



# **TOWN OF CARRBORO, NORTH CAROLINA**

## **CAPITAL IMPROVEMENTS PLAN**

**FY 2017-18 THROUGH FY 2021-22**

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CAPITAL IMPROVEMENTS PLAN  
FY 2017-18 THROUGH FY 2021-22**

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David L. Andrews, ICMA-CM

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## **Message from the Manager Capital Improvements Plan FY 2017-18 through FY 2021-22**

February 17, 2017

Dear Mayor and Board of Aldermen,

This is the most ambitious Capital Improvements Plan (CIP) presented to you during my tenure. It includes a major development at 203 S. Greensboro Street with an estimated cost of \$14.3 million. Based on the draft Facilities Assessment and Space Needs Study, the CIP also includes \$17 million to address long overdue renovations at Town Hall, Century Center, Public Works Facility, and Fire Station #1.

Our goal with the CIP is to clearly identify and describe the capital project priorities for the Town over the next five years. Capital projects are required to address one of the Board's six strategic goals:

1. Maintaining the existing infrastructure in order to protect the Town's investments
2. Expanding the Town's tax base in a way that will benefit both current and future citizens
3. Complying with state and federal mandates
4. Incorporating energy and climate protection strategies
5. Providing Town services in the most efficient, safe and quality manner
6. Managing and encouraging orderly implementation of Town adopted needs assessments, strategic and program master plans (e.g., Vision 2020, Downtown Visioning Plan, Downtown Traffic Circulation Study, Recreation and Parks Master Plan, etc.)

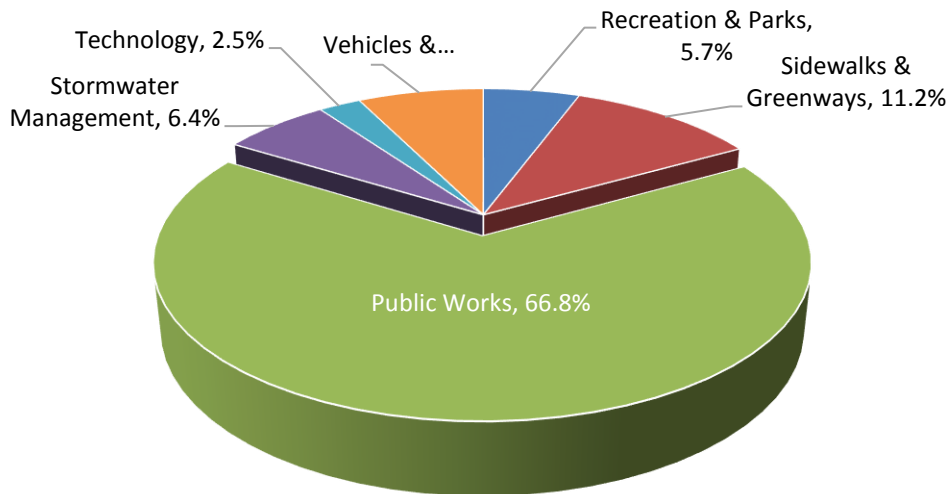
The Board's ultimate goal for the Town is to create and maintain Carrboro as a sustainable community that is a highly desirable place to live, with emphasis on quality of life policies such as walkability, environmental protection, recreation and local economic development.

As noted previously, the CIP is a plan, not an appropriation, to address the Town's capital priorities. No budget appropriations are made in the CIP. Capital projects are funded by the Board in the annual general fund budget or through adoption of a Capital Project Ordinance. The CIP is prepared bi-annually and updated annually or as necessary.

### **Overall Cost**

The total cost of the CIP for FY 2017-18 through FY 2021-22 is estimated at \$51.8 million. Current projects total \$9.7 million or 19% of the total. New project requests or current projects requiring additional funds for completion total \$42.1 million or 81%. The graphic below shows the mix of capital projects by functional area.

## Total Capital Improvements Plan \$51.8 Million



In the past we have used “Storm Water Management” to show retrofits required of the Town to address the Jordan Lake Rules and other regulatory requirements. Due to the frequency and intensity of recent storms that have added to flooding of properties throughout the Town, we have included flooding mitigation projects with storm water projects in anticipation of the formation of a Storm Water Utility Enterprise Fund beginning in FY 2017-18. The utility will provide a stable and consistent source of funding to adequately address storm water and flooding issues.

The cost for replacement of Vehicles and Equipment over the next five years total \$3.2 million compared to \$6.4 million in last year’s CIP. Part of the reason for this decrease is that we modified the replacement criteria to include other operating factors in addition to the age and mileage of vehicles (see Appendix C). The actual vehicles and equipment to be acquired in any given year will continue to be dependent upon the Town’s financial condition and debt tolerance.

