

MESSAGE FROM THE MANAGER

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November 15, 2011

Dear Mayor and Board of Aldermen,

It is with pleasure that I submit to you the Capital Improvements Program (CIP) for FY 2012-13 through FY 2017-18. As in past updates, the CIP represents a best effort to implement the vision created by residents and documented by Town staff in various needs assessments, including Vision 2020, the Downtown Visioning Plan, Downtown Traffic Circulation Study, economic development assessment, and various master plans for parks and recreation and greenways. A prominent feature of the CIP is the sidewalk and greenways construction program, approved by citizens in a November 2003 bond referendum, to create a more walkable community with safe and convenient transportation through means other than single-occupancy vehicles.

This year, the CIP plan reflects significant progress in capital building. Reconstruction of Weaver Street is expected to be completed in early 2012. The Town continues to work on bond funded sidewalk projects, which consists of twenty projects divided into Phase IA and Phase IB. All ten Phase IA projects are complete and five Phase IB projects are complete. Planning and design work is underway for the Morgan Creek, and construction of the Wilson Park Multi-Use Path, part of the Bolin Creek greenway, is anticipated to begin in early 2012. Even though intergovernmental funds have been identified for the new greenway projects, the Town will face a challenge finding matching funds for these projects.

The Town continues its investment in road infrastructure with a planned 15-year cycle street resurfacing program. A street resurfacing project is budgeted in the current fiscal year. The CIP for FY 2012-13 through FY 2017-18 continues to provide for vehicle and equipment replacement with a focus on economical use which includes the evaluation of alternative fuel or hybrid vehicles. The increase in the Vehicle Replacement Schedule reflects the replacement of a Solid Waste front loader and a Fire pumper truck, which were postponed during the FY11-12 budget cycle.

Long-term initiatives such as the development and construction of Martin Luther King, Jr. Park have been delayed. While the master plan approved by the Board in September 2004 is complete, actual construction of the park has been pushed out to FY17-18 which will require updating the master plan. Parking lot construction and the planned public works facility will be another significant phase of the Town's capital planning beyond FY 2017-18. Arguably, construction of a new Public Works facility should be the next new construction project due to the inadequacy of the current facility and its susceptibility to serious flooding. However, with estimated construction costs of over \$13.0 million, it will be the most expensive project ever undertaken by the Town. As in past years, needs outstrip the revenue capacity and some needs must go unfunded. A view of unfunded town needs identified during this capital planning process is presented in the Appendix , page 3.5.

Due to new or shifting service needs, special financing opportunities, emergency needs, or other directives or priorities established by the Mayor and Board of Aldermen, the CIP plan is updated annually and projects included in outer planning years are not guaranteed for funding. While capital planning in this manner is not an exact science, it is a proven approach to building a forward-looking community while vigilantly protecting the Town's financial health.

FY12-13 - FY17-18 Capital Improvements Program Overview

The CIP plan shows an increase of \$2.9 million from last year. This is primarily due to the addition of projects required for storm water management (\$696,900); and additional greenway projects (Downtown Multi-Use Path at \$160,512, Jones Creek Greenway at \$962,849, and Carrboro High

School Multi-Use Path at \$859,694). Estimated costs for other large projects have increased due to inflation. For example, construction of the Public Works Facility increased by \$857,000 and MLK, Jr. Park by \$217,266 from last year.

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 product costs. Updated sidewalk estimates for near future projects are based on current estimates calculating a cost per foot. The Public Works facility budget, at this point in time, is not based on any final design. However, the original estimate prepared by a consultant in 2005 has been updated to keep construction estimates as current as possible. Similarly, the Martin Luther King, Jr. park project cost is adjusted in an attempt to keep the estimates current.

The design and construction planning for Bolin and Morgan Creek have been completed, but construction estimates are several years old. Since the Town has limited funding capacity, this will affect what is actually constructed. Town staff, in conjunction with the Greenways Commission and the Board of Aldermen will move forward with the planning processes for both the Bolin Creek and Morgan Creek greenways and help fulfill the Town’s goal of a connected series of greenways as established by Carrboro Vision 2020.

Information Technology capital improvement projects include additional cost for website development in the coming year. Other technology projects include a street sign management system to allow the Town to manage street signs for appropriate retro reflectivity (mandated by the Federal Highway Administration to be in place by January 2012); in-car video system and infrastructure for police vehicles; enhancement for the financial system that to automate certain processes; and document scanning/GIS integration for the Planning Department.

The CIP for FY 2012-13 through FY 2017-18 totals \$39.6 million. Roughly 70% of this total is anticipated to be funded through debt (i.e., general obligation bonds or installment financing). Of the total debt to be financed, \$6.9 million represents installment financing needed to maintain the Town’s rolling stock and equipment. As indicated on p. 3.3 the overall per capita debt ratio slightly exceeds the average, but remains well below the high level for each year.

