FINAL REPORT

Mayor's Infrastructure Finance Committee

May 2003

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Executive Summary

In October 2002, Lincoln Mayor Don Wesely launched a community process to look at how we pay to maintain and build the City's public infrastructure. This effort looked at the following infrastructure categories:

- streets and highways
- water
- wastewater
- stormwater
- parks and trails

At the center of this process was the Mayor's Infrastructure Finance Committee – or MIFC. Three working groups were later added to aid the Committee with their assignment. Nearly 50 Lincoln area residents actively participated in this program. The MIFC and its work groups have now completed their work. Their recommendations are contained in this summary and in the report that follows.

Keeping and expanding Lincoln's infrastructure at the quality level we desire as a community is a challenging task. Certainly there are existing resources available to aid in this task. However, additional funds – in the form of increased user fees, additional tax levies, and development contributions – will be needed if we are to realize our community's long term goals. At the same time, we need to be efficient in how we apply these resources to make certain that we are using these funds wisely.

All in all, this is not an easy story to bring to the community. But it is a realistic one. It is a reality the City of Lincoln must address today to ensure the facilities will be in place tomorrow.

Mayor's Charge to the Committee

In starting the process, the Mayor set forth several fundamental ground rules. These basic premises were contained in a "Charge Statement" the Mayor issued to the Committee and Work Groups. These included:

> The City-County Comprehensive Plan must form the foundation for looking at growth issues.

Any financing package recommended by the MIFC must reflect a "balanced funding approach" -- with everyone in the community contributing their fair share to the solution.

The priorities were to, first, keep Lincoln's existing infrastructure facilities in good shape; second, build projects of broad community benefit (Beltways and Antelope Valley); and, finally, construct projects that further planned urban growth.

Impact fees must be assumed a part of available future revenues.

MIFC Preamble

In crafting their final recommendations, the Mayor's Infrastructure Finance Committee arrived at several overriding conclusions:

The MIFC recommendations are a **"complete package."** The recommendations are to be viewed in their entirety. Removing or materially altering any of them would – in the Committee's view – undermine the completeness of the approach.

City government should maintain a **constant planning horizon of 12 years** for these infrastructure improvements based upon the most optimal scenario for cost effective design and construction, and tie the Comprehensive Plan and Capital Improvement Program (CIP) for capital budgeting.

The financing challenges facing Lincoln must be contributed to by a **range of constituents**, including the community as a whole, infrastructure users, and the development community. All three must bear their **"fair share."**

Impact fees must be considered part of the funding mix. Should impact fees be eliminated for whatever reason, a timely replacement funding source contributed from future development must be found. If impact fees are done away with and no replacement funding source from the development community is obtained, the community consensus underlying the MIFC's recommendations are considered to be null and void.

Inflation was not factored into the cost and revenue figures. During the program's implementation, the impact of inflation on costs and revenue needs to be considered.

Cost Savings and Efficiency

The MIFC process looked beyond the issue of just finding more money to build and maintain infrastructure. It also looked seriously at how we can be as efficient as possible in the way we plan, build, and maintain public infrastructure facilities. The ideas listed below are estimated to save $35 million in "hard savings," $100 million in "deferred savings," and an undetermined amount in "soft savings."

The "Cost Savings and Efficiency" are divided into three major areas dealing with: (1) Big Picture Policies, that considered broad public policies; (2) Systems and Processes, that considered procedures for how the City procures, builds and maintains public infrastructure; and, (3) Infrastructure Elements, that considered specific details of design and construction.

Big Picture Policies

— Achieve savings by following the Comprehensive Plan's infrastructure program
— Closely tie Comprehensive Plan and City's Capital Improvements Program (CIP)
— Phase infrastructure as needed -- protect and obtain future right-of-way per Comprehensive Plan
— Develop policies for requests not in conformance with Comprehensive Plan
— Selective use of force mains and lift stations -- have developers share in the costs of such facilities
— Replace temporary force mains and lift stations with gravity flow services over time
— Limit use of temporary wastewater services to very specific and unique situations
— Look at "special funding districts" for infrastructure improvements not covered by impact fees
— Examine differences in costs between Executive Orders and Special Assessment Districts

Systems and Processes

— Lump construction projects into single bids to encourage efficiencies
— Consider "indefinite delivery contracts" for professional and construction services
— Have City Council use "Statement of Intents" for multi-year contracting
— Work with Lancaster County to acquire right-of-way in advance of development

— Ensure staff are available to complete ROW acquisition in a timely manner
— Give priority to complete engineering drawing over partial plans
— Put responsibility on private developer and design team to comply with guidelines
— Ensure adequate resources for inspection/observation program
— Provide inspectors/observers with greater authority
— Examine ways to enhance cooperation among City departments and other agencies
— Consider ways to streamline platting process
— Pursue Federal and State funds through City's grant writing program

Infrastructure Elements

— Phase construction of arterials by building "outside-in" to eliminate costly relocation
— Coordinate future street grades with Lancaster County
— Make efficient use of paved county roads as the City phases in urban improvements
— Retain 28 foot medians, while assuming fewer dual left turn lanes
— Use grading as a way to minimize retaining walls along arterials

— Reduce the number of traffic and pedestrian signals along arterials
— Bury overhead distribution lines as part of arterials projects in growth areas
— Require utilities to move and bear the relocation cost for mains or lines in public ROW
— Retain present standard requiring sidewalks along arterials as part of platting process
— Eliminate street tree bonds and seek payment in advance as a subdivision requirement
— Require home builder or buyer to install street trees

Finance

Simply put . . . future revenues are insufficient to build and maintain the infrastructure we need to grow and to keep the quality of life for our existing neighborhoods. Substantial funding gaps exist in all the infrastructure categories over the next 12 years.

Water and Wastewater

Over the 12 year planning period, both the water and wastewater systems will need to raise about $132 million <u>each</u> in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- The City needs a disciplined approach for systematically adjusting water and wastewater rates. Increased revenues should be used to support revenue bonds to pay for needed facilities.
- Rate increases should provide sufficient funds to meet capital needs without imposing unreasonable increases.

- Water and wastewater rate increases -- based on current projections and assumed other income -- of 3% to 5% per year should be adequate to finance growth over the next 12 years.
- At no time should rate increases exceed 5% a year, and increases should not be proposed to occur each year.
- Water and wastewater facilities should advance the urban growth shown in the Comprehensive Plan.
- The City should adjust the financing terms (i.e., years to pay back bonds) of revenue bonds to reflect market conditions and the economic life of the assets.
- The City should manage "debt service coverage ratio" within a range of 1.65% and 1.75%.
- The City should work to maintain its current high bond ratings.
- The City should recognize that the issuance of long term debt today may impact its ability to issue similar bonds in the future.
- The City should prepare and annually update a long-range financial plan.
- The City should compare its utility rates on a periodic basis with other communities to ensure it is remaining competitive.

Streets and Highways

Over the 12 year planning period, the street and highway system will need to raise about $225 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- Raise current wheel tax by $5 per vehicle over a seven year period, with increases 2004, 2007, and 2010. Total increase would be $15. This raises about $29.8 million over 12 years.

- Institute an "Occupation Tax" on the retail sale of fuel in Lincoln, effective January 1, 2004. An amount equivalent to 5 cents per gallon would raise about $92.1 million over 12 years.
- Seek voter approval for a $6 million General Obligation (GO) bond for sidewalk maintenance in existing neighborhoods.
- Seek voter approval for a $96.5 million General Obligation (GO) bond for street rehabilitation in existing areas and for new construction.
- Utilize Highway Allocation Bonds to "smooth out" revenue over the 12 year period.
- Should the GO bonds not receive initial voter approval, a second attempt should be made to gain approval.
- Should the Occupation Tax and the Wheel Tax changes not be approved, the City should approach the State about authorization for a local sales tax dedicated to street construction and maintenance.

Watershed Management

Over the 12 year planning period, the watershed management system will need to raise about $49 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- Continue General Obligation bond funding, although amounts and frequency of such bonding will likely increase.
- Continue to support stormwater management utility legislation in the Unicameral
- Recognize projected 12 year shortfall does not include certain deficiencies in existing storm drainage system and potential cost to meet Federal water quality standards.

Parks and Recreation

Over the 12 year planning period, the parks and recreation system will need to raise about $12 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- Work with Lincoln Public Schools to fund shared community space, estimated to cost a little over $7 million.
- Support the use of impact fees for constructing parks and trails in growth areas.

- ˜ Affirm Greenway and Open Space concepts in Comp Plan and proceed with community discussion on how to fund the Plan's recommendations.
- ˜ Support a General Obligation bond for $3.5 million for trail system rehabilitation.

Legislation

Effective public infrastructure financing involves many legal complexities. Laws at all levels of government affect how infrastructure is financed.

- 3 Legislative priorities at the State should be: (1) Stormwater Utility Authorization Legislation; (2) Fuel Sales Tax; (3) Design-Build Authority; and, (4) Municipal Infrastructure Redevelopment Funds (MIRF).
- 3 Support legislation authorizing creation of local level of stormwater utilities.
- 3 Recommend local occupation tax on retail sale of fuel.
- 3 Support legislation authorizing "design-build bidding."
- 3 Support continuation of State Municipal Infrastructure Redevelopment Fund (MIRF).
- 3 Support continuation of Federal Reauthorization Legislation for streets and highways.

Implementation

The need to move swiftly to implement the recommendations of this process is paramount. It can literally take years to fully implement the recommended funding strategies and to effectively program the funds.

- q Create public-private coalition to oversee implementation phase.
- q Keep MIFC and Work Group members involved in implementation phase.
- q Undertake community education program on infrastructure financing needs.
- q Establish marketing effort for recommended funding options.

Report Introduction

Sound public infrastructure planning and financing is key to sustaining growth and to maintaining the long term viability of our community.

Without effective basic public infrastructure in place, our community can't offer our present and prospective residents the fundamental health, safety, and quality of life services needed to maintain daily urban activities. As discussed further in this report, the continued efficient and timely provision of water, wastewater, roads, stormwater, and parks infrastructure are all considered essential to Lincoln's future.

The purpose of this report is to present to the community the findings and recommendations of the Mayor's Infrastructure Finance Committee (MIFC) and three working groups. These conclusions constitute the outcome of an extensive seven month process involving dozens of local residents.

