

Capital Improvement Plan



Fiscal Years 2024-25 – 2029-30

Capital Improvement Plan

City of Munising

Adopted: June 5th, 2024

City Commission

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Purpose

A capital improvements program (CIP) is the result of the preparation and updating of a plan listing all new major public facilities to be built, substantially remodeled, or purchased in a community within the foreseeable future. “Capital improvements” (also called “public improvements”) are all major physical facility projects over and above annual operating expenses. A CIP establishes a schedule, or program, for each capital improvement project according to its priority in the community. The program also includes cost estimates and the sources of financing for each project. A six-year programming period is the most widely utilized, although the CIP must be updated annually to reflect changing priorities and financial resources in the community. The 2018-19 FY will be the first year in which an up-to-date CIP is adopted by the City. During FY 2018-2019, the City Administration will begin to examine the Capital improvement needs throughout the applicable years of the CIP. The City is currently working on developing an Asset Management Plan through our DEQ Saw Grant Project that will most likely impact the Sewer collection and treatment CIP line items in the future. It is expected that the project will be completed and the AMP will be adopted by the City in the fall of 2019.

A Capital Improvement is a project or cost which generally meets the following criteria:

1. Has a useful life of at least three (3) years.
2. Costs \$5,000 or more (IT projects are additive).
3. The cost does not recur annually unless it is an end-of-life cycle replacement for an existing item of like nature (for example, patrol car replacing patrol car).
4. Any and all expenses outlays being financed or to be financed by long-term debt with long-term being defined as a loan or bond agreement with a payment term exceeding five (5) years.
5. It is not an operating expense related to the maintenance of capital equipment or capital improvements.

The FY 2023-24 – 2028-29 City of Munising Capital Improvement Plan will serve as a tool by which our City Commission, Planning Commission, DDA Board, and City

Administration will translate our community's vision into real improvements on (and, in some cases) the ground. This document lends narrative to spreadsheets and identifies the major capital improvements needed and/or planned for the community, the timeframe for implementation of those improvements, and the budget and revenue sources that will make those improvements a reality. The CIP plan itself provides a benchmark for citizens and the administration to aim for but it not set in stone itself. Based on funding, need, and reprioritization some projects can be advanced or even shifted down the list as the organization sees fit. In essence, the CIP is a fluid document intended to aid in short term planning and long range visioning for both expenditures and revenues.

The City of Munising has a storied history as being the population epicenter for Alger County. Socio-economic factors and regional demographic trends have shown negative growth within the region throughout the last 5 decades. Due to this trend, you may note that the majority of the City of Munising CIP is devoted to maintaining and upgrading existing facilities rather than expanding services or new infrastructure development.

Funding Sources

The CIP is only as good as the plan for financing the proposed projects and accounting for the revenue needed to facilitate the expenditures. Financing of capital improvements can be accomplished in a variety of ways. The City's analysis of potential available revenue sources is not necessarily related to how project proposals were ranked and to what projects can be implemented in a prudent manner. The City of Munising examines the potential financing options available at the very outset of the CIP planning process. This examination is focused initially on what can be financed utilizing existing City resources. However, the financial demands of most major improvements will preclude the possibility of using current operating revenue for large outlays. Directly or indirectly, we must be prepared to obtain financing in a multitude of ways. Both fiscal necessity and fairness among generations of users and taxpayers require this. Therefore, one focus on the financing of traditional public capital improvements is through the tax-exempt securities market, but due to the City's own debt limitations, other funding sources such as operating revenues, grants and dedicated capital outlay sources must be

considered as well. Below you will find a brief description of the recommended funding sources of the six year CIP:

Capital Improvement/General Obligation Bonds - This form of General Obligation Limited Tax (GOLT) Bond financing can be used for any capital improvement, is subject to a referendum and shall not legally exceed 10% of SEV of the property assessed in the City.

Installment Purchase Contracts (IPC)- The City is able to finance equipment purchases through IPC loans. IPC purchases have historically been used to purchase replace vehicles for City operations. The City can legally against up to %1.25 of the SEV and TV of the City.

DDA/TIF Financing – The Downtown Development Authority is a component of the City that is funded with Tax Increment Financing revenue. The DDA/TIF district captures the tax revenue on the increased taxable value of the district since the incorporation of the DDA. The DDA was reauthorized for an additional 20 years in 2022 but this CIP does not include any planned capital improvement items utilizing Tax Increment Financing.

General Fund Appropriation - This represents a direct contribution from the City's General Fund. This appropriation is made up of City operating revenue from property taxes, state shared revenue, permits and fees, etc; as well as appropriations of prior years' fund balance. This funding is only available if the current revenue and available fund balance is sufficient to cover the increased related capital expenditures.

