

Capital Plan 2010-2015

◆ Introduction

The city's Capital Plan is a six-year plan for the scheduling and appropriation of funds for major projects that represent significant contributions to the city's overall inventory of physical assets. The types of projects traditionally included in the Capital Plan are major, non-recurring expenditures for:

- construction, purchase, or major renovation of buildings, utility systems, streets, or other physical structures;
- purchase of land for redevelopment, right-of-way for streets and utilities, parks, and sites associated with public buildings;
- stimulation of economic development and housing (for business parks, downtown development, housing production, housing rehabilitation, and housing loans and grants).

To be considered a project in the Capital Plan, the project must meet the following criteria:

- project or equipment life of greater than ten years;
- estimated cost of at least \$50,000 (\$150,000 for equipment).

The first year of the Capital Plan represents the actual capital project budget appropriations for that year. Approval of the Capital Plan, therefore, commits the city to the first year of capital projects, with conditional approval for those projects listed in the five future planning years. Each year, the Capital Plan is updated with the inclusion of the previously approved capital budget in "Prior Year Appropriations" and the addition of a planning year in order to maintain a six-year program.

◆ Capital Plan Preparation Calendar

The Capital Plan is prepared annually, typically beginning with a planning session in mid-November for key department and division heads. At the meeting, the city manager, along with the budget and planning staffs, presents information concerning the city's environment for long-range economic planning and reviews the city's existing long-range plans and guidelines. The budget staff reviews the projects included in the previously approved Capital Plan and discusses the requirements for submitting new projects for consideration in the upcoming plan. Subsequent steps in the Capital Plan preparation process include the following:

<i>Mid-October to Mid-December</i>	Departmental preparation of project requests: Requests include information concerning project justification (objectives, who benefits, and priority); cost estimates; available resources; project timing requirements; and impact on the operating budget.
<i>Mid-December to Mid-January</i>	Budget and planning staff review of project requests: Review includes detailed verification of project description, justification, priorities, and cost estimates.
<i>Mid-January to Mid-February</i>	Budget staff draft of initial projects to be included in the upcoming Capital Plan: Draft is reviewed internally with departments, assistant managers, and the city manager.
<i>Mid-February through End of April</i>	Capital Plan proposal prepared for submission to the City Council along with the annual operating budget proposal in early May.

◆ **Capital Plan Overview**

The Capital Plan provides a capital appropriations schedule for fiscal years 2010-2015 totaling \$315.2 million. This total includes projects funded by general fund, two-thirds bonds, utility revenue bonds, state and federal grants, gasoline taxes, North Carolina Municipal Leasing Corporation proceeds, capital reserves, and other resources. The total excludes projects which could be included in a potential bond referendum or potential issuance of Certificates of Participation (COPs). A list of unmet capital needs equivalent to \$439.7 million is included in the final section of this document.

◆ **Expenditure Overview: 2010-2015**

Community and Economic Development Projects

Community and economic development projects represent a six-year investment of \$20.7 million.

The Capital Plan provides \$8.1 million in funding for previously approved economic development incentive projects. Funding for future incentive projects would be presented to the City Council for its consideration. Another \$350,000 is provided for downtown infrastructure renovations and signage. The Capital Plan also includes the five-year Consolidated Housing and Community Development Plan, which totals \$12.2 million.

Overall, community and economic development projects total \$20.7 million, or 6.5% of the total Capital Plan for 2010-2015.

Environmental Health Projects

Environmental health projects include major capital investments in solid waste disposal, water/wastewater treatment, water distribution/wastewater collection, and stormwater management. The Capital Plan includes the ongoing expansion of Hanes Mill Road Landfill, development of a new construction and demolition landfill site, and the construction of a methane gas system at Hanes Mill Road Landfill (\$32.3 million). These projects would enable the City-County Utility Commission to meet the growing demand for these facilities in Forsyth County.

Water and wastewater system projects (\$110.7 million) include rehabilitation projects, regulatory driven projects, and system expansion over the next six years, including upgrades to water and wastewater treatment facilities. Also, a number of wastewater collection system improvements, and major maintenance and improvements to the water distribution system (\$78.7 million) are included in the six-year plan. The City-County Utility Commission will approve each project-related contract as the projects are scheduled for implementation. The plan also includes the extension of water and sewer services to the areas annexed by the city in September 2006 (\$15 million).

Stormwater projects include stormwater infrastructure improvements (\$7.0 million), drainage improvements on private property (\$2 million), stormwater pollution prevention plans for all City-owned and operated facilities (\$108,800), and FEMA Severe Repetitive Loss Grant assistance (\$373,360).

Overall, environmental health projects represent the largest investment, \$231.2 million, or 73.4% of the total Capital Plan for 2010-2015.

Public Safety Projects

Investments in public safety over the six-year period include regular replacement of fire apparatus (\$5.7 million), fire station facilities renewal renovations for regular wear-and-tear maintenance (\$1.2 million), and funds for a fire pumper test pit (\$135,000).

