

Capital Improvement Plan

(“CIP”)

for the

City of West Branch

A Capital Improvements Plan (CIP) is a multi-year planning instrument used to identify needs and financing sources for public infrastructure improvements. The purpose of a CIP is to facilitate the orderly planning of infrastructure improvements; to maintain, preserve, and protect the City of West Branch’s existing infrastructure system; and to provide for the acquisition or scheduled replacement of equipment to ensure the efficient delivery of services to the community. The CIP is also utilized to ensure that capital improvements are fiscally sound and consistent with the goals and policies of the governing body and the residents of the community.

The CIP informs residents of the City of West Branch, as well as stakeholders, on how the municipality plans to address significant capital needs over the next six years. The CIP provides visual representations of the community’s needs including maps that detail the timing, sequence, and location of capital projects. The CIP can also influence growth because infrastructure can impact development patterns.

Some of the many benefits that the CIP provides for the residents and stakeholders include:

- Optimize the uses of revenue
- Focus attention on community goals, needs, and capabilities
- Guide future growth and development
- Encourage efficient government
- Improve intergovernmental and regional cooperation
- Help maintain a sound and stable financial program
- Enhance opportunities for the participation in federal and/or state grant programs

The projects identified in the CIP represent the community’s plan to serve residents and anticipate the needs of a dynamic community. Projects are guided by various development plans and policies established by the City Manager, the Planning Commission, and the City Council.

Mission Statement

Preparation of the CIP is done under the authority of the Michigan Planning Enabling Act (PA 33 of 2008). The goal of the CIP should be to implement the master plan and to assist in the community’s financial planning.

The CIP is meant to be a dynamic tool. Each year, all projects included within the CIP should be reviewed and a call for new projects should occur. Adjustments should also be made to existing projects arising from changes in the amount of funding required, conditions, or time line. A new year of programming is also added each year to replace the year funded in the annual operating budget.

The CIP program should continue to develop over time by adding features to gradually improve quality and sophistication. Greater attention shall be devoted to provide more detailed information about individual project requests, program planning, fiscal analysis, fiscal policies, and developing debt strategy.

CIP and the Budget Process

The CIP plays a significant role in the implementation of a master plan by providing the link between planning and budgeting for capital projects. The CIP process precedes the budget process and is used to develop the capital

project portion of the annual budget. Approval of the CIP by the Planning Commission does not mean that they grant final approval of all projects contained within the plan. Rather, by approving the CIP, the Planning Commission acknowledges that these projects represent a reasonable interpretation of the upcoming needs for the community and that projects contained in the first year of the plan are suitable for inclusion in the upcoming budget.

Priority rankings do not necessarily correspond to funding sequence. For example, a road-widening project which is ranked lower than a park project may be funded before the park project because the road project has access to a restricted revenue source, whereas a park project may have to compete for funding from other revenue sources. A project's funding depends upon a number of factors—not only its merit, but also its location, cost, funding source, and logistics.

The City of West Branch should strive to maximize resources by maintaining a balance between operating and capital budgets. A continuous relationship exists between the CIP and the annual budget. A direct link can be seen between the two documents, as there should be in a strategic planning environment. Budget appropriations lapse at the end of the fiscal year as the operating budget is funded with recurring annual revenues such as taxes, licenses, fines, user fees, and interest income.

Process

As the Director of Planning and Development for the City of West Branch, the City Manager, with input from the Planning Commission and City Council, will draft the CIP for the City of West Branch. Once the CIP is approved by the Planning Commission, the Planning Commission will then request that the City Council consider incorporating funding for the first year projects into the budget plan for the upcoming fiscal year. The City Manager and the City Council will then use the CIP as a tool during the annual budget process, in accordance with the City Council's goals and objectives. Throughout the process, residents and stakeholders are encouraged to participate in the formulation of both the CIP and the annual budget.

CIP Policy Language

As used in the City of West Branch Capital Improvements Program, a capital improvements project is defined as a major, nonrecurring expenditure that includes one or more of the following:

1. Any construction of a new facility (i.e., a public building, water/sanitary sewer mains, storm sewers, major/local roadways, recreational facilities), an addition to, or extension of such a facility, provided that the cost is \$10,000 or more and that the improvement will have a useful life of three years or more.
2. Any nonrecurring rehabilitation of all or a part of a buildings, its grounds, a facility, or equipment, provided that the cost is \$10,000 or more and the improvement will have a useful life of three years or more.
3. Any purchase or replacement of major equipment to support community programs provided that the cost is \$10,000 or more and will be coded to a capital asset account.
4. Any planning, feasibility, engineering, or design study related to an individual capital improvements project or to a program that is implemented through individual capital improvements projects provided that the cost is \$10,000 or more and will have a useful life of three years or more.
5. Any planning, feasibility, engineering, or design study costing \$25,000 or more that is not part of an individual capital improvements project or a program that is implemented through individual capital improvements projects.
6. Any acquisition of land for a public purpose that is not part of an individual capital improvements project or a program that is implemented through individual capital improvements projects provided that the cost is \$25,000 or more.

