Exercise 9: Medium/Large Group Exercise
Jefferson County, NC
Case Study

Jefferson County, population 100,000, is located in the piedmont area of the state. The county is adjacent to the Raleigh-Durham MSO and is one the fastest growing counties in the state. The population has increased 25% during the past decade. The county's southwestern portion is suburban, with numerous subdivisions on county water served by special septic systems or package sewer plants run by private providers. Because of the high cost of these wastewater systems and the land required, housing prices in this area are much higher than the state average. The county has a healthy tax base, but only because of high-end residential. Service workers and governmental employees have been priced out of the western part of the county.

The eastern part of the county is still largely rural, except for the Town of Mayberry. Agriculture is the main industry of the county, but a large industrial site (megasite) in Mayberry has just landed tire manufacturer Bridge Fire. The company promises to bring 1,000 jobs and invest $500,000,000 over the next three years. In addition, tire manufacturing is known to have a multiplier effect of 3 in the local economy, meaning that for every dollar invested and every job created, three result from supporting businesses, such as construction, restaurants, retail, banking, etc. The additional tax revenue for the town from Bridge Fire is estimated as follows: Year 1: $1,300,000 ($1.3M), Year 2: $1.9M, and Year 3 and ongoing $3M. However, Bridge Fire has requested tax incentives equal to 50% of tax revenues in the first five years. Mayberry will be able to supply water and sewer with its existing plant capacity, but needs to run water and sewer lines approximately 4 miles. Residents in Mayberry welcome Bridge Fire with open arms.

Jefferson Place Developers, has just announced plans to develop 4,000 acres as a mixed-use development in the county seat, Williamsboro, located in the center of the county. The development promises a mix of residential (including some affordable housing), commercial, and high-tech industries with high-paying research and technical jobs. The town's population is 3,000 today, but is expected to swell to more than 30,000 in the next 15 years. The number of new jobs added at buildout is estimated at 10,000; the additional tax base is estimated at $5 billion The development is controversial to residents inside and outside of Williamsboro, as many see it changing the county's rural character.

The county's unemployment rate is currently 4.1%, but 55% of the county's workforce commutes out to surrounding counties. This creates issues for rural fire departments that no longer have volunteers working in the district; local nonprofits and schools that cannot attract board members and volunteers; and major sales tax leakage for the county. For every dollar spent by county residents, $0.63 is spent out of county. In addition, Mayberry's unemployment rate is estimated at 15%. (Williamsboro's is similar to the county's.)

Commissioners recently adopted a Comprehensive Land Use Plan that contains the following goals:

- Maintain the county's rural character by concentrating development in the county's two towns
- Where county interests are met, assist the towns with providing adequate infrastructure for economic development and affordable housing
- Provide quality, high-paying jobs within the county to reduce out-commuting and sales tax leakage.
- Provide excellent public schools for the county's youth that prepares them for careers of the future, including engineering and technology.

The county's current annual general fund budget is $100 million (debt service is $15 million per year); its water utility fund is $7M. During the recession, the county took advantage of low interest rates and construction costs and borrowed substantially. In spite of its high debt burden ($150,000,000), the county recently achieved an AAA bond rating. The county has not issued general obligation (GO) bonds in 25 years, but financed its new facilities with limited obligation bonds (LOBs). County commissioners have taken some heat for putting the county in so much debt without asking for voter approval. In spite of the new facilities, the recent and projected growth creates even more capital needs that the county must consider.

Total valuation of property is $10,424,908,968 and one cent brings $1,200,000. The current tax rate is 63 cents/$100 valuation. The county has unassigned general fund fund balance of $35 million.

CIP Projects for Consideration & Ranking:

Water and Sewer Lines to the Mayberry Megasite: The cost to serve the new megasite with water and sewer lines is estimated at $10 million. (Annual debt service is estimated at $1M). The user will generate approximately $500,000 annually in water and sewer charges for the Town of Mayberry. While the town will own the lines, the town has asked the county to participate in running them.

New Regional Water Plant: The Town of Williamsboro lacks adequate long-term water capacity for Jefferson Place. The town has approached the county about building a regional water plant to be owned jointly by the town and county. The cost of the plant is estimated at $50M, with $35M being the county's share. The project is at least 5 years in the future, but projections show both the county and town will be out of water in 8 years. The county's small water utility fund (and existing customers) cannot bear the debt service for this plant, estimated at $3.5M annually.

New Libraries:

New Mayberry Library: Mayberry's library facility was built in the 1960s. The building and technology are out of date. Executives of the tire company pointed out the inadequacies of the facility during a recent site visit and asked the town to prioritize building a new library in order to provide the quality of life expected for the community. The town's literacy rate is low compared to surrounding areas. The library's collection of Spanish-language materials has historically been an important resource for the town's Latino population, which represents about one-third of the total population and will provide a majority of the workforce for Bridge Fire and Brooktown. A new 10,000 square-foot library with upgraded technology, furnishings, and materials would cost $3 million (Annual debt service estimated at

$300,000, plus $150,000 for staffing, supplies, and books—town provides maintenance and utilities). The town states it doesn't have the debt capacity to take on this project and wants the county to pay for the new facility, especially since the county recently constructed a new library in the town of Williamsboro. County leaders believe the county has enough to deal with and the town should pay for the facility.

