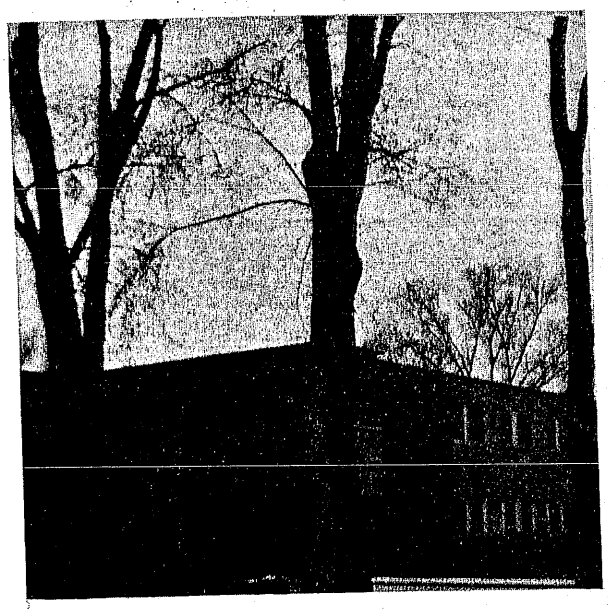
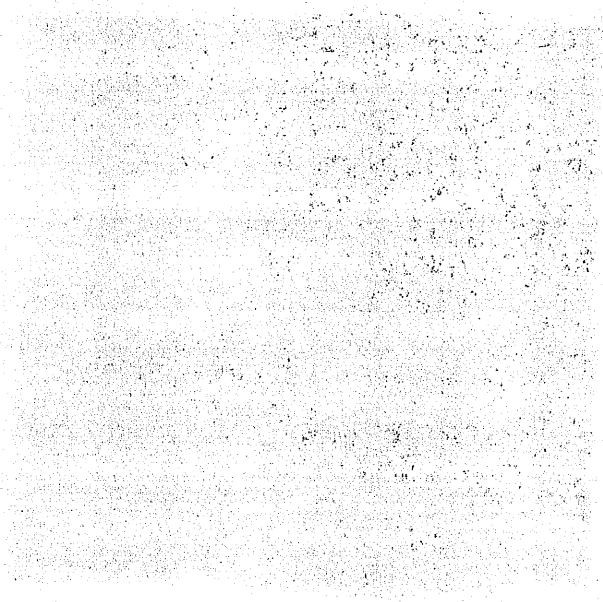


CAPITAL IMPROVEMENTS



CAPITAL IMPROVEMENTS PROGRAM

FINANCING CAPITAL IMPROVEMENTS

Purpose

The Capital Improvements Program for Guttenberg is a five-year financial plan for the construction of needed public improvements in accordance with the Comprehensive Plan of the city. The program is based on an analysis of the city's present and future needs, its assets and its liabilities. It also takes into account the city's financial capabilities as well as past bonding practices and improvements purchased.

The Capital Improvements Program is intended to serve as a guide for the construction of various public facilities that are needed to provide the city with various services such as water, sewers, parks, schools and other public facilities. It is the primary means of achieving the goals set forth in the Community Facilities Plan by providing priority scheduling of needed improvements, how each is to be financed and when construction is contemplated. The program will also facilitate the continuation of a public works program from one administration to the next.

The program will permit the City Council, as well as other agencies and individuals, to view the total needs of the community, rather than only a small segment of the city's needs. An awareness of proposed improvements by the various public agencies will help foster orderly community growth and help coordinate the efforts of those agencies concerned.

Capital Improvements Programming

In preparing a Capital Improvements Program for a community, there are three basic considerations which must be taken into account. These are:

1. The long-range goals and objectives of the comprehensive plan must be taken into account when scheduling major public improvements, particularly those that will have direct bearing on the future physical development of the community.

2. Priorities must be based on the benefits received. Projects which benefit the community as a whole should be given higher priority than those which benefit only a small segment of the population.

   Priorities of the various projects will be affected by their cost, the cost of other projects contained in the program and their relationship to the community's total needs.

3. The proposed project must be within the financial capabilities of the community. Because of the costs involved, it may be necessary to finance certain improvements over a period of several years or to utilize various available methods of financing, including state and federal funds where applicable.

