing infrastructure, including construction and maintenance projects for the City's roads, stormwater, bridges, street lights, and traffic control.
- **Utility Infrastructure** – All projects required to maintain the City's Water Utilities and Electric Utility.



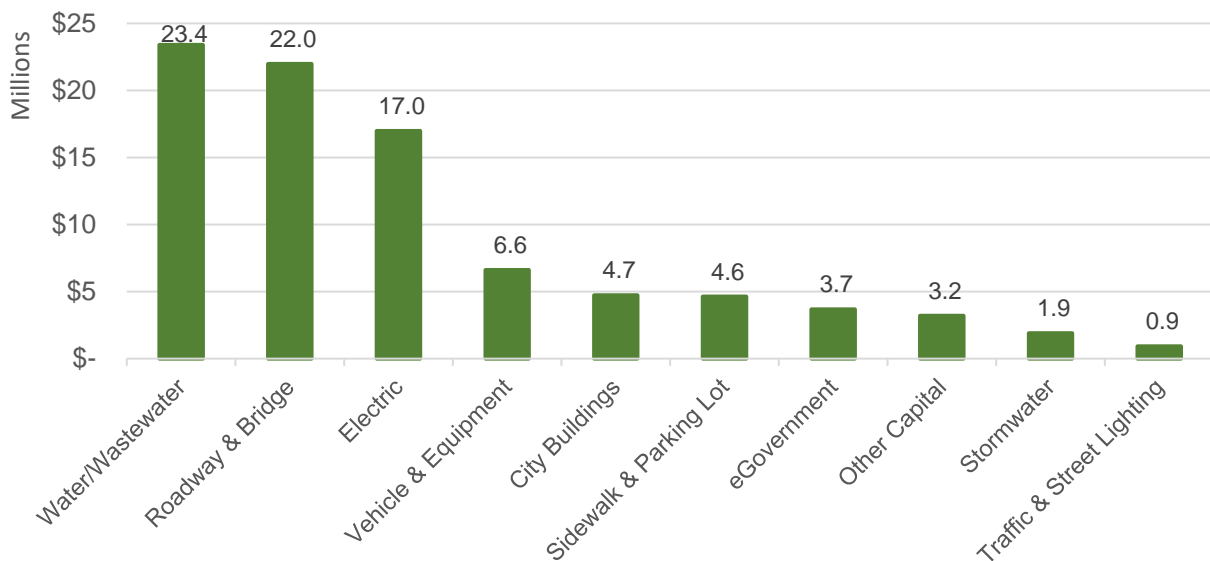
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- **City Facilities** – Projects such as building construction and renovations, roof replacements, parking deck maintenance, and all other facility work.
- **E-Government** – Projects related to enhancing and maintaining the City's technology platform, such as the Enterprise Resource Planning (ERP) system, work order system, and network security.
- **Other Capital** – Equipment purchases, vehicle replacement, the Emerald Ash Borer (EAB) Program, Naper Settlement, and Riverwalk projects.



2020 Overview

Projects within the CIP are also assigned an asset type. The 2020 CIP allocates funding for improvements to all asset types within our community. The below chart shows a breakdown by asset type of the \$88.0 million in the 2020 CIP budget. As the chart shows, the largest investment will be made in assets for the utility funds, with the City planning to re-invest \$40.38 million of the capital program toward the Electric and Water Utilities. The next largest asset investment is in transportation projects, with \$21.98 million dollars of funding going to this category.



