



GRAFTON
QUALITY LIFE. NATURALLY.

May 2, 2016

Honorable James A. Brunnuell, Village President, and
Members of the Board of Trustees

Dear Village President and Board Members:

Herewith contained is the Village of Grafton's 5 Year Capital Improvement Program Budget for the years 2017 - 2021. Included in this submittal are the budgets and related appropriations for the following funds: General Fund, Special Revenue Funds, Enterprise Funds, and Capital Improvement Funds. ([Capital Improvement Program by department.](#))

Consistent with the Village's Annual Program Budgets, this document reflects the on-going mission of the Village of Grafton, which was formally adopted in 1993. The Village's mission statement is:

As a managed growth community in the Milwaukee metropolitan area, Grafton strives to deliver the finest municipal services available in the most cost effective and efficient manner, and in so doing, ensure the highest quality of life for its residents -- defined by quality housing in safe neighborhoods, the provision and maintenance of essential streets and utilities, a broad and stable economic base, exceptional recreational opportunities, and attractive commercial and industrial development.

The Capital Improvement Program (CIP) provides for the planning, purchase, design, rehabilitation, renovation, construction, and development of facilities, properties, and systems to enhance the physical development of the Village. The Village of Grafton prepares a 5-Year plan for capital improvements and updates that plan every year. In addition the annual budget makes appropriations for capital expenditures. The first year of the capital improvement program is included as part of the annual budget process and the remaining four years are recommended as a plan for future projects.

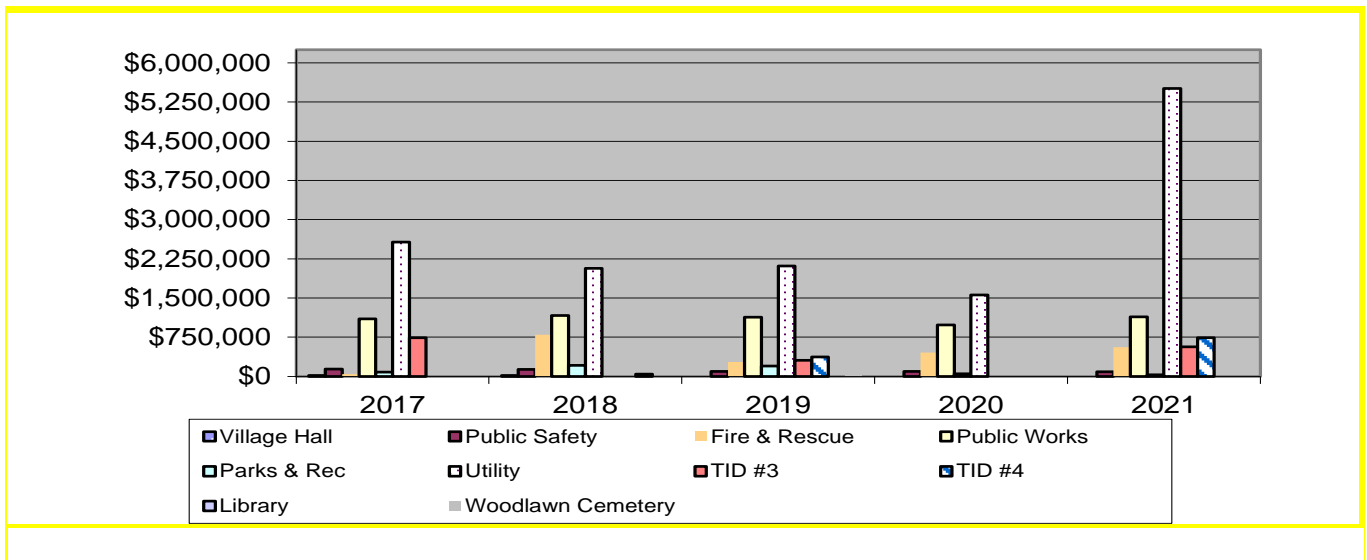
The Capital Improvement Program is a planning tool for Village staff and elected officials. Due to uncertainties in the political, economic, and financial realities of each year the Village Board must retain flexibility to proceed with the projects contained in the Capital Improvement Program.

The Capital Improvement Program is based on Areas of Emphasis established by the Village Board. Many of the projects scheduled in the 2017 – 2021 CIP will result in the accomplishment of several Areas of Emphasis that were established.