Overall, public safety projects total \$7.0 million, or 2.2% of the total Capital Plan for 2010-2015.

Transportation Projects

Transportation projects are categorized as follows: streets and sidewalks and mass transit projects. These projects represent an investment of approximately \$48.4 million in Winston-Salem's transportation system over the next six years. The streets and sidewalks section of the Capital Plan includes bridge replacements, additional sidewalk construction and repairs, the conversion of downtown streets to two-way operation, intersection improvements, street resurfacing, traffic calming and traffic safety projects (\$16.3 million).

The six-year capital plan for the Winston-Salem Transit Authority (WSTA) includes the replacement of fixed route and Trans-AID buses, transit facility improvements, transit vehicle maintenance, and security enhancements (\$32.4 million). The Federal Transit Administration provides most of the funding for these projects.

Overall, transportation projects total \$48.8 million, or 15.5% of the total Capital Plan for 2010-2015.

Recreation and Culture Projects

The six-year Capital Plan provides for investment in greenways, including Phase I of the Little Creek Greenway (\$535,000), Piedmont Regional Greenway (\$124,000), Salem Lake Trail renovations (\$90,000), and an allocation of the \$5 motor vehicle privilege tax for future greenway development and renovations (\$1.2 million).

Other major projects associated with recreation and parks facilities include: playground renovations (\$1.1 million), recreation facilities renewal for regular wear-and-tear maintenance (\$1.4 million), swimming pool repairs (\$350,000), Joe White Tennis Center improvements and other tennis courts resurfacing (\$800,000), park bridge replacements (\$300,000), recreation facility sidewalks and roadway resurfacing (\$500,000), athletic field light renovations (\$310,000), park development studies (\$150,000), picnic shelter renovations/replacements (\$200,000), renovations to Winston Square Park (\$150,000), recreation facilities security improvements (\$77,180), and renovations to Corpening Plaza (\$200,000).

Fire safety requirement improvements at the Benton Convention Center are also funded in FY 09-10 (\$125,000).

Overall, recreation and culture projects total \$7.6 million, or 2.4% of the total Capital Plan for 2010-2015.

◆ **Funding Source Overview: 2010-2015**

General Fund

- General fund appropriations represent 2.6% of the total resources in the 2010-2015 Capital Plan.

Current general fund revenues of \$8.1 million provide funding for the city's commitments to previously approved economic development incentive projects. The city should realize these revenues as a result of the increased property tax base created by these projects.

Bonds

- Bond financing accounts for 53.5% of the total resources in the 2010-2015 Capital Plan.

Two-Thirds Bonds

The City Council has statutory authority to issue bonds without a referendum in amounts up to two-thirds of the net retired principal debt in the previous year. These bonds are referred to as "two-thirds" bonds. The six-year Capital Plan includes \$11.2 million in two-thirds bond projects, including the replacement of equipment, renovations to the city's infrastructure, and major maintenance of city facilities.

The following presents a breakdown of two-thirds bond funding by service area.

Transportation	41.6%
Recreation and Culture (Recreation & Parks)	44.9%
Public Safety (Fire)	10.3%
Community & Economic Development	3.2%

A complete list of the projects to be funded from two-thirds bonds can be found on page 19.

Two-thirds bonds account for \$11.2 million of the total resources in the Capital Plan.

Revenue and Special Obligation Bonds

The City Council may authorize the issuance of revenue bonds for those enterprise funds that will generate their own revenues. No debt limitations are applied, and voter approval is not required because property taxes are not pledged to retire revenue bonds. The six-year Capital Plan includes \$149.1 million in revenue bonds to finance water and sewer capital projects as well as stormwater improvements and drainage improvements. The Capital Plan also includes \$8.5 million in special obligation bonds for the construction of new landfill cells and a construction and demolition recycling facility in the solid waste disposal fund.

Revenue bonds represent the largest funding source, \$149.1 million of the total resources in the Capital Plan.

Intergovernmental Resources

- Intergovernmental resources represent 18% of the total resources in the Capital Plan.

Intergovernmental resources totaling \$48.8 million include: \$28.9 million in Federal Transit Administration funds for fixed route and Trans-AID bus replacements and other transit-related capital projects; \$8.7 million in Community Development Block Grant funds, HOME Trust funds, and program income for housing development; \$6.0 million from the North Carolina gasoline tax (i.e., Powell Bill funds) for street resurfacing; \$5.3 million from the North Carolina Department of Transportation for bridge replacements, greenways, and transit projects.

Reserves

- Reserves and balances account for 17.8% of the total resources in the Capital Plan.

The Capital Plan includes appropriations of \$56.1 million from various reserves and project balances to fund projects in community and economic development, environmental health and transportation.

In the community and economic development service area, the Capital Plan includes appropriations from housing finance assistance fund balance to provide for single-family housing production and homeowner assistance (\$3.5 million).