Revenues and Expenditures

The city has basically two kinds of expenditures to make. These are operating or maintenance costs and capital or replacement costs.

Operating or maintenance costs are for the operation of the municipal government and the services it provides, such as police and fire protection, street maintenance, snow removal, the maintenance of equipment and public buildings and the salaries of city employees. These costs generally occur each year and are provided for in the annual budget.

Capital or replacement costs, on the other hand, are expenditures required to purchase the major public facilities needed by the community, such as street improvements, improvements to the sewer and water systems, parks, schools and other public buildings and spaces. Many of these costs will occur only once in every ten, fifteen or twenty years, and it is these costs with which the capital improvement program is concerned.

Table 6-1 shows the receipts by fund for 1968 and 1969. These figures include not only operating and maintenance costs but capital expenditures as well and provide an indication of the total costs of providing municipal services and facilities.

TABLE 6-1

Receipts by Fund

FUND	1969	1968
General	22, 253	17, 396
Street	29, 520	17, 465
Public Safety	40, 708	27, 173
Sanitation	17, 364	25, 013
Sewer Rental	31, 464	28, 599
Municipal Enterprise	11, 597	14, 399
Recreation	5, 435	4, 389
Utilities*	291, 473	283, 425
Debt Service	12, 134	10, 481
Trust & Agency	9, 880	10, 927
Road Use Tax	25, 283	20, 985
Liquor Profit	6, 836	8, 523
Payroll	101, 833	89, 511
Sewer Revenue Bond	1, 470	7, 570
Special Assessment	3, 098	3, 207
Other**	29, 219	---
TOTAL	639, 567	569, 063

*Includes receipts from the municipal electric utility.
**Includes 1969 Sewer Construction.

Source: State Auditor's Reports for Guttenberg.

Table 6-2 shows the assessed valuation of property by classification. A substantial increase in real property, utilities and total valuation from 1968 to 1969 is largely the result of revaluation. Increases in real property also indicate the expanding tax base of a growing community.

TABLE 6-2

Assessed Valuation of Property

CLASS	1969	1968	1967	1966
Real	2, 389, 485	1, 637, 944	1, 627, 415	1, 502, 758
Personal	251, 309	244, 978	258, 630	248, 809
Railroad	37, 212	37, 187	35, 585	33, 055
Communications	56, 875	57, 502	43, 006	34, 973
Utilities	101, 377	77, 527	75, 612	70, 186
TOTAL	2, 836, 258	2, 055, 138	2, 040, 248	1, 889, 781
Monies & Credits	453, 463	519, 443	482, 476	505, 484
GRAND TOTAL	3, 289, 721	2, 574, 581	2, 522, 724	2, 395, 265

Source: State Auditor's Report, Guttenberg.

The tax levy in mills, shown in Table 6-3 is applied to the assessed valuation and the receipts are used to defray a major portion of operating costs. At the present time one mill will produce approximately $ 2, 800.

A comparison of tax levies by fund for the past four years (see Table 6-3) reveals a relatively stable tax levy, not only in the individual funds but

for the total levy as well. The 1969 levy (exclusive of debt service) was only 24.942 mills -- one of the lowest municipal levies in the county. The addition of 4.022 mills in debt service still permits the city to retain a low tax levy (28.472 mills).

TABLE 6-3

Tax Levies, City of Guttenberg

FUND	Year Payable			
	1969	1968	1967	1966
General	1.890	1.480	1.431	1.198
Street	5.233	6.912	6.555	5.599
Public Safety	6.086	5.208	5.426	6.095
Sanitation	.864	2.197	2.465	2.649
Municipal Enterprise	3.803	4.131	2.706	2.034
Recreation	2.028	1.342	1.649	1.604
Debt Service	4.022	4.967	4.014	5.178
Trust & Agency	4.546	2.534	3.060	1.980
TOTAL	28.472	28.771	27.306	26.337

Source: State Auditor's Report, Guttenberg.

It should be pointed out, however, that the municipal levy represents only a small portion of the total tax burden.

Table 6-4 shows the levies of the various taxing agencies which have jurisdiction in Guttenberg. It is interesting to note that only 29.2% of the tax dollar is levied by the city, while nearly half (47.9%) is levied by the school district.

