

To the Mayor and Members of the City Council:

Attached is the City of Algona's Capital Improvement Plan (CIP) covering fiscal years 2010/2011 through 2014/2015. 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 \$14,250,321 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 \$1,804,600 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. Recently, the Iowa Legislature clarified the charging and use of franchise fees. This means that the fees we receive will not be reduced. Additionally, the voters of Algona approved making the LOST permanent, providing a stable source of funds for capital projects.

This past October we paid off the Aquatic Center bonds three years early. This freed up LOST funds for other capital projects and this CIP reflects this shift. There are sufficient LOST revenues that we will begin building up a significant balance fairly quickly. We may want to look at using LOST to finance the remodeling of the library and for more extensive street repairs.

The Residential Rollback continues to affect General Fund Revenues. The City has been unable to grow at a rate to compensate for the continued losses in valuations. As a result funds dedicated strictly to capital improvements may

need to be shifted to operations. The result will be a reduction in projects and untimely delays.

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