This report's recommendations are intended to guide the Mayor and City Council in their deliberations on how best to address Lincoln's long term infrastructure needs.

The Committee's recommendations address a package of financing, service efficiency, and legislation actions designed to meet Lincoln's infrastructure requirements over the next 12 years.

This process began with the realization that Lincoln faces a bona fide and serious challenge in both maintaining and expanding its system of public infrastructure.

The adoption of a 25-year Comprehensive Plan for the City of Lincoln and Lancaster County in May of 2002 advanced an ambitious vision for our community. The Plan sees a future with continued population growth and urban expansion over the next several decades. (The Plan can be view on-line at the Planning Department's website at <http://interlinc.ci.lincoln.ne.us/>.)

The Comprehensive Plan clearly articulates the belief that urban growth must not undermine the community's present investment in existing neighborhoods and the public infrastructure supporting them. The roads and parks in our established areas must be maintained at a quality level; the water and wastewater systems must continue to function appropriately to serve the needs of these areas; and the stormwater issues of these areas must be properly managed.   These ideals are embodied in the recommendations of the Committee.

The balance of this report lays out the process used to formulate the Committee's recommendations, the main areas of common understanding the Committee has agreed upon regarding the policy and financing approaches to be used in the future, and the detailed recommendations for immediate and near term implementation. The report is divided into the following chapters:

- Process Overview
- MIFC Preamble
- Cost Savings and Efficiency
- Finance
- Legislation
- Implementation
- Appendix

Process Overview

This chapter examines the origins of the Mayor's Infrastructure Finance Committee effort and the process employed in formulating the recommendations presented later in this report. The chapter is divided into the following five sections:

Mayor's Charge Statement
Committee and Work Group Organization
Membership Selection and Members
Meeting Process
Community Input Opportunities

Mayor's Charge Statement

Lincoln Mayor Don Wesely initiated this review of infrastructure financing needs in October of 2002. This process begin with the Mayor issuing a "Charge Statement" articulating the goals and conditions of the review.

> For this study, the term ***"public infrastructure"*** was defined to included the following:
> Streets and Highways
> Water
> Wastewater
> Stormwater
> Parks

As called for in the Mayor's Charge Statement, the expressed purpose of the effort was to ***"seek consensus on a realistic comprehensive financial package ensuring the maintenance of existing public infrastructure and the delivery of future public infrastructure to facilitate community growth."*** As part of this effort, care was to be taken to "be sensitive to the efforts its recommendations may have on Lincoln's citizens, businesses, neighborhoods, economic development, and people of all income groups."

The Mayor's Charge Statement also included a series of "Key Working Assumptions." These assumptions were to provide a basis for guiding the work of the citizen representatives who would be taking part in the process. These key assumptions were as follows:

1 ***Comprehensive Plan:*** The City-County Comprehensive Plan was to serve as the framework for the assumed: (a) future rate of population growth; (b) the direction of growth; and (c) the phasing of growth.

2 ***<u>Balanced Funding</u>:*** The process was to seek a "<u>balanced funding approach</u>" affirming the maintenance of existing infrastructure, supporting broad community benefits, and providing for the timely expansion of planned infrastructure.

The funding to meet these goals was to be both timely and adequate. Also, the maintenance of existing facilities was to be given primary consideration, followed by projects of broad community benefit (for example, the South and East Beltways and Antelope Valley), and, finally, infrastructure improvements furthering planned urban growth.

3 ***<u>Public Infrastructure Elements</u>:*** The work effort was to focus exclusively on streets and highways, water, wastewater, stormwater, and park facilities.

4 ***<u>Time Horizon</u>:*** The financing package resulting from this effort was to cover at a minimum the next 6 years, and longer as appropriate.

5 ***<u>Impact Fees</u>:*** Future financial contributions from development impact fees were to be assumed as provided for in the Mayor's August 26, 2002, proposal, as amended.

Also expressed in the Mayor's Charge Statement was a basic schedule for completion of the assigned tasks. In order to ensure that the results could be used during the City's Fiscal Year 2003-2004 budget deliberations, the Mayor asked that the work be completed and a report submitted to him by no later than June 1, 2003.

<u>Committee and Work Group Organization</u>

Given the allotted time frame for completing the review and complexity of the issues, the Mayor's Charge Statement established a two-tiered study process. A <u>single oversight Committee</u> would be created with the responsibility for guiding the review and preparing the final set of recommendations. Under this Committee would be three "Work Groups" with specifically assigned tasks:

” **<u>Finance Work Group</u>** – This group was charged with formulating a comprehensive financial program for closing the City's long term funding gap for urban infrastructure maintenance and expansion.

" **Cost Savings and Efficiency Work Group** – This group's role was to consider ways to make certain the City's infrastructure is "planned, programmed, and constructed in the most reasonably efficient manner possible."

" **Legislation Work Group** – The group was to "consider and recommend possible changes in State legislation that would facilitate and enhance the funding of infrastructure for the City of Lincoln."

Membership Selection and Members

Membership on the Committee and the three Work Groups was drawn from throughout the community. Letters were sent to numerous businesses, neighborhood groups, and community organizations requesting volunteers to serve on the various bodies. Nearly a hundred individuals submitted their name for consideration. Many of these represented organizations, while others were merely expressing a sincere interest in serving as a community representative.

After reviewing the resumes and expressed interests of the volunteers the following assignments were made to the main Committee:

Mayor's Infrastructure Finance Committee

Brad Korell*	Jan Gauger*	Russ Bayer*	Carol Brown
Jon Carlson	Jerry Schleich	Bob Hampton	Linda Crump
Dan Marvin	Richard Meginnis	Terry Werner	Otis Young
Larry Zink	Allan Abbott (non-voting)		

(= Selected by the Mayor as the Committee Tri-Chairs)*

To ensure there would be effective communication of ideas across the various bodies, the members of the Committee were also asked to serve on one of the three Work Groups.

Membership on the Work Groups was then supplemented with additional community representatives. In all, a total of 47 individuals participated on the three Work Groups, with Committee Tri-Chairs serving as the Chair for the separate Work Groups:

Cost Savings/Efficiency	Finance	Legislation
Russ Bayer, Chair Carol Brown Jon Carlson Jerry Schleich Jennifer Brinkman Mark Brohman Brian Carstens Mark Hunzeker Roger Reynolds Duane Eitel Rick Krueger Greg MacLean Melinda Pearson Duane Hartman Greg Wood Patte Newman Allan Abbott (non-voting)	Brad Korell, Chair Bob Hampton Dan Marvin Richard Meginnis Terry Werner Otis Young Larry Zink Kent Seacrest Roger Severin Polly McMullen Tim Thietje Ron Ecklund Mark Hesser Keith Brown Tom Schleich Connie Jensen Lowell Berg Jim Budde Allan Abbott (non-voting)	Jan Gauger, Chair Linda Crump Bruce Bohrer Darlene Starman Bill Austin Alan Hersch Steve Larrick Ken Winston Bruce Kevil Brian Krannawitter Beatty Brasch Bob Peterson Chris Beutler Allan Abbott (non-voting)

Meeting Process

In order to facilitate the development and exchange of ideas among the Committee and three Work Groups, a meeting approach and schedule was established early-on in the process.

The main Committee agreed to meet on a monthly basis during the initial phase of the review. The individual Work Groups agreed to a varied meeting schedule based upon the needs and timing of their group.

The Legislation Work Group, for example, was asked to produce their initial findings before the end of calendar year 2002. This was the result of wanting to have their ideas to the local elected officials before the beginning of the Nebraska Unicameral session in January, 2003. For this reason, the Legislation Work Group met every couple weeks from their first meeting in October, 2002, until concluding their work in December, 2002.

The Cost Savings and Efficiency Work Group initially established a weekly meeting schedule, with the hope of completing their work early in calendar year 2003. After meeting several times, the Work Group modified its approach and set January 14th and 15th, 2003, for a series of evening workshops. Following these working sessions, the Group returned to their weekly meeting routine, and concluded its work in mid-March, 2003.

The Finance Work Group met approximately twice a month during the balance of calendar year 2002 in an effort to establish an agreed-to funding gap figure. During the early part of 2003, they continued to meet twice a month but increased their meetings to about weekly during March and April.

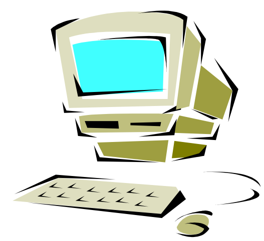
The MIFC Committee continued its monthly meetings into the month of March. After that – as the broader results of the Work Groups became available — the Committee began meeting nearly weekly with a revised completion date set for early May, 2003.

Community Input Opportunities

The MIFC Committee and Work Groups all sought community input through a variety of means.

As part of the meeting agenda for all the bodies, time was set aside for community members to address the respective groups.

In addition, an Internet website was established at the very start of the process. The site contained copies of the materials distributed at each meeting, and included a written meeting summary of each session. The website also provided the opportunity for anyone to access the site to submit comments to the Committee and Work Groups.



The Cost Savings and Efficiency Work Group held an open house on the evening of January 30, 2003, at Walt Public Library in south Lincoln. The purpose of this event was to give the community a chance to informally review the work-in-progress ideas of the Work Group and to meet with the Work Group members.

MIFC Preamble

The Mayor's Infrastructure Finance Committee (MIFC) knows that the recommendations contained in this report will be the subject of much community discussion and debate.

The strategies being recommended to the citizens and elected officials of the City of Lincoln will require common -- and in some cases uncommon -- dedication and forbearance. The decision to pursue these recommendations will not be an easy one. The task before us will be viewed by many as daunting. And by others as audacious. And still others as brave and courageous.

Regardless of how it is characterized, the approach suggested by the members of the MIFC and the three Work Groups reflects an honest, sincere, hard honed effort to address one of Lincoln's most pressing issues – namely how to adequately finance the maintenance and expansion of the community's public infrastructure.

Millions of private and public dollars are at stake. The lives and livelihoods of hundreds of thousands of individuals will be materially affected. For decades to come, the quality of life in this community will bear the residual imprint of the decisions made as a result of this effort.

The MIFC was charged with developing strategies for closing the infrastructure financing gap. The package of proposals in this report are designed primarily with that objective in mind. As a package, these proposals have the potential to significantly impact the resources available for other public purpose projects or needs, i.e., schools and other community services. In issuing this report, the members of the MIFC wish to clearly state that they did not have the time, nor the mandate, to address the relative priority of addressing these various public needs, nor how they might be best coordinated. Pursuing answers to those questions must be left to other public forums.