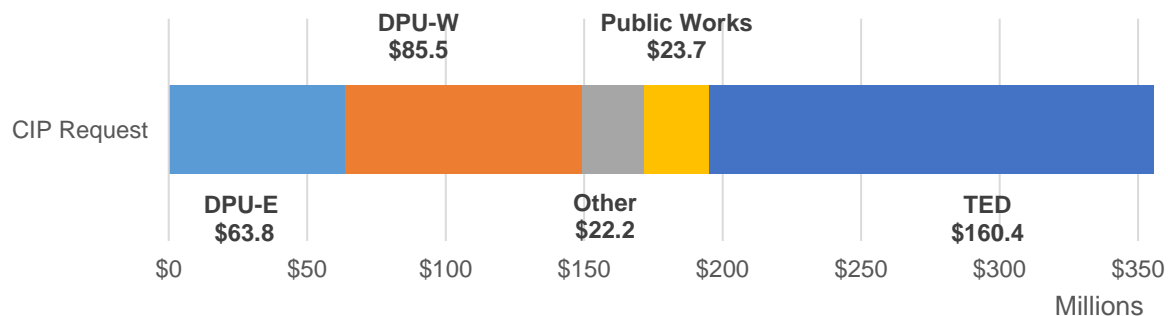


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Department Overview

Five-Year Overview

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



2020 Overview

Below is a high-level listing of departments and their major projects included in the 2020 CIP request. This is meant to give a perspective to the different functions and responsibilities of each City department.

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 - \$7.7 million
 - 87th Street Bridge over Springbrook Creek - \$159,000
 - 5th Avenue Bridge Improvement - \$35,000
 - Downtown Washington Street Bridge Rehabilitation - \$2.33 million
- **Annual Maintenance**
 - Maintenance Improvement Program (MIP) - \$11.5 million
 - Sidewalk and Curb Replacement Program - \$670,000
 - Bikeway System Maintenance Program - \$50,000
- **Stormwater**
 - Julian Street Drainage Improvement - \$815,000
- **Riverwalk**
 - NCC Park: 430 South Washington St. - \$1.19 million
 - Moser Tower Rehabilitation Assessment - \$200,000
- **Other**
 - Downtown Streetscape Program - \$2.6 million
 - Traffic Signal LED Replacement Program - \$250,000

Public Works

2020 projects focus on facility maintenance and upgrades, EAB mitigation, stormwater maintenance, and the LED upgrade of the citywide street lighting system.

- Downtown Parking Deck Maintenance Program - \$1.19 million



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- Storm Sewer Lining - \$600,000
- Train Station Platform, Walkway, and Stairwell Repair Program - \$380,000
- EAB Program - \$353,000
- Alley Improvement Program - \$125,000
- Municipal Center Front Plaza and Parking Deck Repairs - \$320,000
- Municipal Facility Roof Replacement Program - \$1.12 million
- LED Streetlight Conversion - \$500,000
- Security Camera Maintenance - \$540,000

Public Utilities – Water & Wastewater

2020 projects in the Water Utilities will focus on infrastructure maintenance and replacement, as well as the addition of the Automatic Meter Reading Project (AMR/AMI).

- Automatic Meter Reading Project (AMR/AMI) - \$10 million
- Water Meter Replacement - \$2.3 million
- Water Distribution System Rehabilitation and Replacements - \$1.2 million
- Emergency Standby Well Rehabilitation - \$800,000
- Sanitary Sewer System Rehab/Replacement - Interceptors - \$4.61 million
- Sanitary Sewer Lift Station Rehabilitation Program - \$640,000

Public Utilities - Electric

The Electric Utility will focus on infrastructure maintenance in 2020.

- Edward Hospital Substation Capacity Expansion - \$4.1 million
- New Electric System Installations - \$2 million
- Cable Replacement Program - \$2.9 million
- Underground Transmission and Distribution - \$1 million
- Fiber Optic Cable for Communication - \$1.09 million
- Electric Distribution Transformer - \$500,000

Police

The Police Department will be upgrading technology for telecommunications.

- NextGen E-9-1-1 Service Upgrades - \$1 million

Information Technology

2020 projects align with the City's ends policies.

- Enterprise Resource Planning (ERP) Software Migration - \$250,000
- Work Order Management System Upgrades - \$560,000
- Upgrade Citywide Radio Communication System - \$728,000
- City Council Chamber A/V Equipment Replacement - \$200,000
- Conference Room Upgrades - \$120,000

Naper Settlement and Naperville Public Library

2020 projects focus on site maintenance and upgrades.

