CAPITAL BUDGETING

Chatham's Story and an Overview of CIP

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Presenter

- Renee Paschal, retired Chatham County Manager and current Harnett County Budget Director
- Developed Chatham's first CIP in 1996
- Prioritization process featured in *ICMA's Capital Budgeting and Finance*

2

Sources

- Justin Marlow, William C. Rivenbark, and A. John Vogt. 2009. *Capital Budgeting and Finance: A Guide for Local Governments, 2nd edition*. Washington, DC: ICMA.
- Jack Vogt, *Capital Budgeting—Responding to Infrastructure Needs & Implementing Strategic Goals (2009)*
- State Treasurer's Office, *Public-Private Partnership Financing Examples* (2009) and *Analysis of Debt* (2015)
- Lee Carter & Jack Vogt, *Fund Balance in Local Government Finance*
- Rebecca Joyner (Parker Poe, Chatham Bond Counsel)
- Doug, Jeremy, and Andrew Carter (DEC, Chatham FA)
- Vicki McConnell, Deputy County Manager/Finance Officer, Chatham County

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First, a little quiz

- Locate Chatham County on the map:

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Once Upon a Time

- Cows, chickens and goats
- GO bonds and revenue sharing
- Retirees, employees of UNC and RTP
- The old woman and the shoe

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Once Upon a Time

- GO or COPs?
- $113 million in debt!
- A 6-fold increase in debt per capita

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Enter the Wizard

- Doug Carter and Associates (DEC)
- The debt model
- BOC unanimously adopts CIP
- Projects begin

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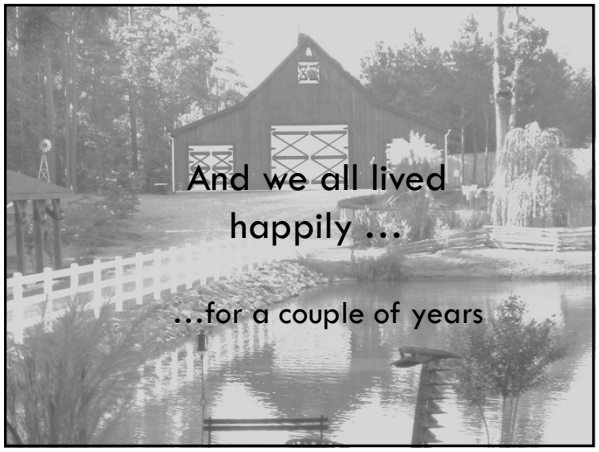

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But is a success story

- 13 years later
- We have a lot to show for it
- In spite of (because of?) the recession

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Chatham County Justice Center

- 87,000 sf
- Opened January 2013
- Geothermal wells
- Houses all court functions

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Margaret Pollard Middle

- 120,000 sf
- Opened 2011
- Geothermal wells
- LEED Gold Certified (1st middle school in state)

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Agriculture & Conference Center

- 35,000 sf
- Opened March 2017
- One-stop for agriculture +conference center

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Additional CIP projects completed since 2006

- Social services 20,000 sf addition
- Infrastructure for a business park
- New library
- 2 community college buildings
- Elementary school
- Jail
- Joint County-School Bus Garage

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Before the Recession

- Set aside 4 cents on the tax rate to fund the debt model—*this was key*
- Set up the debt reserve
- Authorized DSS expansion, business park construction, and new elementary school
- These projects were nearly complete before recession began
- Funded through Certificates of Participation (COPs)
- Design work for community college buildings, middle school and library complete

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During the Great Recession

- At first, we couldn't find money to borrow
- Financing was difficult to obtain, but we were able to obtain bank loans and, eventually, an ARRA loan
- Construction bids were significantly below budget:
  - Library13% below bids received in August 2008
  - Community college building19% below budget
  - School 13% below budget
  - Justice center 17% below budget
- Interest costs were at all-time lows, 2.68% for Agriculture & Conference Center

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Why AAA?

- Rating agencies cited:
  - Excellent planning—CIP and fund balance model, which includes CIP operating effects
  - Reserves (including capital reserve to pay future debt and fund balance)
  - Adoption of and adherence to Financial Policy, including maintaining adequate fund balance
- Important because county is able to borrow funds at lowest interest costs available and most favorable terms

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AAA: Focused on Funding

- Every project scheduled in the CIP is funded
- Funds are accumulated up front
- Projects without a funding source are classified as "future projects" and are not scheduled
- This category has been useful:
  - Alleviates need for "pie-in-the-sky" projects
  - Alerts the board to needs on the horizon that may compete with scheduled project for funds
- We spend much time on identifying operating costs—now used as basis for expansion requests

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AAA: Debt Model/Reserve

- The reserve has held up through 3 complete BOC changes
- Currently on version 55+of model
- Evens out contributions to the debt reserve
- Without model 10.9 cents would have been required in FY 18 for debt service covered by the model (v. 7.7-cent annual contribution to reserve)
- High of 19.2 cents needed in 2022
- Funds accumulated up front—favorable view from rating agencies
- No tax increase is needed to fund debt service for existing and future projects (does not include operating)

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AAA: Fund Balance Model

- 7-year projection of the county's revenues, expenditures, and uses of fund balance
- Ensures the county stays above its 20% goal of unassigned fund balance
- County appropriates fund balance only for one-time expenditures

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AAA: Financial Policy

- In place since 2003; reaffirmed by four different boards
- Establishes goals, such as maintaining fund balance
- Also covers:
  - Budget
  - Debt
  - Fees & User Charges
  - Capital Improvements Program
  - Fund Balance
  - Capital Reserves
  - Cash Management
  - Accounting & Financial Reporting

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AAA: Know What to Sell & Explain

- Sell:
  - High per capita income
  - Low unemployment and recent job growth
  - Positive performance in general fund during recession
- Explain:
  - Building permits not fully recovered
  - High residential tax base

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CAPITAL BUDGETING

Covering the Basics

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Capital Project

- Involves **substantial cost** (defined by the unit)
- Anything **financed** by debt
- Involves acquiring a **capital asset** (tangible, long useful life)
- Generally, means **all components** (design, construction, furnishings & equipment, etc.)
- Does not include operating expenses
- Typically, much more cost than what the jurisdiction considers as "capital outlay"
- Sometimes only construction gets mentioned in early discussions
- Often **takes more than a year** to complete (start to finish)

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Building a House is a Personal Capital Project

- **Substantial cost:** The most expensive thing we buy
- **Debt financed:** We figure out what we can afford; our bank will only lend us so much
- **Acquiring a asset:** Many of us keep our houses for a long time, some of us for our lifetime
- **All components:** The loan usually covers architectural drawings, land, well/septic or connection to city water/sewer, contractor, closing costs, appliances, etc.
- **No operating**: Monthly utilities or maintenance are not included in project/mortgage, but we **need to consider them** when we decide if we can afford the debt
- May **take more than a year** from start to finish
- **WE HAVE TO PLAN**—for most of us a house cannot be a whim purchase, we have to be purposeful and deliberate

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Typical Project Components

- Projects are broken down and costed by:
  - Planning (including feasibility studies, surveys, preparation of specifications, architectural design, and engineering services)
  - Construction/purchase
  - Furniture, Fixtures, & Equipment ("FF&E")
  - Land
  - Contingency; usually 5-10% of construction or purchase cost
- Also:
  - Debt issuance costs, legal fees, materials testing, project management, etc.

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Which of the Following Are Capital Projects? (Assume $100K is threshold)

- Computer software for new payroll system ($75,000)
- Computer hardware for new payroll system ($30,000)
- Five replacement vehicles (total $110,000) to be financed from capital reserve
- Personnel and office supplies for a new dentistry program in health department ($105,000)

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Exercise 1: Examples of Capital Projects

- Review the Carrboro Sidewalks (Workbook pages 1-2) and Mecklenburg Medic Facility (Page 3)
- Answer the following:
  - What project elements do they have in common?
  - What unusual project elements do you see?
  - How many years will each project take?
  - Why do you think Mecklenburg's project is budgeted over 2 years?

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What is a CIP?

- It is not…
  - Clothing Issue Point, Corrugated Iron Pipe, Channel Identification Plan, Counter Intelligence Program, Clean-In-Place, or Cheeseburger-in-Paradise
- It could be…
  - Critical Infrastructure Protection, Capital Investment Plan, Core Investment Program, or Critical Item Program
- It is…
  - Capital Improvements Program/Plan
  - The jurisdiction's long-term plan for important improvements
  - Usually includes costs, financing sources, and operating impact

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What is a CIP?

- Considers all possible **capital projects**, decides which ones will be done and when, decides how they will be paid for
- **Multi-year:** Plans usually range from 5 to 10 years
- **Multi-phased:** Each project has multiple components and can be spread over several years
- The best ones include operating impact cost estimates
- Some jurisdictions include CIP in the operating budget document, others have a separate document and process
- Synonymous with "**capital budgeting**"

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City of Clinton CIP Example

- Workbook, pages 4-15
- Clinton is located in Sampson County
- Population: 8,787
- Great example of a small city's CIP
- Staff develops preliminary CIP in mid-March (discussed at budget workshop)
- Final CIP adjusted & presented for public review & Council approval in June

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Legal Framework of Capital Budgeting

- Not legally required
- If done, **statutes charge manager** with preparation
- Governing board must:
  - Adopt **project ordinances**, if used (§ 159-13.2)
  - Establish **capital reserve funds**, if used (§ 159-18)
- A CIP is **a plan, not a budget**, and does not authorize spending
- On the other hand, debt is highly regulated (more later)

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How Do CIP Projects Get "Budgeted"

- Having a project in the CIP does not mean you can start spending $
- Projects must be budgeted before funds can be spent. How?
  - Some jurisdictions turn Year 1 of the plan into a budget
  - Through the operating budget—these should be projects that don't run past the end of the fiscal year they are budgeted in
  - Through a separate project ordinance—especially if project will exceed 1 year in length
    - Ordinance must be balanced, ie, revenues = expenses

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If Not Legally Required, Why Do It?

- Gets everything listed in one plan
- Helps link to jurisdiction goals & long-range plans
- Helps prioritize important projects
- Helps see cumulative impacts of debt and other resource needs
- Can help transcend political volatility

Class discussion: Should long-term capital priorities be reshuffled with new board majorities?

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Link to Jurisdiction Goals

- If you don't know where you are going, you'll end up someplace else –Yogi Berra
- If you don't know where you are going, any road will get you there—Lewis Carroll

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Sources of Goals

- Comprehensive land use plans
- Strategic plans
- Master plans (parks, downtown, etc.)
- Maintenance plans
- Council/Board annual goals
- Financial policies and long-term financial models

- What plans does your jurisdiction use in developing its CIP?

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CIP Process

- Who **manages** the CIP preparation process?
- What policies/plans **guide the process**?
- What **timeframe** do you use?
- What is the **calendar** for preparation and how does it relate to the operating budget?
- Where do proposed projects come from?
- How do you decide what gets done?
- How do you build **public support**?

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Who Manages the Process?