In the environmental health service area, capital reserves would be used to fund improvements for water and sewer, and stormwater management. The plan uses \$44.7 million in water and sewer fund balance to provide for major maintenance of water and wastewater treatment facilities and water distribution system improvements. This is a significant increase in use of fund balance than in the past, but increases pay-as-you-go financing. The Capital Plan also includes stormwater management fund balance to pay for public drainage system improvements, the development of pollution prevention plans for city-owned facilities, and drainage improvements on private properties that meet the criteria of the city's "70/30" policy (\$5.2 million). The credit rating agencies recommend the increased use of water and sewer fund balance for capital improvements to decrease reliance on bond financing.

The Capital Plan uses \$113,680 from capital project reserves to fund the 20% match for Surface Transportation Program - Direct Attributable Funds (STPDA) intersection improvements, and \$125,000 in capital project reserves to fund fire safety requirement improvements at the Convention Center, and \$77,180 for security improvements at recreation facilities and parks.

Mass Transit Tax Fund Reserves

The Capital Plan includes \$2.3 million from the mass transit tax fund. The mass transit tax fund provides the local match for federal transit capital funds.

Mass Transit Tax Fund resources represent 0.8% of the total resources in the Capital Plan.

Other

Other resources account for 10.6% of the total resources in the Capital Plan.

Motor Vehicle Privilege Tax

In August 2005, the North Carolina General Assembly adopted local legislation that permits the city to increase the motor vehicle privilege tax from \$10 up to \$20, in \$5 increments. In February 2006, the City Council authorized the levy of the first \$5 of the new motor vehicle privilege tax. According to the legislation, one-third of the proceeds from the new tax must be used for traffic management functions such as traffic calming, one-third must be used for public transit such as bus and streetcar systems, and one-third must be used for non-motorized transportation functions such as sidewalks and greenways. The Capital Plan includes \$3.2 million in proceeds from the first \$5 for the purposes noted above except non-capital transit expenditures. A complete list of the projects to be funded from this tax can be found on page 21.

The motor vehicle privilege tax accounts for 1.0% of the total resources in the Capital Plan.

North Carolina Municipal Leasing Corporation

The Capital Plan finances \$6.4 million in capital needs through the North Carolina Municipal Leasing Corporation (NCMLC). This funding will be used for the regular replacement of fire apparatus, a fire apparatus pump test pit and, tennis court resurfacing. The city would make annual payments to the NCMLC through the Fire and Recreation departments' operating budgets.

Financing these capital needs through the NCMLC accounts for 2.0% of the total resources in the Capital Plan.

To Be Determined (Solid Waste Disposal)

Funding for future Hanes Mill Road Landfill Cell Construction, Gas Extraction System, and a new Construction and Demolition Landfill (\$23.8 million) will be determined at a later date.

◆ **Impact on the Operating Budget: 2010-2015**

Several projects in the Capital Plan would have a quantifiable impact on the city's operating budget once they are completed. A summary is provided below:

Environmental Health

- Stormwater Infrastructure Renovations (\$1.1 million in Stormwater Fund support over the six year period to support debt service payments on revenue bonds)

Public Safety/Fire Department

- Fire Apparatus Pump Test Pit (\$172,000 in General Fund support over the six year period to support operating costs for the new facility as well as 5 years of leasing payments)
- Fire Apparatus Replacement (\$2.0 million in General Fund support over the six year period for 10-year leasing payments)

Transportation

- Convert Fifth Street to Two-Way Operation (\$11,000 in General Fund support over the six year period to support the different road operation)
- Convert Fourth Street to Two-Way Operation (\$11,000 in General Fund support over the six year period to support the different road operation)

Recreation and Culture

- Tennis Court Resurfacing (\$360,000 in General Fund support over the six year period for 5-year leasing payments)
- Little Creek Greenway - Phase I (\$24,500 in General Fund support over the six year period for upkeep of a new greenway segment)
- Piedmont Regional Greenway (\$62,500 in General Fund support over the six year period for upkeep of a new greenway segment)

The total impact to the General Fund budget over the next six years is \$2.6 million or an average annualized impact of \$510,170. This is equivalent to approximately 1/4 a penny on the current tax rate.

A more detailed description of each project's impact can be found in the following service area sections, which include a description and financial summary for each project.

◆ **Unmet Capital Needs**

During the capital planning process, city management evaluates the project requests submitted by departments and determines which projects will be included in the Capital Plan for consideration by the City Council. Departmental requests for the six-year period 2010-2015 totaled approximately \$754.9 million; however, the Capital Plan only includes identified funding of \$315.2 million, leaving unfunded needs of over \$439.7 million meaning over half (58%) of capital needs remain unfunded for the next six years unless new debt is issued. Late fall or early winter of 2009, staff will complete a report for the City Council assessing the relative priority of these unmet needs as well as present the projects visually using Geographic Information Systems mapping tools. By early 2010 the City Council will need to consider a potential bond referendum and list of projects to fund with Certificates of Participation (COPs) both totaling about \$75 million.

A list of these unmet capital needs can be found in the final section of the Capital Plan.