TABLE 6-4

Mill Levy by Taxing Body

TAXING BODY	Mills	Percent of Total
Guttenberg	28.472	29.2
County	15.667	16.1
Area School	1.500	1.5
Assessor	.959	1.0
Extension Council	.442	.5
County Board of Education	3.214	3.3
School	46.786	47.9
Township	.492	.5
TOTAL	97.532	100.0

Source: Clayton County Auditor's Report, 1969.

Community Indebtedness

Since the majority of all major public improvements require borrowing of funds, particular attention is given to the community's present and future bonding ability.

By state law, the total general obligation (or G. O.) indebtedness a city or town may incur is limited to five percent (5%) of the actual value of the property within the municipality as ascertained from the assessor's lists.

Table 6-5 shows the current G. O. debt limit of the city.

TABLE 6-5

G. O. Bonding Capacity

Assessed Valuation	Actual Value	Monies and Credits	Total Valuation	Debt Limit
$ 2, 836, 627	$ 10, 495, 520	$ 453, 463	$ 10, 948, 983	$ 547, 449

As of December 31, 1969 Guttenberg had $ 80, 000 outstanding in general obligation bonds. The $ 100, 000 Municipal Hospital Bonds and $ 41, 000 Sewer Bonds were issued in 1958 and 1963 respectively. Their retirement schedules are shown in Table 6-6.

TABLE 6-6

G. O. Bond Retirement Schedule

Year	Municipal Hospital		Sewer		Total Debt Service
	Principal	Interest	Principal	Interest	
1968	$ 5, 000	$ 1, 982	$ 2, 000	$ 1, 067	$ 10, 049
1969	6, 000	1, 820	3, 000	1, 006	11, 826
1970	6, 000	1, 625	3, 000	915	11, 540
1971	6, 000	1, 430	3, 000	823	11, 253
1972	6, 000	1, 235	3, 000	731	10, 966
1973	6, 000	1, 040	3, 000	640	10, 680
1974	6, 000	845	3, 000	549	10, 394
1975	6, 000	650	3, 000	457	10, 107
1976	7, 000	455	4, 000	366	11, 821
1977	7, 000	227	4, 000	244	11, 471
1978	---	---	4, 000	122	4, 122

At the present time the community is in the process of issuing $ 218, 000 in G. O. bonds for flood control work.

Because of the additional debt service requirement, it is anticipated that these bonds will be issued for the maximum period of 20 years. In order to estimate the amount of annual debt service, an interest rate of seven percent (7%) was used, in which case the average annual principal plus interest payments would be approximately $ 20, 578, or slightly over seven mills. This will give the city a debt service levy of 11 to 12 mills for the next several years. As a result the only other additional G. O. expenditure recommended during the five-year program is $ 15, 000 for park site acquisition. This will require a levy of approximately one-half mill (7% for 20 years) and is shown in Figure 6-1.