- Governing Board sets direction
- In small jurisdictions without a manager, Mayor may manage process
- Manager is legally responsible for preparation; he/she may delegate
- Manager, Finance, or Budget are typical
- Planning Department less typical

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Plans and Policies that Guide

- Plans: comprehensive, strategic, master, etc.
- Financial Policies, cover:
  - Debt
  - Budget and CIP preparation
  - Reserves
  - Fund balance
- Exercise 2: Review Moore County's policy (pages 18 & 21) of Workbook). How long is the County's CIP for general projects? How long for enterprise funds?

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What Timeframe Do You Use?

Which timeframe is better for a CIP and why:

- 5 years
- 7 years
- 10 years
- 15 years

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Calendar for Preparation

- Examples (Workbook pages 23-24)
  - Chatham County
  - Wake County
- When is your jurisdiction's CIP adopted?
- Which is better, a CIP that is before the operating budget process or a CIP that is part of the operating budget process?

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Where Do Projects Come From?

- Specified in plans
- Specified in policies (e.g., Moore County specifies government, schools, community college)
- Open call for projects
- Emerge as local government leaders discuss and think about how to improve
- Staff recommendations to Council
- Council suggestions to staff
- "Synthesize" what we hear from citizens
- Keep pace with professional standards: accreditation, mandates, new laws

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Where Do Projects Come From?

City of Hickory:

- Inspiring Spaces Connectivity Master Plan
- Landscape Master Plan
- Parks and Recreation Master Plan
- Hickory Horizons Strategic Plan
- Sidewalk and Bikeway Master Plan
- Business/Industrial Master Plan
- Water and Sewer Extension Plan
- Library Long-range Plan
- Airport Master Plan
- Hickory by Choice Comprehensive Land Use and Transportation Plan
- Neighborhood Focus: City grants for 12 self-identified neighborhoods to undertake neighborhood improvements

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Choosing What Gets Done: Prioritization

- Can range from no prioritization to very complex
  - Intuitive/gut prioritization: Based on judgment and experience (very common!)
  - Based on program goals and priorities
  - Based on urgency of need: Mandates, safety and health, required maintenance, consistency with plans/goals

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City of Greeley, CO Prioritization

- Imperative (must do): correct danger to public health & safety, meet legal obligation, alleviate immediate service/facility deficiency, prevent irreparable damage
- Essential (should do): rehabilitate/replace obsolete facility, stimulate economic growth, reduce future operating costs, leverage grants
- Important (could do): provides new or expanded service, promotes intergovernmental cooperation, reduces energy use, enhances cultural or natural resources

--From 2007-2011 CIP (courtesy of Jack Vogt)

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City of Clinton Prioritization

1. Addresses Public Safety (20 points)
2. Legally Mandated (20 points)
3. Achieves Council Goal (15 points)
4. Achieves Community Goal (15 points)
5. Availability of Outside Funds (10 points)
6. Increases Service Efficiency (10 points)
7. Promotes Economic Development (10 points)
8. Protects/Maintains City Assets and Financial Stability (10 points)
9. Receives Economic Payback in Less Than 5 Years (10 points)
10. Links with Other Projects (10 points)

Total Points: 130

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Mecklenburg County

- Much more complex
- See Workbook Page 25

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Building Public Support

- No public hearing is required for CIP
- Voter-approved bonds are a clear method of input
- Some cities engage neighborhoods in planning efforts for capital improvements (Garner, Hickory)
- Many base projects on plans that included public input

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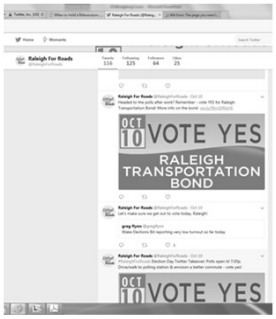
GO Bond Campaigns

- Public sector can only provide factual information
- City of Fayetteville video: BondReferendumVideo
- Raleigh for Roads
- Referenda must be during regular primary or general election in even numbered years (municipal exception)



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Miscellaneous Other Advice

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Planning Is Key—Spend the $!

Usually, 2 phases of planning:

- Feasibility study
  - Answers: Do we need this? What would the project look like? What is the estimated cost?
  - Produces the cost estimate first plugged into the capital plan
  - E.g., building program for construction or preliminary engineering report (PER) for water/sewer
  - Few jurisdictions have the ability to do in house
  - Cost estimates without this analysis are less reliable
- Detailed design
  - Common examples are architectural design and engineering design; but could include other bid specifications
  - Generally produces bid documents
  - "Designer" typically performs construction administration or implementation oversight role

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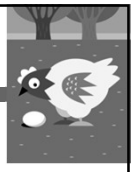
Chicken & egg problem



- Which comes first?
  - Project budget
  - Funds for planning
- Chatham & Harnett use designation of "future projects"
- Steps:
  1. Document need as future project
  2. Budget *planning funds* in operating budget (feasibility study)
  3. Develop project budget
  4. Include project in CIP
  5. Develop project ordinance or include in operating budget
  6. Spend $

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Pre-concept Meetings

- Before CIP projects are submitted
- Meeting between CIP staff, project submitter, and key stakeholders (finance, IT, facilities, planning)
- Allows project to be thoroughly vetted and impacts identified
- Keep notes and share with the submitter

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Other Things to Consider

- How firm are cost estimates? Are they expected to change?
- Is inflation included and how was it determined?
- How much contingency is included and why?
- Were lifecycle costs considered?

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Capital Finance

Overview of capital financing:

- Debt finance
- Pay as you go
- Some best practices

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Financing Methods

- Debt
  - General obligation bonds
  - Installment debt (public & private)
  - Revenue bonds
  - "Innovative" strategies
- Pay-as-you-go
  - Capital reserves
  - Funding depreciation
  - Annual revenues
  - Fund balance
  - Impact fees
  - Special revenues (911….)
  - Grants

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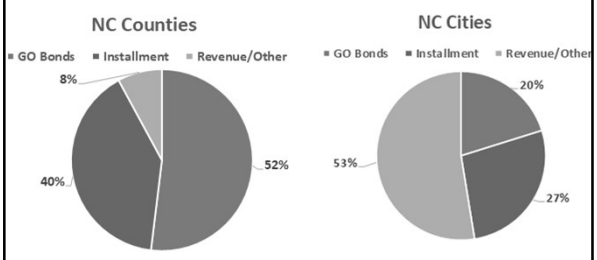
Debt in cities and counties



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It's All about Collateral

- Full faith and credit, **taxing power** (GO)
- **Asset** you are financing (COPs, LOBs)
- **Revenues** from the financed project (revenue bonds)
- Goal is to put up as much as needed without going over
- Banks like 100% collateral
- If public market and multiple projects, you need at least 50% collateral to loan value

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Traditional Financing
General Obligation (GO) Bonds

- Security is **full faith and credit** (taxing power)
- **Voter approval** is required; can only be held during a primary or general election
- Interest rates and issuance costs are lower
- In 2009, represented 30% of local debt nationwide
- Max term 20 years
- Which projects are appropriate for GO debt? Why?

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Traditional Financing
Revenue Bonds

- Security is **revenue generated by project**
- No voter approval
- Higher interest rates than GO bond, depends on rating
- Typically used for water, sewer, and electric
- Term can be up to 30 years

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Traditional Financing
Installment Financing Contracts

- Security is **asset being financed**
- No voter approval
- Types: limited obligation bonds and certificates of participation (public market); bank loans (directly place/private)
- Somewhat higher interest rates than GO
- For public, interest cost is **negotiated** on public market by underwriter; money is **borrowed through a corporation**
- **Grown in use** over the years since Wayne County court case in 1991
- Max term 20 years
- Table discussion: Which projects are appropriate for installment debt? Why?

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Traditional Financing
Leases

- For equipment
- **Doesn't require Local Government Commission (LGC) approval** if 59 months or less
- Can't finance longer than useful life
- Interest rates low because of **short amortization**
- Usually not appropriate for large projects
- Examples: fire trucks and dump trucks

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Traditional Financing
2/3 Bonds

- 2/3 Financing
- Can issue new bonds for 2/3 of GO principal retired within the year
- Have to go through LGC
- Required to go through same authorization in bond document

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Innovating Financing
Public/Private Partnerships

- Usually doesn't affect **legal structure** of financing allowed by statute
- Takes many forms
- **Involves private sector** in financing, construction, or partnership in public-private facilities
- One theory is lower interest (tax-exempt) financing for public and lower construction costs for private; but not the only form

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Innovative Financing
Consider USDA Loans

- **LGC doesn't approve USDA** (does approve interim financing)
- 30-40 year term
- County has to be within **USDA requirements**
- Issued out of Rural Development Office—tasked with finding projects that assist rural areas
- **Requires interim financing** during construction period
- Allows **level payment** (most other debt, level principal)
- More flexible on structure
- Very low interest rates

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Bond Issuance Process

- Project planning
- Preliminary discussions with LGC (estimates of projects, etc.)—approve GO referendum application
- Vote (if required)
- Bids must be in hand
- Public hearing and adoption of resolution by governing board
- LGC approval
- Receiving ratings
- Finalize Official Statement
- Sale date
- Closing

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Actors in GO & Installment Debt

Public Market
- County Attorney
- Local Government Commission (LGC)
- Financial Advisory (FA)
- Bond Counsel
- Underwriter Bond Counsel*
- Underwriter*
- Trustee*

*Only for Installment Debt, not required for GO

Private Market
- County attorney
- LGC
- FA (deals with bank, gets best interest rate, handles details)—not required
- Bond counsel
- Bank
- Bank counsel

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Local Government Commission (LGC)

- Division of the State Treasurer's Office
- Oversees issuance of almost all debt by local government
- Oversight is one of key reasons why we have high bond ratings
- Tremendous resource, especially for smaller jurisdictions, will help walk you through financing (FA for smaller entities)
- Charge for application and review; $12,500 for LOB

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Bond Rating Agencies

- Three agencies: Moody's, Standard & Poor's, Fitch (rate on different factors)
- Agencies rate GO Bonds, highest rating
- For installment debt, usually assign one step below; may step down 2 levels if "non-essential"
- Beneficial to visit or have them visit for large projects/issuances or pushing for upgrade
- Have to pay for rating; Moody's ($23,500); S&P's ($20,900)

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Bond Rating Agencies
What determines your rating?

Moody's

- Economy 30%
- Finances 30%
- Management/ Institutional Framework 20%
- Debt 20%

Standard & Poor's

- Economy 30%
- Management 20%
- Liquidity 10%
- Budgetary Performance 10%
- Budgetary Flexibility 10%
- Debt & Contingent Liabilities 10%
- Institutional Framework 10%

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Bond Rating Agencies
What determines your rating?