### **Funding**

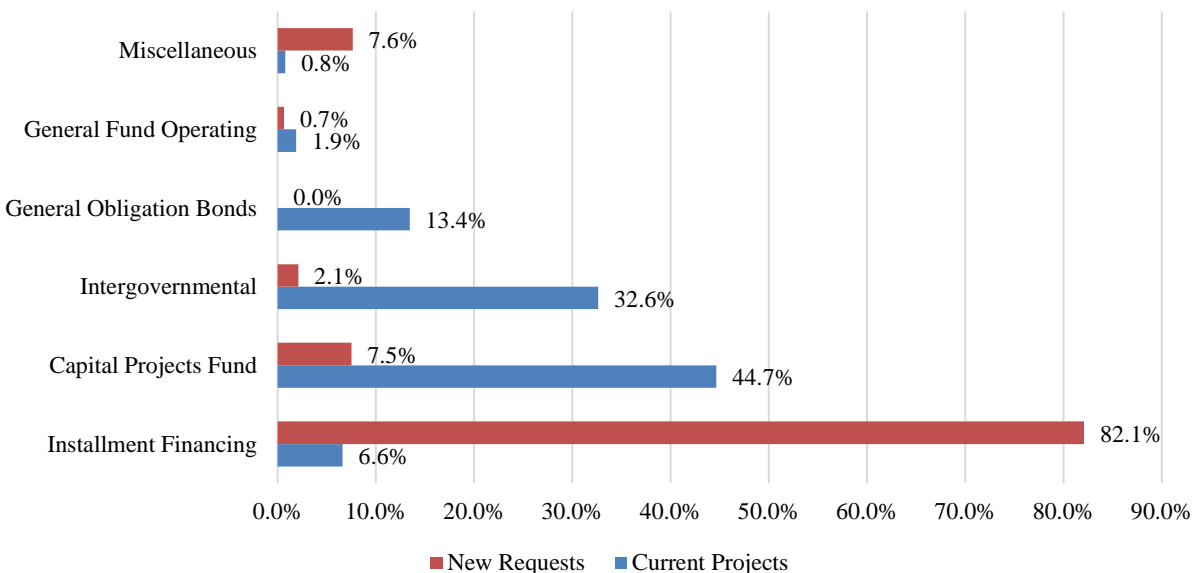
Below are the proposed sources of funding for the \$51.8 million CIP through 2021-22.

Installment Financing	\$	35,255,257
Capital Projects Fund		7,503,774
Intergovernmental		4,052,035
General Obligation Bonds		1,303,635
General Fund Operating		457,150
Miscellaneous (Storm Water Utility)		<u>3,299,642</u>
<b>TOTAL</b>	<b>\$</b>	<b>51,871,493</b>

For many of the current capital projects, the Town has been able to assign fund balance from the general fund to the Capital Reserve Fund and eventually appropriate them for specific capital projects. As long as the fund balance in the general fund exceeds 35%, the Town Manager may assign funds for future capital project needs.

Historically, the Town has limited the use of debt financing for specific capital projects. For example, general obligation bonds were issued for sidewalks and greenways, bank financing for fire station #2, and lease-purchases for vehicle and equipment replacements annually. Clearly, increased debt levels will impact the Town's overall financial condition and annual operating budget. Installment debt financing for current projects comprise 6.6% of all capital funds. Through FY 2021-22 installment financing is projected to be 82.1% of capital funding. General obligation bonds issued in 2013 currently comprise 13.4% of funding sources. Going forward, there are no plans for a general obligation referendum. Intergovernmental revenues are expected to shift from 32.6% to 2.1% of all financing sources through FY 2021-22. The challenge for the Town will be to provide matching funds for such revenues. General Fund operating funds will comprise 29.7% for capital reserves, operating and miscellaneous.

**Funding Sources - Current Projects vs New Projects  
FY 2017-18 to FY 2021-22**



Undertaking the proposed capital projects through FY 2021-22 will present many challenges and decision points. Along with proper and appropriate design of capital projects, the Town will need to balance funding capital projects with the continuation of current level services to residents. With a heavy reliance on residential property tax revenues, the Town will need to continue to explore additional revenue sources (e.g. increased property tax rate, prepared meals tax, increase fees, impact fees, etc.).

The Town has established high levels of service delivery for the citizens. Implementation of the proposed capital projects through FY 2021-22 will provide the necessary infrastructure and create an environment for continuation of high performance levels in delivering services to residents.

Sincerely,

David L. Andrews, ICMA-CM  
Town Manager

## INTRODUCTION

The Capital Improvement Plan (CIP) is a planning tool that seeks to develop a plan for meeting the Town's immediate and long-term capital needs. It identifies needed capital investments for property, plant or equipment acquisitions and renovations to implement the Board of Aldermen's vision and strategic priorities for the Town. The Board's ultimate goal is to create and maintain Carrboro as a sustainable community that is a highly desirable place to live, with emphasis on quality of life policies such as walkability, environmental protection, recreation and local economic development.