The numerous citizen members and City staff who participated in this undertaking know of its importance to both the present and future residents of Lincoln. The task has not been taken lightly. The outcome embodies compromise, resolve, and the sincerity to achieve the best result possible for all.

In this chapter of the report, the MIFC wishes to pause for a moment to clearly articulate for the reader their beliefs and thoughts on how the Committee's recommendations should be measured. And to take time to explain those key technical and rhetorical filters through which the recommendations must be viewed.

These are the underlying principles and common understandings that the Committee has operated under and worked toward for over the last half year. They reflect the candor and earnestness of those committed individuals who believe wholeheartedly in the future of Nebraska's capital city, and in the sacrifice it will take from us all to achieve our collective vision for Lincoln.

Recommendations as a "Complete Package"

The members of Mayor's Infrastructure Finance Committee (MIFC) unanimously agree that the public infrastructure funding, policy, and infrastructure program recommendations contained in this report should be viewed as a "complete package."

If one component of this integrated bundle of policies and approaches is deleted or significantly altered for whatever reason, the Mayor's Infrastructure Finance Committee believes the integrity of the overall program may be drawn into question.

The recommendations must be taken in their entirety. This includes all three component areas the Committee was asked to consider -- namely, financing, cost savings and efficiency, and legislation.

The Committee and its three work groups exercised strong diligence to integrate their findings into a unified set of recommendations. The goal of deriving an integrated set of recommendations was embodied in the process employed in their formulation and in the spirit of the participants of the process.

In particular, the recommended funding strategy reflects a carefully crafted balance of financing opportunities for water, wastewater, streets, stormwater and park facilities.

The Mayor's Infrastructure Finance Committee took very seriously the Mayor's charge to the group to find a "balanced funding approach." Such "balance" was and remains elusive. It is subject to debate and differences of thought and perspective.

Planning Time Horizon and Capital Improvement Schedule

City government should maintain a constant planning horizon of at least 12 years for infrastructure improvements for streets, water, wastewater, stormwater, and parks based on the most optimal scenario for cost effective design and construction.

This capital improvement construction plan should be closely coordinated and be consistent with the Comprehensive Plan, and serve as the basis of the CIP and annual budget. When considering variations from this Plan, City government should carefully consider infrastructure cost impacts. Decisions to vary from the Plan should be minimized. When decisions are made to vary from the Plan, the City should seek to recover as much of the cost incurred over the baseline scenario as possible from the developer.

Proper public infrastructure planning, designing, and building is both a continuous and long term process. Planning for streets, water resources and distribution, and wastewater treatment must be done years in advance of when services need to be installed to meet growth needs.

Logically sequencing the installation of Lincoln's water and wastewater systems can optimize construction costs and minimize impacts on local tax- and utility rate-payers. This is due largely to the fluid mechanics that guide their design.

Because of the long term planning horizon for infrastructure needs, the City's Comprehensive Plan, its Capital Improvements Program (CIP), and annual budgets must be closely coordinated and tightly integrated. In the past, pressure from developer interests to vary from the Comprehensive Plan both in terms of timing and direction has resulted in infrastructure installation at substantially higher costs than planning installation would have incurred.

The MIFC recognizes that development opportunities may present themselves to City Government that are not consistent with the Comprehensive Plan, the CIP, or annual budgets, but that nevertheless may be prudent both economically and politically.

By maintaining a disciplined, long term planning process that includes an optimal baseline scenario using sound and logical infrastructure installation, City Government will be positioned to evaluate such opportunities and consider the overall cost impact over and above the baseline scenario to determine if decisions to vary from the baseline Plan are prudent.

Need for Broad Contributions to Common Goals

With this in mind, the Committee also affirms its belief that the future funding and execution of public infrastructure planning, policy, and programming must draw upon a proportionality respecting all facets and interests within the City -- both present and future. The maintenance, rehabilitation, and expansion of the street, water, sanitary sewer, stormwater, and park facilities necessitates contributions from a broad base.

As noted earlier, the public infrastructure financial implications from the proposed funding recommendations will be substantial. Millions of dollars are needed over several decades to address the core infrastructure service needs of the City of Lincoln. This financing challenge must – in the Committee's deeply held belief – be borne by a wide range of segments within our community. Those segments of greatest note include:

- The Community as a Whole;
- The Users of the Infrastructure Services; and,
- The Development Community.

Debate will be spawned -- no doubt – over the relative distribution of the "burden" across these community segments. Each will stake claim to a special and unique set of circumstances or contributions they have already or continue to make. The harsh reality is that all segments must be willing to commit to their "fair share" if any collective vision for community growth and sustainability is to be achieved.

Committee's Commitment to Mayor Wesely's Charge

At the very beginning of this process, Mayor Wesely presented to the Committee his "Charge Statement." This Charge Statement expressed a series of basic notions about the process they were about to embark upon and the parameters under which the Committee and Work Groups were to complete their respective tasks.

As this process comes to a close, the Committee wishes to assert its continued confidence in the wisdom of these directives from the Mayor and of the need to continue them as the process moves into the broader public arena.

The Committee thus affirms its belief with the following items from the Mayor's Charge Statement:

- **<u>City-County Comprehensive Plan</u>** – The Comprehensive Plan remains the community's underlying planning and programming framework. It should serve as the compass point against which decisions are made concerning infrastructure resource allocation.

- **<u>Balanced Funding Approach</u>** – The Committee has stated earlier in this section its belief in seeking a combination of funding alternatives that produce a balance – a shared course of action that offers an equilibrium among all participants in the planning and fostering of our community.

- **<u>Infrastructure Financing Priorities</u>** – In his Statement to the Committee, the Mayor expressed a series of financing priorities the groups should respect in their deliberations. The Committee finds these priorities to remain valid and timely. They are: **(1)** maintenance of existing facilities should be given primary consideration; **(2)** following this are projects of broad community benefit (such as the South and East Beltways and the Antelope Valley Project); and, **(3)**, finally, infrastructure improvements that further planned urban growth.

- **<u>Focus on Specific Infrastructure Elements</u>** – The Mayor asked the Committee to focus its efforts on five specific infrastructure elements – namely, streets and highways, water, wastewater, stormwater, and parks. The Committee and Work Groups have respected this request and are satisfied with the decision to limit the review to these areas of inquiry.

- **<u>Financing Package Time Frame</u>** – The Committee and Work Groups sought to find a realistic financial planning time frame. After careful deliberation, the decision was made to craft an overall package addressing the City's infrastructure financing needs over the <u>next 12 years</u>. This reflects an realistic funding planning time horizon and parallels the 'Priority Area A' area illustrated in the Comprehensive Plan. It also is within the timing guidelines outlined in the Mayor's Charge Statement.

- **<u>Impact Fee Assumptions</u>** – The Mayor asked the Committee and Work Groups to assume future financial contributions commensurate with his impact fee proposal (with amendments) as presented on August 26, 2002. This process honors this request. Additional comments from the Committee regarding impact fees follow later in this Preamble.

Recommended Implementation Policy Standard

To create more improved land for development, the Comprehensive Plan calls for more miles of streets and more miles of water and sewer lines than is necessary to accommodate the projected population growth of 1.5%. This will increase taxes and utility fees.

Public officials should carefully weigh the balance between:

(1) Increasing taxes and utility fees beyond what is necessary to accommodate 1.5% population growth, and

(2) Creating more improved land for development assuming that competition will decrease building lot prices.

Status of Impact Fees as Funding Source

At this writing, the development impact fees are being challenged in the courts.

This condition notwithstanding, the Mayor's Infrastructure Finance Committee believes the collection of proposed development impact fees was and remains a critical component in crafting the community compromise expressed in this report.

Based in part on the Mayor's Charge Statement, impact fees were considered by the Committee and its Work Groups to be a fundamental part of an overall financing package. Such fees represent nearly $62.7 million in potential revenues over the 12 years examined by this process.

In the event that development impact fees are eliminated – be it through political or judicial action – as a future funding source for the construction of new public infrastructure, the money these fees would have generated must be replaced in a timely fashion by a similar source from the development community commensurate with this dollar amount.

<u>Should a replacement funding source from the development community prove unattainable, the community compromise underlying the recommendations of the MIFC and outlined in this report is considered to be null and void</u>.

If development impact fees remain a viable long term funding source, the five year review of the impact fee schedule called for in the adopted City Ordinance should occur as scheduled.

In the interim, it was assumed that automatic annual inflationary adjustments would take place. There is now a degree of uncertainty regarding how this adjustment might occur. As stated in the Mayor's April 10, 2003, written statement to the MIFC, "The language of the ordinance must be clarified to accomplish this goal." The Committee supports the Mayor's conclusion and recommends that actions be taken to bring about this intent.

Inflationary Impact on Expenses and Revenue Sources

The complexity of dealing with local public infrastructure issues became quickly apparent to the Committee and Work Groups. There are a myriad of highly complicated and interlaced forces driving "when" and "how" funds might be raised for infrastructure construction and maintenance.

Adding to this complexity are the inflationary forces occurring over time. Inflation can and does alter the cost of capital construction and potentially the revenues that can be used to pay for them.

It was determined early in this process that no inflationary factor would be applied to the cost and revenue estimates used in determining the community's 12 year public infrastructure funding needs. In certain cases, small incremental additions were made where it was known or understood that growth would increase future costs or revenues.

For example, as the City continues to expand and add new neighborhoods, there will be additional miles of streets to maintain – e.g., snow removal, street sweeping, filling of potholes. This increase is borne not through inflation, but simply the expansion in how many miles of streets there are for the City to maintain. Similarly, over time growth will bring more cars to the city, and thus there will be more revenue generated from such sources as the Wheel Tax. Once more, this increase is not driven by inflation but merely the addition of more vehicles in the City's tax base.

As the proposals in this report move from the recommendations and public policy discussion phase to an implementation phase, it is important that the best available estimate of future inflation be used to adjust these proposals to reflect the likely impact of inflation on actual revenues and project costs.

Cost Savings and Efficiencies

For purposes of this process, the term "efficiency" was defined by the Cost Savings and Efficiency Work Group as activities saving money and/or time to the public and/or private sectors.