- Agencies use different factors and weightings:
- In improving your rating, focus on finance, management, and debt—you can affect these in the short-term
- If you are not rated by all 3 agencies, consider the criteria before seeking a rating

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Sample Moody's Scorecard

Chatham County, North Carolina

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Very Strong (Aaa)		Strong (Aa)		Moderate (A)		Weak (Baa)		Poor (Ba)		Very Poor (B & Below)					Weighted
Numerical Score	0.50	1.49	1.50	2.49	2.50	3.49	3.50	4.49	4.50	5.49	5.50	6.50	Input	Weight	Score	Score
1 Economy / Tax Base (30%)																
2 Tax Base Size: Full Value (in 000's)	> $12B		$12B >	> $1.4B	$1.4B >	> $240M	$240M >	> $120M	$120M >	> $60M	< $60M		$9,727,833,000	10%	1.70	0.17
3 Full Value Per Capita	> $150,000		$150,000 >	> $65,000	$65,000 >	> $35,000	$35,000 >	> $20,000	$20,000 >	> $10,000	< $10,000		$141,694	10%	1.59	0.16
4 Socioeconomic Indices: MFI (US Median)	> 150%		150% >	> 100%	90% >	> 75%	75% >	> 50%	50% >	> 40%	< 40%		105.00%	10%	2.24	0.22
5 Finances (30%)																
6 Fund Balance as % of Revenues	< 20.0%		30.0% >	> 15.0%	15.0% >	> 5.0%	5.0% >	> 0.0%	0.0% >	> -2.5%	< -2.5%		44.30%	10%	1.01	0.10
7 5-Year Dollar Change in Fund Balance as % of Revenues	> 25.0%		25.0% >	> 10.0%	10.0% >	> 0.0%	0.0% >	> -10.0%	-10.0% >	> -18.0%	< -18.0%		19.50%	5%	1.86	0.09
8 Cash Balance as % of Revenues	< 25.0%		25.0% >	> 10.0%	10.0% >	> 5.0%	5.0% >	> 0.0%	0.0% >	> -2.5%	< -2.5%		42.50%	10%	0.50	0.05
9 5-Year Dollar Change in Cash Balance as % of Revenues	> 25.0%		25.0% >	> 10.0%	10.0% >	> 0.0%	0.0% >	> -10.0%	-10.0% >	> -18.0%	< -18.0%		18.90%	5%	1.90	0.09
10 Management (20%)																
11 Institutional Framework	Very strong, legal ability to match resources with spending		Strong legal ability to match resources with spending		Moderate legal ability to match resources with spending		Limited legal ability to match resources with spending		Poor legal ability to match resources with spending		Very Poor or no legal ability to match resources with spending		Aaa	10%	1.00	0.10
12 Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	> 1.05x		1.05x >	> 1.02x	1.02x >	> 0.98x	0.98x >	> 0.95x	0.95x >	> 0.92x	< 0.92x		1.00	10%	2.99	0.30
13 Debt / Pensions (20%)																
14 Net Direct Debt / Full Value	< 0.75%		0.75% <	< 1.75%	1.75% <	< 4.00%	4.00% <	< 10.00%	10.00% <	< 15.00%	> 15.00%		1.20%	5%	1.94	0.10
15 Net Direct Debt / Operating Revenues	< 0.35x		0.35x <	< 0.87x	0.87x <	< 3.00x	3.00x <	< 5.00x	5.00x <	< 7.00x	> 7.00x		1.26	5%	2.74	0.14
16 3-Year Average of Moody's Adjusted Net Pension Liability / Full Value	< 0.60%		0.60% <	< 2.10%	2.10% <	< 4.80%	4.80% <	< 12.00%	12.00% <	< 18.00%	> 18.00%		0.30%	5%	0.82	0.04
17 3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues	< 0.40x		0.40x <	< 0.80x	0.80x <	< 3.60x	3.60x <	< 6.00x	6.00x <	< 8.40x	> 8.40x		0.29	5%	1.22	0.06
18																
19 Estimated Total Score																1.83
20 Estimated Unadjusted Rating																Aa1

Moody's Rating Scorecard: Indicative Ratings

HI	LO	Rating
0.50	1.50	Aaa
1.50	1.83	Aa1
1.83	2.17	Aa2

DAVENPORT & COMPANY

Note: Per Moody's MFRA

June 30, 2017 Chatham County, NC 6

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Bond Rating Agencies
NC AAA Ratings (2018)

	Moody's	S&P's
Cities	11	17
Counties	8	10

What is the smallest county in NC to hold a AAA?

What is the smallest city in NC to hold a AAA?

What is the smallest city with a bond rating?

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Refunding

- Done to save interest costs
- Lots of deals in recent year because of very low interest rates
- Timing is important
- LGC still reviews
- 45-60 day process

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Bond Counsel

- Very specialized; need **special attorney**
- Reviews all documents
- **Makes sure everything is legal**
- Documents are very tedious to review
- Provides an opinion that the documents, project and legal structure are legal and fair
- $58K for Chatham's last financing

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Financial Advisor

- Provides independent advice, they sit **on your side**
- **Helps you plan** your debt
- **Develops models** for repayment of debt and funding
- Deals with banks and underwriters
- Helps choose underwriter
- Oversees bond sale; help you choose best time to sell
- Helps with presentations to rating agencies
- Shops around for best interest rates

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Pay-as-you-go Options
Capital Reserve Funds

- Authorized by Statute
- Governing board must establish
- How it is accumulated:
  - Extra fund balance
  - Annual appropriation
  - % of general revenue
  - Depreciation
- Examples
  - Chatham County contributes a minimum of 1% of its operating budget
  - Plano, TX funds 75% of annual depreciation for streets and parks (Jack Vogt)

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Pay-as-you-go Options
Other Ideas

- Use operating revenues for smaller projects
- Use fund balance, if it is sustainable (more later)
- Set user fees to help recover capital costs (water and sewer impact fees are now covered by new legislation)

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Best Practices

- Establish **and follow** policies for:
  - Debt: how much, when, how
  - Fund balance maintained and usage
  - Moore County example on Pages 18-19 of Workbook
- **Forecast financial condition** and ensure CIP funding is sustainable (including operating)
- Balance debt and pay-as-you-go
- **Leverage partnerships** with other governments and the private sector
- Improve bond ratings

Jack Vogt: Capital Budgeting—Responding to Infrastructure Needs & Implementing Strategic Goals

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Policies
Debt: How Much? (2018)

- Debt limit
  - Legal debt limit for NC jurisdictions is **8% of assessed value**
  - Counties range from 0.003% to 2.614%
  - Cities range from .002% to 2.095%
- Per capita debt
  - No legal restriction
  - Counties range from $2 to $2,912
  - Cities range from $0 to $125,989
- Debt service as a % of operating budget
  - LGC wants **no more than 15%** because it reduces flexibility
  - Mitigated by "debt reserve"

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Policies
Debt: When and How?

- When?
  - Project threshold
  - Project type
- How?
  - What type of debt will be issued?
  - Policies on 2/3 bond and refunding

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Exercise
Page 18-19 of Workbook

- Read the debt section of Moore County's Policy
  - What capacity policy does Moore have?
  - When will the county issue debt?
  - What happens if debt service exceeds 15%
- Group discussion: What are your jurisdiction's debt policies?

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Policies
When to Use Fund Balance?

- Policy maker decision—set a policy and follow it!
- LGC requires 8% of general fund expenditures (MINIMUM!)=1 month of operating expenses
- What is Moore County's policy? (Page 19 of Workbook)

Source: Lee Carter & Jack Vogt, Fund Balance in Local Government Finance

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Policies
When to Use Fund Balance?

- Averages:
  - Large: 14-24%
  - Medium: 11-53%
  - Small: 25-100+%
- Advice:
  - Avoid the "LGC Letter" at all costs!
  - Should use for "**one-time events**" instead of ongoing operations
  - **Model it** (see Chatham example, Workbook Pages 47-48)

Source: Lee Carter & Jack Vogt, Fund Balance in Local Government Finance

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Policies
Importance of Adequate Fund Balance

- Helps with emergency needs
- Moderates unexpected revenue shortfalls
- Cash flow
- Take advantage of financial opportunities (refunding bonds OR project ideas that emerge)
- Bond ratings
- Model it—Workbook pages 28-29

Source: Lee Carter & Jack Vogt, Fund Balance in Local Government Finance

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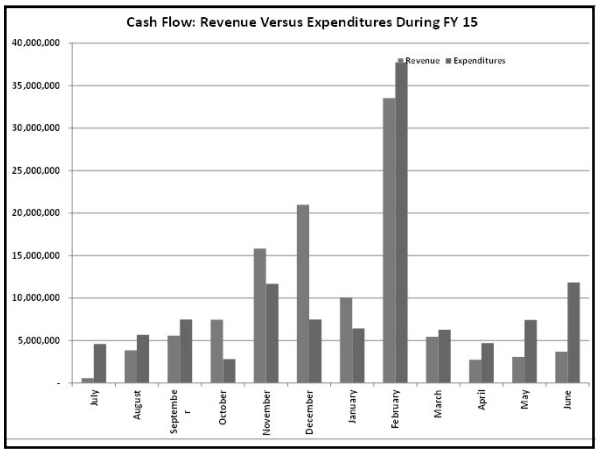

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CIP Operating Effect

- Where does capital project spending affect the operating budget?
  - Debt payments
  - Contribution to capital reserves
  - One-time funding from operating budget
  - New personnel to run new facilities
  - New operating costs (utilities, etc.)
  - Revenues
  - Reduced costs (e.g., rent payments)

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CIP Operating Effect
Chatham Example (P. 27of Workbook)

- Most operating costs, unless fixed by contract, are inflated 3%
- Operating includes:
  - New personnel
  - One time and ongoing operating costs
  - Capital outlay
  - Savings
  - Additional revenue

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Questions?

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Capital Budgeting Workbook

Sidewalks

Project Description
In 2003 the citizens approved $4.6 million of general obligation bonds for a sidewalk and greenway construction program. The Town has completed 22 sidewalks covering 4.72 miles.

Sidewalks Completed

Ashe St.	Jones Ferry Rd (at Old Fay.)
Bim St.	Lisa Drive
Bolin Forest	Lloyd St.
Brewer Lane	N. Greensboro St.
Cheek St.	Old Fayetteville Rd.
Davie Rd.	Pine St.
Elm St.	Pleasant
Fowler St.	Quail Roost
Hanna St.	S. Greensboro St.
James St.	West Main St. (near Post Office)
Jones Ferry Rd. (Rt. 54)	Williams St.

The following two projects are expected to be completed in 2015-16 and will complete construction of the planned sidewalks.

- Rogers Road sidewalk project (one mile in length) consists of the installation of a 5 foot wide concrete sidewalk on the west side of Rogers Road from Homestead Road to Meadow Run Court. It is funded with a combination of bond funds and STP-DA funds. The project is at 90% design completion and staff is in the process of acquiring easements and right of way. Construction is anticipated in calendar year 2015.

- Smith Level Road improvements by NCDOT will include sidewalk installation with the Town providing a 30 % local match, currently estimated at $42,412. The project is currently under construction and is expected to be completed in FY 2014-15.

Project Benefits
This project increases the safety and convenience of walking throughout the Town within neighborhoods and to facilities such as schools, bus stops, shopping areas and recreational facilities. The Town encourages all state road improvements to include sidewalks and bike lanes on both sides of the road and, where feasible.