No budget appropriations are made in the CIP. Capital projects are funded by the Board in the annual general fund budget or through adoption of a Capital Project Ordinance. Adjustments for project costs may be made each year during development of the annual operating budget. The CIP is prepared bi-annually and updated annually or as necessary.

Projects in the CIP fall into one of the following categories:

- Infrastructure projects (e.g., purchase, construction or renovation of buildings, purchase of land, construction of parks and greenways, sidewalk construction, etc.) that cost \$100,000 or more and require several years for completion.
- Vehicles and Equipment replacements that cost \$30,000 or more per unit. As a general rule, vehicles with less than 100,000 miles will not be replaced unless it is determined to be a "lemon" and annual repairs in a two year period exceed the cost of a new vehicle. Beginning in 2016 all vehicles for purchase must reflect fuel efficiencies as identified in the Town's Strategic Energy and Climate Protection Plan.
- Information Technology (IT) projects which cost \$50,000 or more that are designed to increase or provide new technology capacity. IT projects related to software replacements, upgrades or maintenance costs are provided for in the annual operating budget.
- Storm Water Management projects to address mandated federal and state storm water compliance requirements, as well as flooding mitigation throughout the Town due to the frequency and severity of rain storms.

Project costs are updated periodically depending on the type of project. For example: street resurfacing costs are adjusted each year due to the fluctuation of petroleum costs; sidewalk costs are updated based on a cost per foot; new construction and renovations are calculated on a square foot basis.

Funds appropriated in the annual operating budget for study or evaluation of facilities and infrastructure that are less than \$50,000 are not included as part of the CIP project cost.

Capital projects are organized under one of the following functional categories:

1. Recreation and Parks

2. Sidewalks and Greenways
3. Public Works
4. Storm Water Utility
5. Technology
6. Vehicles and Equipment

The table below is a summary of capital projects, current and new requests by functional area and estimated revenues.

**Summary of Capital Improvements Plan  
FY 2018 through FY 2022**

PROJECT COSTS	FUNDING	PROJECT REQUESTS					TOTAL	TOTAL
	TO DATE	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	REQUEST	COST
Recreation & Parks	1,557,870	1,391,146	-	-	-	-	1,391,146	2,949,016
Sidewalks & Greenways	4,671,169	38,413	1,123,006	-	-	-	1,161,419	5,832,588
Public Works	1,734,007	7,940,000	6,985,000	6,582,000	5,850,000	5,550,000	32,907,000	34,641,007
Stormwater Management	80,000	89,443	973,036	893,290	834,049	433,807	3,223,625	3,303,625
Technology	1,022,000	195,000	-	80,000	-	-	275,000	1,297,000
Vehicles & Equipment	642,180	726,872	744,114	680,253	354,646	700,192	3,206,077	3,848,257
<b>TOTAL PROJECT COSTS</b>	<b>9,707,226</b>	<b>10,380,874</b>	<b>9,825,156</b>	<b>8,235,543</b>	<b>7,038,695</b>	<b>6,683,999</b>	<b>42,164,267</b>	<b>51,871,493</b>
							38,958,190	
<b>PROJECT REVENUES</b>								
Capital Project Fund	4,336,550	1,601,149	666,075	300,000	300,000	300,000	3,167,224	7,503,774
Capital Reserves - Matching Fund	-						-	-
General Fund Operating Funds	182,150	195,000	-	80,000	-	-	275,000	457,150
GO Bonds	1,303,635						-	1,303,635
Installment Financing	642,180	8,366,872	7,429,114	6,962,253	5,904,646	5,950,192	34,613,077	35,255,257
Intergovernmental	3,166,694	128,410	756,931			-	885,341	4,052,035
Other (e.g., PIL, Donations, etc.)	76,017	89,443	973,036	893,290	834,049	433,807	3,223,625	3,299,642
<b>TOTAL REVENUES</b>	<b>9,707,226</b>	<b>10,380,874</b>	<b>9,825,156</b>	<b>8,235,543</b>	<b>7,038,695</b>	<b>6,683,999</b>	<b>42,164,267</b>	<b>51,871,493</b>
				<i>Without Vehicles and Equipment</i>			38,958,190	



## CURRENT PROJECTS

The Board of Aldermen has appropriated \$7.7 million for twenty-one (21) capital projects that are currently in progress. Below is a list of these projects. For a status report of each project, see Appendix A.