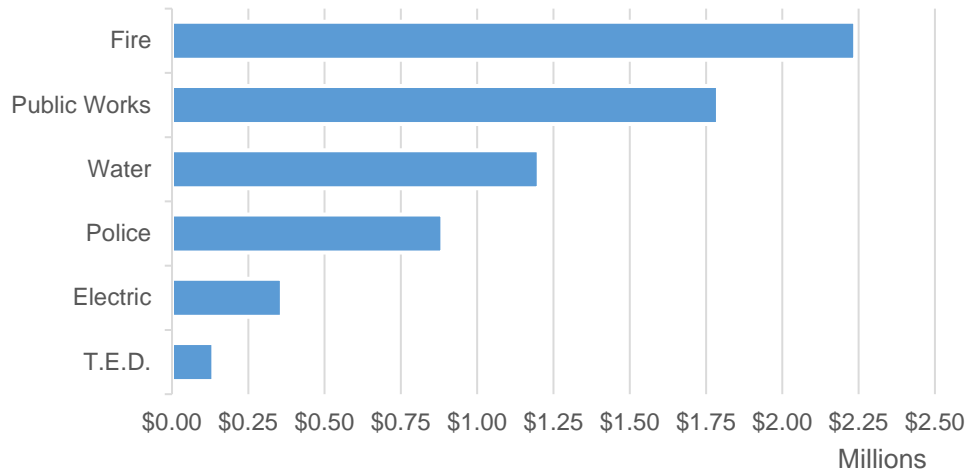
- Settlement Security Cameras and Access Control Upgrades - \$472,605
- Library Parking Lot Repairs – 95th Street - \$375,000



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Vehicle Replacement

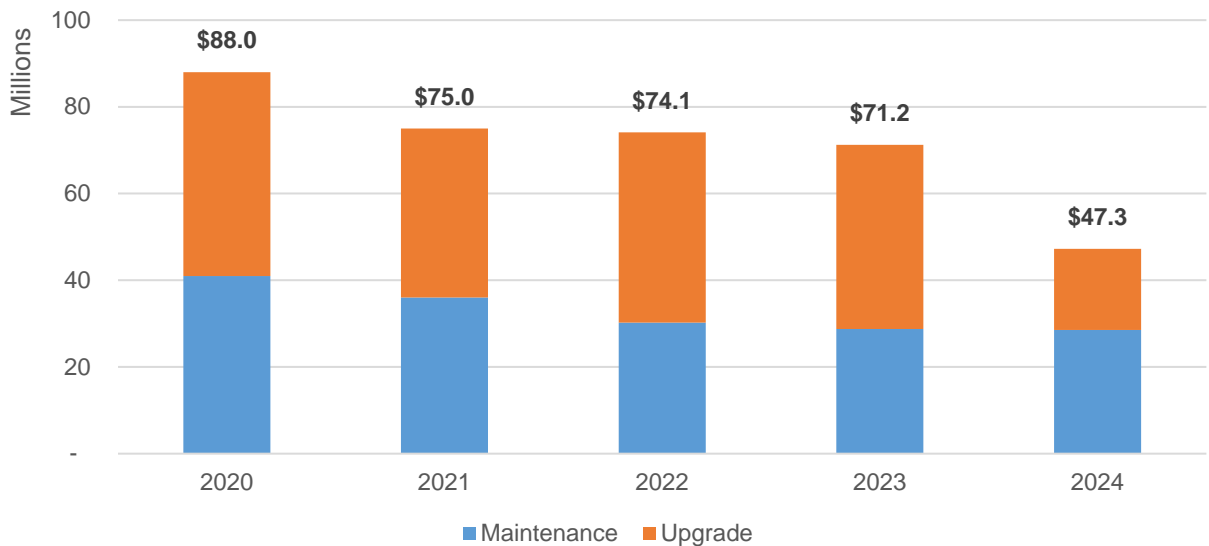
The below chart breaks out the vehicle replacement listing by department. (See Exhibit 3 for a specific listing of all vehicle replacements planned for 2020.)



Capital Upgrade and Capital Maintenance Projects

Capital programs will be presented in the following two categories:

- **Capital Upgrade Projects** – One-time capital expenditures that bring new assets or completely replace existing ones. Also includes the debt associated with borrowing for the projects. This category includes capital outlays for new buildings, roadways, or technology.
- **Capital Maintenance Projects** – 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.





2020 – 2024 Capital Improvement Program (CIP)

Capital maintenance projects make up 46.3% of the total capital program over five years and are stable with an average annual cost of \$32.9 million. The lowest projected cost is \$28.5 million in 2024, and the highest projected cost is \$40.9 million in 2020.