While it is extremely difficult to quantify the exact dollar or time savings from their findings, the Work Group believed their recommendations could result in:

(1) an estimated $35 million in "hard savings" (i.e., proposed infrastructure either scaled down in size or dropped as less essential);

(2) another $100 million in "deferred savings" (i.e., delaying portions of projects beyond the 12 year window and until they are determined as required, e.g., building today only three lanes of a proposed five lane road, or only one lane of a dual left turn lane, etc.), and,

(3) an undetermined amount of "soft savings" (i.e., changes in city procurement practices and other administrative practices.)

In the final assessment of funding needs, the Finance Work Group utilized the findings of the Cost Savings and Efficiency Work Group to determine that their funding target for streets and highways should be approximately $225 million over the 12 year planning period.

In addition, the Finance Group – in consultation with the Committee and the Cost Savings and Efficiency Work Group – prepared an assumed year-by-year phasing program based upon the growth areas delineated in the adopted Comprehensive Plan. This phasing program is shown in the Appendix of this Report.

Cost Savings and Efficiency

This chapter presents the Mayor's Infrastructure Finance Committee's recommendations regarding ways to save on public infrastructure costs and increase the efficiency of infrastructure service delivery. As throughout the report, the focus of these recommendations are on five public infrastructure elements: streets and highway, water, wastewater, stormwater, and park facilities.

The chapter displays the Committee recommendations within the following three sections:

Big Picture Policies
Systems and Processes
Infrastructure Elements

Big Picture Polices

"Big Picture Policies" embrace recommendations addressing issues of broad community concern. They involve long term and broad-scale public policies influencing the manner and timing of development.

These MIFC recommendations target key elements of the City's basic blueprint for sustaining both the viability of established neighborhoods while accommodating and furthering urban expansion.

Many of the proposals within this section of the report are grounded in the City's adopted Comprehensive Plan and its intended implementation. Other recommendations focus on infrastructure management issues and financial considerations.

The specific areas of recommendation within these sections include: (1) Comprehensive Plan Policies; (2) Temporary Wastewater Services Using Alternative Practices; (3) Special Funding Districts; and (4) Executive Orders vs. Special Assessment Districts. In each case, the recommendations are presented in terms of the exact language adopted by the Committee.

For a fuller description of the background and context of these recommendations as originally developed by the Cost Savings and Efficiency Work Group, see the Appendix of this Report. The Appendix contains the complete text of the Final Report from the Work Group.

Comprehensive Plan Policies

1. Consistency and Continuity of Comprehensive Plan Implementation

"Savings could be achieved if the City commits to following the infrastructure program shown in the Comprehensive Plan."

"Indiscriminate and/or frequent departures from the Plan's infrastructure program discourage and undermine long-term facilities planning and reduce the cost savings that such planning can provide."

2. Prioritize City's CIP Projects within Comprehensive Plan

"Institute policies and procedures for closely tying the programming of capital projects (i.e., CIP) with the growth phasing program and related polices in the Comprehensive Plan"

3. Extend Time For Phasing of Projects

"We do not need to build out the entire infrastructure for full development of the 25 years in 12 years. We do need to provide the right-of-way per the Plan. We recommend phasing infrastructure as needed."

"Cost savings could be achieved if the infrastructure improvements called for in the Plan are phased in over a longer period of time."

4. Guidelines for Projects Not in Conformance with Comprehensive Plan

"Develop clear policies for requests that are not in conformance with the adopted Comprehensive Plan. However, these policies must be open enough to allow projects that create and/or retain jobs for the community."

"Using a cost/benefit analysis process, consider whether the City should require certain concessions and payments from developers of such projects."

Temporary Wastewater Services Using Alternative Practices

1. Force Mains as Temporary Facilities

"The Work Group recommends the selective deployment of force mains and lift stations as a temporary means for opening an area for future development. Developers would have to share in the costs of such systems. These systems would be replaced at such time as gravity flow services become available."

2. Service Considerations

"The use of force main and lift stations would need to take into consideration these issues:
(1) the collection main into which the effluent is being pumped must have available capacity for the projected life of the force main or lift station; (2) a written agreement regarding the specific geographic area contributing effluent via the force main or lift station must be defined prior to the provision of services; and (3) as force mains and lift stations are more expensive to maintain than a gravity flow system, a written agreement regarding the developers contribution to the maintenance of the main or station must be in place prior to the provision of services."

Special Funding Districts

1. Special Funding Districts

"(1) The City should investigate the possible use of special funding districts for constructing infrastructure improvements not covered by impact fees;
(2) This should include an assessment of any present authority the City has but is not currently being applied;
(3) It is understood that any use of special funding districts will require City Council and Mayoral approval; and,
(4) As applicable, the use of special funding districts needs to protect the farming community as discussed in the Comprehensive Plan."

E.O.'s vs. Special Assessment Districts

1. Cost Differences between EO's & SAD's

"It is recommended that the perceived cost differences between projects constructed using "Executive Orders" vs. "Special Assessment Districts" be considered for further study."

Systems and Processes

"Systems and Processes" involve findings and recommendations that speak to various structures and procedures used by the City of Lincoln to plan for, procure, construct, and maintain urban infrastructure.

This includes the methods employed by the City regarding: (1) Bidding and Contracting Procedures; (2) Right-of-Way (ROW) Acquisition; (3) Handling of Engineering Drawings; (4) Construction Inspection/Observation Programs; (5)

Interagency Coordination; (6) Streamlining Platting Process; and (7) Grant Writing Process.

Bidding & Contracting Procedures

1. Combining Projects into Single Bids

"Lump several construction projects (perhaps covering a two-year period) into a single contract in order to encourage efficiencies and economies of scale that such a method may provide."

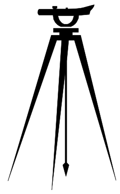
"The following caveats would need to be applied:
(1) Forewarn local contractors that such an approach is to be implemented so that they can prepare to position themselves strongly for an aggregate contract; and,
(2) City officials must use appropriate judgement in knowing when it is better to aggregate projects or to leave them separate."

2. Indefinite Delivery Contracts

"Review indefinite delivery contracts for professional and construction projects and give consideration to the use of multiple firms when so doing."

3. Statement of Intent

"Have the City Council pass a 'Statement of Intent' expressing the City's intent to make greater use of multi-year contracting for capital construction projects."



Right-of-Way (ROW) Acquisition

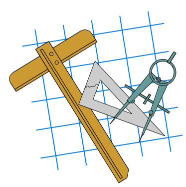
1. Advanced ROW Acquisition

"The City of Lincoln should move ahead with a Memorandum of Understanding with Lancaster County for joint acquisition policies and procedures. This should be formalized as soon as possible."

"The City should get an early start for acquisition by providing staff with ROW plans at least one (1) year in advance. This will require a change in internal policy but does not require a change in any statutes."

2. ROW Acquisition Resources

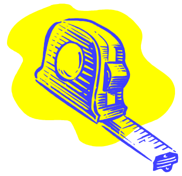
"The City needs to ensure that fiscal resources are available to have enough staff to complete the ROW acquisition task in a timely manner."



Handling of Engineering Drawings

1. Engineering Drawings

"In order to have more timely construction drawings, City staff should undertake the following:
(1) Give priority to complete plans over partial plans. Note that this refers primarily to subdivision work.
(2) Put the responsibility on the private developer and design team to be in compliance with City and State guidelines and requirements."



Construction Inspection/ Observation Program

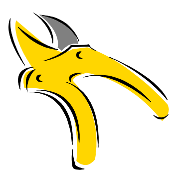
1. Construction Inspection/Observation Program

"(1) Ensure that adequate resources are made available to the City's construction inspection/observation program, although this may not necessarily include adding staff; (2) Increase training for inspectors/observers; and, (3) Provide inspectors/observers with greater authority than they have currently."

Interagency Cooperation

1. Interagency Coordination

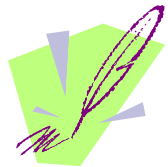
"Examine and describe ways for enhancing the communication for and coordination of capital projects between Public Works & Utilities, LES, LPS, Parks and Recreation, other utilities, and other City and County agencies."



Streamline Platting Process

1. Streamline Platting Process

"Consider ways to streamline the platting process."



Grant Writing Program

1. Grant Writing Program

"It is recommended that efforts be made to enhance the use of the City's grant writing program to obtain Federal and State funds for public infrastructure improvements."

<u>Infrastructure Elements</u>

"Infrastructure Elements" findings and recommendations involve the more detailed aspects of urban infrastructure design and construction.

These include: (1) Street Design Considerations; (2) Burying Overhead Lines; (3) Costs for Utility Relocation; (4) Sidewalks Along Arterial Streets; and, (4) Sureties for Street Trees.

Street Design Considerations

1. "Outside-In" Street Phasing

"Phase construction of urban arterials to build from the outside lanes inward. This would allow for stormwater and other utilities to be put in place at the time of initial roadway construction and eliminate costly relocation at a later date."

2. Future Street Grades

"Coordinate with Lancaster County on the design and alignment of new county pavement projects within the City's future growth tiers."

3. Make Use of Paved County Roads

"Make efficient use of paved county roads as the city phases in urban improvements."

4. Dual Left Turn Lanes

"(1) Retain 28 foot medians for future turning lane improvements as warranted;
(2) For purposes of estimating future costs, assume only one dual left turn lane per mile per section line road; and,
(3) Assume dual left turn lanes at the intersection of all arterials."

5. Retaining Walls

"Consider means for using grading and wider rights-of-way to minimize the need for retaining walls along arterial streets."

6. Signals

"Reduce the number of traffic and pedestrian signals assumed per mile in the future cost estimates."

Burying Overhead Lines

1. Bury Overhead Lines

"Bury all overhead distribution lines as part of future arterial street projects in growth areas – regardless of who has to pay."

Cost for Utility Relocation

1. Utility Line/Main Relocation Costs

"Require utilities to move their mains or lines (and in some cases bury overhead lines) in the public right of way, and require them to bear the cost of such efforts (most notable those not currently paying for moving their mains or lines -- LES, water, and wastewater) when necessary as part of an applicable street construction project."

Sidewalks Along Arterial Streets

1. Sidewalks Along Arterial Streets

"Retain the present subdivision standard requiring installation of sidewalks along arterial streets as part of the platting process."