Restricted Revenue Sources- The City of Munising has a very small number of restricted revenue sources that can be spent on a narrow width of expenses. An example of this is our Tourist Park Site Surcharge which is charged and committed to capital investments at the campground.

Grants – This aspect of the CIP is feasible when an outside entity pledges cash funds for assistance with Capital Improvement Projects. If grant funding is not received for this project, then the project would become unfunded. It is

recommended that if grants become available for unfunded Projects, then those Projects be moved up the relevant year of grant funding.

Major/Local Street Fund Revenue (State Gas & Weight Tax Revenue) –

Road funding in the City of Munising is made up of the State Gas and Weight Taxes as distributed through PA 51 of 1951. Funds from the state are split between our two internal funds

Special Assessment Bonds/Financing (SAP) – SAP financing is typically used to fund localized improvements within a community. Examples of projects that typically are financed through SAP are sidewalks, streets, and lighting improvements. To utilize SAP financing, the City obtains capital by spreading the repayment cost upon the parcels within the SAP district. Historically the City has minimized the use of SAP financing and currently has no outstanding SAP bonds.

Revenue Backed/Utility Bonds – Working Capital is typically evaluated prior to issuing bonds to determine if any of the replacements can be paid with cash. Utility user fees are used as the backing of revenue backed bonds as it is the utility user's revenue that will facilitate the payback of an accompanying bond issue.

User Fees – User based fees create the majority of the funding mechanism for the Cities Enterprise funds which include Water, Sewer, and Marina activities. These fees typically cover the operating cost of their enterprise fund and are sometimes allocated for smaller Capital Improvement Purchases.

American Rescue Plan Act Funds (ARPA) – The City of Munising received \$230,584 in ARPA Funds during the 2022-23 Fiscal year. The funds are restricted funds that the City Commission can utilize to address a wide array of negative effects of COVID as well as make capital improvement in community infrastructure.

Methodology

The City of Munising Capital Improvements Plan is divided into two separate sections, Public Infrastructure and Departmental Upgrades, which are developed through separate, but parallel, tracks. Both sections begin with an evaluation of the City's progress in meeting the previous year's stated goals and cost estimates. The process then diverges in the following manner:

Departmental Upgrades

The City Administration meets with department heads and staff to lay out a "wish list" of various initiatives that may require the purchase of capital items or upgrades to existing equipment that exceed a spending threshold of \$5,000.00." These upgrades are discussed with City Commission prior to their approval to ensure they are consistent with the City of Munising's Master Plan.

Public Infrastructure

The City Administration has worked with engineering firms as well as utilized in-house knowledge of our capital assets to prioritize a list of improvements based on funding availability and expect useful life of an asset. In future years, it is recommended that members of the Planning Commission meet with City Administration as well as the City's engineering and planning firms to evaluate the infrastructure maintenance needs within the community. Once the proposed improvements have been consolidated, prioritized, and a funding source is recommended the plan is presented to the City Commission for final evaluation and approval.

Departmental Upgrades

Each department is asked to take a long view look at future initiatives or improvements that may require capital purchases in order to be fully implemented. As each department works to improve the manner by which the City delivers services to its residents and stakeholders, "wish lists" are developed based on research and discussions with similar communities. The majority of the capital purchases in these categories are funded through the general fund, however, thorough knowledge and research of our future planned costs allows for the pursuit of grant and other outside

funding sources to meet our policy goals. The following sections discuss the City's various needs and proposed funding sources by department.

Administration

The City's Administrative departments include the office of the City Manager, Treasurer, City Clerk, and the City's Boards and Commissions. This category also include general inter-departmental needs such as shared servers, furniture, and other office equipment.

Public Safety

Public Safety within the City of Munising consists of a full service police department and a paid/on-call fire department. Purchases pertaining to Public Safety include equipment and vehicle purchases as well as upgrades in body worn equipment.

2024-26

Patrol Vehicle- The Police Department is scheduled to replace patrol vehicles per its replacement schedule. This will be budgeted as a General Fund driven purchase through the Motor Pool fund. Upon recommendation of its officers, the City intends to replace our Dodge Chargers with Chevy Tahoe patrol units. Historically, the City has utilized USDA- RD Communities Facilities grants to cover half of the cost of our patrol cars. We have submitted grant applications to the Community Facilities program however no action on the applications is expected in the short term due to lack of funding within the agency.

Recreation

The recreation department includes upgrades to City Parks, Marina, and Arena Facilities. In the past decade, the City of Munising has focused on improving currently operated cites as the majority of funding for recreational capital improvements has been made by General Fund appropriations.