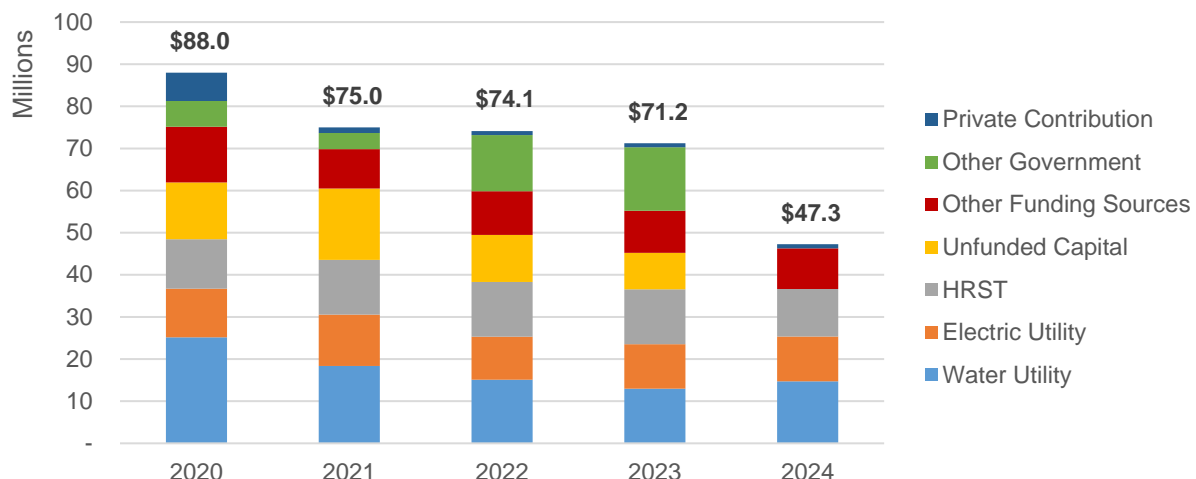
Conversely, capital upgrade projects vary significantly from year-to-year. Capital upgrade projects are 53.7% of the total capital program over five years. The annual variation is driven by large construction projects, including:

- \$31.31 million for the engineering and construction of the North Aurora Underpass at the CN Railroad – construction scheduled in 2022 and 2023;
- \$12.19 million for the engineering and construction of North Aurora Road from Frontenac to Weston Ridge – work in 2020 and 2021;
- \$10 million for the Automatic Meter Reading Project (AMR/AMI) - scheduled for 2020;
- \$6.99 million for the engineering and construction of 248th Avenue from 95th to 103rd Street – work in 2021 and 2022;
- \$4.36 million for the engineering and construction of the Downtown Washington Street Bridge – construction scheduled for 2020 and 2021;
- \$5.1 million for the CAD/RMS System Replacement – scheduled for 2021;
- \$4.1 million for the Edward Hospital Substation Capacity Expansion – planned construction in 2020; and
- \$7.72 million for the South Plant Grit Removal and RAS Upgrades and Improvement – engineering and construction scheduled for 2021 through 2024.

Funding Sources

Five-Year Overview

The CIP leverages a variety of funding sources. Over the past several years, the City has transitioned from a growth to maintenance mode. With growth-related funding sources declining, staff evaluated projects with this concept in mind to ensure 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 major funding sources for requested projects over the next five years.