Energy Sustainability Measures
A good sidewalk network reduces the reliance on automobiles and thereby reduces the Town's overall carbon footprint.

Operating Impact
The construction of new sidewalks is not expected to have an immediate impact on the town's operating budget. However, in the long-run additional sidewalks will need to be maintained and replaced.

ESTIMATED COSTS	PRIOR YEARS	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 & BEYOND	TOTAL PROJECT
Planning/Design	$ 652,476	$ -	$ -							$ 652,476
Construction	$ 2,908,054	$ 288,000	$ 864,000							$ 4,060,054
Other	$ 457,308	$ -	$ 117,000							$ 574,308
TOTAL COST	$ 4,017,838	$ 288,000	$ 981,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,286,838

ESTIMATED FUNDING	PRIOR YEARS	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 & BEYOND	TOTAL PROJECT
Capital Reserves	$ 383,811									$ 383,811
Pay-As-You-Go	$ 11,700									$ 11,700
GO Bond	$ 2,635,585	$ -	$ 828,678							$ 3,464,263
Intergovernmental Revenues	$ 693,168	$ 288,000	$ 152,322							$ 1,133,490
Other	$ 293,574									$ 293,574
TOTAL FUNDING	$ 4,017,838	$ 288,000	$ 981,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,286,838

Mecklenburg County
Capital Project Submission

Project Name:	Department:	Project Category:	Project Cost:
Medic Headquarters Relocation/Expansion	Medic	Government Facility	**$48,344,000**
Address Location:	**Estimated Start Date:**	**Estimated Completion Date:**	**Estimated Operating Cost at Completion:**
4525 Statesville Rd., Charlotte, NC 28269	July 1, 2015	July 1, 2016	**$ -714,191**

Project Description / Scope:

176,226 square foot Building

Project Justification:

This project request will support a critical needed expansion of the Mecklenburg EMS Agency (Medic) operations facility. Medic moved into its current leased Statesville Road facility in 1998. Since that time, the Agency has experienced significant growth in service demand. This in turn has resulted in mirrored growth in operational functions and administrative support and to sustain the growth in calls for service, both emergency and non-emergency.
Medic has maximized capacity in the original 81,000 square foot building as well as an additional 35,000 square feet in an adjacent building leased in 2011.

Cost Breakdown of Capital Project

Project Costs	FY2014	FY2015	FY2016	FY2017	FY2018	Future Years	Total
Land Acquisition			0	0			0
Design			3,061,600	765,400			3,827,000
Construction			7,121,000	28,484,000			35,605,000
Public Art - 1%			349,000	0			349,000
Project Management			0	64,000			64,000
Furniture, Fixtures & Equip.			0	3,836,000			3,836,000
Contingency			0	4,395,000			4,395,000
Communication			0	268,000			268,000
Other			0	0			0
Total	**0**	**0**	**10,531,600**	**37,812,400**	**0**	**0**	**48,344,000**

Additional Comments:

Employee Count

	FY2015			FY2016			FY2017			Total		
	FT	PT	Temp	FT	PT	Temp	FT	PT	Temp	FT	PT	Temp
	0	0	0	0	0	0	0	0	0	0	0	0

Additional Comments:

May 6, 2016

Dear Mayor Starling and Members of City Council:

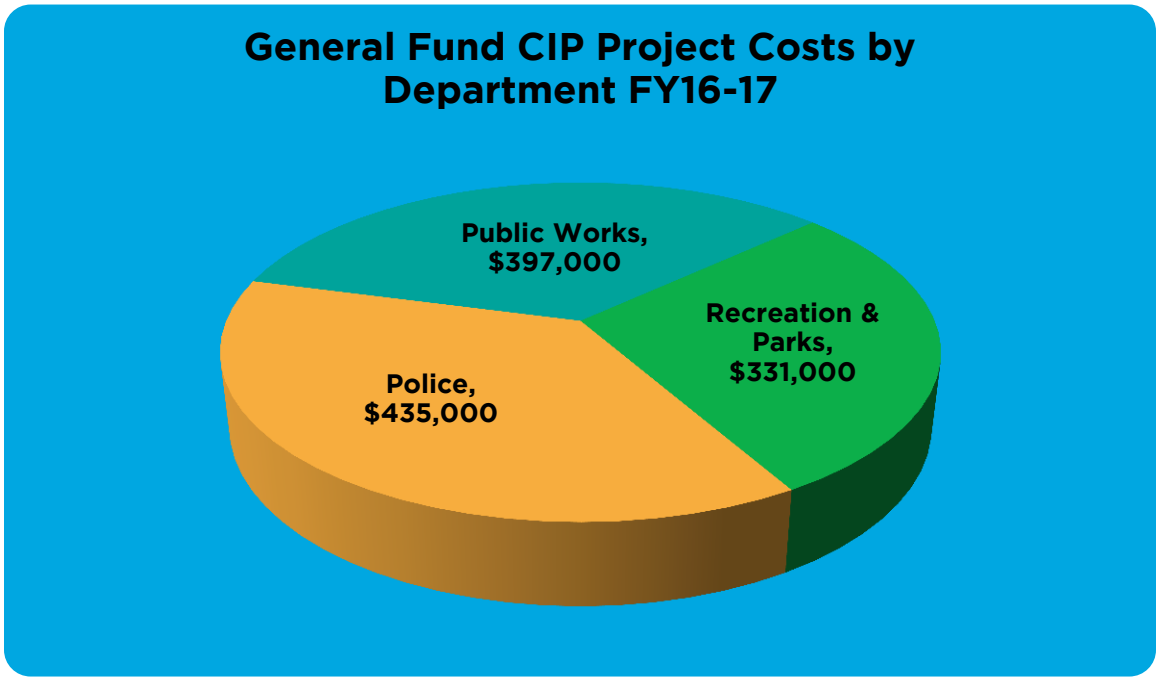
I am pleased to present the Recommended FY2016-2017 Capital Improvement Plan (CIP) for your review and consideration. The City's CIP represents a guide for maintenance and acquisition of capital assets. The CIP is an important management tool, as it evaluates the effects of capital costs on the city's operating budget and the city's financial standing in terms of debt burden and capacity. The entire CIP is not an adopted budget. Only the first year of the CIP (FY16-17) will become part of the city's annual budget document, once approved. The CIP is a dynamic planning tool, as it is evaluated annually and adjusted according to City Council's goals and financial considerations.

FY16-17 CIP Overview

The Recommended FY16-17 CIP includes 16 projects totaling $2,223,000 for the General Fund and Water and Sewer Fund. Ten capital projects in the General Fund total $1,163,000. Annual road resurfacing, an addition to the police station, and renovations at Royal Lane Park represent the greatest portion of the General Fund CIP, although grant funding will offset half the cost of the park renovations. Vehicle purchases in the FY16-17 CIP total $240,000. The annual police vehicle rotation accounts for $135,000 of this total. Finance staff and department heads thoroughly evaluate vehicle purchases to ensure departments purchase the most efficient vehicle. By ensuring the right vehicle for a specific department or service, maintenance and fuel costs are kept to a minimum or reduced.

Water and sewer projects total $1,060,000. The FY16-17 Water and Sewer CIP is significantly different from the CIP staff presented last year. The city's water production expansion project is two years behind schedule due to difficulty in identifying suitable well sites and completing well construction. At the writing of this message, engineers have located, tested, and begun construction of the city's new wells. With the completion of the wells, the city will be able to move forward with the construction of the transmission lines and doubling of the water treatment facility. Staff expects completion of the expansion project at the beginning of FY17-18. The largest projects in the FY16-17 CIP include the initial phase of the NC 24 industrial park utilities ($400,000), purchase of a sewer vacuum truck ($350,000), and the implementation of utility line rehab program ($200,000). City Council's decision to formalize the utility line rehab program through inclusion in the CIP demonstrates City Council's commitment to sound infrastructure.

The complete 5-year CIP represents projects totaling $29.8 million for the General Fund and Water and Sewer Fund combined.



Financial Impact

Debt burden and capacity ratios remain within acceptable levels for FY16-17 for both funds. Our GF net debt service to expenditures is only 5.30 percent and our W&S percentage is 7.95. This indicates the city's debt is a small percentage of its overall expenditures. Our GF debt per capita is higher than the average but remains lower than our population group's high value, as does our debt per assessed valuation. It is important to keep in mind that some municipalities in our group have smaller populations. Many of these municipalities do not carry debt nor implement large capital projects, which skews the average downward. The following table depicts the city's GF ratios for FY16-17, alongside the ranges for our population group identified by the LGC.

General Fund Fiscal Indicators and Key Debt Ratios

	Clinton	LGC Low	LGC Avg.	LGC High
Net debt per capita	$366	$0	$169	$1,354
Net debt per assessed valuation	0.441%	0.008%	0.153%	0.601%
Net debt service to expenditures	5.30%	N/A	N/A	N/A

Balancing capital needs with services and other priorities can have a significant strain on city revenues. The potential impact on the tax rate is of concern when prioritizing capital projects and operating costs. The CIP provides a tax impact analysis. Revenues from fees and grants can help diminish the potential impact on the tax rate. As the economy rebounds, increases in sales tax revenue and revenue from investments will help offset the revenue needs as well. The proposed FY16-17 CIP does not have a significant effect on the General Fund operating budget, but the CIP does indicate a more significant impact in future years due to larger projects.

As a region heavily dependent on agricultural, the local economy traditionally trails behind state and national trends. We have begun to experience some positive effects from an improving economy, but the financial impact for the city is still modest. The existing conditions present the city with difficult decisions to make regarding balancing a budget to remain financially sound and responding to citizen needs and concerns. Financial planning has revealed the need to push several projects to future years to accommodate operating budget needs. Previous capital planning included the police department renovations to begin in FY17-18. The current CIP now includes the police department in FY18-19 following a small addition to the station in FY16-17. The possibility of a significant increase in the city's tax base does exist with several new industries looking to locate to the area and expected commercial growth from the NC 24 expansion. This growth, however, is at least two years away from fruition. Several projects including new road construction, greenway construction, and renovations at Royal Lane Park remain unfunded in the current CIP. Without the proposed industry or a significant increase in the city's assessed valuation growth rate, the city will have to consider postponing these projects and others indefinitely or consider a change in revenue generation, specifically property taxes. One option would be for City Council to consider issuing general obligation bonds for the projects, which would provide low interest financing and receive citizen approval for a tax rate increase if needed.

The proposed FY16-17 CIP addresses City Council's goals with projects focusing on welcoming neighborhoods and public spaces, sound and sustainable infrastructure, financial sustainability, quality job growth, and enhanced quality of life. Renovations at Royal Lane Park demonstrate the city's desire to create welcoming public spaces and improve quality of life in Clinton. The near doubling of the city's water production capacity, installation of utilities along the Pierce Street extension, and initial phase of NC 24 industrial park utility installation are evidence of the city's commitment to sound infrastructure and economic growth.

