

***SUMMARY OF CAPITAL IMPROVEMENTS PLAN
PROJECT EXPENDITURES AND OPERATING IMPACT***

The Capital Improvements Program

The Capital Improvement Program (CIP) differs from the annual budgeting of operating expenses primarily in that the project submitted are of a high dollar threshold (more than \$100,000); large in size; irregular in frequency; and involve the development of assets that last for many years. Major capital decisions tend to have a greater fiscal impact than that required of annual operating and maintenance decisions and require different planning and budgetary methods.

Vehicles and capital equipment (exceeding \$25,000) - both additions and replacements - shall be considered for the Town's lease-purchase schedule identified in the CIP. The vehicle replacement schedule enumerated in the lease-purchase schedule within the CIP document is based on criteria established in the Town vehicle replacement policy. Also, Information Technology (IT) projects with costs equal to or greater than \$15,000 are evaluated, prioritized and included in the Information Technology Schedule in the CIP. IT projects emphasized in the CIP focus on the significant IT needs not previously funded, whereas the annual operating budget assumes the responsibility for replacements, upgrades and maintenance costs.

Functions of the CIP

The six-year CIP schedule is a planning tool, not a budget. Adjustments for anticipated projects can be made each year during the annual review of the Town's budget. The CIP is revised as needed until individual projects are formally adopted. This flexibility in the

planning and implementation of capital needs makes Carrboro's CIP responsive to the changing needs of its diverse community. The CIP achieves five (5) major objectives:

1. To help the Town plan for the repair, replacement, and acquisition of capital items and facilities that are necessary in providing high quality services to residents.
2. To assist in financial planning by forecasting capital demands together with future revenues and expenditures.
3. To insure better coordination, evaluation, prioritization, and planning of projects to serve the community and its needs.
4. To provide lead time for project planning, regulatory permitting, design, land acquisition, and construction to assure projects will be ready when needed.
5. To maintain or improve the Town's credit rating and fiscal health through promoting strong budgetary and financial management planning.

CIP Planning Process

Town staff develops and maintains a projection of capital projects for the next six years based on previous capital plans, community needs assessments, and projects approved by the Board of Aldermen. The CIP should be tied to projected revenue and expenditure constraints. Future planning should consider periods of revenue surplus and shortfall and adjust future programs accordingly. The CIP includes long-term maintenance and other operational requirements for proposed projects. Each fiscal year, the CIP is updated to

include current information for review by the Board of Aldermen.

The Town's capital program recognizes the borrowing limitation and debt tolerance of the Town. In addition, the CIP budget process includes a financial analysis and narrative of the impact of the CIP on the Town's financial condition, including but not limited to, debt levels and operating budget. Issuing debt is appropriate when facilities have a long life. Debt service payments spread the costs over the life of the facility. This ensures intergenerational equity; that is, the facility will be paid for by all citizens who will use and benefit from the facility, both when borrowing occurs and throughout the life of the debt issue. Debt levels are discussed in detail in the Appendix.

Any capital item that has not been included in the CIP or recurring lease-purchase schedule but because of its critical or emergency need where timing was not anticipated in the CIP or budgetary process or is mandated immediately by either state or federal requirements will be considered for approval for debt financing.

The CIP Document provides information in three sections:

Section I, Summary

This section of the document consists of a transmittal message and summary spreadsheets that describe what is proposed in the CIP plan, changes in the Town's capital pro-

CIP Document Organization

gram, and a discussion of the impact of the CIP on debt, operating costs, tax, and revenue implications of the plan.

Section II, Individual Project Descriptions

This section describes each project individually, identifies various components of expenditures and revenue. The expenditure categories used are described below:

- *Planning:* These costs include architect plans, site testing, and other pre-building issues.
- *Land/ROW:* Estimated costs for land or right-of-ways.
- *Construction:* Estimated costs for buildings related to specific projects.
- *Equipment/Furnishings:* Estimated costs for equipment such as chillers, alarm systems, and safety equipment. Furnishings include desks, chairs, and other items that will be used by employees and patrons.
- *Other:* This allocation includes costs not easily fit into other categories. Examples include computer hardware and software purchases, attorney’s fees, and ongoing park maintenance needs.
- *Contingencies:* This is generally a percentage of the total project construction costs and represents funds available for unforeseen costs or cost increases.