Sureties for Street Trees

1. Sureties for Street Trees

"(1) Eliminate bonding for street trees along arterial streets; and,
(2) Require the home builder or buyer to install the street trees at the time the home is constructed; or,
(3) Allow for payment in advance in lieu of bonding as a subdivision requirement."

Finance

This chapter of the report presents the proposed 12-year public infrastructure financing strategy recommended by the Mayor's Infrastructure Finance Committee.

The recommended strategy incorporates an aggregation of funding methods, including the continued use of all available existing revenue sources, assumed revenue from fees approved but not yet collected (i.e., development impact fees), increases for a number of existing utility fees and taxes, imposition of new but authorized taxes, and the selective use of bonding strategies to maximize use of forecasted government funding.

The MIFC's projections of funding needs reflects a serious in-depth examination of the procedures and polices the City of Lincoln employs in building public infrastructure. This examination was designed to ensure the fees and taxes collected under this proposal are used in the most efficient manner possible. The Committee and its Work Groups were careful to review the capital projects and the base cost assumptions used for this study, and to assure themselves that the expenditures are necessary for the community's economic and social health.

As noted earlier in this report, the MIFC's recommended financing strategy will have its critics. The projected cost of building and maintaining the infrastructure foundation to assure a vibrant and viable tomorrow for Lincoln is not insignificant. The figure reaches into the hundreds of millions of dollars. However, this investment will reap benefits today and into the years to come.

The full community dialogue on the MIFC's proposed infrastructure financing strategy starts now. In the following chapter, the MIFC lays out its recommended funding strategy. This strategy includes proposals for addressing the funding needs for the following infrastructure areas:

Water and Wastewater Services
Streets and Highways
Watershed Management
Parks and Recreation

Water and Wastewater Services

The provision of community-wide water and wastewater services are absolutely critical to the development of any modern urban community. These services are the framework around which the balance of services are built.

The projected expenses and accompanying revenue sources used by the Mayor's Infrastructure Finance Committee were based on a series of future urban growth assumptions developed by the Finance Work Group. (See Appendix.) These growth assumptions revealed the following 12-year projected expense needs for the City's water and wastewater systems (expressed in millions of 2002 dollars):

Lincoln Water System

Operations and Maintenance (O&M)	$316.1
Capital Rehabilitation	40.4
Capital Improvements Projects/Upgrades	120.1
12-YEAR TOTAL	$476.6

Lincoln Wastewater System

Operations and Maintenance (O&M)	$220.2
Capital Rehabilitation	17.1
Capital Improvement Projects	141.1
12-YEAR TOTAL	$378.4

On the basis of the projected 12-year stream of revenue sources (including user fees, available cash, and impact fees (i.e., $12.0 million for water and $5.9 million for wastewater), the estimated funding gap for these systems is around $131.9 million for water and $131.7 million for wastewater.

As a means of covering this projected gap, the MIFC -- using the analysis prepared by the Finance Work Group -- is recommending a series of user fee increases for both the water and wastewater systems. These rate increases would then be used to support the issuance of a series of revenue bonds for the construction of the needed facility improvements. The bonds would be paid back with funds received from the respective system's user fees.

The specific recommendations of the Mayor Infrastructure Finance Committee regarding funding for the water and wastewater systems are presented below.

1. Comprehensive Plan and CIP

The City's Capital Improvement Program for water and wastewater facilities should advance the urban growth set forth in the City's adopted Comprehensive Plan. The water and wastewater capital improvements needed to support the 12 year urban growth shown in the adopted Comprehensive Plan can largely be accomplished through the use of revenue bond financing.

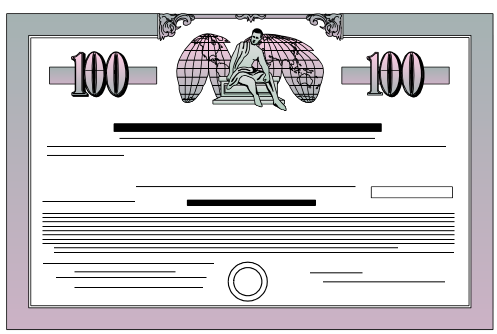
2. Bonding Capacity and Other Key Assumptions

This potential bonding capacity assumes the following conditions:

a. Modifying the City's current bond issuance practices, i.e., longer maturity debt;
b. A 7 percent increase in wastewater rates effective FY 2003-2004.
c. Systematic increases in utility user rates;
d. Implementing development impact fees; and,
e. Financial projections do not include inflationary cost increases.

3. City's Bonding Capacity

The City of Lincoln has the potential bonding capacity to support long-term system replacement and upgrades and expansion of capital facilities for its municipal water and wastewater systems through a carefully managed issuance of additional revenue bonds.



4. Bond Amortization Period

The term (i.e., amortization period) for future revenue bonds should be changed to more closely reflect the economic life of assets financed. The financing term for future bond issues should be limited to a minimum of 15 years and a maximum of 30 years. Because previous bond issues financing long term assets were amortized over 20 years, this change will lower the average annual debt service for future revenue bonds while fully repaying the bonds within the estimated economic life of the capital improvements identified for this period.

Changing market conditions may afford the City opportunities to structure debt financing to achieve lower overall costs. Subject to amortizing debt within the estimated economic life of assets, the City should take advantage of any opportunities to structure debt financing or refinancing to achieve the lowest possible overall cost. Combined debt service should be as level as practical to facilitate sound financial planning and stable utility rates.

5. Debt Service Coverage Ratio

The City should manage its total outstanding water and wastewater debt to maintain an overall average debt service coverage ratio* within a range of 1.65 to 1.75 percent. It is understood that at the time of issuance of any new debt, the debt service coverage ratio must be at least 1.25. Following the guidelines provided by the rating agencies for management, rates, governance, competition, economy, and so on may even enhance the rating of the water and wastewater systems.

6. Maintaining City's Bond Rating

The City should manage its water and wastewater systems to ensure that the current Public Works & Utility bond ratings of AA+ Standards & Poors and Aa2 from Moodys are maintained.

7. Limitations on Future Bond Issuances

The issuance of substantial amounts of new water and wastewater revenue bonds with longer maturities over the next ten years could limit the City's future ability to issue similar bonds.

8. Water and Utility Rate Increases

The City should embark upon a disciplined approach for systematically reviewing and adjusting water and wastewater utility rates. Based on current projections, annual rate increases of 3 to 5 percent should be adequate to finance growth needs during the assumed 12 year planning period. Rate increases are not proposed to occur in each fiscal year. Rate increases should be managed to provide sufficient funds for capital improvements without imposing unreasonable increases on rate payers. We recommend that annual increases do not exceed 5 percent in any given year.

9. Prepare Long Range Financial Plan

The City should prepare a long-term financial plan and update this plan on an annual basis using the parameters set forth herein.

10. Utility Rate Comparison

Periodically, the City may find it worthwhile to make a comparison of the City's overall utility rate burden with the overall utility rate burdens of the cities considered to be prime competitors for attracting new employers to determine if Lincoln is remaining competitive.

CAPITAL IMPROVEMENT SUMMARY FY 2003-4 through FY 2014-15	
WATER	$169 million
WASTEWATER	168 million
TOTAL	**$337 million**

Definitions for Water and Wastewater

Debt service cover ratio = Cash flow available for debt service divided by the annual debt service requirement (principal plus interest).

Cash Flow = Revenues, less Operation and Maintenance Expenses, plus Depreciation.

Revenues = Total Operating Revenues, plus interest income, plus tap fees, plus impact fees.

Streets and Highways

The ability of the community's street and highway system to handle projected future vehicular travel needs is critical to the long term social and economic viability of the City of Lincoln.

The City's adopted Comprehensive Plan and Long Range Transportation Plan (LRTP) define a planned system of twenty five years worth of urban roadway facility improvements that supports the continued maintenance and needed expansion of the City's street network.

The City's Capital Improvement Program (CIP) for streets and highways should advance the urban growth set forth in Lincoln's adopted Comprehensive Plan.

The Infrastructure Finance Committee has designed a recommended strategy for financing the Comprehensive Plan's roadway program using a combination of existing funding sources and other proposed financing alternatives including bonds, enhanced fees, and new user taxes.

Funding alternatives considered but not recommended by the MIFC's Finance Work Group include a City wage tax, vehicle sales tax, SID's, special assessment districts, and reallocation of existing funding sources.

The remainder of this subsection examines the issue of street and highway funding and recommends a strategy for addressing these needs. The subsection is divided into the following areas:

“ Long Term Streets and Highways Funding Needs
“ Maintaining the City’s Existing Streets and Highways Infrastructure
“ South and East Beltways
“ Antelope Valley Project
“ Existing Funding Sources
“ MIFC Recommended Funding Approach
“ Continuity in Maintaining and Presenting Information

“ **<u>Long Term Streets and Highways Funding Needs</u>**

One of the initial tasks of the Finance Work Group was to closely examine the realistic funding needs for Lincoln’s streets and highway program. This task involved an in-depth dialogue regarding the trends and uses of existing street funding sources, as well as the program of projects contained in the adopted Comprehensive Plan and LRTP.

The Work Group focused on the initial 12 years of the Comprehensive Plan’s growth and development picture, with the priority of ensuring quality street and highway facilities to the existing Lincoln community and to the “Priority Area A” within the Tier I Growth area.

While this task was being completed, the Cost Savings and Efficiency Work Group was also undertaking a separate but complementary initiative. The Cost Savings and Efficiency Work Group was looking at options for reducing overall street construction costs and for scheduling future street construction so as to maximize existing street resources.

By applying the cost savings approaches identified by the Cost Savings and Efficiency Work Group and an assumed prioritized schedule for the phasing-in of improvements, the “financing gap” for street and highways construction over the next twelve years was placed at between $200 and $250 million.

<u>While potential inflationary impacts and other changes in the roadway construction program will also need to be taken into consideration, the Finance Work Group identified the amount of $225 million as its goal for the additional funding needed for streets and highways over the next twelve years.</u>

The Finance Work Group concluded that the greatest financing gap for streets occurs early-on in the12 year capital improvements programming. Early period funding needs require raising capital resources quickly so that these street projects can be initiated and completed over the next six to ten years. Notable among the construction activities included during this early period are the Antelope Valley and South Beltway projects, and a large number of street construction projects that are of high priority – such as South 14th from Old Cheney Road to Yankee Hill Road, South 84th from Van Dorn to Nebraska Highway 2, West A Street from Coddington to S.W. 48th St., Adams Street from 70th to 84th Streets, and many others.