### **RECREATION AND PARKS**

Century Center HVAC	\$ 180,000
Martin Luther King Park	150,000
Anderson Park Pavilion & Fence	156,880
Town Commons	1,070,990
<b>Total Recreations &amp; Parks</b>	<b>\$ 1,557,870</b>

### **PUBLIC WORKS**

Street Resurfacing	\$ 551,000
Rogers Road Remediation	1,020,445
Smith Level Road	62,562
LED Street Lights	100,000
<b>Total Public Works</b>	<b>\$ 1,734,007</b>

### **SIDEWALKS AND GREENWAYS**

Homestead-CHHS MUP	\$ 1,253,130
Jones Creek Greenway	420,000
Morgan Creek MU Path	1,521,471
Rogers Road Sidewalk	1,371,568
South Greensboro Sidewalk	105,000
<b>Total Sidewalks &amp; Greenways</b>	<b>\$ 4,671,169</b>

### **STORMWATER MANAGEMENT**

Anderson Park Retrofit	\$ 25,000
MLK Retrofit	15,000
Morgan Creek Retrofit	40,000
<b>Storm Water Management</b>	<b>\$ 80,000</b>

### **TECHNOLOGY PROJECTS**

Permitting Software	\$ 230,000
Police Body Worn Cameras	91,000
Rogers Road Conduit	155,000
Public Safety Radio Upgrades	546,000
<b>Total Technology Projects</b>	<b>\$ 1,022,000</b>

### **VEHICLES AND EQUIPMENT**

**\$ 642,180**

Several projects are expected to be completed in FY 2016-17 and no additional funding above the current appropriation is anticipated:

- Century Center HVAC
- Homestead-Chapel Hill High School Multi-Use Path
- Rogers Road Remediation
- Rogers Road Sidewalk
- Town Commons

Four of the current projects are in the conceptual or design stage and will require an additional estimated \$7.1 million over the next five years for project completion.

- Jones Creek Greenway
- Martin Luther King Jr. Park
- Morgan Creek Multi-Use Path
- South Greensboro Sidewalk

The Town continues to maintain its road infrastructure with a planned 15-year cycle street resurfacing program. The Town sets aside funds in Capital Project Reserve each year for street re-surfacing and issues a paving contract every two years. Currently there is \$551,000 appropriated for street re-surfacing.

Town staff continues to work on energy and climate protection to identify, evaluate and plan for implementation of energy efficiency strategies in Town facilities and infrastructure. The project to replace street lights with LED lights is on hold pending decisions by Duke Power and North Carolina Utility Commission.

Evaluation of Century Center HVAC system has been completed and installation work should be completed in FY 2016-17. Energy efficiency measures have been included in the new installation work. Project is scheduled for completion in FY 2017-18.

The study of Town Hall infrastructure for more effective use of finished and unfinished space was postponed from its original anticipated start date in FY 2015-16. Consultant was hired in FY 2016-17 to undertake this study which was expanded to cover all Town facilities (i.e. Town Hall, Century Center, Public Works Facility, and Fire Stations). Recommendations from this study have been included in the CIP under New Capital Project Requests.

### **NEW CAPITAL IMPROVEMENT PROJECT REQUESTS**

Twenty new projects, excluding vehicles and equipment, with a total of \$42.1 million have been added to the CIP through FY 2021-22. Three of these involve projects that have previously been funded for design, and will now require additional appropriation for project completion.

Martin Luther King, Jr. Park will need \$1.2 million for construction; S. Greensboro Street Sidewalk will need \$1.0 million for construction; and Storm Water Utility will need \$3.2 million over the next five years to construct retrofits and address flood remediation.

New projects resulting from recommendations of the Facilities Assessment and Needs Study total \$31.2 million and includes:

- 203 S, Greensboro Development      \$14.3 million
- Town Hall Renovations                \$6,.2 million
- Century Center Renovations``      \$5.5 million
- Public Works Facility Renovations   \$3.7 million
- Fire Station #1 Renovations         \$1.5 million

See Appendix B for a description of new CIP projects and financing needs through FY 21-22.

### **Storm Water Utilities**

Over the next five years we estimate the Town will need \$3.2 million to address storm water and flooding issues. In order to establish a permanent funding source, the Town is considering the formation of a Storm Water Utility Enterprise Fund beginning in FY 2017-18. This Fund could be funded via establishment of a storm water fee or dedication of a certain percentage of the

property tax rate.

### **Vehicles and Equipment**

The cost for replacement of Vehicles and Equipment over the next five years total \$3.2 million compared to \$6.4 million in last year's CIP. Part of the reason for this decrease is that we modified the replacement criteria to include other operating factors in addition to the age and mileage of vehicles (see Appendix C). See Appendix D for a schedule of vehicles and equipment to be replaced over the next five years. The actual vehicles and equipment to be acquired in any given year will continue to be dependent upon the Town's financial condition and debt tolerance.

### **Transportation Projects**

The Town has received a number of federal and state highway transportation grants to help fund greenways, multi-use paths, sidewalks and other roadway infrastructure. These grants require a local match. For informational purposes, below is a list of Transportation Projects where funding has been approved or earmarked for certain Town projects by the MPO or state DOT that will require a local match.