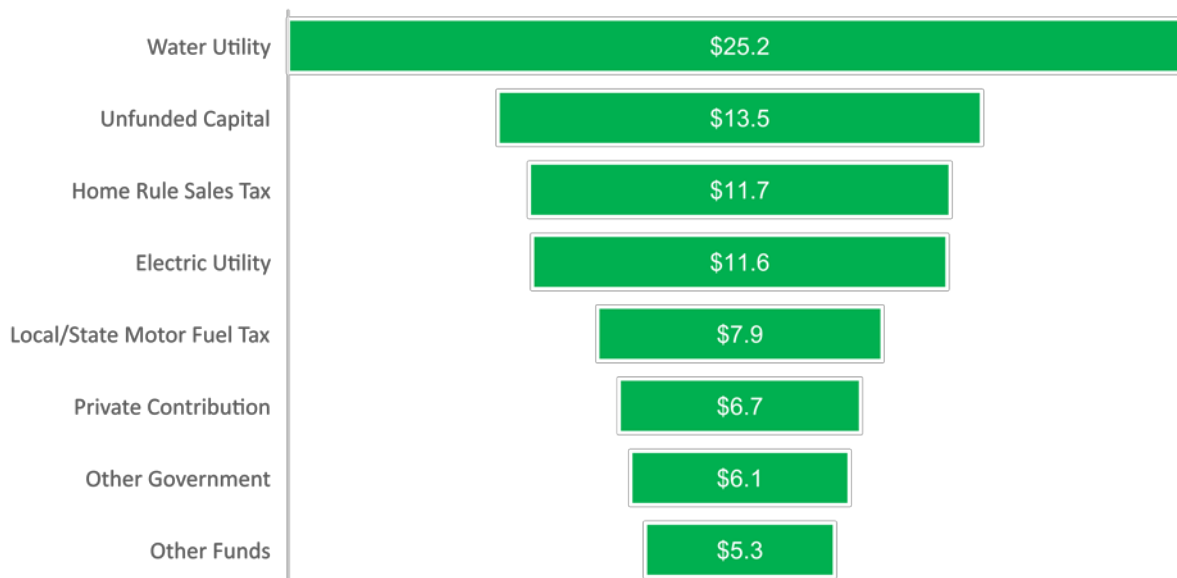


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2020 Funding Overview

The next page is a chart further breaking down the funding sources for the 2020 budget. Funding sources are as follows:

- **Utility Funds** – Broken into the Water & Wastewater Utility fund and Electric Utility fund. The funding sources are used to pay for capital infrastructure re-investment. Funds are earned through utility rates.
- **Home Rule Sales Tax** – Funds from the City's 0.75% home rule sales tax. 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** – Funds 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 construction of new or upgraded infrastructure. The funds can be used for road construction, stormwater construction, and utility construction.
- **Other Government** – Funds received from other government agencies, such as grants or intergovernmental agreements.
- **Other Funds** – Funds from the Commuter Parking 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.



Debt Reduction

Home Rule Sales Tax

The City's CIP includes 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. In 2015, the City passed an ordinance establishing a home rule sales tax at the rate of 0.50% and specified proceeds of the tax be directed to increasing the City's cash reserves and reducing the City's debt. The home rule



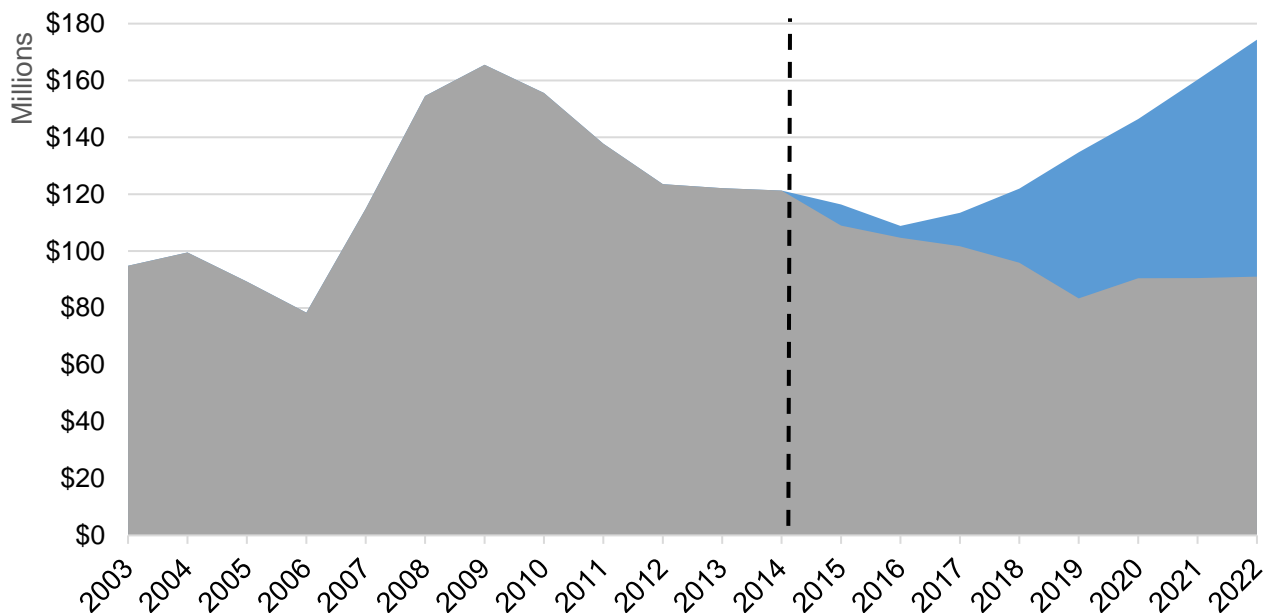
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sales tax was re-affirmed in 2017. City Council passed an incremental 0.25% increase to the tax in early 2018 for a total home rule sales tax rate of 0.75% throughout the City.