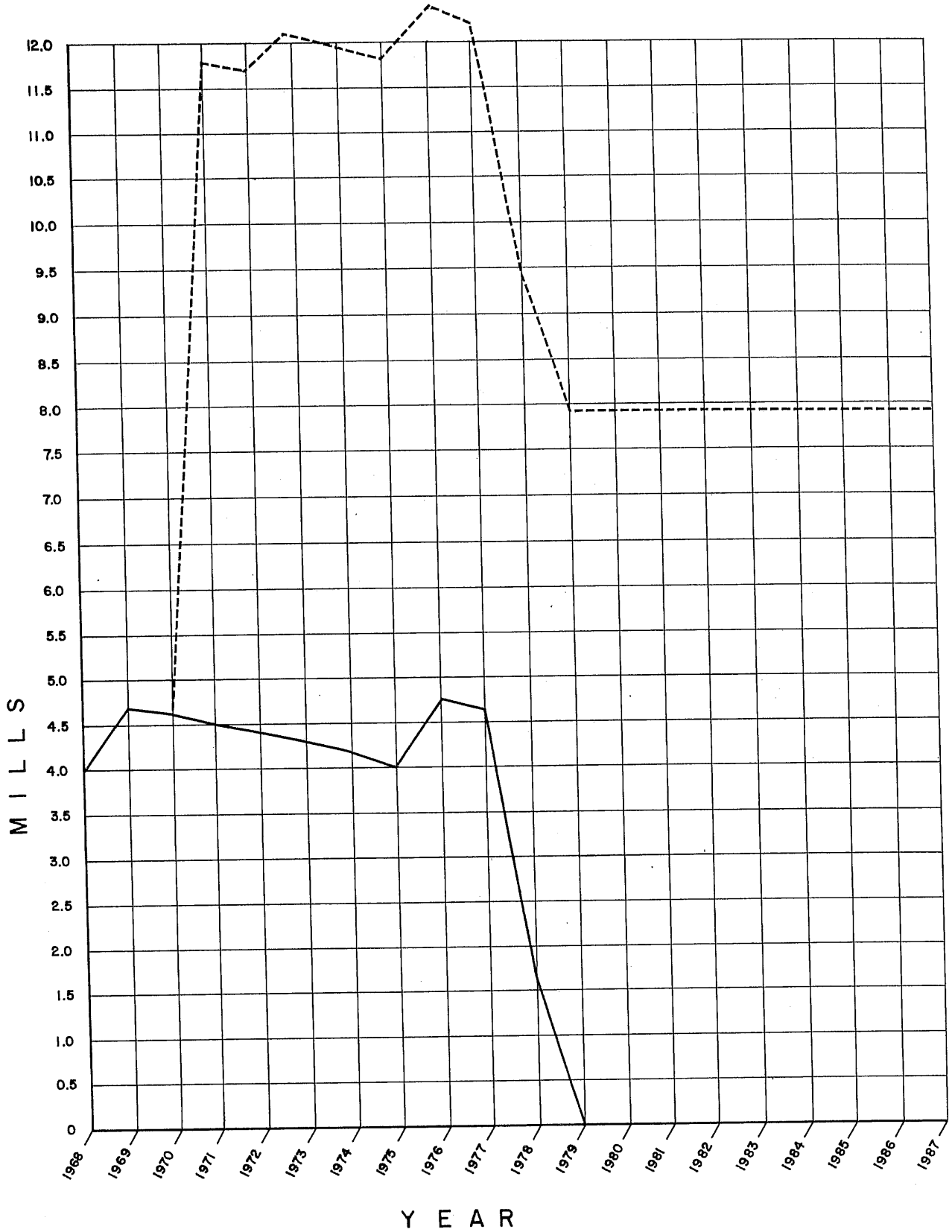
Depending upon the availability of surplus electric utility earnings, it might be possible to provide some relief from the anticipated debt service. These funds however should be utilized to maintain and upgrade the electric utility before funds are utilized for other purposes.

Methods of Finance

Capital improvements are financed with revenue from various sources including general obligation bonds, revenue bonds, road use tax monies, special assessments, private capital, revenues raised through taxation and state and federal aid. Since most cities and other governmental agencies must borrow funds to finance a major portion of their capital improvements, general obligation and revenue bonds are the most widely used methods of financing public facilities.

General Obligation Bonds. General obligation bonds are used to finance a major portion of all public improvements. These are usually issued through voter referendums and are repaid through property taxes. Paying back these funds over a period of years permits more stability in property tax levies, and due to the long term nature of the capital project purchased, future taxpayers who will enjoy the benefits of the project will also share in its cost. G. O. bonds may be issued for periods not exceeding twenty years and at interest rates of not more than seven percent (7%).

Figure 6-1 shows the debt service levy necessary to retire outstanding G. O. issues. In addition, a future issue of $ 218, 000 has been added in 1970 to show its effect on present issues. For the purpose of estimating debt service, an interest rate of seven percent (7%) and a duration of 20 years were used.



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IOWA CITY, IOWA

ESTIMATED MILLAGE RATE FOR DEBT SERVICE

GUTTENBERG IOWA

FIGURE 6-1

Revenue Bonds. Revenue bonds are used to finance improvements to various revenue producing facilities such as the municipally operated electric utility, sanitary sewer system, water system and other revenue producing facilities. The major difference between revenue bonds and general obligation bonds is that there are no debt limit restrictions on revenue bonds (except as to the ability to repay the indebtedness). Repayment is from revenues earned by the facility and not from property taxes as is the case with G. O. bonds. Guttenberg has one sewer revenue bond outstanding, which was issued in 1963 for $85,000 at 3.5% for construction of sewage treatment facilities. Revenue bonds will be of particular importance to the city in future years when various improvements become necessary.