Although capital projects can increase the city's debt burden, the projects may be able to offset some of their cost if aligned with City Council goals. Increasing the city's appeal with beautification projects, a focus on public safety, and sound infrastructure can improve the city's economic condition, which can result in an increased tax base and diversified revenue sources. Increases in assessed value and economic activity will generate more revenue and can decrease the city's debt to assessed valuation ratio. In this respect, capital projects in line with City Council goals can be viewed as investments in the city's economic viability and financial stability.

Financial Policies

Capital projects require substantial funding and support, and each year capital projects compete with other priorities in the annual budget process. In 2009, the City adopted fund balance policies for the General Fund and Water and Sewer Fund to establish baseline fund balances and support capital projects. For both policies, fund balance in excess of the target percentage was assigned for potential capital use. The intent of the percentages selected at the time of adoption was to reserve a specific amount of cash for each fund. Annual changes in the budget and the city's changing needs, however, make it impractical to use a set percentage. For this reason in 2013, staff recommended and City Council adopted a policy establishing a range for each fund to assist with cash management and

establishing continued reserves for capital projects. The General Fund policy provides for a fund balance range of 35 to 40 percent with reserves in excess of the range assigned for capital projects. The Water and Sewer Fund policy provides for a retained earnings percentage of 47 to 53 percent. Because of the number of large utility capital projects on the horizon, the policy designates retained earnings in excess of the 53 percent to a capital reserve for the Water and Sewer Fund. This will ensure the city is financially prepared for upcoming projects and upgrades by balancing new debt and pay-as-go financing.

In summary, the proposed FY16-17 CIP includes ten projects in the General Fund and six in the Water and Sewer Fund. The capital projects address city needs while adhering to the City Council's mission and goals. If implemented, the CIP will provide the city with a plan to maintain and acquire capital assets to improve the city's efficiency and effectiveness as well as provide the foundation for future economic growth. The CIP addresses concerns related to debt management and the effects on the operating budget. Although it does not fund all requests made by departments, it does include priority needs of the city and is set to maintain a high level of service for Clinton citizens.

I wish to express my appreciation to the staff members who helped in preparing this capital improvement plan.

I recommend this proposed CIP for FY2016-2017 to City Council.

Respectfully submitted,

D. Shawn Purvis
City Manager

Introduction

The Clinton Capital Improvement Plan (CIP) represents a multiyear forecast of the city's capital needs. The CIP not only identifies capital projects but also the financing required for the projects and their impact on the operating budget. Capital projects differ from annual operating expenses in that they involve large dollar amounts, often require special financing, occur at irregular intervals, and involve development of assets expected to last several years.

The City of Clinton prepares a five-year CIP to function as a planning tool for capital improvements. Only the current year schedule, when adopted by City Council, becomes part of the operating budget. The CIP schedule beyond the current fiscal year is subject to adjustments upon annual review by city staff and Council. Future forecasts in the CIP serve the city by helping plan for capital repairs, replacements, and acquisitions, which aids in financial planning to ensure the city's fiscal health and credit.

Policies and Finance Strategies

The CIP helps the city manage capital expenditures to meet the following goals:

1. Eliminate hazards and risks to public health and safety
2. Promote economic development
3. Improve service effectiveness and efficiency
4. Maintain financial stability

To achieve these goals, the following policies and finance strategies guide city staff in CIP development:

- A capital project is a physical asset with an initial cost greater than $10,000 and a projected useful life greater than 5 years or a non-recurring operating expenditure greater than $10,000 directly related to service delivery. Capital assets may include infrastructure, buildings, vehicles, or information technology equipment and software. Planning and design costs associated with the request should be included in the projected costs when applicable.

- Similar projects costing less than $10,000 should not be lumped together to form a single project greater than $10,000. Such smaller projects should be included within the upcoming operating budget.

- The term of any city debt issue shall not exceed the useful life of the asset for which the debt is issued.

- The capital program will recognize the borrowing limitation of the city to maintain fiscal stability.

- The city will search for all possible outside funding sources for CIP projects to help offset city debt, including grants, private-partnerships, and intergovernmental agreements.

- A financial analysis will accompany the CIP to illustrate the city's capacity to repay debt and identify the effects on financial indicators.

- The city will seek to maintain financial indicators within an acceptable level as compared to peer cities.

- The city will attempt to use pay-as-go financing when possible, particularly for capital assets with costs less than $75,000.

The following is a list of financing options for the City to consider when debt financing is required.

General Obligation Bonds. GO bonds require voter approval because the debt is secured by the taxing power of the local government. GO bonds typically have the lowest interest rates and twenty-year terms. The city typically will not consider GO bonds for any project unless the cost exceeds $2 million.

Revenue Bonds. Revenue bonds are secured and repaid from specific revenues. These revenues are most often the net earnings from enterprise or self-supporting utilities. Revenue bonds are commonly used to finance water and sewer capital improvements. The city typically will not consider revenue bonds for utility projects unless the cost exceeds $3 million.

Installment Purchase Agreements. IP financing can be either short-term or long-term. This type of financing is typically used for items such as equipment and vehicles. Installment purchasing presents the best option for most of the city's current capital needs.

Certificates of Participation. COPs typically have higher interest rates than GO bonds because the debt is secured by funds resulting from project being financed and not the "full faith and credit" of the government. COPs are typically financed for ten- to twenty-year terms. This type of financing should be considered for a revenue-generating project.

Tax Increment Financing Bonds. TIF bonds are high risk for investors because the debt is secured on anticipated increases in property value. TIF bonds can be financed for up to thirty years. They do not require voter approval despite their reliance on property or sales tax increases. TIF is complicated in North Carolina and requires approval from the Local Government Commission and consent from Sampson County.

Special Assessments. Special assessments are an option if citizens petition for a specific capital project. The government can issue debt to finance the project and the citizens agree to pay part of the project costs through taxes for a set number of years.

Assigned Capital Funds. Assigned capital funds represent money set aside each fiscal year for capital projects. The city's fund balance policy provides for capital funds by committing money for capital projects from the city's fund balance in excess of the city's specified range. Committed capital funds are used typically for project contingency and smaller projects.

General Fund/Capital Outlay. This funding is similar to the capital reserve fund except it is money allocated out of the General Fund from the operating budget. There is no debt associated with this funding. This represents a majority of the city's pay-as-go financing.

Water and Sewer Fund. The water and sewer fund operates as an enterprise fund. Revenues generated by water and sewer operations are designated in the water and sewer fund for the water and sewer operating budget as well as water and sewer associated capital outlay. The city maintains a capital reserve fund for specified water and sewer projects. The city designates retained earnings above the city's specified range for the water and sewer capital reserve fund.

Miscellaneous. Other funding sources include grants or donations from private donors or state and federal government. These funding sources often have to be used for a specific project.

Planning Process and Calendar

City staff reviews the CIP annually as part of the regular budget process. Preparation for the CIP begins in December of the current fiscal year, at which time department heads meet with staff to review capital needs. At the same time, the City Manager and Finance staff meet to review Council goals, CIP policies, finance strategies, and ranking criteria. In mid-January, departments submit their CIP requests and meet with the City Manager and Finance staff to discuss the projects and estimated costs. Once department heads submit all CIP projects, the City Manager and Finance staff rank the projects using the following criteria and point scale.

1. Addresses Public Safety (20 points)
2. Legally Mandated (20 points)
3. Achieves Council Goal (15 points)
4. Achieves Community Goal (15 points)
5. Availability of Outside Funds (10 points)
6. Increases Service Efficiency (10 points)
7. Promotes Economic Development (10 points)
8. Protects/Maintains City Assets and Financial Stability (10 points)
9. Receives Economic Payback in Less Than 5 Years (10 points)
10. Links with Other Projects (10 points)

The total points for each project merely represent a guideline and are not the determining factor for project funding. City Council must approve projects, which are subject to change based on shifts in Council priorities and the economy. Each project can receive all, half, or no points for each category.

City staff performs a financial analysis to estimate the impact of capital projects on the operating budget and the city's borrowing capacity and debt tolerance. The financial analysis helps determine which projects to fund in each year. Expected budget surpluses and deficits are considered when calculating the financial impact of the CIP. City staff develops a preliminary CIP by mid-March to present to City Council at a CIP workshop to discuss changes and priorities. The final CIP is adjusted based on Council recommendations and presented to the Council for public approval as part of the annual budget document at the June Council Meeting.

FY 2015-2016 CIP and Budget Schedule

Budget Preparation Steps	Date
Strategic planning workshop with City Council	Tuesday, October 20, 2015
Departments begin meeting internally to develop CIP project requests	Monday, November 30, 2015
Departments submit CIP project requests to Finance & Administration	Friday, January 8, 2016
Administration & Finance review CIP project requests. Department Heads meet with City Manager & Finance staff to discuss CIP project requests	Monday, January 11 – 15, 2016
Strategic planning and goal confirmation workshop with City Council	Thursday, January 21, 2016
City Manager & Finance staff rank CIP project requests & establish a priority list	Tuesday, January 26, 2016
CIP project impact & financial analysis is completed to prepare for operating budget	Wednesday, January 27 – February 12, 2016
Budget packages delivered to departments	Friday, February 19, 2016
CIP workshop with City Council	Thursday, February 25, 2016
Departments submit budget request	Friday, April 1, 2016
City Manager & Finance staff review budget requests & prepare recommendations	Monday, April 4, 2016 – Friday, April 29, 2016
Budget workshop with City Council	Tuesday, April 19, 2016
Submit CIP & preliminary FY16-17 budget to City Council	Friday, May 6, 2016
Budget workshop with City Council	Tuesday, May 17, 2016
Submit recommended FY16-17 budget to City Council for review	Tuesday, May 31, 2016
City Council holds public hearing regarding proposed FY16-17 budget	Tuesday, June 14, 2016
City Council adopts FY16-17 Budget	Tuesday, June 21, 2016
Fiscal Year 2016-2017 begins	Friday, July 1, 2016

Description

The CIP consists of four sections:

CIP Summary. This section provides a summary of the capital improvement plan in table form. The summary presents the estimated capital costs for each department and the years in which the city expects to assume that debt. There is a summary for the general fund and water and sewer fund.

Individual Project Descriptions. This section explains each CIP project in further detail on the included tables. The tables include the benefits and effects of funding the project as well as the expected method of financing and its impact on the operating budget.

Financial Impact Analysis. City staff performs financial analyses to evaluate the impact of the CIP on the operating budget and the city's debt tolerance. These tables and charts present the potential effects of the CIP on the city's ability to maintain its current fiscal practices and its ability to borrow money while not compromising its strong financial status.

Unfunded Projects. This section provides a brief summary of projects submitted but not included in the current CIP. The summaries include a description of the project and details as to why it is not funded in the CIP.