" **Maintaining the City's Existing Streets and Highways Infrastructure**

As the City grows in both population and geographic size, it is imperative the community's current investment in streets and highways be maintained. In Mayor Wesely's *Charge to the Committee* to seek a "balanced funding approach" for infrastructure financing, the maintenance of the City's existing roadway system was given primary consideration – that is, maintenance of the existing street investment was to be viewed as the first priority among all other proposed activities.

Upon examining this issue, the Finance Work Group concluded that the City does not have a well-defined program for street maintenance. Most of the maintenance has been carried out as needed on a fiscally constrained basis on the City's approximately 1,245 mile network of streets, including 323 miles of arterials streets and 922 miles of residential streets. During the 1990's, some roadway funds were diverted from street maintenance and directed toward new road construction -- Mayor Wesely has reversed this trend. Spending on street repair and maintenance has been increased to around $7 to $8 million per year. This allows older arterials streets to be resurfaced about every 30 to 35 years, while older residential streets are being resurfaced on a 40 to 50 year cycle.

The City's Public Works Department is proposing to adopt a new street inventorying system to survey all Lincoln streets on an annual basis to provide a rating of their condition. This system would be similar to the one used by the State of Nebraska for its highway system. Ratings of "very good," "good," "fair," and "poor" would be assigned to each street segment based on specific criteria.

This inventory system will allow the City to electronically track the overall condition of streets throughout the community and to better assess if the present maintenance program is adequate. The Finance Work Group felt that a well disciplined program is needed so that periodic surveys of street conditions can be performed and a determination made regarding the adequacy of the street maintenance program.

The MIFC thus recommends the City adopt a well disciplined program of periodically assessing street conditions and of allocating sufficient funding to maintain adequate street conditions. If the results of the street conditions assessment program recommend that street rehabilitation be accelerated in order to maintain streets in an acceptable condition, it should be a high priority to commit sufficient funding to accomplish this goal. The Infrastructure Finance Committee also recommends that the City increase the budget for street rehabilitation by $2.5 million in both F.Y. 2003-2004 and F.Y. 2004-2005 while the street condition assessments program is being developed and implemented.

At least biannually, the Public Works Department should report to the Mayor and City Council on the condition of area streets and on changes needed to maintain the quality of Lincoln's roadway infrastructure. Adjustments may be needed in the street budget allocations to ensure that existing streets are adequately maintained.

" **South and East Beltways**

The proposed South and East Beltways are essential components of the City's overall regional transportation system. In cooperative agreement between the City of Lincoln, Lancaster County, the Nebraska Department of Roads and the Federal Highway Administration, the beltway system – when fully constructed – will offer a complete circumferential high capacity roadway around the urban area. This will aid in moving traffic around the city and help reduce further congestion on the existing urban street network.

Of the two proposed projects, the community and its partners have given the South Beltway the higher near term priority. The South Beltway will link Nebraska Highway 77 on the west with Nebraska Highway 2 on the east. The South Beltway will be located approximately a half mile south of Saltillo Road and will touch the City's future urban service limit along its southern edge. When completed, the South Beltway will also become Nebraska Highway 2, with the existing Highway 2 turned over to the City as an internal roadway.

The total estimated cost for the South Beltway is $120 million. The cost of this facility will be split between City, State, and Federal governments. The cost sharing for the South Beltway is set at 80 percent Federal/State and 20 percent City. The local share is programmed as part of the overall funding projected for the 12 year analysis period assumed by the Finance Work Group.

“ Antelope Valley Project

The Antelope Valley Project comprises a mixture of roadway, stormwater management, and community revitalization activities within the heart of Lincoln. The project brings together a consortium of public entities, including the City of Lincoln, the Lower Platte South Natural Resources District, and the University of Nebraska-Lincoln.

The roadway component of the project involves a multi-lane boulevard along the eastern edge of the Downtown area. Phase I of the project has already begun with the initial construction of the stormwater control channel. The total estimated cost for the complete Antelope Valley project is approximately $223 million, with about $123 million going toward new roadways and improvements to existing streets.

Funding for the roadway component of the Project is anticipated to be drawn from several sources. The City is looking to use its available Federal gas tax monies (TEA-21) and its share of State gas tax monies (State Road Funds) in meeting its funding obligations. Federal road demonstration funds are also being sought to support the construction of the roadway facilities and associated enhancements.

“ Existing Funding Sources

The City Public Works Department projects that if funding sources continue at present levels Lincoln will garner about $500 million for street maintenance, rehabilitation, and construction over the next 12 years – not including specially earmarked Federal funds for projects such as the Beltways and Antelope Valley.

For purposes of the funding needs analysis, the Committee assumed that this projected $500 million in street and highway funds would come from the following nine sources:

- U Highway Allocation Funds
- U Federal Urban Area Project Funds
- U City Wheel Tax Residual (Maintenance, rehabilitation, & construction)

- City Wheel Tax New Construction
- State Train Mile Tax
- Railroad Transportation Safety District
- Transportation Enhancement
- Impact Fees
- Other Funds

It should be noted that many of these funds have limitations concerning where and how they can be applied. Certain railroad funds, for example, can only go toward projects eliminating unsafe conditions involving trains and vehicles. Similarly, impact fees funds can only be used in certain locations and for specific street construction activities.

MIFC Recommended Funding Approach

The Mayor's Infrastructure Finance Committee recognizes that projected revenues are insufficient over the next 12 years for maintaining, rehabilitating, and expanding the City's streets and highway system called for in the adopted Comprehensive Plan.

In arriving at this conclusion, the Committee relied on the street and highway cost savings identified by the Cost Savings and Efficiency Work Group. The MIFC believes that the City should pursue the cost reductions identified by the Cost Savings and Efficiency Work Group. Implementing these recommendations could potentially result in the savings or near term deferral of millions of dollars in project costs that will not impair the long term viability of the City's street system.

The Committee recognizes, however, that additional locally generated funds are needed to meet the City's long term street and highway requirements – especially over the next 12 year period.

Through the Finance Work Group, the MIFC reviewed a host of possible funding options. As part of their review, they established a series of criteria to be used in evaluating possible funding alternatives. To the extent feasible, alternatives were sought that could generally meet these criteria:

- User Fee Based – The fees (or taxes) paid to support infrastructure expansion and maintenance should come from those individuals or companies using the infrastructure system or service.

- Deductibility – The fees or taxes derived from the funding source should be deductible from an individual's Federal and State income tax obligation.

- Ease of Approval – The fees or taxes should be relatively easy to put into place because the City is already authorized to do so.

- Broadly Based – The fees or taxes should be paid by a wide range of users, including non-Lincoln residents who may be using the infrastructure system.

- Application Ease – The collection and enforcement system necessary to collect the fees or taxes should be in place or easy to establish.

- Stability of Source – The fees or taxes should provide a predictable and steady revenue stream for the City.

- Progressive Tax/Fee - The fees or taxes should be "progressive" in nature (as contrasted to a "regressive" fee or tax that tends to be a greater imposition on lower income households.)

- Bondable – The fees or taxes should provide a revenue stream that can be used for paying off bonds.

- Amount of Revenue – The fees or taxes should provide the potential for generating a relatively significant sum of revenue.

- Public Policy – The fees or taxes should be politically acceptable to the community and elected officials, and be easy to understand.

The MIFC recommends the following streets and highways funding strategy:

1. Increase Existing City Wheel Tax

The MIFC recommends that the present City Wheel Tax be increased incrementally over a 7 year period. Three increases of $5 each should be approved for implementation in calendar years 2004, 2007, and 2010. This would raise the City Wheel Tax for the typical passenger vehicle from $39 per year to $54 per year. Each $5 per vehicle increase in the Wheel Tax is estimated to result in an additional $1 million in revenue. The increases recommended by the Infrastructure Finance Committee are projected to bring in approximately $29.8 million over the next 12 years.

2. Institute an Occupation Tax on the Retail Sale of Fuel

The MIFC recommends the City approve an occupation tax on the sale of vehicular fuel (i.e, gasoline and diesel) at the retail level. The City is authorized to impose this tax under current statutes following appropriate City Council and Mayoral action. The Infrastructure Finance Committee recommends the tax be set against gross receipts for fuel sold within the City limits. ***The tax should become effective January 1, 2004.*** The projected revenues sought from this source should equate to about five cents per gallon -- this would generate approximately $7.5 million per year, or about $92.1 million over the next 12 years.

3. Work to Meet the Sidewalk Maintenance Needs of the City's Existing Neighborhoods

The MIFC recommends that the City's infrastructure financing strategy include funding for sidewalk maintenance in existing Lincoln neighborhoods. Sidewalks are an important element of the City's overall transportation system. In many older areas of the community, sidewalks have fallen into disrepair. The City funds necessary to support the much needed maintenance of these facilities are simply not available. The present funding levels for sidewalk maintenance falls substantially short of the need. Bonding is an appropriate and timely means for financing sidewalk improvements in these areas of Lincoln and should be part of an overall General Obligation bond package presented to the voters. Six million dollars of G.O. bond proceeds should be allocated to sidewalk maintenance.

4. Seek Voter Approval for a General Obligation Bond

The MIFC recommends the City seek voter approval for the issuance of a series of General Obligation (G.O.) Bonds totaling $106 million*. (Includes $91.5 million street construction; $5 million street rehabilitation; $6 million sidewalks; and $3.5 trails rehabilitation.)* The proceeds from these bonds would be dedicated to street construction/rehabilitation, trail rehabilitation, and sidewalk projects called for in the adopted Comprehensive Plan. These projects support further urban expansion, as well as enhancing the existing street and sidewalk networks. The Infrastructure Finance Committee recommends that voter approval for these bonds be sought as quickly as can be reasonably accommodated under the current election cycle. Furthermore, the timing of the requested voter approval should take into consideration potential bond requests from other local governmental entities, particularly the Lincoln Public Schools. While City staff is prohibited from directly promoting voter approval of such bonds, a separate marketing effort involving private entities should be actively pursued. This effort should underscore the importance of a quality street and highway system to the community's economic development objectives and the long term viability of existing neighborhoods.