Capital is defined as tangible property with a life beyond a one year budget cycle. Land, equipment, buildings, as well as the services required to build or install, may be classified as capital. Capital acquisition is primarily funded by bond proceeds, but recurring and nonrecurring revenue may be used. Major capital improvements for the Village of Grafton are funded primarily with general obligation bonds, property tax revenue, and user fees. Other sources of revenue that fund capital improvements include: impact fees, vehicle sales, donations, special assessments, interest earnings, and intergovernmental revenues.

General Obligation bonds (G.O. bonds) fund a host of capital improvements that directly affect the basic needs and quality of life for every Grafton resident. Public safety equipment, including police and fire facilities, street improvements, water and sewer improvements, park, recreation, library, public works, and open space facilities, development and redevelopment projects; all these capital projects and more are funded by G.O. bonds.

Projects by Category 2017 – 2021



DEBT CAPACITY

The Village’s present and future debt capacity is evaluated during the preparation of the Capital Improvement Program. This was done to determine the amount of additional bonds that could be issued to finance the projects that were requested by departments for the Capital Improvement Program. The primary emphasis of the debt capacity analysis was to determine the amount of debt that could be issued without causing a downgrading in the Village’s bond rating. Bond ratings are based on economic, debt, administrative, and fiscal factors. Consequently, ratings are subjective and there is not a formula that can be followed

to calculate a bond rating. The Village's current rating is Aa2, assigned in June, 2015. Obligations rated Aa2 are considered to be of high quality and are subject to very low credit risk. The modifier 2 indicates a mid-range ranking of obligations rated Aa. Also, the analysis includes a projection of the Village's legal debt margin that reviews the maximum debt allowed under state law and the amount of debt outstanding, current and to be issued.

The analysis of Grafton's debt capacity included a review of data for the past five years on debt ratios and bond ratings. Also, the analysis included a projection of future debt transactions, tax base growth, and debt ratios.

The amount of debt anticipated to be issued in 2017 - 2021 is \$7,959,900. The majority of the bonds planned to be issued between 2017 and 2021 will be for utility improvements (water and wastewater), future park development and improvements to the downtown redevelopment area (TID No. 3), and south commercial district (TID No. 4).

Debt Transactions			
Year	New Debt Issued	Debt Paid	Net Outstanding Debt
	Projected Balance Forward		36,786,446
2017	1,087,500	3,204,141	34,669,805
2018	425,000	3,010,511	32,084,294
2019	1,413,000	3,367,008	30,130,286
2020	0	3,427,626	26,702,660
2021	5,034,400	3,193,619	28,543,441

Wisconsin State Statutes limits the borrowing capacity of municipalities to 5 percent of their overall equalized value. The Village has a policy to limit the issuance of debt to 85 percent of the statutory limit. The Village recognizes the unique role of the Tax Incremental Districts in the development and redevelopment of property and within the policy targets Non-TID debt at 50 percent of the statutory limit. The current total amount of debt that can be issued is \$59,653,470. The table below identifies the percent of statutory debt limit for the projection for the 2017 - 2021 CIP and anticipated year-end 2016 outstanding debt. Please note that no change in equalized value is projected.

Year	Equalized Value	State Limit 5% of Equalized Value	Village Debt Policy 85% of State Limit	Outstanding Debt	Percentage of State Limit	Outstanding Non-TID Debt	Percentage of State Limit
2016	1,193,069,400	59,653,470	50,705,450	36,786,446	61.7%	12,243,070	20.5%
2017	1,193,069,400	59,653,470	50,705,450	34,669,805	58.1%	12,375,193	20.7%
2018	1,193,069,400	59,653,470	50,705,450	32,084,294	53.8%	11,785,266	19.8%
2019	1,193,069,400	59,653,470	50,705,450	30,130,286	50.5%	11,418,997	19.1%
2020	1,193,069,400	59,653,470	50,705,450	26,702,660	44.8%	11,003,063	18.4%
2021	1,193,069,400	59,653,470	50,705,450	28,543,441	47.8%	13,694,970	23.0%

IMPACT ON PROPERTY TAXES

Debt is issued to finance public projects and are financed by revenues sources (i.e. impact fees, user charges, special assessments, and property taxes). The annual principal and interest payment on this debt is financed in the Debt Service Fund portion of the Village's annual budget. (The property tax levy for 2016 CIP-related projects is \$1,797,740 or \$1.51 per \$1,000 of equalized property valuation.) The tax levy for 2017 will be determined when the 2017 Budget is approved in November, 2016. The total related 2016 Village tax rate for 2017 CIP projects is \$1.19 per \$1,000 equalized property valuation. Please note that annually \$156,092 is collected and reserved for future Fire and Rescue Equipment Fund purchases due to the needs of the department. In this CIP the annual requests for capital Fire and Rescue equipment purchases range from \$40,000 to \$795,000.

