Memorandum

TO: City Council

FROM: Kevin Knopik , Finance Director

DATE: February 2, 2026

SUBJECT: To receive the 2026 comprehensive infrastructure replacement plan

ITEM NUMBER: 8.g

SECTION: CONSENT AGENDA

REQUESTED MOTION
Motion to receive the 2026 comprehensive infrastructure replacement plan.

INTRODUCTION
The completed 2026 comprehensive infrastructure replacement plan (CHIRP) is attached. Although the city's infrastructure replacement policy does not require the city council to adopt the plan, it is presented to the city council for formal receipt. If the city council would like an opportunity to discuss this plan in greater detail, staff recommends adding it to a future workshop agenda.

DISCUSSION
BACKGROUND

In 1992, the city adopted a formal policy governing asset replacement costs. The policy, and the annual plan it requires, is designed to:

- Create a permanent program to address replacement needs
- Address replacement needs well in advance in an effort to protect the condition of the city's assets on behalf of its citizens and business owners
- Estimate the impact of replacement needs on user fees, tax levies and cash balances
- Require consideration of future replacement costs when establishing current tax levies and user fees
- Strategically plan for any new debt
- Avoid special assessing property owners twice for the same improvement
- Maintain healthy financial condition

Meeting each of these objectives becomes more important as assets age. Since budgets focus on operating costs and capital improvement plans (CIP) typically cover five years, the long-term impact of asset replacements is not routinely considered during a normal budget process. Budgets and CIPs are certainly important components of financial planning for a city, but they do little to help a community to plan and prepare for trends arising from the age of assets and the resulting replacement needs on a long-term basis.

Decreases in development activity also strengthen the need for long-term planning for infrastructure replacement. It is unlikely that future new development will offset rising replacement costs. It is important to plan for these costs well in advance to avoid the three most common practices used when cities are met with unanticipated replacement costs:

- Assessing property owners a second time for improvements
- Sharp increases in tax levies or user fees to pay for replacement costs
- Routine issuance of debt to finance replacement costs

IMPACT ON TAX LEVY

The objectives of the plan include a desire to:

- Moderate changes in tax levies and user fees
- Manage debt levels
- Predict and carefully plan for future debt issuance
- Maintain quality services
- Provide stable tax levies and user fees
- Limit the use of special assessments to finance replacement costs

Projections indicate that over the next six years, changes in the replacement portion of the city's levy will impact the total city levy an average of 1.24% per year (including existing and future street bonds as well as existing maintenance center bonds). After 2031, the impact on the total levy is expected to drop to an average of 0.2% per year.

The CHIRP is a planning document, and does not authorize any of the projects included in the plan. Approvals for any project or capital expenditure are subject to the same purchasing requirements as outlined in state statutes, and the city's purchasing policy.

A copy of the city's infrastructure replacement policy, adopted in 1992 and revised in 1996, is provided within the plan, as well as 5-year operating projections for the city's utility funds. Since the document is quite lengthy, a summary of policy requirements is provided on pages 11 and 12 of the report.

RECOMMENDATION

Staff recommends receipt of the attached comprehensive infrastructure replacement plan.

ATTACHMENTS

2026 CHIRP.pdf