CIP Summary

General Fund								
Department	Project	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	Future Years	Total Capital Cost
Admin, Finance, & Planning	Downtown Revitalization Phase IV					$ 1,200,000		$ 1,200,000
	Elizabeth St. Multi-use Path				$ 650,000			$ 650,000
Department Total		$ -	$ -	$ -	$ 650,000	$ 1,200,000	$ -	$ 1,850,000
Fire								
	FD Emergency Generator Replacement				$ 67,000			$ 67,000
	Fire Apparatus Replacement				$ 400,000			$ 400,000
	Fire Vehicle Replacement		$ 30,000	$ 25,000	$ 45,000	$ 25,000		$ 125,000
	Wall Street Station Renovations				$ 1,287,000			$ 1,287,000
Department Total		$ -	$ 30,000	$ 25,000	$ 1,799,000	$ 25,000	$ -	$ 1,879,000
Police								
	Police Station Addition/Remodel	$ 300,000		$ 1,800,000				$ 2,100,000
	Police Vehicle Replacement	$ 135,000	$ 104,000	$ 139,100	$ 107,200	$ 143,300		$ 628,600
Department Total		$ 435,000	$ 104,000	$ 1,939,100	$ 107,200	$ 143,300	$ -	$ 2,728,600
Public Works								
	Fleet Vehicle Replacement		$ 20,000	$ 50,000	$ 30,000	$ 20,000		$ 120,000
	Grounds Cemetery Paving	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000		$ 75,000
	Grounds Equipment Replacement	$ 12,000		$ 12,000	$ 12,000		$ 12,000	$ 48,000
	Grounds Maint. Building Renovations	$ 40,000						$ 40,000
	Grounds Vehicle Replacement			$ 25,000		$ 35,000	$ 25,000	$ 85,000
	Pedestrian Plan Sidewalks			$ 65,000				$ 65,000
	Sanitation Vehicle Replacement				$ 480,000	$ 125,000		$ 605,000
	Street Equipment Replacement			$ 200,000	$ 17,000			$ 217,000
	Street Resurfacing	$ 225,000	$ 225,000	$ 225,000	$ 225,000	$ 225,000		$ 1,125,000
	Street Vehicle Replacement	$ 105,000	$ 95,000	$ 55,000	$ 65,000	$ 210,000		$ 530,000
Department Total		$ 397,000	$ 355,000	$ 647,000	$ 844,000	$ 630,000	$ 37,000	$ 2,910,000
Recreation								
	Bellamy Center Roof	$ 81,000						$ 81,000
	Fisher Drive Park Playground				$ 60,000			$ 60,000
	Recreation Equipment Replacement		$ 35,000	$ 12,000		$ 14,000		$ 61,000
	Recreation Vehicle Replacement		$ 25,000	$ 25,000		$ 25,000		$ 75,000
	Royal Lane Park Renovations Ph 1	$ 225,000	$ 225,000					$ 450,000
	Royal Lane Park Renovations Ph 2					$ 1,200,000		$ 1,200,000
	Storage Building Replacement	$ 25,000						$ 25,000
	Sampson Center A/C		$ 75,000					$ 75,000
Department Total		$ 331,000	$ 360,000	$ 37,000	$ 60,000	$ 1,239,000	$ -	$ 2,027,000

Clinton
NORTH CAROLINA

Water and Sewer Fund								
Facility/Division	Project	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	Future Years	Total Capital Cost
Line Maintenance	NC 24 Expansion Utilities			$ 2,297,000				$ 2,297,000
	NC 24 Industrial Park Utilities	$ 400,000		$ 3,166,800				$ 3,566,800
	Pierce St. Expansion Utilities			$ 500,000				$ 500,000
	Utility Lines Equipment Replace	$ 350,000						$ 350,000
	Utility Lines Materials Shelter	$ 30,000						$ 30,000
	Utility Lines Rehab Program	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000		$ 1,000,000
	Utility Lines Vehicle Replacemer	$ 40,000	$ 35,000	$ 25,000				$ 100,000
Division Total		$ 1,020,000	$ 235,000	$ 6,188,800	$ 200,000	$ 200,000	$ -	$ 7,843,800
Water Treatment								
	WTP and Well Expansion		$ 4,836,000					$ 4,836,000
	WTP Vehicle Replacement		$ 25,000		$ 25,000			$ 50,000
Division Total		$ -	$ 4,861,000	$ -	$ 25,000	$ -	$ -	$ 4,886,000
Waste Water Treatment								
	WWTP Expansion				$ 5,000,000			$ 5,000,000
	WWTP Lime Tower SCADA	$ 40,000						$ 40,000
	WWTP UV Disinfection System				$ 600,000			$ 600,000
	WWTP Vehicle Replacement						$ 25,000	$ 25,000
Division Total		$ 40,000	$ -	$ -	$ 5,600,000	$ -	$ 25,000	$ 5,665,000

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	Future Years	Total Capital Costs
General Fund Total	$ 1,163,000	$ 849,000	$ 2,648,100	$ 3,460,200	$ 3,237,300	$ 37,000	$ 11,394,600
Water & Sewer Fund Total	$ 1,060,000	$ 5,096,000	$ 6,188,800	$ 5,825,000	$ 200,000	$ 25,000	$ 18,394,800
CIP Total	$ 2,223,000	$ 5,945,000	$ 8,836,900	$ 9,285,200	$ 3,437,300	$ 62,000	$ 29,789,400

Capital Projects List

Project	Department	Estimated Cost	Outside Funds Available	City's Obligation	FY Funded	Potential Source(s) of Financing	Score
FD Emergency Generator Replacement	Fire	$ 67,000	$ -	$ 67,000	19-20	GF,IP	35.0
Fire Apparatus Replacement	Fire	$ 400,000	$ -	$ 400,000	Program	CR,IP	72.5
Fire Station 2 Construction	Fire	$ 1,500,000	$ -	$ 1,500,000	FY	IP	0.0
Fire Vehicle Replacement	Fire	$ 125,000	$ -	$ 125,000	Program	GF	30.0
Wall Street Station Renovations	Fire	$ 1,287,000	$ -	$ 1,287,000	19-20	GO,IP	82.5
Downtown Revitalization Phase IV	Planning	$ 1,200,000	$ 200,000	$ 1,000,000	20-21	GR,IP	47.5
Elizabeth St. Multi-use Path	Planning	$ 650,000	$ 200,000	$ 450,000	19-20	GR,IP,IG	62.5
Police Station Addition/Remodel	Police	$ 2,100,000	$ -	$ 2,100,000	16-17,18-19	IP	90.0
Police Vehicle Replacement	Police	$ 628,600	$ -	$ 628,600	Program	GF	62.5
Fleet Vehicle Replacement	PW-Garage	$ 120,000	$ -	$ 120,000	Program	GF	20.0
Grounds Cemetery Paving	PW-Grounds	$ 75,000	$ -	$ 75,000	Program	GF	25.0
Grounds Equipment Replacement	PW-Grounds	$ 48,000	$ -	$ 48,000	Program	GF	20.0
Grounds Maint. Building Renovations	PW-Grounds	$ 40,000	$ -	$ 40,000	16-17	GF	10.0
Grounds Vehicle Replacement	PW-Grounds	$ 60,000	$ -	$ 60,000	Program	GF	20.0
Sanitation Vehicle Replacement	PW-Sanitation	$ 605,000	$ -	$ 605,000	Program	IP	62.5
NC 24 Connector Road	PW-Streets	$ 1,250,000	$ -	$ 1,250,000	FY	GO,IP	0.0
NC 24 Parallel Road	PW-Streets	$ 1,250,000	$ -	$ 1,250,000	FY	GO,IP	0.0
Pedestrian Plan Sidewalks	PW-Streets	$ 65,000	$ -	$ 65,000	Program	GF,GO	80.0
Street Equipment Replacement	PW-Streets	$ 217,000	$ -	$ 217,000	Program	GF,IP	20.0
Street Resurfacing	PW-Streets	$ 1,250,000	$ -	$ 1,250,000	Program	IG	85.0
Street Vehicle Replacement	PW-Streets	$ 510,000	$ -	$ 510,000	Program	GF	20.0
Automated Meter Reading Sytem	PW-Utility Lines	$ 700,000	$ -	$ 700,000	FY	IP,WS	0.0
Hwy 421 Industrial Park Pump Station	PW-Utility Lines	$ 1,025,000	$ -	$ 1,025,000	FY	IP,WS	0.0
NC 24 Expansion Utilities	PW-Utility Lines	$ 2,297,000	$ -	$ 2,297,000	18-19	IP,WS	75.0
NC 24 Industrial Park Utilities	PW-Utility Lines	$ 3,566,800	$ 2,433,400	$ 1,133,400	18-19	IP,WS,GR	85.0
NC 24 Parallel Utilities	PW-Utility Lines	$ 1,000,000	$ -	$ 1,000,000	FY	IP,WS	0.0
Pierce St. Expansion Utilities	PW-Utility Lines	$ 500,000	$ -	$ 500,000	18-19	CR	60.0
Utility Lines Equipment Replacement	PW-Utility Lines	$ 350,000	$ -	$ 350,000	Program	WS	20.0
Utility Lines Materials Shelter	PW-Utility Lines	$ 30,000	$ -	$ 30,000	16-17	WS	20.0
Utility Lines Rehab Program	PW-Utility Lines	$ 1,000,000	$ -	$ 1,000,000	Program	WS	80.0
Utility Lines Vehicle Replacement	PW-Utility Lines	$ 100,000	$ -	$ 100,000	Program	WS	20.0
WWTP Expansion	PW-Wastewater	$ 5,000,000	$ -	$ 5,000,000	19-20	PP,RB,GR	92.5
WWTP Lime Tower SCADA	PW-Wastewater	$ 40,000	$ -	$ 40,000	16-17	WS	37.5
WWTP UV Disinfection System	PW-Wastewater	$ 600,000	$ -	$ 600,000	19-20	IP	52.5
WWTP Vehicle Replacement	PW-Wastewater	$ 25,000	$ -	$ 25,000	Program	WS	20.0
WTP and Well Expansion	PW-Water	$ 4,836,000	$ -	$ 4,836,000	17-18	IP	80.0
WTP Vehicle Replacement	PW-Water	$ 50,000	$ -	$ 50,000	Program	WS	20.0
Bellamy Center Roof	Recreation	$ 81,000	$ -	$ 81,000	16-17	GF	50.0
Bellamy Center Addition	Recreation	$ 3,500,000	$ -	$ 3,500,000	FY	IP	0.0
Fisher Drive Park Playground	Recreation	$ 60,000	$ -	$ 60,000	19-20	GF,PP	47.5
Multipurpose Field Lighting	Recreation	$ 175,000	$ -	$ 175,000	FY	GF	0.0
Recreation Equipment Replacement	Recreation	$ 61,000	$ -	$ 61,000	Program	GF	20.0
Recreation Vehicle Replacement	Recreation	$ 50,000	$ -	$ 50,000	Program	GF	20.0
Royal Lane Park Renovations Ph 1	Recreation	$ 450,000	$ -	$ 450,000	16-17,17-18	CR,GR,GF	65.0
Royal Lane Park Renovations Ph 2	Recreation	$ 1,200,000	$ 200,000	$ 1,000,000	20-21	GF,GO,PP	65.0
Storage Building Replacement	Recreation	$ 25,000	$ -	$ 25,000	16-17	GF	10.0
Sampson Center A/C	Recreation	$ 75,000	$ -	$ 75,000	17-18	GF	50.0