2024-25

Browns Addition Boating Access Site (BABAS) Rehabilitation- This upcoming fiscal year contains a capital improvement of \$800,000 to

rehabilitate and upgrade the BABAS. This includes reconstructed parking, fishing cleaning station, and launch site upgrades occurring as a second phase. This project is being assisted by a Michigan Department of Natural Resources Water Ways grant that will cover up to 50% of the project cost. Due to high bid prices, the project will be broken into two phases with a subsequent MDNR Waterways grant application being submitted in the spring of 2025.

Browns Addition Tot Lot- The City Commission approved the expenditure of \$50,000.00 in ARPA funds to match \$50,000 in general fund dollars to rehabilitate the play ground in Browns Addition. The City of Munising Parks and Recreation committee will be reviewing final proposed plans and recommending a final plan to the City Commission this upcoming Summer.

Lynn St. Tennis Court Resurfacing- The proposed budget and CIP includes a \$25,000 expense for the resurfacing of the Lynn St. Tennis courts. The Munising Tennis Association will be contributing to the project through a proposed donation.

Tourist Park Improvements- The 2024-25 Capital Improvement plan includes three projects at the Munising Tourist Park. The first being the ongoing installation of an onsite type-2 water supply to serve the facility. The wells and controls were installed in the previous year however the poor water quality will require a treatment system be designed and installed. The next two projects are the rehabilitation of both bathroom and shower buildings over the next two fiscal years. The West bathroom is almost 20 years old and is starting to show its age. The East Bathroom will be at its 10 year mark this upcoming year and will also need to be updated as well receive additional exhaust improvements. It is budgeted to have the West bathroom work performed in the offseason of 24-25 with The East building occurring in 25-26. All park improvements are being made utilizing the proceeds of the capital improvement surcharge that is part of each site rental.

Public Infrastructure

Investment in our infrastructure delivers clean water to our homes, removes waste from our homes, it makes sure that our community is not overrun with flood waters and that we are able to travel to and from our destinations with ease. The City of Munising Capital Improvements Plan not only serves as a promise to our residents to invest in maintenance but also, long term, identifies the need for new infrastructure to accommodate the type of developments outlined in our Community Master Plan. In the past decade, the City has made significant improvements to the overall condition of our public infrastructure. Major underground projects in 2008, 2009, and 2013 have replaced the majority of water, storm, sanitary, and transportation infrastructure within the City.

The largest new capital expense for the 2024-25 the City of Munising is projected to the reconstruction of the Washington St. Corridor. This project will consist of roughly \$6.4 million in USDA-RD Loan/Grant dollars and be performed over the next two fiscal years. The funding consists of a \$2 million congressional spending directive to cover the street and nonmotorized path improvements while the remaining dollars will be made up of USDA-RD Utility loans.

Local Road Network

The City of Munising has 11.67 miles of local roads and 7.55 miles of major streets. Revenues for the Local Street Fund are based on a distribution formula established by the State of Michigan under the provisions of Act 51 of the Public Acts of 1951, as amended. The source of the revenues that the State receives under this Act comes from specific taxes on motor vehicles and motor vehicle fuels. Revenue awarded to Lathrup Village is calculated based on the number of designated local street miles and population, the City can calculate projected revenues for the maintenance of its 21.62 miles of local streets. Each year, the City of Munising Public Works department performs a number of preventive maintenance tasks throughout the road system to increase the longevity of the both major and local streets.

2024-25

H-58 – Anna River Bridge rehabilitation- In 2020 the City submitted a funding application to the Michigan Department of Transportation

Rural Bridge Council. The Bridge Council reviews applications from the Superior region and makes a decision on which applications to fund three years in advance of the project. The Bridge Council selected the City's Anna River Bridge rehabilitation application and set the funding for the States 2024 fiscal year. The project will go through the local agency program and the state will cover up to 80% of the construction costs. The project will consist of a new membrane, apron improvements, asphalt overlay, guard rail, and revetment along the abutments.

Sewer

Sanitary Sewer Collection System

Constructed in the early 1900's, originally as a combined sewer system until the 1950's at which time the City converted it to a dedicated sanitary sewer system. It is believed that all residents and businesses within the core of the City are connected to the sanitary sewer and there are no active septic systems in this area. The City of Munising's sewer system is a separated system (meaning that storm water and sanitary water is not permitted to mix), but still considered "wet" due to the presence of footing drains. The city's upgrades and maintenance over the past 10 years has been done with the primary goal of "drying out" or removing the ground and storm water from the system.