	<b><u>Fiscal Year</u></b>	<b><u>Program</u></b>	<b><u>Federal/State Amount</u></b>	<b><u>Local Match Amount</u></b>	<b><u>Total Cost</u></b>
S. Greensboro Street Sidewalk					
Design	FY 2017	STPDA	\$ 84,000	\$ 21,000	\$ 105,000
Construction	FY 2017	TBD	\$ 437,240	\$ 87,448	\$ 524,688
Construction	FY 2019	CMAQ	\$ 440,000	\$ 110,000	\$ 550,000
<b>Total Project Cost</b>			<b>\$ 961,240</b>	<b>\$ 218,448</b>	<b>\$ 1,179,688</b>
Jones Ferry Road Sidewalk	FY 2021	STPBG	\$ 448,869	\$ 112,217	\$ 561,086
Estes Drive Sidewalks & Bike Lanes	FY 2021	STPBG	\$ 1,063,803	\$ 212,761	\$ 1,276,564
Barnes Street Sidewalk	FY 2022	STPBG	\$ 232,907	\$ 58,227	\$ 291,134
<b>TOTAL</b>			<b>\$ 2,706,819</b>	<b>\$ 601,653</b>	<b>\$ 3,308,472</b>

As the design for these projects are completed and Municipal Agreements are executed, the CIP will be revised to reflect the addition of these projects.

## **FINANCIAL HEALTH OF THE TOWN**

Overall, the Town's financial health is good with General Fund unassigned fund balance of 53.4% of annual expenditures at June 30, 2016. Total fund balance for all funds in 2016 was \$15.7 million or 78.8% of total General Fund expenditures. Property taxes and local sales taxes comprise 75% of the Town's revenue sources. The remainder comes from intergovernmental revenue, fees and permits, and various other revenue sources. Revenues over the past seven years have grown roughly 2.9% compound annual growth rate. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (net position) by \$38.0 million. The Town maintained its AAA bond rating with Standard and Poor's; and Aa1 by Moody's.

All expenditures were less than the final budget at June 30, 2016, and were 1.7% less than the prior year. Salaries, wages, health insurance, and other employee benefits represent more than half (57%) of Town expenses. Transportation expenses have increased at a compound actual growth rate of 6.9%.

The Board of Aldermen has adopted a Fund Balance policy to maintain a General Fund unassigned fund balance within a range of 22.5% to 35% of budgeted appropriations. When the General Fund unassigned fund balance exceeds 35%, the Town Manager may set aside an amount in assigned fund balance for transfer to Capital Reserves Fund for specific future capital projects. Should the unassigned fund balance in the General Fund fall below 20%, the Town Manager must develop and implement a plan to re-build the balance to 22.5% within one year.

### **IMPACT ON OPERATING BUDGET**

The CIP planning process also seeks to assess the potential impact of the proposed capital projects on the Town's overall financial condition and annual operating budget. Of particular concern is debt financing and the Town's ability to meet future debt obligations.

The types of debt instruments available for the Town include: general obligation bonds, limited obligation bonds, anticipation notes, revenue bonds, and lease-installment financings, or any other financing instrument allowed under North Carolina statutes. The Town evaluates each type of debt and strives to use the least costly and most appropriate form of financing for capital projects.

The Town's current debt portfolio consist of general obligation bonds for construction of sidewalks and greenways; installment financing for fire station #2, and vehicle and equipment lease purchases. The Town's debt service through FY 2021-22 totals \$3.3 million. Five capital projects totaling \$31.4 million have been proposed that will require debt financing over the next five years. These are:

- |  |              |
|--|--------------|
| 1. 203 S. Greensboro Development (new space) | \$14,325,000 |
| 2. Town Hall Renovations                     | \$ 6,282,000 |
| 3. Century Center Renovations                | \$ 5,550,000 |
| 4. Public Works Facility Renovations         | \$ 3,750,000 |
| 5. Fire Station #1 Renovations               | \$ 1,250,000 |

To get a longer term, (i.e. 20 years, fixed-principal), the 203 S. Greensboro Development may be financed by issuing limited obligation bonds with assumed interest rate of 3.0%. It is anticipated that this debt would need to be issued in the spring of FY 2017-18 with first principal and interest due in FY 2018-19.

All other debt would be in the form of installment financing for term of 15 years with fixed-principal at 3.5% interest with issuance schedule as follows:

Town Hall Renovations	FY 2019-20
Century Center Renovations	FY 2020-21

Public Works Renovations FY 2021-22  
Fire Station #1 Renovations FY 2021-22

For vehicles and equipment, installment lease purchases total \$1.8 million through FY 2021-22 with terms from five to seven years at an assumed annual rate at 3% or less. The actual financing rate for the past three years has been less than 2%.

If the Town were to undertake the proposed debt financing as noted above, total debt service for FY 2017-18 through FY 2021-22 would increase from \$4.9 million to \$13.2 million.

