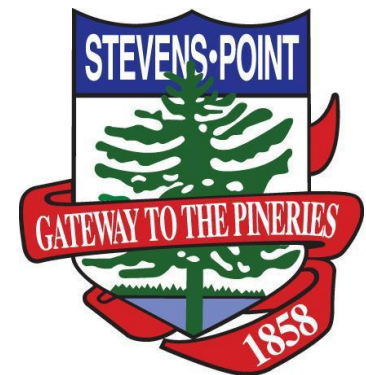


# Long-Term Capital Analysis



# Current Capital Financing Structure

- \$750,000: Use of Fund Balance (Savings)
  - Real Source-Underspending Budgets
- \$3,150,000: Annual Debt Paid Off
  - Source-Property Taxes
  - Creates Room to borrow this amount
  - New Borrowing should not exceed amount of debt retired
- \$3,900,000: Total Annual Capital Budget
- **Key Question: Is this enough to maintain/replace our assets over the long-term?**

# Capital Challenges Are Not Unique

- “State faces nearly \$1 Billion shortfall in road funding”

Wisconsin State Journal Headline, July 27<sup>th</sup>, 2016

- “I don’t know of any city that isn’t struggling with trying to meet the needs of their infrastructure. The entire system is underfunded, and it’s only going to get worse.”

Ron Chamberlain, La Crosse County Highway Commissioner, Quoted in La Crosse Tribune, July 25<sup>th</sup>, 2016

# Signs That We Have a Problem

- Street/Utility Reconstruction is Currently on a 285 Year Replacement Cycle
  - 142.5 Miles of Street/0.5 Miles Reconstructed per year=285 Year Replacement Cycle
- Capital Requests are Routinely delayed due to lack of funding
  - Roof Replacement on Mead Park Shelter delayed, Entire Structure needed to be replaced
- Overall Concern about Condition of Assets
  - Streets
  - Facilities
- How do we know how much we need?

# How Much Do We Need Annually for Replacing Capital Assets?

- Inventory Each Capital Asset
  - What is the Replacement Cost?
  - How Long Does it Last?
- Math: Replacement Cost Divided by Asset Life
  - Example: Pickup Truck
    - \$24,000 Replacement Cost
    - 10 Year Useful Life
    - $24,000/10 = \$2,400$  Annual Cost
- This Analysis was done for every capital asset
  - Lots of Spreadsheets
  - Lots of Help from various departments
  - The Result of the Analysis isn't pretty

# We Know There is a Problem, But Can We Do Anything About It?

- Yes, we do have control over the size of our Capital Budget
  - Taxes for Repaying Debt are not Restricted.
  - We do not have control over the size of our Operating Budget
- Citywide Revaluation will adjust the tax rate.
  - Increases Assessed Value
  - Same Tax Burden spread over more property value, lowering rate

# Key Takeaways

- Our Current Capital Budget is not Sufficient for the Long-Term
- Every Capital Asset that we have costs us Money, We Want to Minimize Assets
  - Don't Expand Fleet Size
  - Stick to Asset Replacement
  - Divest Unnecessary Assets
- We need to Protect our Investment in Capital Assets
  - Proper Maintenance/Preventative Maintenance
  - Proper Management and Use

# Other Thoughts

- Useful Decision Making Tool
  - What do our residents want, and what are they willing to pay for it?
- Any Changes need to go on the Capital spreadsheet, and change size of capital budget
  - Any new assets
  - Expansion of City/Roads (New Subdivision)
- Capital Budget amounts can still fluctuate from year to year
- The analysis will need to be updated over time
  - Costs change



# Next Steps

- **Deadline for Decision: January 2017**
  - **Decision Affects Debt Payment Schedule for 2017 Borrowing**
- **Additional Information Required by Finance Committee/Council?**