CR	Capital Designated Funds	PP	Public-Private Partnership
GF	General Fund Capital Outlay	RB	Revenue Bonds
GO	General Obligation Bond	SA	Special Assessment
IG	Intergovernmental Funds	WS	Water-Sewer Capital Outlay
IP	Installment Purchase	GR	Grant

FY=Future Years Program=Varying $ & Years Not Funded

Parks, Recreation and Cultural Resources



Parks, Recreation and Cultural Resources Projects	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	5 Year Total
Land Acquisition	100,000	125,000	100,000	125,000	125,000	575,000
Greenway System	300,000	300,000	300,000	300,000	300,000	1,500,000
Cultural Resources	100,000	110,000	300,000	750,000	235,000	1,495,000
Facility Improvements	2,325,000	2,860,000	2,635,000	2,580,000	3,045,000	13,445,000
Plans, Studies & Development	590,000	500,000	845,000	175,000	220,000	2,330,000
Site Improvements	1,660,000	1,500,000	1,315,000	1,615,000	1,670,000	7,760,000
2014 Bond Projects	19,375,000	28,525,000	7,500,000	18,225,000	-	73,625,000
Total Parks, Recreation and Cultural Resources Capital	**$ 24,450,000**	**33,920,000**	**12,995,000**	**23,770,000**	**5,595,000**	**100,730,000**

Revenue Sources	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	5 Year Total
2014 Bond Proceeds	19,375,000	28,525,000	7,500,000	18,225,000	-	73,625,000
Transfers from General Fund	3,825,000	4,245,000	4,345,000	4,395,000	4,445,000	21,255,000
Tree Conservation Area Fee	50,000	50,000	50,000	50,000	50,000	250,000
Parks Facility Fees	1,050,000	950,000	950,000	950,000	950,000	4,850,000
Transfers from Revolving Fund	100,000	100,000	100,000	100,000	100,000	500,000
Interest Income	50,000	50,000	50,000	50,000	50,000	250,000
Total Revenue Sources	**$ 24,450,000**	**33,920,000**	**12,995,000**	**23,770,000**	**5,595,000**	**100,730,000**

Element Overview

The *City of Raleigh Comprehensive Plan, the City of Raleigh Strategic Plan,* and *the Parks, Recreation and Cultural Resources System Plan* are the primary guiding documents for park maintenance and development, level of service and land acquisition. Existing feasibility studies, reports and strategic plans also guide staff on the timing, scope and location of capital investments required to sustain a maturing Parks, Recreation and Cultural Resources system. The PRCR department Capital Improvement Program consists of seven project categories: Land Acquisition; Greenway System; Cultural Resources; Facility Improvements; Plans, Studies and Development; Site Improvements; and 2014 Parks, Recreation and Cultural Resources Bond. Major funding sources for the program include general fund transfers, facility fees, and bond proceeds.

Recent Accomplishments

- The Department opened a new facility at Abbotts Creek Park south of the North Wake Landfill Park in northeast Raleigh. The project is a joint venture with Wake County Public School System. The building was designed with sustainable features targeting a Silver LEED certification from the US Green Building Council.
- Renovations and accessibility upgrades on three existing facilities were completed at Worthdale Community Center, Millbrook Exchange Community Center and Campbell Lodge at Durant Nature Preserve.
- The Schematic Design for Moore Square was approved by City Council and will move forward with construction documents and the permitting process.
- Powell Drive Park playground renovation was completed with a generous contribution from the Alpha Kappa Alpha Sorority, Inc., Alpha Theta Omega Chapter. Play equipment was installed by volunteers at a Community Build event.

Upon each vacancy, fully evaluate the needs of the position to ensure an updated job description is posted allowing for recruitment of an individual the necessary skill set for being successful in the position. Additionally, evaluate the allocation of positions across all County departments to ensure allocations promote efficient and effective delivery of County services.

Risk Management:

Continue to collaborate with our consultant to reduce the rising health care costs for our self-funded insurance program in order to ensure the program is sustainable into the future. Continue to implement a wellness incentive whereby participating employees will get free biometric screening and health coaching along with a discounted rate for health insurance. In the longer term, participants will have targeted goals for the biometric measures that will have to be met.

Ten-Year Capital Plan:

Continue to maintain and monitor the capital improvement plan and fund needs from Capital Reserve Funds. A more detailed explanation of the Capital Improvement Plan can be found on page 159 of this document in the Capital and Debt Management Section.

Fiscal Policy Guidelines

Objectives

This fiscal policy will influence and guide the financial management practice of Moore County, North Carolina. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

- Contributes to the County's ability to insulate itself from fiscal crisis,
- Enhances short term and long term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the County rather than single issue areas,
- Promotes the view of linking long-run financial planning with day to day operations, and
- Provides the County Staff, the County Board of Commissioners and the County citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- This policy will be reviewed annually by County staff with any changes to be approved by the Board of Commissioners.

To these ends, the following fiscal policy statements are presented.

Capital Improvement Budget Policies

1. It is the responsibility of the County Board of Commissioners to provide for the capital facilities necessary to deliver municipal services to the citizens of the County, as well as facilities for the Moore County Public School and Sandhills Community College systems.

2. The County will consider all capital improvements in accordance with an adopted Capital Improvement Plan.

3. The Capital Improvement Plan is inclusive of Capital Improvements (renovations), Capital Replacement (vehicles and heavy equipment) and Major Capital Projects (new buildings).

4. The County will develop a ten-year Capital Improvement Plan and review and update the plan annually. The Moore County Public Schools and the Community College System will submit their respective ten-year capital improvement requests annually and will provide a prioritization for the improvements within their request for the County Commissioner's review.

5. The County will enact an annual capital budget based on the ten-year Capital Improvement Plan, while considering changes in population, changes in real estate development, or changes in assumptions in the capital budget projections.

6. The County, in consultation with the Moore County Public School and Community College Systems, will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.

7. The Capital Improvement Plan will include the estimated costs for the County to maintain all County, Public School and Community College assets at a level adequate to protect the public's welfare and safety, the County's capital investment and to minimize future maintenance and replacement costs. A maintenance and replacement schedule will be developed and followed based upon these estimates.

8. The County, in consultation with the Moore County Public School and Community College Systems, will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.

9. The County will adopt the most cost effective financing consistent with prudent financial management.

Debt Policies

1. The County will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.

2. The County will take a balanced approach to capital funding utilizing debt financing; capital reserves and pay-as-you go funding that will provide the least financial impact on the taxpayer. Pay-as-you-go funding will come from budgeted appropriations.

3. When the County finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be annually calculated and included in the review of financial trends.

4. Net debt as a percentage of estimated market value of taxable property shall not exceed 2.0%. Net debt is defined as any and all debt that is tax-supported.

5. Should the ratio of debt service expenditures as a percent of total governmental fund expenditures exceed 15.0% staff must request an exception from the Board of Commissioners stating the reason and length of time.

6. The County will retire tax anticipation debt, if any, annually and will retire bond anticipation debt within six months after completion of the project.

7. Payout of aggregate outstanding tax-supported debt principal shall be no less than 55.0% repaid in 10 years.

(Note: Excludes Enterprise Fund Debt which is assumed to be Self-Supporting)

Reserve Policies

1. Unassigned General Fund Balances will mean funds that remain available for appropriation by the County Board after all considerations for future expenditures, required restrictions defined by State statutes, and previous Board commitments have been calculated. The County will define these remaining amounts as "available fund balances".

2. Available fund balances at the close of each fiscal year should be at least 15.0% of the Total Annual Operating Budget of the County with a Targeted Policy equal to 20.0%.

3. The County Board may, from time-to-time, utilize fund balances that will reduce available fund balances below the 15.0% policy for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of Moore County. In such circumstances, after available fund balances have been calculated as part of closing-out a fiscal year, the Board will adopt a plan as part of the following year's budget process to restore the available fund balances to the policy level within 36 months from the date of the budget adoption. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

4. Monies in excess of a 15.0% available fund balance will be transferred to a Capital Reserve Fund for future use for a specific purpose within a specified time frame except as provided for in the Resolution for Funding for Dempsey Hall Student Center Expansion and Deferred Maintenance Cost for Sandhills Community College, adopted by the Moore County Board of Commissioners on June 17, 2014, effective July 1, 2014.

Budget Development Policies

1. The County Budget Process begins with a Board of Commissioners Retreat to be held no later than January 31st of each year.

2. The Budget Process will be compliant with the North Carolina Local Government Budget and Fiscal Control Act.

3. One-time or other special revenues will not be used to finance continuing County operations but instead will be used for funding special projects.

4. The County will pursue an aggressive policy seeking the collection of current and delinquent property taxes, utility, license, permit and other fees due to the County.

Cash Management / Investment Policies

1. It is the intent of the County that public funds will be invested to the extent possible to reduce the dependence upon property tax revenues. Funds will be invested with the chief objectives of safety of principal, liquidity, and yield, in that order. All deposits and investments of County funds will be in accordance with N.C.G.S. 159.

2. The Finance Director will establish a Cash Management Program that maximizes the amount of cash available for investment. The Program shall address at a minimum; Accounts Receivable/Billings, Accounts Payable, Receipts, Disbursements, Deposits, Payroll and Debt Service Payments.

3. Up to one-half (50%) of the appropriations to Non-County Agencies and to non-debt-supported capital outlays for County Departments can be encumbered prior to December 31. Any additional authorization shall require the County Manager's written approval upon justification. The balance of these appropriations may be encumbered after January 1, upon a finding by the County Manager that there is a reasonable expectation that the County's Budgeted Revenues will be realized.

4. The County will use a Central Depository to maximize the availability and mobility of cash for all funds that can be legally and practically combined.

5. Cash Flows will be forecasted and investments will be made to mature when funds are projected to be needed to meet cash flow requirements.

6. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.

7. Maturity: All investments will mature in no more than thirty-six (36) months from their purchase date.

8. Custody: All investments will be purchased "payment-verses-delivery" and if certificated will be held by the Finance Officer in the name of the County. All non-certificated investments will be held in book-entry form in the name of the County with the County's third party Custodian (Safekeeping Agent).

9. Authorized Investments: The County may deposit County Funds into: Any Board approved Official Depository, if such funds are secured in accordance with NCGS-159 (31). The County may invest County Funds in: the North Carolina Capital Management Trust, US Treasury Securities, US Agency Securities specifically authorized in GS-159 and rated no lower than "AAA", and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.

10. Diversification: No more than 5% of the County's investment funds may be invested in a specific company's commercial paper and no more than 20% of the County's investment funds may be invested in commercial paper. No more than 25% of the County's investments may be invested in any one US Agency's Securities.

11. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director. The County will maintain segregated accounts with the North Carolina Capital Management Trust for each of the fund types.

12. Reporting: Not less than twice a year the Finance Director will report to the Manager on the Cash Flow Forecast for the ensuing twelve months. The Finance Director also will report on the interest earned in the past six months and on the current investment portfolio including: type of investment, purchase date, price, par amount, maturity date, coupon rate, and any special features. The Chief Finance Officer will also provide a Financial Summary inclusive of Investment Reporting to the Board of Commissioners as requested.