As we plan to undertake debt financing, we need to be cognizant of the fact that the Local Government Commission (LGC) and credit rating agencies monitor debt capacity or burden of local municipalities. The LGC measures debt capacity against outstanding principal to assessed valuation, debt per capita, and debt as percentage of operating expenses. These outcome measures are based on population size.

The LGC calculates the debt to assessed valuation and per capita ratio for each jurisdiction and determines whether the ratio as being low, average, or high. Below is the LGC's outstanding principal debt to assessed valuation and per capita ratios for municipalities at June 30, 2015 with population 10,000 – 24,999.

	<u>Low</u>	<u>Average</u>	<u>High</u>
Assessed Valuation (%)	0.013	.0318	1.656
Per Capita (\$)	-	313	2707

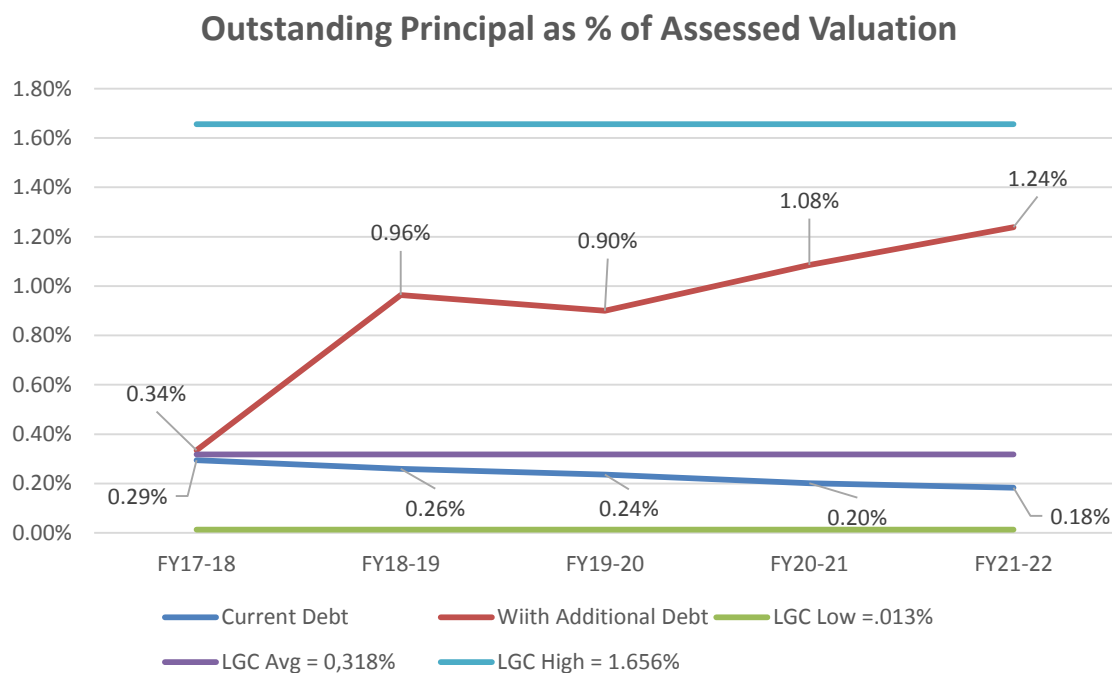
### Current Debt Service and Future Debt Service

CURRENT DEBT SERVICE	\$ ISSUE	FY16-17 Budget	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	TOTAL
SIDEWALK AND GREENWAYS GO BONDS	\$ 4,600,000	\$ 340,000	\$ 332,500	\$ 327,500	\$ 322,500	\$ 317,500	\$ 312,500	\$ 1,952,500
FIRE SUBSTATION	\$ 2,992,703	289,418	280,600	271,781	262,963	254,145	245,326	1,604,232
VEHICLE/EQUIPMENT	N/A	459,160	479,522	274,949	127,714	-	-	1,341,345
<b>TOTAL CURRENT DEBT SERVICE</b>		<b>\$ 1,088,578</b>	<b>\$ 1,092,621</b>	<b>\$ 874,231</b>	<b>\$ 713,177</b>	<b>\$ 571,645</b>	<b>\$ 557,826</b>	<b>\$ 4,898,078</b>
<b>FUTURE DEBT SERVICE- PROJECTS NOT YET FUNDED</b>								
203 S. GREENSBORO DEVELOPMENT	\$ 14,325,000	\$ -		\$ 1,140,628	\$ 1,119,141	\$ 1,097,653	\$ 1,076,166	\$ 4,433,588
CENTURY CENTER RENOVATIONS	\$ 5,550,000				-		561,013	561,013
TOWN HALL IMPROVEMENTS	\$ 6,282,000	-	-	-		604,119	591,555	1,195,674
PUBLIC WORKS FACILITY	\$ 3,750,000	-	-	-	-	-	-	-
FIRE STATION #1	\$ 1,500,000							-
<b>TOTAL FINANCING DEBT SERVICE - FUTURE</b>	<b>\$ 31,407,000</b>	<b>-</b>	<b>-</b>	<b>1,140,628</b>	<b>1,119,141</b>	<b>1,701,772</b>	<b>2,228,734</b>	<b>6,190,275</b>
<b>FUTURE VEHICLE/EQUIPMENT DEBT</b>	<b>N/A</b>		\$ 236,793	\$ 310,794	\$ 455,402	\$ 531,537	\$ 597,831	\$ 2,132,357
<b>ALL DEBT SERVICE - CURRENT AND FUTURE</b>		<b>\$ 1,088,578</b>	<b>\$ 1,329,414</b>	<b>\$ 2,325,653</b>	<b>\$ 2,287,720</b>	<b>\$ 2,804,954</b>	<b>\$ 3,384,391</b>	<b>\$ 13,220,710</b>
REVENUE PER PENNY OF TAX *		\$ 213,483	\$ 217,753	\$ 222,108	\$ 226,550	\$ 231,081	\$ 235,702	
TAX RATE EQUIVALENT (CENTS)			6.11	10.47	10.10	12.14	14.36	