Project revenues are largely dependent upon financing through various debt instruments such as general obligation bonds or install-

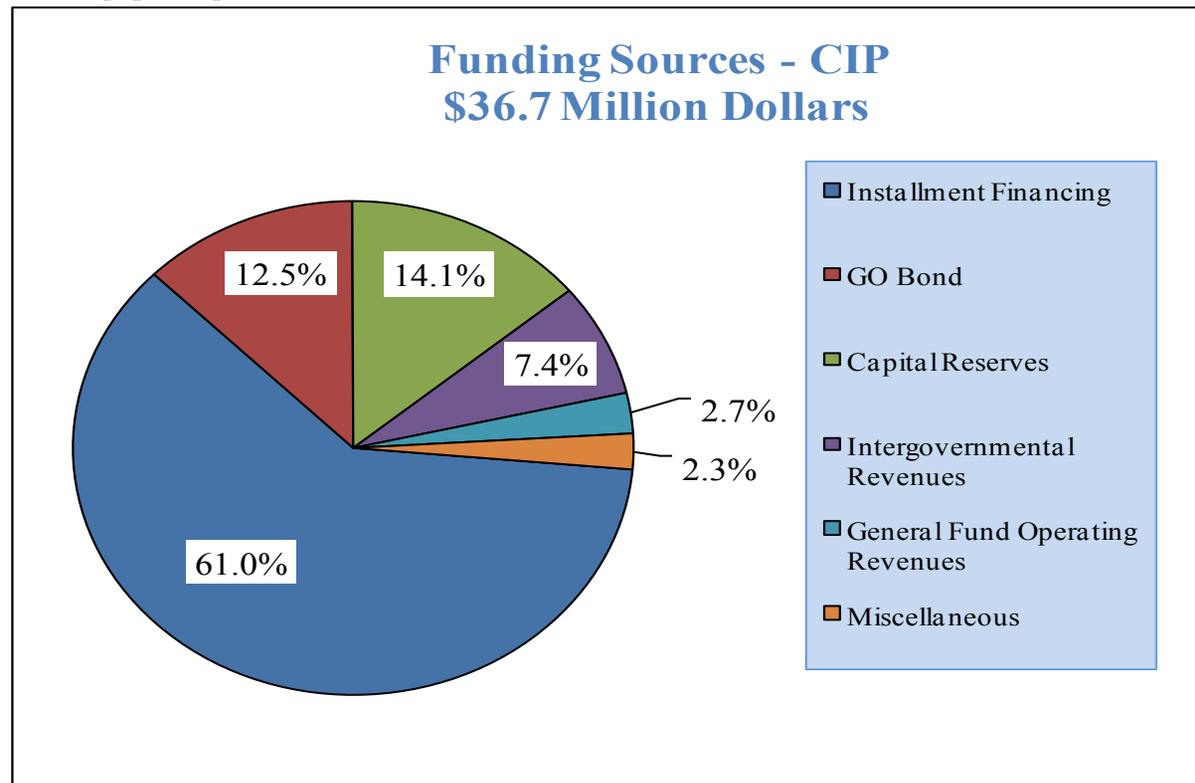
ment financing. The graph below illustrates the revenue stream needed to finance the Town’s CIP. Approximately, 74 percent of the CIP is financed through debt, requiring revenue to support debt payments.

Below is a list of the types of funding:

- *Installment Financing:* This is a debt financing source that does not require voter approval. Debt payments generally extend fifteen years with the asset as collateral. The Town has used installment financing to fund short-term vehicle and equipment purchases and for land and

facilities.

- *General Obligation Bonds:* This form of debt financing requires voter approval. The ability to get funds follows a bond referendum. This is the strongest form of debt financing because the local government pledges its full faith and credit when making the debt general obligation. Debt payments for GO bonds generally have a twenty-year term.
- *Capital Reserves:* Capital Reserve Funds are created to set aside funds for any purposes for which a local govern-



ment may issue bonds. A certain amount of funds is set aside via an allocation from the Town's primary operating fund, the General Fund, to accumulate to pay for large capital items. The Town has largely used capital reserves for its street resurfacing program and pay the local match toward sidewalk construction along state roads.

- *Intergovernmental Revenues* – This represents grants or support from other local, federal, or state governmental jurisdictions.
- *General Fund Operating Revenues* – This represents funding appropriated directly from the Town's General Fund each year. There is no debt associated with this funding.
- *Miscellaneous* – The revenue includes various small miscellaneous contributions including funds received directly from developers and reserves set aside as required by the Town's payment-in-lieu program for recreation and open space.
- *Operating Budget Effects* – This reflects an estimate of the additional annual operating budget impact for each fiscal year.

Section III, Appendix

This section includes detailed analysis of the impact of the recommended CIP on the Town's financial condition and a discussion of projects that currently remain unfunded.

Summary Table of CIP Projects by Fiscal Year

The following table shows a summary of project expenditures over the next five years and the operating impact of each project on the annual budget.