Southwestern Library: The southwestern portion of the county, where 50% of the population resides, has no library. Residents, whose high-end residences pay the majority of county taxes, complain at nearly every commissioners' meeting about the lack of public facilities in this area. A new library is at the top of their list of desired facilities, as the nearest library is on average 15 miles from these residents. Indeed, given the other projects under consideration, only this one would directly serve residents in the southwest. A new 10,000 square-foot library with upgraded technology, furnishings, and materials would cost $3 million. (Annual debt service estimated at $300,000, plus $190,000 for operating expenses—since located outside of a town, the county has to provide maintenance and utilities).

New Schools: The County School System estimates it will need a new high school and a new elementary school to serve Jefferson Place in the next 5 years. Indeed, all of the schools in the western part of the county exceed rated capacity. The high school near Jefferson Place is particularly overcrowded and exceeds its rated capacity by 35%. The recent comprehensive plan showed that residents consider adequate school facilities their biggest concern about the future of the county. The school system would build the new high school to contain a Science, Technology, Engineering and Math (STEM) academy, equipped with state-of-the art labs. Jefferson Place has promised financial assistance in recruiting top teachers in STEM fields. The cost of the schools total $75M, with annual debt service of $7.5M and operating expenses of $2M ($500,000 of this being maintenance and utilities and $1.5M being staffing). Jefferson Place has offered to construct the schools and lease them back to the county at an annual cost of $9M; the lease would cover all maintenance and utilities.

Emergency Radio Communications Replacement: The County's emergency radio system is woefully out of date. Currently VHF/UHF, the system no longer communicates with surrounding counties that have newer 800/700MHZ technology. New VHF frequencies are almost impossible to find. In addition, the system's parts are so old that they are no longer being manufactured, making system repairs more and more difficult. The county's system could literally fail at any moment without the possibility for repair. The county has conducted a study recommending replacement of the current system with 700MHZ and construction of three new towers. The study considered numerous options, but landed on this one, also the least expensive, estimated to cost $10M. Annual debt service is estimated at $1M and additional operating costs would be $300,000.

<u>Instructions:</u>

1. Score and prioritize the projects using the attached prioritization method.
2. Recommend a 5-year capital plan to the county board for adoption.

Also consider and be prepared to answer the following questions:

3. Which projects did you decide not to do? Why?

4. To what extent did you consider the operating impact of the projects? How did that affect your decisions?

5. Consider how you would fund these facilities? Are any appropriate for pay-as-you go funding versus debt? Which projects might be able to leverage grants?

6. For debt-funded projects, which should be subject to a bond referendum? Why or why not? If yes, what allies do you have to help advocate for approval of the bonds? What other strategies would you consider to get the bonds approved?

7. What concerns do you have about the county's ability to borrow funds? To what extent did that affect your decision?

8. Which town facilities should the county help fund? Explain your rational. What other issues did you consider when reviewing projects that benefit the town?

9. How did equity of services affect your decisions?

10. How did the comprehensive plan goals affect your decisions?

11. What additional information would have been helpful?

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Budget Criteria

Consistency with Long-range Plan: Does a request meet the stated priorities of the Commissioners in an adopted plan? Requests which meet one or more of the Commissioners' stated priorities are given priority.

Safety: Does a request eliminate, prevent, or reduce an eminent safety hazard? A hazard should be thought of as a serious condition that will result in injury or death to citizens or employees or significant property damage to citizen-owned or county-owned property.

Mandate: Does a request help the County provide a new or existing mandated service. The request itself could also be mandated.

Economic Impact: Does a request enhance economic development in the County in such a way as to protect the environment? Factors include adding to the property tax base, sales tax base, and job market.

Efficiencies: Does the request save the County money (i.e., total costs, including those of the project, are lower) over time? The request can do this by saving operating or capital expenses.

Maintain Current Service Levels: Is the request necessary for the County to continue providing the services at the same quality and quantity it is currently?

Operating Budget Impact: What is the net cost of the request? Requests with lower or negative (savings) net costs are given priority. For requests with savings (negative cost), give a score of greater than zero. For requests that cost the operating budget, give a negative score. For requests that have no impact, give a score of zero.

Community Support/Impact: To what extent does the project have community support and or has widespread impact/benefit. Requests that have demonstrated community support and affect more people are given priority.

Financing: What funding sources, besides the general fund or utility fund, are available to pay for this?

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CIP Score Sheet

		Consistency with Long-range Plan	Safety	Mandate	Economic Impact	Efficiencies	Maintain Current Services	Operating Budget Impact	Community Support/Impact	Financing	Total	Notes
	Maximum Points	***15***	***15***	***15***	***15***	***5***	***5***	***+/-10***	***10***	***10***	***100***	
1	Water and sewer line to the Mayberry megasite											
2	Regional water plant											
3	New Mayberry library											
4	New Southwest library											
5	New schools											
6	Emergency radio communications replacement											