### **Debt to Assessed Valuation**

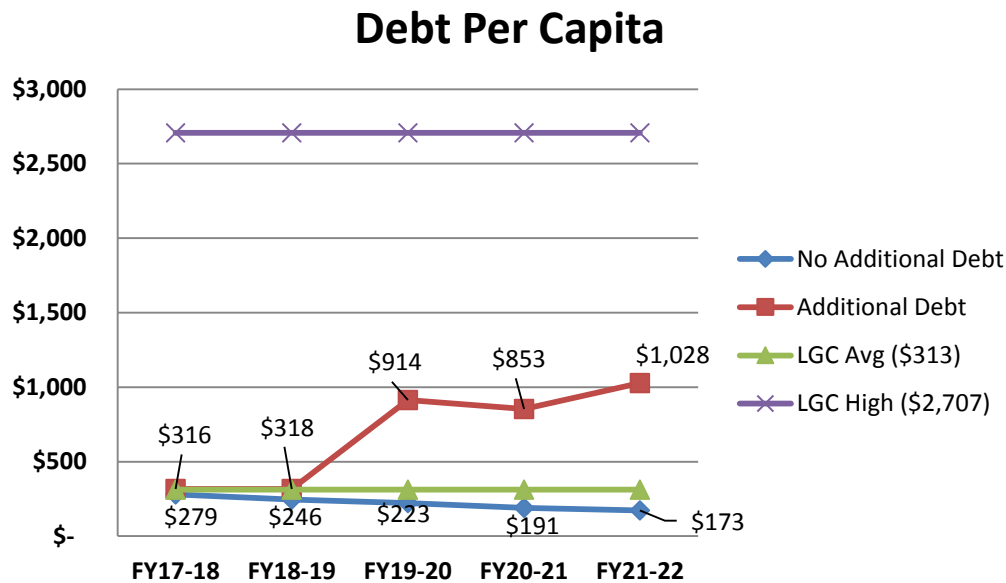
The Town's debt to assessed valuation ratio as of June 20, 2015, as calculated by the LGC, was .293% which is below the average for municipalities of similar size. Without additional debt, this ratio is projected to gradually decrease to .20% by FY 2021-22.

If the Town were to undertake all of the debt proposed in the CIP, outstanding principal as a percentage of assessed valuation over the next five years would increase to 1.24%, which is above the average, but less than the high level, for municipalities of similar size.



### **Debt Service Per Capita**

The Town's debt per capita as calculated by the LGC at June 30, 2015 was \$300. This is less than the average of \$313 for similar size municipalities. Without additional debt, this ratio would decrease to \$173 by FY 2021-22. If all of the proposed projects needing financing were undertaken by the Town, debt service per capital would increase from the current \$279 to \$1,028 by FY 2021-22.