Property taxes are levied for several funds to finance projects in the CIP. The property tax levies for projects by fund are as follows:

Tax Levy for Projects by Fund							
Fund	2017	2018	2019	2020	2021	Total	%
General	\$18,000	\$20,000	\$0	\$20,000	\$20,000	\$78,000	1.1%
Library	0	15,523	0	0	0	\$15,523	0.2%
Capital Projects	859,556	1,057,254	709,820	672,371	1,053,090	\$4,352,091	62.5%
Capital Equipment	505,192	375,092	517,392	659,892	309,592	\$2,367,160	34.0%
Park and Open Space	30,000	30,000	30,000	30,000	30,000	150,000	2.2%
Total of All Funds	\$1,412,748	\$1,497,869	\$1,257,212	\$1,382,263	\$1,412,682	\$6,962,774	100.0%

The impact on the tax rate (per \$1,000 of equalized property valuation) of financing projects in the Capital Improvement Plan through annual appropriation of property tax is as follows:

Impact on Property Tax Rates for Projects by Fund

Fund	2017	2018	2019	2020	2021
General	\$0.02	\$0.02	\$0.00	\$0.02	\$0.02
Library	.00	.01	.00	.00	.00
Capital Projects	.72	.89	.59	.56	.88
Capital Equipment	.42	.31	.43	.55	.26
Park and Open Space	.03	.03	.03	.03	.03
Total of All Funds	\$1.19	\$1.26	\$1.05	\$1.16	\$1.19

GENERAL OBLIGATION BONDS

General Obligation Bonds, so named because they are backed by the full faith and credit of the Village of Grafton, may be used to finance any capital improvement. The G.O. Bonds are

redeemed by any regular source of Village funding including special assessments, impact fees, tax increment revenue, the Town of Grafton, and property taxes.

The Village of Grafton traditionally has received an excellent bond rating and the Village continues to do so. As indicated earlier the current Moody's rating held by the Village is Aa2. The Village receives this rating as it is perceived to have strong financial management, a favorable debt profile, an orderly capital planning process and, as a result, a manageable capital plan, and a diverse economy. The Village makes every effort to redeem its G.O. bonds in a relatively short time frame. Presently, 81.9 percent of the Village's existing debt principal will be retired in ten years. Repayment periods are determined by the interest rate environment, tax rate impacts, and the expected life of a project.

OPERATIONAL IMPACT

Some capital projects affect future operating budgets either positively or negatively by impacting operating costs. These impacts vary widely from project to project and are evaluated during the process of assessing each project submittal. The General Fund, Water Fund, Sewer Fund, Park and Open Space Fund, Park and Recreational Facilities Fund, and Library Fund would provide the funding for any impacts on maintenance and operating costs dependent upon the specific project.

Operational impacts influencing maintenance costs of this program are generally non-existent or positive where the project will actually reduce overall operating costs. None of the projects in the 5 Year Capital Program have significant negative operating impacts. Vehicle and equipment purchases may provide the Village with operational savings as fuel and oil savings would positively impact the Village with the purchase of more fuel efficient and greener vehicles and equipment. Due to the fact that repair expenses accelerate as equipment ages replacing the equipment may periodically lower these costs depending on the condition of the remaining pieces of equipment. Repairs and replacement of items from the Park and Open Space Fund and Park and Recreational Facilities Fund will continue to draw residents to the Family Aquatic Center and various parks and is expected to increase revenues budgeted for in the Aquatics Fund and General Fund.

Operational impacts that provide a positive impact to operating costs are the implementation of specific processes, equipment, etc., such as the Bulk Water Fill Station that will reduce manual processes and reduce staff time in monitoring bulk water filling and the use of an automated system for billing purposes.

CAPITAL PLANNING PROCESS

The Village Administrator administers an annual planning process that begins with the Areas of Emphasis, established by the Village Board, which all projects are evaluated. Each Village Department submits a request for projects and these projects go through a rigorous review process that includes staff review, committee review, and ranking. The Department request includes a Project Rating Worksheet that uses eighteen criteria that are receive a multiplier based on the criteria's priority. The appropriate committees (i.e. Board of Public Works

reviews Public Works projects) review requests and make recommendations to the Finance Committee which makes recommendations to the Village Board. The approved projects are then included in the Annual Budget process for ultimate approval or denial of requests.

The following is the calendar of events for the 2017 Annual Program Budget planning cycle.