General Revenues. General revenues are supported primarily by the property taxes, although other sources of income include gifts, fines and license fees. Many of the smaller improvements can be financed on a pay-as-you-go basis with the cost merely included in the annual budget and sufficient taxes levied for that purpose. The primary disadvantage of this method of financing is that it is often difficult to accumulate sufficient funds to finance a sizable project, during which time there is constant temptation to use the funds for other needed improvements. Most of the larger improvements, however, must be financed over a longer period of time and require borrowing of funds.

Road Use Tax Funds are a major source of revenue for the street fund. Fifteen percent (15%) of funds collected by the state on vehicle licenses, gasoline tax and related items is distributed to the cities and towns on a population basis. State requirements limit the use of these funds to the street system and related expenses such as a portion of the salaries, equipment maintenance, snow removal, etc.

The road use tax receipts for the past three years are shown in Table 6-7.

TABLE 6-7

Road Use Tax Receipts

1969	$ 24,696
1968	21,568
1967	20,437

Source: Annual Reports, City of Guttenberg, Iowa

Private Enterprise. In addition to funds expended by public agencies, private enterprise is also responsible for a substantial portion of improvements in a community. Improvements in new subdivisions, the remodeling of businesses and the provision of new store fronts must be done by private capital.

Special Assessments are made to properties directly benefited by various improvements such as curb and gutter, street surfacing, sidewalks, and storm and sanitary sewers. Property owners are allowed up to ten years to pay the assessments which are used to retire the bonds originally issued for the project. This method of financing should be used whenever the proposed improvements are of benefit to only a segment of the city's population. Improvements that are of benefit to the entire community are more appropriately financed by other methods.

State and Federal Assistance. Assistance is available to cities and towns through various state and federal programs. The assistance may be in the form of either direct grants or low interest loans or both. The preparation of Guttenberg's Comprehensive Community Plan is an example of a direct grant from the federal level. Since many of the projects listed in the Capital Improvements Program might be eligible for either state or federal assistance, the community should investigate applicable programs, some of which are:

1. Airport Development Program provides financial aid and other assistance to public agencies in the planning, acquisition and development of public airports to help them take part in developing an adequate nationwide system of public airports. The federal government generally provides 50 percent of the cost and the local public authority the remaining 50 percent.

2. Land and Water Conservation Fund Act provides up to fifty percent of the cost of acquisition and development of land or water areas for certain recreation and conservation purposes. These programs may be of particular interest to the community in providing additional park areas, particularly the community wide park recommended in the Community Facilities Plan.

3. Open Space Land Grants provide funds of up to fifty percent of the cost of acquisition and development of open space and recreation areas. This program might be useful in acquiring areas, particularly along the riverfront.

4. Flood Control Grants. This program provides for flood control by planning, directing, and executing appropriate construction projects. For local projects such as levees, floodwalls, and channel improvements, non-federal interests are required to give assurance that they will provide lands, easements, and rights-of-way (including relocations and alterations of highway bridges and utilities). The city is presently engaged in such a program and is providing $ 218, 000 as the local share.

5. Water and Sewer Facilities Grants through the Department of Housing and Urban Development provide up to 50 percent of the costs of land and construction of new water and sewer facilities that will improve living standards and promote efficient and orderly growth and development of the area-wide community. This program should be investigated as a possible means of financing a portion of the city's sewer and water improvements.

6. Water Pollution Control-Waste Treatment Works Construction Grants are intended to accelerate local programs of waste treatment works construction. The program provides federal grants of 50 percent and state grants of 25 percent of the cost of constructing waste treatment facilities. An additional five percent grant is available from the federal government to communities with comprehensive plans. A secondary sewage treatment facility should be eligible for such funds.

7. Low Rent Public Housing Loans are available to finance the cost of low rent public housing which is designed to provide decent housing within the financial reach of low income families and elderly persons. Loans cover the cost of planning and construction and annual contributions are made after completion of the project to maintain the low cost character of the housing. Such a program may be useful to the community in future years.