Program Funding

Because the capital improvement projects involve the outlay of substantial funds, numerous sources may need to be utilized in order to provide financing over the life of the project. Most capital funding sources are earmarked for specific purposes and cannot be transferred from one capital program to another. For example,

funds raised by special millages must be used for the purposes that were stated when the voters approved the special millage. However, since the City of West Branch currently has no special millages established for the purpose of raising funds for capital improvement projects, funding for such projects will generally originate from earmarked general funds, bonds, or grant funding. Since a CIP is a forward-looking tool, it should be prepared with some projections as to the amount of money estimated to be available for a project at the time it is anticipated to be undertaken. The following is a summary of the funding sources for projects included in the City of West Branch CIP.

Enterprise (Reserve) Funds

In enterprise financing, funds are accumulated in advance for capital requirements. Enterprise funds not only pay for capital improvements, but also for the day-to-day operations of community services and the debt payment on revenue bonds. The community can set levels for capital projects; however, increases in capital expenditures for water mains, for example, could result in increased rates. Enterprise fund dollars can only be used on projects related to that particular enterprise fund, i.e., water system funds can only be used on water system projects.

Bonds

When the City of West Branch sells bonds, purchasers are, in effect, lending the City money. The money is repaid, with interest, from taxes or fees over the years. The logic behind issuing bonds (or “floating a bond issue”) for capital projects is that the citizens who benefit from the capital improvements over a period of time should help the community pay for them. The City of West Branch issues bonds in two forms:

1. **General Obligation (“G.O.”) Bonds-** Perhaps the most flexible of all capital funding sources, G.O. bonds can be used for the design or construction of any capital project. These bonds are financed through property taxes. In financing through this method, the taxing power of the City is pledged to pay interest and principal to retire the debt. Voter approval is required if the community wants to increase the taxes that it levies and the amount is included in the City of West Branch’s state-imposed debt limits. To minimize the need for property tax increases, the City of West Branch makes every effort to coordinate new bond issues with the retirement of previous bonds. G.O. bonds are authorized by a variety of state statutes.
2. **Revenue Bonds-** Revenue bonds are sold for projects that produce revenues, such as water and sewer system projects. Revenue bonds depend on user charges and other project-related income to cover their costs. Unlike G.O. bonds, revenue bonds are not included in the City’s state-imposed debt limits because the full faith and credit of the City back them. Revenue bonds are authorized by Public Act 94 of 1933, the Revenue Bond Act.

Waterworks System Capital Improvements Plan

-In compliance with the requirements of the Michigan Safe Drinking Water Act, 1976 PA 399, as amended, the following CIP is hereby added to the City of West Branch Water Supplies General Plan. This CIP identifies waterworks system needs for the City of West Branch for 5-year and 20-year planning periods.

Such plans are formulated pursuant to the authority granted to the City of West Branch by Article IV of the Michigan Planning Enabling Act, Act 33 of 2008, set forth at MCL 125.3861-3871.

The underlying data relied upon in this plan was compiled by the engineering firm of C2AE, which was contracted by the City of West Branch to inventory and assess the infrastructure needs of the City.

According to the report submitted by C2AE, the evaluation of the existing water main system was based upon the following criteria: “1) age of hydrants (from Hydrant Data Sheets), and 2) known problematic sections.

Additionally, undersized water main (4 inch diameter or less), was identified in the study, based on information on the City’s water main base map.” C2AE’s report also indicated that “New storm sewer, sanitary sewer, and water main typically have a life expectancy of 50 years or more[, and that e]valuating the life expectancy of all components of the infrastructure help to identify the areas that are critical to replace during new projects.” With all of these criteria in mind, C2AE developed a 1 to 10 rating system for the condition of the City’s water infrastructure, and then used that rating system to evaluate each segment of the water infrastructure within the City limits. This 1 to 10 rating scale utilized by C2AE is described as follows:

No.	Rating
10	Excellent
9	Very Good
8	Good
7	Good
6	Fair
5	Fair
4	Fair
3	Poor
2	Very Poor
1	Failed

The City Manager for the City of West Branch then took these ratings, as assessed by C2AE, and evaluated them alongside other relevant factors, such as the number of customers served by the utility, the condition of the accompanying street and sewer assets, and other important aspects, and along with input from the Superintendent of the Department of Public Works, created a list of the planning needs for the City of West Branch Waterworks System that includes both a 5-Year Plan and a 20-Year Plan.

