

BOARD OF ALDERMEN

ITEM NO. D(7)

AGENDA ITEM ABSTRACT

MEETING DATE: April 8, 2003

TITLE: A Discussion of Capital Needs Inventory

DEPARTMENT: Manager's Office	PUBLIC HEARING: No
ATTACHMENTS: A. Resolution B. Summary of Total Debt Service Paid by Town C. Recurring Annual Capital Purchases D. Capital Projects E. Impact of Additional Debt and Associated Operating Costs by Fiscal Year F. 1999 CIP	FOR INFORMATION CONTACT: Michael Brough, 918-7315 Bing Roenigk, 918-7300 Richard White, 918-7314

PURPOSE

At the January 26 Board Retreat, staff advised the Board that it would present the town's capital needs at a future board meeting. The last comprehensive visit of the town's capital needs was presented to the Board in a CIP (capital improvements plan) document dated November 1999. Since that time, the status of these projects has been summarized in the annual operating budget document. However, several large-scale capital needs have surfaced since 1999. The purpose of this item is to present a list of capital needs identified by departments or recently discussed by the Board and to obtain the Board's feedback on its priorities relative to major capital projects.

INFORMATION

Since 1999, the Town has proceeded with a deliberate plan as indicated in the 1999 CIP, focusing on its first priority of purchasing land for future facility needs. To date, purchases include land for a public works facility, park, and a parking lot. Town staff is currently searching for suitable acreage to construct a fire substation in the northern transition area. The second phase envisioned within the CIP was to construct facilities on these properties. Anticipated in the Town's five-year plan is a fire substation in the Town's northern transition area and the purchase of two parking lots. Construction of the future public works facility is being considered beyond the five-year horizon.

However, to give the Board a sense of the town's capital commitments and needs and to include more recent needs assessments that have taken place since November 1999, inventories of existing debt and capital needs that are anticipated over the next five years have been prepared using three broad categories. At a minimum, all capital needs that exceed \$25,000 per year are included in this inventory.

- 1) Summary of debt service payments made annually (Attachment B) – The Town finances both large non-recurring multi-year capital initiatives and recurring equipment and vehicle needs. In FY02-03, this amounts to a total cost of \$1,149,046, or 9.3% of the total budget. In future years, debt service service payments include committed and expected debt payments. Debt service payments on long-term debt (GO bond and installment financing) represent commitments made by the Town. Debt payments on recurring capital purchases (vehicles & equipment) are projected based on the capital purchases identified in Attachment C.

- 2) Annual capital purchases exceeding \$25,000 per item, including equipment, vehicles, and more recently, technology - (Attachment C). Street resurfacing is another regularly scheduled capital maintenance item and is included in this analysis. These items may be replacement or new additions to provide or to improve existing services. Flexibility regarding the actual purchase of these items is considered discretionary within the margin of each fiscal year.
- 3) Capital projects that typically are multi-year and cost \$100,000 or more – (Attachment D). This spreadsheet lists projects that were identified in the 1999 CIP and other unfunded capital needs that will involve setting aside additional reserves or incurring additional debt financing to construct or upgrade. Individual projects that are part of a “master plan” have been listed as a component. A copy of the 1999 CIP is attached (Attachment F) to provide background on many of these projects.

The information, particularly on major unfunded capital projects, is not meant to be exhaustive in scope or detail. In some cases, there is not sufficient information to provide a cost estimate. For example, the extent of downtown improvements will not be known until various studies are complete.

However, funding what the staff understands to be two of the town’s highest priorities - a fire substation for the northern transition area and completion of land purchases for downtown parking - will entail significant debt service and operating costs. The impact of additional debt and the anticipated operating impact of the northern fire substation are identified in Attachment F and can have a tax impact beginning in FY04-05 of 1.8 cents, capping at 7.5 cents in FY06-07 when the fire substation is fully operational.

In addition, to give some perspective on the budgetary impact of capital needs, staff has identified six projects that appear to have priority: Northern Area Fire Station, Downtown Improvements, Sidewalks, Adams Tract, Hillsborough Road Park Development, and the Northern Area Water and Sewer Extensions. The minimal cost for these items totals \$8.8 million dollars. Each one million dollars borrowed (15 year loan, 6%, fixed principal) results in an annual debt service payment of up to \$125,000, equivalent to 1.14 cents on the current tax rate and tax base.

RECOMMENDATION

The Administration recommends that the Board identify its top capital project priorities and to provide further direction.