5. Utilize Highway Allocation Bonds

The MIFC recommends the prudent use of "Highway Allocation Bonds" to advance the construction of needed street improvements and to effectively manage the City's funding stream for road building. "Highway Allocation Bonds" are currently authorized under State statute for use by Nebraska communities to fund the construction of streets. The bonds themselves do not represent a new source of revenue -- rather they allow communities to pledge future revenue streams by issuing bonds which can then be used to build roads in advance of when they might otherwise be constructed. Highway Allocation Bonds can be paid off from various Federal and State funds which the City receives annually, and from locally generated revenues such as the Wheel Tax or proposed Occupation Fuel Tax. The bonds are not considered to be "revenue bonds" as they bear the full faith and credit of the City. Highway Allocation Bonds offer an effective means for managing the funding stream for road building and for advancing the construction of needed street and highway improvements.

“ **Secondary Funding Approach**

The Mayor’s Infrastructure Finance Committee recognizes that the imposition of additional fees and taxes is not always popular nor politically attainable. In the event that one or more of the recommendations described above are not approved, the MIFC recommends the following additional actions by the Mayor and City Council:

X Continue to Seek General Obligation (G.O.) Bond Approval – In the event that the General Obligation bond initiative is not approved by the voters on the first attempt, the Infrastructure Finance Committee believes the City should consider a second effort to gain electorate acceptance. The G.O. bond approach offers a significant funding source for streets projects benefitting the broad community. Elected officials should of course determine the merits of a second attempt at vote approval based on the results of the initial election. However, the MIFC believes voter endorsement should continue to be sought even if initial voter approval is not obtained.

X Explore Options for Instituting a Local Sales Tax Increase Dedicated Specifically to Street Construction – The City of Lincoln can only impose such taxes as authorized by the State of Nebraska. The City currently has State authorization for a one and a half cent (1.5 cents) general sales tax on retail goods. Should the street funding sources noted above not gain approval, the Infrastructure Finance Committee recommends that the City work with the State and other Nebraska municipalities to allow for the establishment of a local retail sales tax with the proceeds dedicated to street and highway projects. This will require approval by the Nebraska Unicameral and Governor, and would likely require a vote of the City electorate to allow for its imposition.

“ **Continuity in Maintaining and Presenting Information**

The Mayor’s Infrastructure Finance Study process has produced a vast inventory of valuable information about the City’s infrastructure and how it is financed. Care has been taken to establish common data formats and terminology so that the information about the complex infrastructure system are made more understandable.

Efforts should be made to retain such formats and terms in future City-produced reports, and to utilize them in monitoring trends in financing and developing city infrastructure. Specifically these should include:

- X The Public Works and Utilities staff should continue to utilize a 12 year format in forecasting future capital facility and funding needs.

- X The Public Works and Utilities' 12 year forecasts should be updated annually and utilized as part of the City's overall Comprehensive Plan and Capital Improvements Program processes.

- X The Public Works and Utilities' 12 year forecasts should continue to utilize the "Uses" and "Funding Sources" formats.

- X Preparation and updating of the 12 year forecasts by the Public Works and Utilities Department should reflect the Comprehensive Plan phasing plan and related Plan elements.

Watershed Management

Watershed management involves a range of programs and projects designed to control potential flooding and enhance water quality. The major type of projects undertaken by watershed management include flood corridor preservation, stream stability projects, water quality wetlands, and flood control activities.

This subsection of the report examines a number of the issues surrounding watershed management and a recommended financing approach. The topics generally covered include: (1) unidentified watershed management funding needs for established areas of the community and to meet unfunded Federal mandates; (2) continued dependence of the Watershed Management Program on General Obligation bonds; and, (3) establishment of a Lincoln Stormwater Management Utility.

" Unidentified Watershed Management Funding Needs for Existing Areas of the Community and to Meet Unfunded Federal Mandates

Numerous watershed management capital projects are needed in both the new growth areas and the city's built-up urban environment.

In the newer growth areas of Lincoln, the Public Works Department has either completed or will be completing studies to determine their stormwater facility needs. Improvements in these areas may include flood corridor preservation, flood control facilities, and water quality and stream stabilization projects.

To determine the facility needs for the older established areas of Lincoln, however, the Department must rely on studies that are either over 30 years old or that simply don't exist. Stormwater management needs in established neighborhoods must address flood control along major streams and identify specific projects to ameliorate deficiencies in the current urban drainage system.

In addition to unknown deficiencies in the existing stormwater management system, the Public Works and Utilities Department must also contend with standards imposed under the national Clean Water Act (CWA.) The Department is presently working to address stormwater quality issues associated with Phase II of the National Pollutant Discharge Elimination System (NPDES) of CWA.

Should these efforts prove unsuccessful, the City could be required to undertake much more costly improvements (such as the treatment of stormwater) as part of Phase III of the NPDES permit program. These latter requirements will likely not be known for certain until the 2010 to 2014 time period.

1. Unknown Future Expenses
The MIFC recognizes that there exists the potential for additional watershed management expenses not included in the present 12 year projection of revenue sources and uses. These unknown expenses are related to flood control and additional storm drainage deficiencies not yet identified in the established areas of the City and the potential for Federally mandated improvements under Phase III of the NPDES stormwater program which may be implemented pursuant to requirements of the Federal Clean Water Act.

" **Continued Dependence of the Watershed Management Program on General Obligation Bonds**

The City's current Watershed Management Program relies heavily upon the periodic passage of General Obligation (G.O.) bonds by Lincoln voters. Virtually all of the stormwater capital improvements built or acquired by the Public Works and Utilities Department are paid for from G.O. bonds.

Since 1994, three G.O. bonds programs have been approved by the Lincoln electorate totaling nearly $20 million. A proposed $10 million bond issue is slated for the May 6, 2003, ballot.

Proceeds from G.O. bonds are projected to equal about two-thirds of the funds available for watershed management projects over the coming years. Failure to pass such G.O. bond funding would seriously hamstring the program's ability to implement needed capital facilities.

It is estimated that without the approval of these G.O. bonds, the program's funding gap would reach $48.5 million over the next 12 years. In addition, it is expected that the growing demands for stormwater facilities will increase the amount of money sought through G.O. bonds and may increase the frequency of the bond elections.

Thus if G.O. bonds in the future were to be approved at the same rate as the last 10 years, there would still remain a funding gap of approximately $12.5 million. (It should be noted that these gaps do not account for costs for flood control projects needed along major streams within the existing urban area. As noted earlier, such needs must still be quantified and integrated into watershed master planning efforts for the entire community.)

2. Continued Periodic Approval of G.O. Bonds

The MIFC recognizes that the projected stormwater "funding gap" assumes the periodic approval of General Obligation (G.O.) bond funding by Lincoln's electorate, and that such bond approval requests are likely to become larger in dollar value and more frequent than in the recent past.

" **Establishment of a Lincoln Stormwater Management Utility**

Creating a more stable and reliable funding source could occur with the establishment of a "stormwater management utility." The establishment of such a utility is one of the lead strategies in the recently adopted City-County Comprehensive Plan for dealing with watershed management issues.

In Nebraska, creating such utilities will require State authorizing legislation. This legislation would identify the authority of such utilities and the local process required for their establishment. At the present time, there is legislation before the Nebraska Unicameral to allow local communities to create stormwater management utilities. Until the legislation is passed by the State, the City of Lincoln is not in a position to pursue the creation of such a funding mechanism for its stormwater management program.

3. Support Stormwater Utility Legislation
The Mayor's Infrastructure Finance Committee supports the concept of a stormwater management utility expressed in the Comprehensive Plan, and supports the City of Lincoln's efforts to work toward adoption of the State legislation through the Nebraska Unicameral.

Parks and Recreation

Providing recreational opportunities through the City's Parks and Recreation Department (P&R) contributes to Lincoln's overall quality of life. Parks, trails, aquatic centers, public golf courses, recreational centers, ballfields, playgrounds – these are just a few of the many activities built and managed through P&R.

This subsection of the report examines a number of the issues surrounding the financing and administration of the City's parks system. The topics included in this subsection are: (1) sharing "community space" between the City of Lincoln and the Lincoln Public Schools; (2) the importance of future impact fees in sustaining neighborhood park development; (3) funding strategies for greenways and open space conservation activities contained in the adopted Comprehensive Plan; and, (4) providing funding for trail rehabilitation.

" Sharing "Community Space" Between the City of Lincoln and the Lincoln Public Schools

The City of Lincoln and the Lincoln Public Schools have a long standing tradition of cooperation in operating programs and in sharing facilities.

As LPS looks to the future and their growing need for additional schools, the opportunity presents itself to once again examine the construction of facilities that can be used in common between the City and School District. The Parks and Recreation Department has expressed an interest in working with LPS to build two new "community centers" and four new "activity centers" over the next 12 years.

These centers would be constructed as part of any new LPS schools built over this period. The projected cost of the two community centers is $6,560,000 and the four activity centers is $685,000 – for a total of $7,245,000. In addition to providing LPS with needed activity space, these centers could house a wide range of community programs ranging from recreational programs sponsored by the City to other services offered by such organizations as Family Services and the YMCA.

1. Shared Community Space with LPS

The MIFC supports the concept of shared community space between the City of Lincoln and the Lincoln Public Schools, and recommends that funding for these facilities be associated with any General Obligation bond proposals for new LPS schools that may be home to such facilities.

“ Importance of Future Impact Fees in Sustaining Neighborhood Park Development

The development impact fees slated for implementation on June 1, 2003, are projected to contribute about $3.6 million toward neighborhood parks and trails over the next 12 years. This figure represents a substantial portion of the Department's total budget and is critical to the funding for neighborhood parks and trails.

2. Support Park and Trail Impact Fees

The MIFC supports the establishment and use of development impact fees for the purpose of constructing neighborhood parks and trails in the new growth areas of Lincoln.

“ Funding Strategies for Greenways and Open Space Conservation Activities Contained in the Adopted Comprehensive Plan

The recently adopted Comprehensive Plan lays out a multi-year program of "greenways" and open space areas throughout the City and County. These areas would conserve a network of natural environmental features such as streams, native prairies/grasslands, and unique vistas. This program would include a network of trails and public access corridors that would be interlaced across future urban and rural areas of the City and County.

A key feature of this proposal is the “Salt Valley Heritage Greenway,” which would encompass key portions of Salt Creek and Stevens Creek.