5-Year Planning Needs for the City of West Branch Waterworks System:

-The following list includes all “High Priority” water projects that the City of West Branch plans to address within the next 5 years:

Street Name	From	To	Water Rating	Est. Cost (in \$)
Houghton/M-55	East city limits	West city limits	4	872,862
Victory	South 6 th	End of Victory	0	28,860
North Fairview	East Houghton	Fremont	3	155,844
North Fairview	Fremont	East State	3	350,760
North Fairview	East State	City/Twp. Line	3	129,204
Lindsay	North 6 th	North 5 th	4	120,328
Lindsay	North 7 th	North 6 th	4	259,524
Lindsay	North 5th	North 4th	4	131,720
South 4th	Morrison	West Ripley	3	157,700
South 8 th	West Ripley	West Wright	5	154,380
Burr	Fremont	End of Burr	3	64,380
Fremont	Burr	Alto	3	237,096
Fremont	Alto	North Fairview	3	122,464

20-Year Planning Needs for the City of West Branch Waterworks System:

-The following list includes all “Medium Priority” water projects that the City of West Branch plans to address within the next 20 years:

Street Name	From	To	Water Rating	Est. Cost
South 7 th	Dead end of S. 7 th	Victory	5	105,244
South 7 th	West Wright	West Houghton	5	167,520
South 7 th	West Ripley	West Wright	3	154,380
North 3 rd	Spruce	West Willow	3	280,540
Industrial	North 8 th	North 7 th	5	75,036
South 7 th	Victory	West Ripley	3	136,800
South 5 th	West Ripley	West Wright	6	102,120
North 2 nd	Lindsay	Spruce	5	104,340
North 2 nd	West Houghton	Sidney	3	350,620
Lindsay	Keith	North 7 th	5	75,116
Lindsay	South Dow	Keith	5	119,188
South 4 th	West Ripley	West Wright	5	167,320
West Wright	Court	South 8 th	5	103,584
North 7 th	Industrial	Lindsay	5	206,238
North 5 th	Attribute change	Lindsay	0	111,714
North 5 th	West Houghton	Lake State Railway	5	38,739
South 5 th	West Wright	West Houghton	5	107,892
West Wright	South 8 th	South 7 th	5	110,556
West Wright	South 7 th	South 6 th	0	89,784
West Wright	South 6 th	South 5 th	0	87,204
Cemetery	East Houghton	Attribute change	0	31,228
Hall	MacGregor	South Valley	4	121,180
Hall	South Burgess	MacGregor	4	89,640
South Burgess	East Houghton	Hall	4	176,943
North 6 th	Lindsay	Dead end	0	66,452
North 3 rd	Sidney	Lindsay	5	163,760
Carpenter	North 1 st	North Burgess	4	234,960
Fremont	North Valley	Burr	4	101,460
Alto	Fremont	Attribute change	4	131,472
Alto	Attribute change	End	4	11,952
Victory	South 8 th	South 7 th	3	72,594
East Ripley	South 1 st	South Livingston	4	140,104
South Livingston	Shrigley	East Ripley	4	123,210
Page	South Valley	Meid	4	152,514
Mead	Page	End	4	166,500
Columbus	Court	Progress	0	253,356
South 3 rd	Dead end	Attribute change	4	33,200
West Ripley	South 4 th	South 3 rd	4	113,876

South 1 st	East Ripley	West Wright	4	156,040
South Livingston	East Houghton	River	4	110,454
Cook	Refinery	Griffin	0	345,432
South Burgess	Hall	River	0	34,056
North 1 st	Prospect	East State	3	117,528
North 1 st	Carpenter	Prospect	3	84,328
North 6 th	Lindsay	Keith	4	101,592
Thomas	Attribute change	End	4	184,260
Thomas	East State	Attribute change	4	165,004
West Flowage Lake	Hansen	Griffin	0	164,872
West Flowage Lake	City/Twp. Line	Hansen	0	31,968
Hansen	City/Twp. Line	W. Flowage Lake	0	157,028
West Wright	South 1 st	End	0	13,320
Mead	East Houghton	Page	0	57,868
Cemetery	Attribute change	End	0	89,836

The 5-year and 20-year planning needs for the City of West Branch Waterworks System comprise the CIP that is due to the MDEQ by January 1, 2016, and such provisions will be compiled and submitted to the MDEQ by the stated deadline. In addition, though municipalities are not required to do so, the City of West Branch also intends to begin working towards the suggested but not-required portions of a comprehensive total water CIP, including: the identification of funding sources, an assessment of current rate structures, and a compilation of other information that would support the projects on the list.

The City of West Branch will also begin working on the Asset Management Plan (AMP) that is due to the MDEQ by January 1, 2018, following the requirements set forth in Rule 1606.

All completed CIPs and AMPs for water will be forwarded to the MDEQ at the following email address: DEQ-DWMA-GrandRapids@michigan.gov.

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