The vast majority of the City of Munising is served via sanitary sewer however the infrastructure is in place for expansion to the East, West, and North along Sand Point Road. The City operates a portion of our sanitary collection system outside its corporate boundaries by providing service to the Munising industrial park and Alger Correctional Facility. Due to the age and the vast network of sanitary collection mains within the City, it has become a priority to maintain existing infrastructure rather than move to expand the system.

Wastewater Treatment Plant (WWTP)

Sewage is moved throughout the City utilizing both gravity sewer mains and lift station/force main aspects. The collection system itself culminates at the City of Munising Waste Water Treatment Plant (WWTP). The plant in service is designed to handle a sustained capacity of up 1.7 million gallons a day. During major flood or

rain events the plant has been able to handle almost 3 million gallons per day flow rate for short periods of time. The City of Munising WWTP is considered an “Activated Sludge” style plant in which the majority of the treatment process relies on bacteria to treat the influent. The WWTP is a highly technical three-story structure that utilizes a series of mechanical and biological steps to turn raw sewage into clean effluent. Due to the complex demands of this process, the WWTP has an amazing amount of both mechanical and motorized parts that must be maintained and replaced in order to operate efficiently as possible.

2024-25

Process Pump Replacement- The Capital Improvement Plan includes the replacement of a process pump at the plant. The entire system is operated utilizing a process pump that assists in moving liquid throughout the plan. The process pump that is currently in place is oversized which has created inefficiencies within the plant. The replacement pump will be smaller in size and will over a relatively short return on investment as the lower power consumption will save on utility costs.

WWTP UV Rehab- The final step in our treatment process is our UV disinfection room. The UV system was built by Trojan UV and was installed in 2008-09 and has been in service since. Trojan UV notified the City that they will no longer be supporting our system type in the near future. In order to facilitate a planned future upgrade to the system, we have budgeted to have a round of preventive maintenance performed as well as purchasing a stockpile of UV bulbs to ensure that we have a suitable timeframe to replace the system.

Water Distribution System

The oldest sections of the City’s water distribution system were installed over 130 years ago, however, the majority of the system is less than 50 years old. Due the large USDA funded 2008, 2009, 2013, and 2020 projects the system performs very well. The City experiences a low number water main breaks annually but lacks the significant clustering to warrant near term replacement of City mains. Starting in

2019 we have aligned main replacement projects with our road repaving projects to prevent newly re-paved streets from damage caused by water main repairs. New road over old water main is costly and inefficient.

To supply the water within the system, the City utilizes three well houses with six wells that supply three in-ground tanks. The wells capacities range from roughly 500 GPM to 640 GPM and we can store up to 600,000 gallons of water at any time. The City is also unique in that it operates two completely separate water systems. The Munising Industrial Park system is a self-contained system consisting of one well house and an elevated tank. This system feeds the 8 small commercial facilities as well as the City's largest consumer in the Alger Correctional Facility.

City Owned Facilities

City - owned facilities include all structures and land improvements (not included in other categories) used to provide services to the community. For the purposes of this analysis, these facilities can be broadly grouped as buildings and property and parking lots. Our municipal facilities are combined in an internal service fund that pays for the day to day operational expenses such as utility bills but also serves as the tool to finance larger capital improvement projects. Every year administration projects the operational and capital improvement costs of each facility and then budgets that within the department as building rental. Each year the breakdown of the rental rates changes due to differing planned expenses.

Buildings and Property

Operational facilities are the “bricks and mortar” from which the City of Munising provides services to its residents and businesses. Increasingly, operational facilities also include the systems that facilitate service delivery in the information age. Projects include the construction of new facilities, as well as the maintenance, rehabilitation, renovation, and expansion of existing facilities. Operational facilities projects are funded from a variety of different sources, depending on the use of the facility. Sources mainly are tied to the General Fund and leveraged funds.

2023-24

Maple Grove Cemetery Fence – The proposed budget includes a \$50,000 fence replacement project for the Cemetery. The fence and accompanying entrance items are in dire need of replacement with in a step-by-step fashion. The existing brick pillars are spalling and are only sealed with red paint. The existing fence is in terrible shape and are tied into the pillars. This project would update the fencing to a similar aluminum fence and would be free standing. This will allow the pillars to be addressed in a subsequent fiscal year.

Parking Lots

In addition to the “bricks and mortar” at the various operating facilities within the City of Munising, there are a l number of parking lots. The City maintains the lots through annual budget appropriations but replacement and/or improvement of the lots fall under the capital improvement program. The parking lots include all those at public services facilities, police and fire station, recreational facilities, and City Hall.

2024-25

Facility Paving Upgrades- The CIP improvement plan includes a small handful of paving projects. This includes a small maintenance paving project at the DPW and the paving of the gravel parking apron and Leachate loop at the Wastewater Plant.