3. Greenways and Open Space Conservation

The MIFC reaffirms the greenway and open space concepts expressed in the Comprehensive Plan, and supports efforts to engage the community in a broad-based dialogue to formulate a funding strategy to fulfill the objectives contained in the adopted Comprehensive Plan.

“ **Providing Funding for Trail Rehabilitation**

The City of Lincoln and Lancaster County have an extensive and ever-growing trail system. This system is the product of many years of hard work and dedication by trails advocates, the City, and the County.

As the system expands, concern grows over the maintenance of the existing trails. The Parks and Recreation Department estimates about $3.5 million will be needed during the near term to rehabilitate and maintain the trail system.

4. Trail Rehabilitation Funding

The Mayor’s Infrastructure Finance Committee recommends that $3.5 million be added to the proposal General Obligation bond issue for streets and sidewalks to support the continued maintenance and rehabilitation to meet current standards for the trail system.

Legislation

Public infrastructure financing encompasses many complex and involved legal issues. Cities such as Lincoln may only undertake those funding approaches for which they are legally authorized. Federal, State, and even local statutes define the parameters within which the City can issue bonds, raise fees, and impose taxes. Any realistic package for funding Lincoln's public infrastructure needs must respect and work within these statutes – or seek to modify or repeal them through proscribed legislative channels.

This chapter examines the legislative issues reviewed by the Mayor's Infrastructure Finance Committee and the Legislation Work Group. The chapter presents a number of recommendations concerning proposed legislation or funding programs of the State and Federal governments. It is divided into the following sections:

Legislative Priorities
Stormwater Utility Authorization Legislation
Fuel Sales Revenues
Design-Build Bidding Approach
Municipal Infrastructure Redevelopment Fund (MIRF)
Federal Reauthorization Legislation

Legislative Priorities

The Mayor and City Council are responsible for setting the Federal and State legislative agenda for the City of Lincoln.

With this in mind, the Mayor's Infrastructure Finance Committee considered the relative priorities of the legislative options presented to them by the Legislation Work Group.

The Committee's recommendation reflects their common belief and understanding of the relative priority that should be given by the elected officials to the legislative actions needed to support the recommended funding and policy approach.

The recommended priority order for legislative items facing the City in the arena of public infrastructure financing are as follows:

Legislative Priorities

Among State-related legislation concerning public infrastructure financing reviewed by the Committee, the recommended priority order for the City of Lincoln should be as follows:

(1) Stormwater Utility Authorization Legislation
(2) Fuel Sales Tax Revenues
(3) Design-Build Bidding Approach
(4) MIRF Funding

Stormwater Utility Authorization Legislation

A "stormwater utility" represents a potential funding and administrative structure for addressing stormwater management issues at the local level. This type of utility would be able to levy a fee based on the stormwater runoff created by a particular land use, and then use that fee to construct and manage systems to control the quantity and quality of the runoff.

The City of Lincoln -- as with other Nebraska municipalities, counties, and Natural Resource Districts (NRD) -- are not presently allowed to establish such utilities. The authority to establish local stormwater utilities can only be granted to these municipalities, counties, and NRD's by the State of Nebraska.

Legislation has been introduced into the Nebraska Unicameral during their 2003 session to allow local jurisdictions to establish their own stormwater management programs.

The proposed legislation is considered "permissive" in that it simply authorizes the creation of such programs – it does not mandate that local communities establish them. Subsequent action by the Lincoln City Council and Mayor would be required before such a stormwater management program could be put in place.

The Mayor's Infrastructure Finance Committee and the Legislative Work Group reviewed this topic and recommend the following:

Seek Stormwater Utility Authorization Legislation

The MIFC recommends to the Mayor and City Council that the City support legislative efforts before the Nebraska Unicameral that would allow local jurisdictions to establish stormwater management programs in accordance with the conditions contained in such authorizing legislation.

Fuels Sales Revenues

Streets and highways represent the largest single infrastructure funding challenge for the City.

While Federal, State and local funds are already earmarked for such facilities, additional dollars are needed to implement the street improvements called for in the Comprehensive Plan. The Mayor's Infrastructure Finance Committee examined a number of options involving potential changes in State legislation as well as pursuing available local options. After careful consideration of the available alternatives, the Committee is recommending local action as the first course of action:

Approve Occupation Tax on Retail Fuel Sales

The MIFC recommends to the Mayor and City Council that Lincoln exercise its existing statutory authority to impose an "occupation tax" on the retail sale of fuel (i.e., gasoline and diesel) within the City.

At the MIFC's direction, this option was explored by the Finance Work Group and recommended as one of several funding approaches.

The MIFC also gave consideration to four "Fuel Sale Revenue" options investigated by the Work Group involving potential actions by the Nebraska Unicameral. These included in order of Committee preference:

Preferred Choice No. 1: Seek passage of State legislation to allow individual communities to implement a "local option fuel tax" that would go directly to that community. (City Council and mayoral action would be required to implement this option if the State authorizing legislation were passed.)

Preferred Choice No. 2: Seek passage of State legislation to levee an additional State Fuel Tax that would go directly to Nebraska cities and counties.

Preferred Choice No. 3: Seek modification to the State's fuel tax allocation formula so that the City of Lincoln would receive a greater share of the existing fuel tax revenues now going directly to Nebraska cities and counties.

Preferred Choice No. 4: Seek modification to the State's fuel tax allocation formula so that Nebraska cities and counties would receive a greater overall portion of the existing fuel tax revenues.

Design-Build Bidding Approach

The Mayor's Infrastructure Finance Committee and its Legislation Work Group examined the potential use of the "design-build bidding approach" as part of City of Lincoln's procurement process for infrastructure development.

This approach would allow a firm (or team of firms) to bid on both the design and construction of a public infrastructure facility. Presently both Nebraska State law and the Lincoln City Charter prohibit combining bids for the design and the construction phases of such projects.

The Mayor's Infrastructure Finance Committee and the Legislative Work Group reviewed this topic and recommend the following:

Seek Design-Build Authorization Legislation

The MIFC Recommends to the Mayor and City Council that the City lend its support to efforts in the Unicameral to approve legislation authorizing Nebraska communities to utilize the design-build bidding approach; and if the legislation passes the Unicameral, to recommend to the City Charter Commission that they take the steps necessary to amend Lincoln's City Charter in accordance with State law to allow "design-build bidding" to be used for local infrastructure improvement projects.

Such legislation should ensure opportunities for all companies – from the largest to the smallest – to compete fairly for projects bid under this process.

Municipal Infrastructure Redevelopment Fund (MIRF)

The Municipal Infrastructure Redevelopment Fund (MIRF) program provides the City of Lincoln with an estimated $475,000 each year in State assistance. While these funds are often used for public infrastructure activities not covered by this study effort, the MIRF funds are an important part of the City's overall capital improvement program.

The Mayor's Infrastructure Finance Committee and the Legislative Work Group reviewed this topic and recommend the following:

Support Continuation of MIRF Program
The MIFC recommends to the Mayor and City Council that the City of Lincoln support legislative efforts to continue this State funding source at current or expanded levels.

Federal Reauthorization Legislation

The Federal government remains a major source of funding for street and highway infrastructure improvements. Legislation reauthorizing funding for such programs will soon be considered by the United States Congress.

The Mayor's Infrastructure Finance Committee and the Legislative Work Group reviewed this topic and recommend the following:

Support Federal Reauthorization Legislation
The MIFC recommends to the Mayor and City Council that the City support discussions with the Nebraska Congressional delegation to continue capital funding for streets and highways.

Implementation

The success of the Mayor's Infrastructure Finance Committee's work will ultimately be judged by how quickly and how many of its recommendations are realized.

This subsection offers the Committee's thoughts concerning how best to pursue implementation of the numerous recommendations contained in this report.

Move Immediately to the Implementation Phase

The Mayor's Infrastructure Financing Committee Process has focused substantial community attention on the funding needs of Lincoln's public infrastructure.

The process has highlighted specific improvements necessary to maintain and expand the City's water, wastewater, streets, stormwater and park systems. These improvements reflect the community's desire to maintain our existing investment in such facilities and the knowledge that growth brings with it a commitment to support new development.

The need to move swiftly to implement the MIFC process' recommendation is paramount. Infrastructure development can take years to achieve. Work must begin immediately to inform the community about the status of the community's infrastructure systems and of the need to move forward quickly with the necessary funding.

1. Create an Infrastructure Financing Public-Private Coalition

Immediate steps should be taken to create a public-private coalition with as many organizations as possible to engage in the implementation phase of this process.

This should include identification of "champions" (i.e., organizations and individuals) to lead the implementation phase.

2. Keep Committee and Work Group Members Involved

For over six months, nearly 50 Lincoln citizens have worked diligently to develop a workable infrastructure financing package.

This package has been crafted from numerous meetings involving hundreds of hours of community dialogue about Lincoln's future and the role infrastructure plays in maintaining our quality of life. This investment of time has created a vast common understanding of how the City plans and builds its infrastructure. This community-based body of knowledge must not be lost.

Members of the Mayor's Infrastructure Finance Committee and its three Work Groups should stay involved in implementing the recommendations. Participation by the Committee and Work Group members should be sought for the Implementation Phase. This may include speaking to community and neighborhood organizations, meeting with elected officials and other community leaders, and being available to assist in refinements to the implementation package.

3. Undertake a Community Education Effort Concerning Infrastructure Financing Needs

The task of educating the community about the City's infrastructure financing needs should be accomplished through the public-private coalition. City staff can provide technical and logistic support in defining the funding and facilities baseline needs.

However, ensuring widespread community support will require assistance from businesses, neighborhoods, and public sector leaders to fully articulate the broad benefits to be gained from maintaining and enhancing our infrastructure facilities. This effort should begin with the release of the Committee's Final Report to the Mayor and Lincoln City Council.

Actively Support Proposed Fee and Tax Increases

The Mayor's Infrastructure Finance Committee and Work Group recommendations include increases in utility user fees and other taxes to pay for necessary infrastructure improvements. All of these increases will require City Council-Mayoral action and/or a vote of the electorate.

1. Establish Marketing Effort

An active marketing effort should be established to ensure the community fully understands the value of infrastructure improvements and how they and the community will benefit in the long term. This effort cannot – by law – be initiated and run by the City.

A separate private entity will need to be created to pursue this work. Establishment of such an entity should occur early in the implementation phase of this program and should be responsible for coordinating and spearheading the presentation of key information to the community and media.