



MEMORANDUM

To: Mayor Pat Fribis and the Board of Aldermen

From: Brittany Gillett, City Administrator

Date: November 10, 2020

Re: Fiscal Year 2021 Capital Improvements Plan

Overview

The capital improvements plan is intended to be a rolling five year forecast of all major capital expenditures for the City. The adoption of this plan will allow the City to keep track of major capital expenses both today and in the future. Proper forecasting will allow the Board of Aldermen and City staff to ensure that sufficient funding is available and allocated towards capital purchases. Conversely, the plan should help guide the City in advance if any shortfalls exist. According to the Government Finance Officers Association (GFOA), “Effective policies can also help a government to assure the sustainability of its infrastructure by establishing a process for addressing maintenance, replacement, and proper fixed asset accounting over the full life of capital assets.”

A capital asset for purposes of this plan includes all purchases of structures, land, equipment, roadways, vehicles, etc. over \$5,000.

Revenue Sources

The City has two funds dedicated primarily to the purchase of capital items. Those are the Capital Improvements fund and the Road and Bridge Fund.

The Capital Improvements Fund is funded entirely by a one-half cent capital improvements sales tax approved by the voters in Sunset Hills. Revenue from the sales tax goes into the Capital Improvements Fund. Per state statute, revenue from this sales tax can only be used for the purchase of capital items. Therefore, 100% of the revenue from this fund is dedicated for capital purchases in the plan. For fiscal year 2021 the plan anticipates using \$1,435,089 from this fund towards capital purchases and debt payments for city-wide facility energy upgrades.

The Road and Bridge Fund is funded entirely by payments received from St. Louis County. Those payments are a rebate of certain property tax funds collected from property owners within Sunset Hills. Revenue from this fund is used to pay for purchases related to street

maintenance and construction. For fiscal year 2021 the plan anticipates using \$543,508 from this fund for street maintenance and maintenance employee salaries.

In addition to the two aforementioned funds, two other funds can and have been utilized for the purchase of capital items.

The Parks and Stormwater Fund is funded entirely by a one-half cent parks and stormwater sales tax approved by the voters in Sunset Hills. Revenue from the sales tax goes into the Parks and Stormwater Fund. Per state statute, revenue from this sales tax can only be used for purchases related to parks and stormwater. The majority of revenue from this fund is used to pay off the City's 2009 COPS bond issuance (refinanced in 2016). That debt issuance was used to pay for the construction of the City's community center and aquatic facility. However, as the sales tax currently brings in more revenue than the payback of the debt requires, there are some funds available to be used on other parks and stormwater projects. No major capital purchases are anticipated in fiscal year 2021.

The General Fund is the main operating fund of the City. The General Fund is funded by a variety of sources, such as sales tax, utility tax, and fees. Revenue from the General Fund primarily goes to operational expenses such as salaries, benefits, contracts, and supplies. Capital items may be purchased from the General Fund. In fiscal year 2021, the City anticipates expending \$450,000 from this fund towards the Stieren Park project. The entire amount was donated to the City in FY2020 for this purpose.

Fiscal Year 2021 Outlook

The proposed fiscal year 2020 budget forecasts a 5% decrease in sales taxes (based on 2019 actual projections), which is the primary revenue source for capital purchases.

The City does anticipate entering fiscal year 2021 with balances in the Capital Improvements (\$985,832), Parks and Stormwater (\$1,844,670), and Road and Bridge Funds (\$527,169). The City typically does not budget a reserve in these funds – the majority of City reserves are held within the General Fund. As such, there are monies available to be spent on capital purchases above the influx of revenue for the year. For fiscal year 2021, total capital expenditures are anticipated to be \$1,718,255.

Fiscal Year 2021 Capital Improvements Projects

The City has a number of capital projects targeted for fiscal year 2020. While the full listing can be found within the Capital Improvements Plan, some highlights are:

- Public Works – West Watson Road Improvements: \$210,000
- Public Works – Concrete Slab Replacement: \$300,000
- Public Works – Asphalt Roadway Maintenance: \$100,000
- Parks – Fitness Equipment Replacement: \$23,000
- Parks – Irrigation at the Driving Range: \$24,000
- Parks – Painting of the Leisure Pool: \$23,000
- Police – Three Patrol Vehicle: \$134,000
- Administration/PD: Roof Replacements: \$95,000
- Debt payment on citywide facility energy upgrades: \$142,000

Summary

The proposed fiscal year 2021-2025 Capital Improvements Plan outlines the City's capital infrastructure needs during this period. The plan provides a snapshot of what our anticipated needs are in the future. As we update the plan each year those needs will be revisited and the plan can be adjusted as needed.

The effects of COVID-19 have had a lasting impact on revenues, but at this time, it is anticipated that there will be sufficient revenue sources to fund the entirety of this plan over five years. Revenue will need to be continuously revisited in the coming months and years to ensure that revenues are keeping pace with forecasts for the purposes of funding the plan.

If you have any questions or would like any further information, please let me know.