Projects	PREVIOUS YEARS EXPENSES								FY16-17 AND BEYOND	TOTAL PROJECTS	OPERATING IMPACT	FTES
	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16						
Street Resurfacing	\$ -	\$ 544,806	\$ 601,300	\$ -	\$ 663,400	\$ -	\$ 731,500	\$ 822,000	\$ 3,363,006	\$ -	0.0	
Sidewalks	\$ 2,367,844	\$ 172,500	\$ 1,888,000	\$ 1,778,500	\$ -	\$ -	\$ -	\$ -	\$ 6,206,844	\$ -	0.0	
Park Maintenance and Repair	\$ 39,581	\$ 147,455	\$ 99,907	\$ 89,743	\$ 414,991	\$ 138,600	\$ 100,800	\$ 128,000	\$ 1,159,077	\$ 2,000	0.0	
Town Parking Lots	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ -	0.0	
Public Works Facility	\$ 756,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,199,000	\$ 12,955,486	\$ 7,500	0.0	
Greenways	\$ 122,379	\$ 146,500	\$ 618,818	\$ 862,774	\$ -	\$ -	\$ -	\$ -	\$ 1,750,471	\$ 72,000	0.7	
Martin Luther King, Jr. Park	\$ 596,250	\$ -	\$ -	\$ 1,772,151	\$ 400,557	\$ -	\$ -	\$ -	\$ 2,768,958	\$ 25,000	0.3	
Weaver Street Reconstruction	\$ 52,315	\$ 797,685	\$ 951,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,801,000	\$ -	0.0	
Equipment/Vehicle Lease-Purchase	\$ 620,496	\$ 560,500	\$ 1,171,350	\$ 999,480	\$ 353,248	\$ 1,543,795	\$ 566,443	\$ 296,342	\$ 6,111,654	\$ -	0.0	
Information Technology	\$ -	\$ 15,000	\$ 36,500	\$ 15,500	\$ 55,000	\$ -	\$ -	\$ -	\$ 122,000	\$ 21,700	0.0	
Total Projects	\$ 4,555,350	\$ 2,384,446	\$ 5,366,875	\$ 5,518,148	\$ 1,887,196	\$ 1,682,395	\$ 1,398,743	\$ 13,945,342	\$ 36,738,495	\$ 128,200	1.0	

Funding Source	PREVIOUS YEARS REVENUE								FY16-17 AND BEYOND	TOTAL FUNDING	% of Funding
	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16					
Installment Financing	\$ 1,688,629	\$ 560,500	\$ 1,171,350	\$ 2,771,631	\$ 1,124,560	\$ 1,543,795	\$ 566,443	\$ 12,995,342	\$ 22,422,250	61.0%	
GO Bond	\$ 2,081,924	\$ -	\$ 917,060	\$ 1,601,016	\$ -	\$ -	\$ -	\$ -	\$ 4,600,000	12.5%	
Capital Reserves	\$ 52,315	\$ 1,342,491	\$ 1,346,123	\$ 207,000	\$ 663,400	\$ -	\$ 731,500	\$ 822,000	\$ 5,164,829	14.1%	
Intergovernmental Revenues	\$ 125,271	\$ 319,000	\$ 1,745,656	\$ 531,000	\$ -	\$ -	\$ -	\$ -	\$ 2,720,927	7.4%	
General Fund Operating Revenues	\$ 102,965	\$ 162,455	\$ 136,407	\$ 105,243	\$ 99,236	\$ 138,600	\$ 100,800	\$ 128,000	\$ 973,706	2.7%	
Miscellaneous	\$ 504,247	\$ -	\$ 50,279	\$ 302,258	\$ -	\$ -	\$ -	\$ -	\$ 856,784	2.3%	
Total Funding	\$ 4,555,351	\$ 2,384,446	\$ 5,366,875	\$ 5,518,148	\$ 1,887,196	\$ 1,682,395	\$ 1,398,743	\$ 13,945,342	\$ 36,738,496	100.0%	

OPERATING BUDGET EFFECTS

Elements	PREVIOUS YEARS EXPENSES								FY16-17 AND BEYOND	TOTAL PROJECT
	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16				
Personnel Costs	\$ -	\$ -	\$ -	\$ 52,000	\$ -	\$ -	\$ -	\$ -	\$ 52,000	
Operating and Maintenance	\$ -	\$ -	\$ 3,700	\$ 19,500	\$ 3,500	\$ 15,000	\$ -	\$ 7,500	\$ 49,200	
Capital Outlays	\$ -	\$ -	\$ -	\$ 27,000	\$ -	\$ -	\$ -	\$ -	\$ 27,000	
Total Operating Costs	\$ -	\$ -	\$ 3,700	\$ 98,500	\$ 3,500	\$ 15,000	\$ -	\$ 7,500	\$ 128,200	
Minus New Revenues*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Operating Effect	\$ -	\$ -	\$ 3,700	\$ 73,500	\$ 3,500	\$ 15,000	\$ -	\$ 7,500	\$ 128,200	
New Personnel (FTE)	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	1.0	