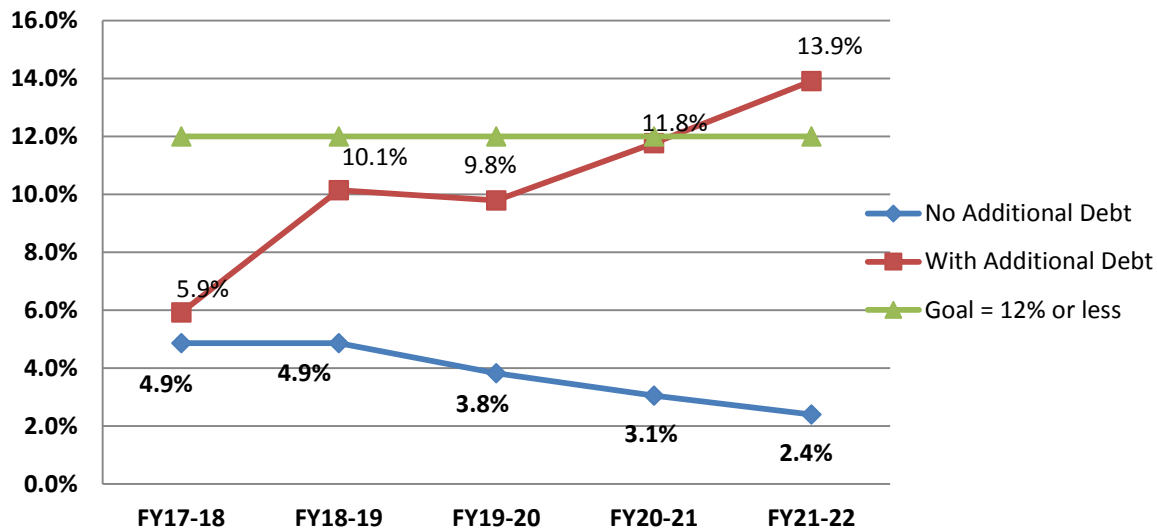


### **Debt Service and Operating Budget**

Debt service can be a major part of a local government's operating budget fixed costs for the term of the financing. Then LGC has not established a measure for debt service as a percentage of operating expenses, but advises local governments to have a reasonable debt burden. The credit rating agencies, on the other hand, generally consider debt exceeding 20% of operating revenues as a potential problem and considers 10% to be an acceptable debt burden. A heavy debt burden may be evidenced by a ratio of debt service to operating expenditures exceeding 15%, or a debt per capita or debt to appraised property value exceeding that of similar units. The Town has established a goal of 12% debt to operating expenses as a moderate level of debt.

The Town's current debt service as a percentage of the FY 2016-17 operating budget is estimated to be 4.9%. Without additional debt, this ratio will decrease to 2.4% by FY 2021-22. Again, if all of the proposed projects needing financing were undertaken by the Town, debt service as a percent of the operating budget would increase to 13.9% in FY 2021-22, and exceed the Town's established goal of 12%. To meet the Town's established goal of 12% will require that the scheduling of projects be reevaluated and possibly pushed out further in the future or implemented in stages if possible.

## Debt Service % of Operating Budget FY 2017-18 through 2021-22



### Pay-As-You-Go

There are other projects in the CIP that can be funded with fund balance that exceed 35% of budgeted appropriation. Each year upon completion of the annual audit, if the general fund unassigned fund balance is greater than 35%, the Town Manager can assign funds above the 35% level for future capital project needs. These assigned funds are either transferred to the Capital Reserve Fund or appropriated in a project ordinance for a specific capital project by the Board of Aldermen. - Assigning these funds annually for future capital projects lessens the Town's debt burden.



Over the next five years, the Town plans to fund the following projects using fund balance above the 35% level.

PAY-AS-YOU-GO (CASH - GENERAL FUND)	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	TOTAL
STORM WATER UTILITY	80,000	89,443	973,036	893,290	834,049	433,807	\$ 3,303,625
MARTIN LUTHER KING JR. PARK	150,000	1,291,146	-	-	-	-	\$ 1,441,146
STREET RESURFACING	551,000	300,000	300,000	300,000	300,000	300,000	\$ 2,051,000
GREENSBORO-LLOYD BIKEWAY	\$ -	\$ 38,413	\$ 176,841				\$ 215,254
GREENWAYS & MULTI-USE PATHS	-						\$ -
INFORMATION TECHNOLOGY	-	195,000		80,000			\$ 275,000
PARK MAINTENANCE AND REPAIR	-	100,000					\$ 100,000
<b>TOTAL CAPITAL RESERVE CASH ALLOCATION</b>	<b>\$ 781,000</b>	<b>\$ 2,014,002</b>	<b>\$ 1,449,877</b>	<b>\$ 1,273,290</b>	<b>\$ 1,134,049</b>	<b>\$ 733,807</b>	<b>\$ 7,386,025</b>
LESS ASSIGNED FUND BALANCE	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 12,000,000
CASH SURPLUS (DEFICIT)	\$ 1,219,000	\$ (14,002)	\$ 550,123	\$ 726,710	\$ 865,951	\$ 1,266,193	\$ 4,613,975

As the above chart shows, the Town will need \$7.3 million through FY 2021-22 for these projects. If the fund balance trend over the past 4 years continues, the Town will be able to continue to assign \$2.0 million annually which would total \$12.0 million by FY 2021-22. This means there would be a surplus of funds \$4.6 million in FY 2021-22 that could be used for other capital projects.

To carry out a \$51.8 million capital improvement plan will require balancing current operating needs with needed capital investments. With a tax base consisting mainly of residential property owners and a limited commercial base, the challenge is how to minimize increases in the property tax rate for citizens, yet make the needed investments for capital infrastructure. To maintain the Town's debt burden within the standards established by the LGC and credit rating agencies, it will require critical evaluation of the design of capital projects as well as the timing for implementation those projects.