

BOARD OF ALDERMEN

ITEM NO. (1)

AGENDA ITEM ABSTRACT

MEETING DATE: March 14, 2006

TITLE: Worksession to Discuss the Adopted Capital Improvements Program FY2006-2007 through FY2011-2012 and Update on the Sidewalk Bond Program

DEPARTMENT: Management Services	PUBLIC HEARING: YES ___ NO <u>x</u>
ATTACHMENTS: A. Adopted Capital Improvement Plan, FY06-07 through FY11-12 B. Debt Policy C. Draft Bond Timeline D. Memo on Issuance of Sidewalk Bond Anticipation Notes	FOR INFORMATION CONTACT: Steven E. Stewart, Town Manager, 918-7315 Bing Roenigk, Assistant Town Manager, 918-7439 Patrick Childs, Budget and Purchasing Administrator, 918-7301

PURPOSE

The purpose of this item is to provide the Board of Aldermen with the opportunity to discuss the Adopted FY2006-07 Capital Improvement Program (CIP). The CIP is a planning tool that enables staff and the Board to prioritize projects to meet the most critical needs over the next six years, protect the Town's positive fiscal position, and ultimately shape a vibrant community. Projects included in the CIP are not guaranteed funding. Each year, these projects are evaluated, prioritized, and considered for funding during the annual budget process. The Board is also requested to provide input on the proposed debt policy (Attachment B) that will directly affect the CIP spending plan. The Public Works Director, George Seiz will provide the Board with an update on bond-funded sidewalk projects. The Town's Bond Counsel, Bob Jessup, is available to discuss financing timelines for the sidewalk projects.

INFORMATION

The six-year CIP schedule is an annual update of the Town's CIP that includes short and long-term maintenance and other operational requirements for proposed projects. Capital purchases, including vehicles and equipment that exceeds \$25,000 per item shall be considered for the Town's lease-purchase schedule identified in the CIP. The vehicle replacement schedule enumerated in the CIP document is based upon criteria established in the vehicle replacement policy, and the Town will make every effort to evaluate whether there are suitable hybrids or alternative fuel vehicles available before purchasing non-hybrids or non-alternative vehicles. Also, for the first time, Information Technology needs beyond regular desktop replacement are included in this update.

The Adopted Capital Improvements Program totals \$37,889,431. Approximately \$22,768,024 of the \$37.8 million total will be funded through debt financing instruments such as general obligation bonds and installment financings. Of the total debt to be financed, \$4,808,600 represents installment financing needed to maintain the town's rolling stock and equipment for day-to-day operations. The projected increase in the overall funding compared to the previous year's is largely attributable to updated construction figures for the Northern Area Fire Substation and Public Works Facility; increased costs of street resurfacing, sidewalks, park maintenance, and Martin Luther King, Jr. Park; and the inclusion of the Information Technology Schedule as well as the Weaver Street Reconstruction and Gary Road Storm Sewer Replacement projects.

The implementation of the sidewalk plan, construction of the Northern Area Fire Substation, and development of the Martin Luther King, Jr. Park over the next six years marks another significant phase of the Town's aggressive capital planning whereby the Town moves beyond purchasing land for future facilities and begins to focus on implementing the vision created by residents and documented by Town staff in various needs assessments including Vision 2020, the Downtown Visioning Plan, and various master plans for parks and recreation and greenways.

More recent discussions have considered the possibility of debt financing to support the conservation efforts in the Bolin Creek Basin. This project is not currently planned for future funding in the CIP. Should the Board wish to pursue a bond issue, Attachment C provides a draft timeline based upon one developed by bond counsel for the sidewalk bond issue approved a couple of years ago. According to this timeline, if the Board determined its tentative plan for a bond issue by March 15, 2006 then the issue could be placed on the Tuesday, November 7, 2006 general election ballot. This schedule of 237 days provides enough time for the process considering statutory requirements.

Also, the Public Works Director, George Seiz, will be updating the Board on the sidewalk bond projects at this worksession. Town staff has been exploring bond anticipation notes for these sidewalk projects, and Attachment D includes a memorandum from the Town's bond counsel, Robert M. Jessup Jr. with Sanford Holshouser, that provides a sample schedule for the issuance of sidewalk bond anticipation notes. Mr. Jessup will be at this worksession to discuss this plan.

Financing capital needs means that a revenue stream must exist to pay for the debt service costs. The tax impact of the CIP (shown on page 3.4) is significant and points to the need for diversification of the Town's tax base and consideration of revisiting revenue-generating possibilities with the North Carolina General Assembly to avoid a heavy reliance on property taxes, one of the very few revenue sources under control of local governments in North Carolina. A menu of revenue options exists, including impact fees for recreation and transportation purposes, meal taxes, special tax districts for economic development, real estate transfer taxes, and grants.

FISCAL IMPACT

The potential fiscal impact of the CIP, if implemented as recommended, is documented on pages 3.3 and 3.4 of the CIP document.

STAFF RECOMMENDATION

The Board is requested to review the CIP document, proposed debt policy, and make suggestions to staff.