



To the Mayor and Members of the City Council:

Attached is the City of Algona's Capital Improvement Plan (CIP) covering fiscal years 2012/2013 through 2016/2017. The purpose of the CIP is to predict and plan for large expenditures. A CIP identifies equipment and infrastructure that needs replacement, upgrade, or expansion and provides reliable estimates of revenues to make the necessary improvements.

This ambitious Plan provides for \$21,271,670 of physical improvements and equipment for Algona over the next five years. Funding for these improvements comes from a variety of local sources including: Ambulance Revenues, Road Use Tax, Sewer Rental, Local Option Sales Tax, GO Bonds, Gas Franchise Fees, and General Fund Revenues. It is estimated that \$2,169,408 will be received from several State and Federal grants.

In past years the City Council has taken steps to diversify the City's revenues. This has included the local option sales tax, hotel/motel tax, and gas franchise fees. There are some areas of concern, specifically, Road Use Tax. The amount dispersed to Algona is not growing at previous rates. This is due to reduced population and reduced revenues at the state level.

During the current fiscal year the City is completing an upgrade of the wastewater treatment facility. In conjunction with that upgrade, staff examined all other equipment not included in the project. This has added significant projected expenses for the Wastewater Department. Reserves will be used over the next five years to meet these expenses. Staff estimates that a 20% increase, in stages or all at once, will generate the necessary revenues to meet expenditures.

The Residential Rollback has been increasing over the last few years and will increase for FY 12/13. A revaluation of residential property has occurred and it is expected that 100% valuations will be lower, but partially offset by the increase in the rollback.

The CIP includes several large and key capital projects.

The largest is the moving of the Library to the O.B. Laing facility and renovation of the auditorium. The project is estimated to cost \$11.9 million, including all fees and incidental costs, with funding coming from GO Bonds, LOST Bonds, and donations.

Associated with the Library/Auditorium Project is the moving of the Police Department to the Kossuth County Sheriff's Office and moving City Hall to a different location. Costs associated with these projects will come from GO Bonds and reserves.

By approving this CIP you are committing to a financial plan to meet the needs of Algona. This commitment, however, is open as the CIP is fluid and changing. Each year staff will review proposed projects; recommend changes, delays, or deletions; recommend new projects; and extend the CIP one more year.

The City's department heads should be recognized for the hard work and thought they have given to the CIP. Each of these dedicated people used innovation and prudence to minimize costs and maximize benefits. I thank them for their valuable input.

Sincerely,

Cole S. O'Donnell
City Administrator

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