Day	Date	Action	Approval Group	Responsibility
Monday	March 7	5 Year Capital Improvement Plan instructions provided to the department heads		Department Heads
	March 14- March 31	Strategic Plan reviewed		Department Heads at Management Team Meeting
Monday	April	5 Year Capital Improvement Plan forwarded to Commissions	Committee/ Commissions	Department Heads
Monday	April 4	Strategic Plan reviewed	Finance Committee	Administrator
Tuesday	April 5	Final 5 Year Capital Improvement Plan submitted to the Director of Administrative Services		Department Heads
Monday	April 18	Strategic Plan approved	Village Board	Department Heads
Monday	May 2	5 Year Capital Improvement Plan presented	Finance Committee	Administrative Services Director
Monday	June 6	Review Long Term Financial Plan	Finance Committee	Administrative Services Director
Monday	June 20	Long Term Financial Plan Approval	Village Board	Administrative Services Director
Monday	July 11	Distribute requests to departments		Administrator
Monday	August 24	Return budget forms		Department Heads
	August – September	Review and modify budget requests		Administrator / Department Heads
Monday – Tuesday	August 25 – September 30	Review and modify budget request		Administrator / Department Heads
Tuesday	October 3	Publish Executive Budget and submit to Board		Administrator
Thursday	October 6	Legal Notice for Hearing		Administrator
Wednesday	October 12	Budget Workshop	Village Board	Administrator / Department Heads

Wednesday	October 26	Public Hearing	Village Board	
Monday	November 7	Adopt 2015 Budget and establish tax levy	Village Board	

HIGHLIGHTS OF THE CAPITAL IMPROVEMENT PLAN

The five-year total expenditures within the 2017 – 2021 CIP are:

Expenditure by Department	2017-2021 CIP	Percentage
Village Hall	\$78,000	0.3%
Police	540,600	2.1%
Fire and Rescue Services	2,130,091	8.5%
Public Works	5,517,591	21.9%
Parks and Recreation	570,000	2.3%
Library	42,000	0.2%
Woodlawn Cemetery	22,000	0.1%
Water and Wastewater Utility	13,532,783	53.8%
TID No. 3	1,610,000	6.4%
TID No. 4	<u>1,107,000</u>	<u>4.4%</u>
Total Expenditures	\$25,150,065	100.0%

The five largest projects within the CIP are as follows:

1. Water and Wastewater Headworks Facility - \$2,865,900
Construction of this project is planned for 2021. This project is for the construction of a new headworks facility including new mechanical equipment for preliminary treatment of flows to the wastewater treatment plant.
2. Arrowhead Road Lift Station - \$995,000
Design and construction of this project is planned for 2021. As Eastside development continues and expands along Port Washington Road north of the Grafton Commons development and more specifically, north of Arrowhead Road, sewer service planning has identified that a new sewer lift station will be needed to provide service to the areas north of Arrowhead Road and both north and south of CTH V at I-43.
3. New Well No. 8 - \$939,000
Design and construction of this project is planned for 2021. This well would be located on the Village's east side and include well development, pump station and reservoir construction
4. New Digester Tank No. 3 - \$939,000

Design and construction of this project is planned for 2019. This would be an additional anaerobic digester installed for maintaining Wisconsin Department of Natural Resources compliance and adequate treatment capacity of the wastewater treatment plant.

5. Sixth Avenue Water/Sewer Main Replacement - \$715,500
Water main replacement is required as the main is over 80 years old with 6 inch sizing. The water main will be upgraded to 8 inch sizing. The sewer main ranges in age between 47 and 80 years. The mains will be installed with separate trench construction. Due to age it is anticipated that the current mains were installed with “same trench” construction.

Details regarding the projects included within the CIP are included in the subsequent sections of this document. A summary of the projects is included for each area followed by a separate page providing details for each project.

FUNDING SOURCES

The projects in the 2017-2021 Capital Improvement Program are funded by a variety of sources. The following table identifies the revenue sources required to fund the projects.

Revenue Source	2017-2021 CIP	Percentage
Property Tax Levy	\$6,962,774	27.7%
Impact Fees	230,000	0.9%
Vehicle Sales	253,900	1.0%
State/Federal Grants	75,000	0.3%
Other Municipal Contributions	855,513	3.4%
Borrowed Funds	7,959,900	31.6%
Sewer & Water User Fees	6,467,958	25.7%
Special Assessments	2,002,325	8.0%
Donations	50,000	0.2%
Fund Balance	292,695	1.2%
Total of Revenue Sources	\$25,150,065	100.00%

We wish to thank all of the Village staff who participated in the development of the 5-Year Capital Improvement Program.

Sincerely,

Paul Styduhar

Paul Styduhar
Director of Administrative Services