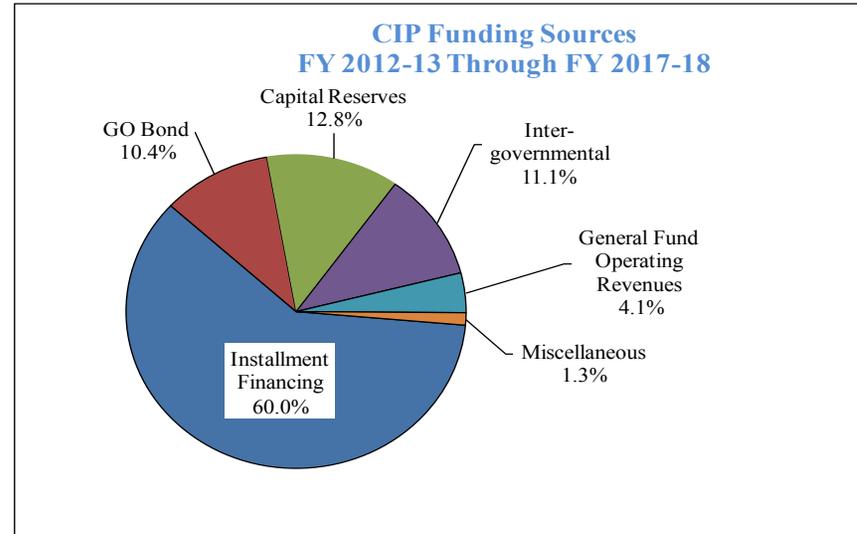
In FY 2016-17 the percentage of debt to the operating budget slightly exceeds 10% which will require adjustments in the operating budget and/or

PROJECTS	CURRENT CIP 11-12 THRU 16-17	RECOMMENDED CIP 12-13 THRU 17-18	DIFFERENCE
Greenways	\$ 1,750,471	\$ 3,662,696	\$ 1,912,225
Martin Luther King, Jr. Park	\$ 2,768,958	\$ 2,986,224	\$ 217,266
Park Maintenance and Repair	\$ 1,159,077	\$ 1,339,732	\$ 180,655
Public Works Facility	\$ 12,955,486	\$ 13,812,486	\$ 857,000
Sidewalks	\$ 6,206,844	\$ 5,560,096	\$ (646,748)
Street Resurfacing	\$ 3,363,006	\$ 2,447,990	\$ (915,016)
Town Parking Lots	\$ 500,000	\$ 500,000	\$ -
Weaver Street Reconstruction	\$ 1,801,000	\$ 1,466,370	\$ (334,630)
Information Technology	\$ 122,000	\$ 187,000	\$ 65,000
Equipment/Vehicle Lease-Purchase	\$ 6,111,654	\$ 6,953,462	\$ 841,808
Stormwater Management	\$ -	\$ 696,900	\$ 696,900
TOTAL PROJECTS	\$36,738,496	\$ 39,612,956	\$2,874,460

debt management.

As mentioned earlier, the CIP largely relies on debt financing as a means to build infrastructure. The Town’s ability to fund infrastructure projects for the next six years plays a significant role in the implementation of its CIP. In going forward, however, there are factors that may mitigate the debt impact anticipated by the adopted CIP, such as expanded tax base through residential and commercial property growth, adjustment of operating spending priorities, or new grant funding.

Financing capital needs means that a revenue stream must exist to pay for the debt service costs. As with major financing decisions, there are challenges and choices the Town must make in carrying out its CIP over the coming years. With a tax base comprised of residential properties and limited commercial base, the ability to sustain a large capital improvements program will require a careful balance of debt financing and the use of capital reserve funds. The potential tax impact to achieve this CIP (shown on page 3.4) points to the need for diversification of the town’s tax base and revisiting revenue-generating possibilities with the North Carolina General Assembly to avoid the heavy reliance on residential property taxes, one of the very few revenue sources under control of local governments in North Carolina. Possible revenue options include impact fees for recreation and transportation purposes, meal taxes, special tax districts for economic development, real estate transfer taxes, and grants. Some of these options may not be viable, at least in the near future.



I am proud of the action that is occurring in the capital program in light of the continuing difficult economic times. Town staff has delayed purchases, frozen positions, and remained diligent and frugal in their day-to-day operations while recognizing the importance of continuing to build upon and maintain the assets currently owned by the Town.

I look forward to discussing the projects included in the CIP for FY 2012-13 through FY 2017-18 and working to bring to life the vision of our residents and the Board.

Sincerely,

C. Matthew Efir
Interim Town Manager