The above list does not include all federal and state programs available to communities at the present time, and the extent to which any of the above programs can be used is related to the amount of funds available.

The improvements recommended for construction during the initial five-year program are listed on the following pages together with methods of financing. Since all needed improvements cannot be constructed immediately, those to be completed after 1975 are listed as reserve projects.

TABLE 6-8

Capital Improvements Schedule

PROJECT	Total Cost	Method of Finance*	1970-71	1971-72	1972-73	1973-74	1974-75
COMMUNITY FACILITIES							
Flood Control Project	2, 858, 000	GOB FA	218, 000 2, 640, 000				
Community-Wide Park Site Acquisition and Initial Development	30, 000	GOB FA		15, 000 15, 000			
Final Development	50, 000	GOB FA		-- Reserve Project --			
Site Acquisition and Construction of New Junior-Senior High School	1, 500, 000	School			1, 500, 000		
Municipal Parking Lot Site Acquisition and Construction	75, 000	GOB		-- Reserve Project --			
Fire Truck Replacement	20, 000	Benefited Fire Dist.		20, 000			
Swimming Pool	130, 000	Private FA (if available)				65, 000 65, 000	

TABLE 6-8 (continued)

PROJECT	Total Cost	Method of Finance*	1970-71	1971-72	1972-73	1973-74	1974-75
SANITARY SEWER SYSTEM							
Engineering Study to Determine Feasibility and Costs of Rehabilitating Sewer System	1, 750	GR	1, 750				
Secondary Sewage Treatment Facility	75, 000	RB SA FA		15, 000 18, 750 41, 250			
Extension of Sewers to Serve New Areas (Average 2 blks/yr)	6, 000/yr.	GR Subdivider	1, 500 4, 500	1, 500 4, 500	1, 500 4, 500	1, 500 4, 500	1, 500 4, 500
WATER SYSTEM							
Engineering Study to Determine Extent and Cost of Needed Improvements and Revision to Rate Structures	1, 500	GR		1, 500			
Meter Installation at the Pumps and Treatment Plant	2, 500	GR	1, 000	1, 500			

TABLE 6-8 (continued)

PROJECT	Total Cost	Method of Finance*	1970-71	1971-72	1972-73	1973-74	1974-75
WATER SYSTEM (continued)							
Chlorination Equipment	1, 500	GR	1, 500				
Extension of Service to New Areas (Average 2 blks. 4" main per yr.)	3, 600/yr.	GR Subdivider	900 2, 700	900 2, 700	900 2, 700	900 2, 700	900 2, 700
Elimination of Deadends and Replacement of Old and Undersize Mains. (Average 3 blks/yr. 6" main per year)	6, 300/yr.	GR			6, 300	6, 300	6, 300
STREET SYSTEM							
Street Improvement Program to include storm drainage, curb and gutter, permanent surfacing and widening where necessary. Initial projects to be concentrated on collector streets and include the east portion of Acres Street, Goethe Street, Park Drive and Prince and First Streets in the business district. (Average 3 blks/yr)	21, 000/yr.	RUT Sp. A	7, 000 14, 000	7, 000 14, 000	7, 000 14, 000	7, 000 14, 000	7, 000 14, 000

TABLE 6-8 (continued)

PROJECT	Total Cost	Method of Finance*	1970-71	1971-72	1972-73	1973-74	1974-75
STREET SYSTEM (continued)							
Southwesterly Extension of Acres Street to connect to county road		RUT		-- Reserve Project --			
Sidewalk Construction Program. Initial project to include area near traffic generators (Average 3 blks/yr)	4, 500/yr.	GR Sp. A	1, 125 3, 375	1, 125 3, 375	1, 125 3, 375	1, 125 3, 375	1, 125 3, 375
Street Tree Planting Program (Average $ 750/yr)	750/yr.	GR	750	750	750	750	750
ELECTRIC UTILITY							
Change distribution system from 2400-volt delta to 4160-volt wye	20, 000	GR	20, 000				
Systematic upgrading of system to 13, 800 volts		RB		-- Reserve Project --			
Electrical service vehicle	20, 000			-- Reserve Project --			

*GOB General Obligation Bonds
RB Revenue Bonds
GR General Revenue
Sp. A Special Assessments
SA - FA State - Federal Assistance
RUT Road Use Tax