



VILLAGE OF WINNEBAGO

MEMORANDUM

Prepared By: Joseph Dienberg, Village Administrator
To: Committee of the Whole
Date: March 3, 2026
Subject: Capital Improvement Plan Concept Overview

Background: The Village is beginning the process of establishing its first formal Capital Improvement Program (CIP). While the Village has historically invested in capital projects, those investments have largely been addressed on a project-by-project basis rather than through a coordinated, multi-year planning framework. A formal CIP will allow the Village to better align capital investments with long-term infrastructure needs, available financial resources, and the goals outlined in the Village’s adopted Strategic Plan.

Given the scope of this effort, staff is proposing a phased approach that includes both sequential and concurrent components. This structure allows foundational financial work to proceed while departments begin identifying capital needs, accelerating the overall process without compromising fiscal controls.

Phase 1A – Financial and Structural Setup (Administrative / Finance-Led): Phase 1A focuses on establishing the financial and accounting framework necessary to support a long-term Capital Improvement Program. This phase will be led by the Village Administrator and Treasurer and is intended to serve as the structural foundation for all subsequent capital planning. Staff is seeking initial Board feedback on the proposed direction before formalizing the framework.

Staff is recommending consideration of a new Capital Improvement Fund to serve as the Village’s primary vehicle for long-term capital planning and investment. Establishing a dedicated fund would provide a clear structure for tracking capital revenues and expenditures, separating them from

operating activity, and reinforcing the Board's commitment to multi-year infrastructure planning. The Board's input on whether this structure aligns with its financial philosophy is requested.

Within the proposed Capital Improvement Fund, capital could be organized by major functional categories, tentatively including Streets Capital, and Facilities and Grounds Capital. Additional categories could be added as needed. Each category could be paired with a corresponding Illinois Funds account to ensure transparency, segregation of resources, and long-term financial tracking. Staff welcomes feedback on whether these initial categories are appropriate or if adjustments should be considered.

In parallel, capital accounts could be created within the Community Development Fund (Fund 17) and the Operations and Maintenance Fund (Fund 51), where appropriate. This would allow those funds to independently plan for capital investments aligned with their statutory purposes. Capital expenditures within the Community Development Fund could be limited exclusively to economic development-related investments or other specific Village Board priorities, depending on policy direction. Staff is looking for guidance from the Board on the preferred level of restriction and flexibility within these funds.

Staff is also proposing the potential creation of a new Equipment Replacement Fund dedicated to fleet and equipment lifecycle planning. This structure would allow the Village to better manage replacement timing, smooth costs over time, and improve long-term budget predictability. Feedback is requested on whether the Board prefers this function to operate as a standalone fund or as a subcategory within the broader Capital Improvement Fund.

The final and most complex component of Phase 1 will be the development of a formal General Fund balance policy. This policy would establish target fund balance thresholds and define when excess reserves should be allocated toward capital purposes. This work will require additional financial analysis and deliberate Board discussion and will ultimately determine how much funding can be directed into capital accounts initially. Staff views this as a key policy decision and looks forward to Board input before advancing recommendations.

Phase 1B – Capital Needs and Project Identification (Department-Led, Concurrent with Phase 1A): Phase 1B will occur concurrently with Phase 1A and will be led primarily by department

heads, with coordination from the Village Administrator. While the financial structure is being established, departments will begin identifying existing assets, capital deficiencies, and future capital needs within their respective areas.

This phase focuses on building a comprehensive inventory of capital projects rather than finalizing designs or funding decisions. Departments will describe projects at a planning level, including purpose, general scope, estimated timing, and relative priority. This concurrent approach ensures that once the financial framework is finalized, the Village will already have a working list of capital needs to evaluate and refine.

Phase 2 – Capital Funding and Prioritization: Phase 2 focuses on aligning identified capital needs with available and sustainable funding sources. This phase will establish a multi-year prioritization framework that considers asset condition, risk, financial capacity, and alignment with the Village’s Strategic Plan.

As cost estimates are refined, funding assumptions evolve, or new priorities emerge, the Capital Improvement Program will be adjusted accordingly while maintaining fiscal discipline.

Phase 3 – Ongoing CIP Maintenance and Annual Updates (5-Year Rolling Plan): Phase 3 represents the ongoing maintenance of the Capital Improvement Program as a five-year rolling plan that is reviewed and updated annually. To improve clarity and workload balance, the CIP update cycle is intentionally designed to occur off-cycle from the annual operating budget process.

Under this model, the Capital Improvement Program will be reviewed and updated in the spring, while the operating budget remains a fall-focused process. Each annual update will extend the plan by one additional year, maintaining a continuous five-year planning horizon.

Annual updates will reflect completed projects, revised cost estimates, updated funding assumptions, and newly identified priorities. Over time, this process will allow the Village to transition from reactive capital decision-making to a proactive, transparent, and financially sustainable approach to infrastructure investment.