Staff projects the home rule sales tax will generate \$14.0 million in 2020 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.

After a \$700,000 make-whole payment to the downtown parking fund to offset the downtown food and beverage tax, there are \$13.3 million of revenues available to drive down debt. Staff recommends using \$11.7 million generated through the home rule sales tax to reduce future borrowing requirements and \$1.6 million for direct debt service payments. The \$11.7 million was assigned to capital projects without a dedicated revenue source and previously categorized as unfunded.

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 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. The 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.



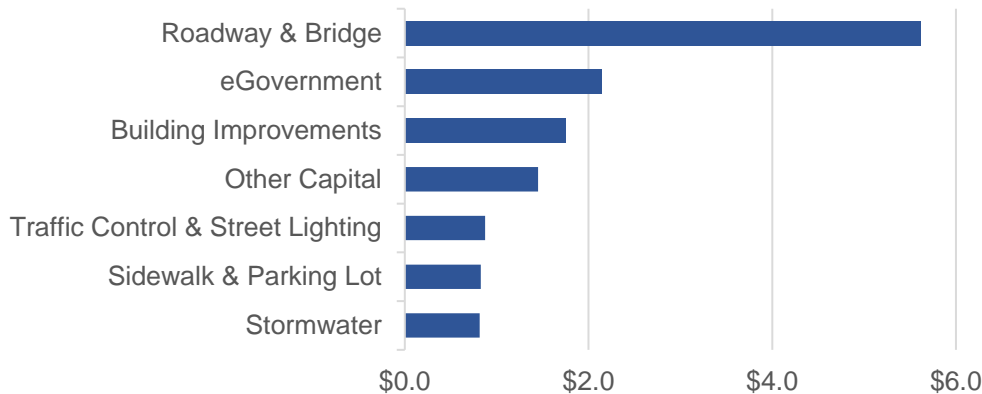
Projected Borrowing

The remaining capital projects without a dedicated funding source are categorized as unfunded and 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. Amounts



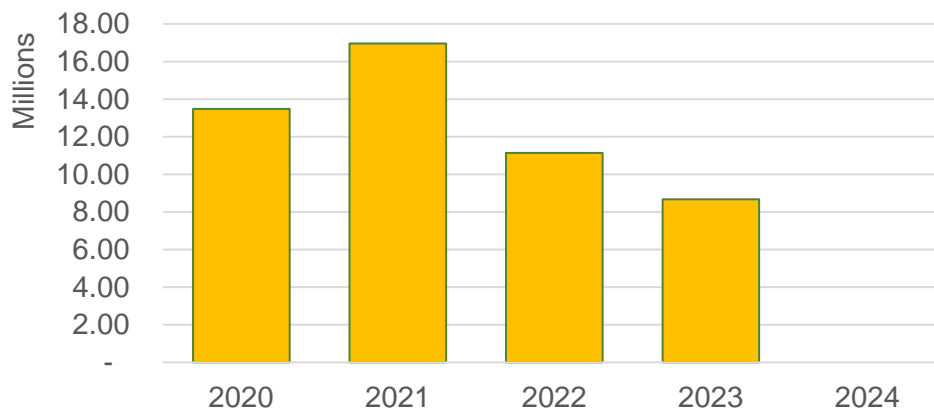
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have been fully factored into the scenarios below regarding the future effect on debt and future reserve requirements. Of the \$88.0 million budgeted for the 2020 CIP, \$74.5 million in funding was identified to support the 2020 program. This represents 85% of the total cost, leaving \$13.5 million of the capital program unfunded. The unfunded projects recommended for borrowing are broken into the following project categories:



Five-Year Overview

The five-year value of unfunded capital projects is \$50.26 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 \$10.05 million per year and broken down as follows:



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 on current unfunded projects, the City would decrease the overall debt by 6.9% to \$112.9 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 \$8.25 million to align with the 25% debt reduction goal.

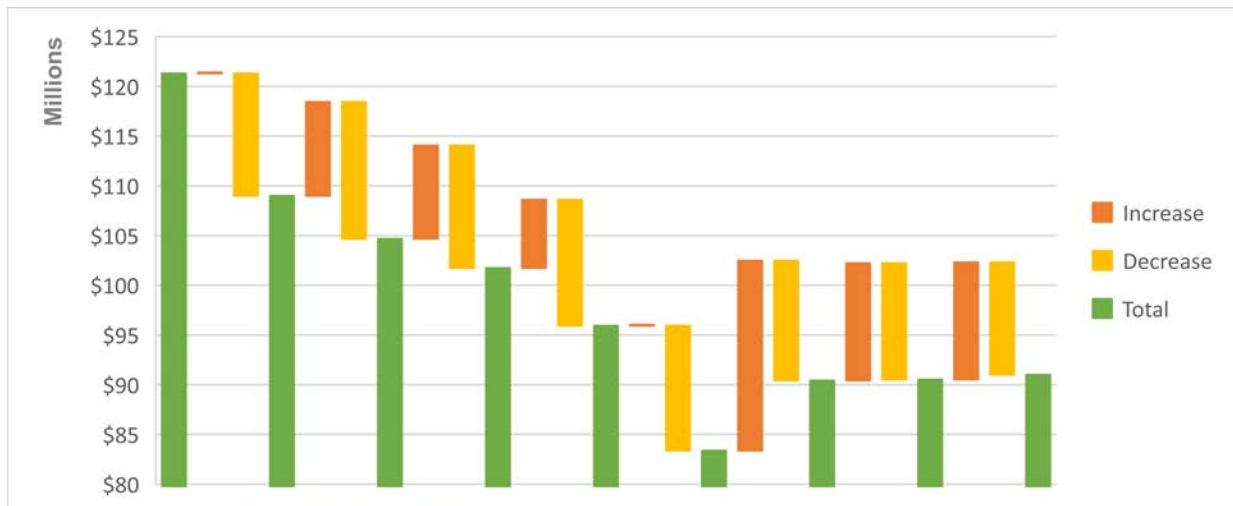


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Capital Impact on Debt

At the end of 2014, the City of Naperville had \$121.3 million in general obligation debt directly funded through property taxes. The City's goal for the 25% debt reduction is \$90.9 million at the end of 2022. Based on the budget recommendation, at the end of 2020, the period funded by this budget, the City is projected to have \$90.4 million in outstanding debt, a 25.4% reduction. Due to no general obligation bonds being issued by the City on 2019, the City has additional borrowing capacity in 2020 through 2022. If the City borrowed at the updated capacity of \$8.25 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 using the recommended borrowing amount for 2020 of \$13.5 million and the annual borrowing capacity amount of \$8.25 million for 2021 and 2022. The graph shows annual increases and decreases associated with debt. The green bar indicates 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 associated values.



Year	New Debt	Retired Debt	Debt Refunding	Total Debt	Annual Reduction	Total Reduction
2014 Actual	-	-	-	\$121.30	-	-
2015 Actual	-	12.31	-	\$108.99	10.1%	10.1%
2016 Actual	9.45	8.99	4.78	\$104.67	3.6%	13.7%
2017 Actual	9.39	12.33	-	\$101.73	2.4%	16.1%
2018 Actual	6.87	12.68	-	\$95.93	4.8%	20.9%
2019 Actual	0.00	12.56	-	\$83.37	10.4%	31.3%
2020 Projection	19.10	12.03	-	\$90.43	(5.8%)	25.4%
2021 Projection	11.79	11.71	-	\$90.52	(0.1%)	25.4%
2022 Projection	11.79	11.30	-	\$91.01	(0.4%)	25.0%

Summary

The 2020-2024 CIP will ensure infrastructure and capital projects are available to meet demands created by continued development of the City. Staff will continue to work closely with Council to provide information that will allow them to make the best long-term decisions for the City.