Enterprise Funds

The County maintains Enterprise Funds (primarily water and wastewater) that are self-sustaining for both operational and capital purposes. The Enterprise Funds will adhere to the County' Fiscal Policy with any exceptions being reported in this section.

- These policies will allow for orderly expansion of services and to allow operation within the financial framework insuring efficiency while providing necessary services.
- They promote long-term financial stability.
- They insure future viability by guaranteeing rates that maintain constant in conjunction with inflation.

Budget Policies:

- Enterprise Funds will develop a fifteen-year capital improvement plan, which will be reviewed and updated annually.
- Any improvements required to meet new regulatory requirements or to meet changes in the service demands will be included in the annual budget request.
- Service rates will be reviewed annually as part of the budget process.
- Service rates will be adjusted based upon the December Consumer Price Index for Southeastern United States.
- Service rates will be adjusted as necessary due to debt service obligations.
- Each Enterprise Fund will maintain a retained earnings level that is no less than an amount equal to 8% of its operating expenses.
- Each Enterprise Fund will maintain a Capital Reserve Fund sufficient to meet future capital needs.

- Individual projects costing over $500,000 will be financed.
- Individual projects costing under $500,000 will be appropriated from either retained earnings or the Capital Reserve Fund.

Debt Policies:

- Enterprise Funds will limit long-term borrowing to individual projects costing over $500,000.
- Each Enterprise Fund is responsible for its own debt service.

Amended this day, July 15, 2014 by the County of Moore Board of Commissioners.

Larry R. Caddell, Chairman
Moore County Board of Commissioners

Laura M. Williams, Clerk to the Board

COUNTY OF MOORE
CORPORATE
SEAL
NORTH CAROLINA

Chatham County
FY 2016-2017 Budget Calendar

Deadline	Actions
4 September 2015	• Capital Improvements Program (CIP) forms distributed to agencies
5 October 2015	• Forms due from agencies and departments for new/changed CIP projects
2 November 2015	• Manager submits recommended CIP to the Board of Commissioners at a special meeting • Heads Up document due from departments
16 November 2015	• Hold public hearing on the proposed CIP
17 November 2015	• Work session on the proposed CIP
14 December 2015	• Board adopts CIP
23 December 2015	• Budget summit materials (trends, financial indicators, performance team recommendations, and departmental "Heads Up" document) submitted to Board of Commissioners • Work plan and new position forms distributed to departments
Weeks of January 4 and 11, 2016	• Budget Summit: Board of Commissioners sets goals and guidelines for FY 2016-2017 budget
29 January 2016	• Requests for new positions and work plans (with goals, objectives, and performance targets) due from departments • Remaining budget forms distributed to departments/agencies
4 March 2016	• Budgets due from departments and agencies (except schools)
18 April 2016	• Budget due from schools
2 May 2016	• Budget submitted to Board of Commissioners and public at a special meeting
May 16 and 17, 2016	• Official public hearings held in Pittsboro and Siler City
Late May and early June, 2016	• Board of Commissioners holds 2 budget work sessions
By 30 June 2016	• Board of Commissioners adopts budget (legal deadline)

Budget Calendar for Fiscal Year 2017

Date	Budget Activity
October 13, 2015	Capital Improvement Program (CIP) Kickoff with Core Team
November 13, 2015	CIP Core Team members submit FY 2017-2023 Capital Requests
December 8, 2015	Operating Budget Kickoff with Extended Management Team
February 1, 2016	Departments submit FY 2017 Operating Budget Requests, Expansion Requests, Reduction Options
February 13, 2016	Board of Commissioners retreat to adopt goals and set priorities for the FY 2017 budget
January - April 2016	Capital Improvement Program and Operating Department budget meetings
March/April	Board of Education and Wake Technical Community College submit formal budget requests
May 9, 2016	Review of FY 2017-2023 Recommended Capital Improvement Program at Board of Commissioners Work Session
May 16, 2016	Formal presentation of Recommended Budget and Improvement Plan to Board of Commissioners at regularly scheduled meeting
June 6, 2016	Public Hearing on Operating Budget, Capital Improvement Program and any proposed fee or tax changes
June 13, 2016	Special Budget Work Session with Board of Commissioners
June 20, 2016	Adoption of FY 2017 Operating Budget and FY 2017 - 2023 Capital Improvement Program at regular Board of Commissioners meeting

The CIP Ranking Process

The CIP for FY2014-FY2018 is the first capital budget process since FY2009 whereby departments and business partners submitted new capital projects for consideration. The projects submitted for the CIP totaled 149 and 116 projects were approved. The County CIP Review Committee evaluated all submitted capital projects for FY2014-FY2018. The projects were prioritized based on the ranking criteria approved by the BOCC.

Rating Criteria	Definition / Explanation	FY14 Points
Mandates / Contractual	Extent to which a project helps the County meets federal / state mandates or contractual obligations. (Mandates will be based on the Choice Matrix with definition for levels below).	5 - 20
	Mandated vs. Discretionary	0 - 5
	No Program Choice / No Funding Choice	20
	No Program Choice / Funding Choice	15
	Program Choice / No Funding Choice	10
	Program Choice / Funding Choice	5
	Needed for Contractual obligation	5
	Not needed for Contractual obligation	0
Building Safety	Extent to which a project addresses a safety hazard to public or employees based on risk level. Definition for levels is below.	0 – 20
	Risk is Critical	
	Risk is High	20
	Risk is Low	13
	No Risk involved	6
		0
Economic Outcome	Extent to which project enhances economic development in county using the Business Investment Program model.	0 – 20
	100% - 76% Net Present Value	
	75% - 51% Net Present Value	20
	50% - 26% Net Present Value	15
	25% - 1% Net Present Value	10
	0% Net Present Value	5
		0
Funding Source	Extent to which project construction can be financed with County revenue. Non-County revenue examples are fees, grants, donations, etc.	0 – 15
	0% County-funded	15
	Up to 50% County-funded	8
	51 -75% County-funded	6
	76 - 99% County-funded	3
	100% County-funded	0
Board Priority	Linkage of project to one of the Board's operating priority levels.	1 – 10
	Priority 1	10
	Priority 2	8
	Priority 3	6
	Priority 4	4
	Priority 5	3
	Priority 6	2
	Priority 7	1
Operating Budget Outcome	How project impacts the department's current County-funded operating budget upon completion.	0 – 10
***If all projects ranked for a dept. total more than 10% of total county funded for that dept., points will be reduced accordingly*	Decrease operating budget	
	No operating budget impact	10
	Increase of not more than 3% of Department County-funded budget	8
	Increase of not more than 5% of Department County-funded budget	7
	Increase of over 5% of Department County-funded budget	3
		0
Joint Use Savings	Extent to which project is a collaboration with other governmental entities and/or business partners (County, City, Towns, CMS, CPCC, Library).	0 – 10
	Capital savings of 26% - 50% of County-funded	10
	Capital savings of 11% - 25% of County-funded	7
	Capital savings of 1% - 10% of County-funded	3
	No Capital savings	0
Growth	Extent to which population has increased.	3 – 15
	127% or more	15
	96% - 126%	12
	64% - 95%	9
	33% - 63%	6
	32% or less	3
Timeliness	Extent to which all projects started in the fiscal year requested in. If a project did not start in the fiscal year requested a penalty will be assessed on all unranked projects during the next ranking process.	(10)

5% of capacity allocated for Open Space Land Acquisition

Sample Moody's Scorecard

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Chatham County, North Carolina																
		Very Strong (Aaa)		Strong (Aa)		Moderate (A)		Weak (Baa)		Poor (Ba)		Very Poor (B & Below)					Weighted
	Numerical Score	0.50	1.49	1.50	2.49	2.50	3.49	3.50	4.49	4.50	5.49	5.50	6.50	Input	Weight	Score	Score
1	**Economy / Tax Base (30%)**																
2	Tax Base Size: Full Value (in 000's)	> $12B		$12B >	> $1.4B	$1.4B >	> $240M	$240M >	> $120M	$120M >	> $60M	< $60M		$9,737,933,000	10%	1.70	0.17
3	Full Value Per Capita	> $150,000		$150,000 >	> $65,000	$65,000 >	> $35,000	$35,000 >	> $20,000	$20,000 >	> $10,000	< $10,000		$141,694	10%	1.59	0.16
4	Socioeconomic Indices: MFI (US Median)	> 150%		150% >	> 90%	90% >	> 75%	75% >	> 50%	50% >	> 40%	< 40%		105.00%	10%	2.24	0.22
5	**Finances (30%)**																
6	Fund Balance as % of Revenues	> 30.0%		30.0% >	> 15.0%	15.0% >	> 5.0%	5.0% >	> 0.0%	0.0% >	> -2.5%	< -2.5%		44.30%	10%	1.01	0.10
7	5-Year Dollar Change in Fund Balance as % of Revenues	> 25.0%		25.0% >	> 10.0%	10.0% >	> 0.0%	0.0% >	> -10.0%	-10.0% >	> -18.0%	< -18.0%		19.50%	5%	1.86	0.09
8	Cash Balance as % of Revenues	> 25.0%		25.0% >	> 10.0%	10.0% >	> 5.0%	5.0% >	> 0.0%	0.0% >	> -2.5%	< -2.5%		42.50%	10%	0.50	0.05
9	5-Year Dollar Change in Cash Balance as % of Revenues	> 25.0%		25.0% >	> 10.0%	10.0% >	> 0.0%	0.0% >	> -10.0%	-10.0% >	> -18.0%	< -18.0%		18.90%	5%	1.90	0.09
10	**Management (20%)**																
11	Institutional Framework	Very strong legal ability to match resources with spending		Strong legal ability to match resources with spending		Moderate legal ability to match resources with spending		Limited legal ability to match resources with spending		Poor legal ability to match resources with spending		Very Poor or no legal ability to match resources with spending		Aaa	10%	1.00	0.10
12	Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	> 1.05x		1.05x >	> 1.02x	1.02x >	> 0.98x	0.98x >	> 0.95x	0.95x >	> 0.92x	< 0.92x		1.00	10%	2.99	0.30
13	**Debt / Pensions (20%)**																
14	Net Direct Debt / Full Value	< 0.75%		0.75% <	< 1.75%	1.75% <	< 4.00%	4.00% <	< 10.00%	10.00% <	< 15.00%	> 15.00%		1.20%	5%	1.94	0.10
15	Net Direct Debt / Operating Revenues	< 0.33x		0.33x <	< 0.67x	0.67x <	< 3.00x	3.00x <	< 5.00x	5.00x <	< 7.00x	> 7.00x		1.26	5%	2.74	0.14
16	3-Year Average of Moody's Adjusted Net Pension Liability / Full Value	< 0.90%		0.90% <	< 2.10%	2.10% <	< 4.80%	4.80% <	< 12.00%	12.00% <	< 18.00%	> 18.00%		0.30%	5%	0.82	0.04
17	3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues	< 0.40x		0.40x <	< 0.80x	0.80x <	< 3.60x	3.60x <	< 6.00x	6.00x <	< 8.40x	> 8.40x		0.29	5%	1.22	0.06
18																	
19	**Estimated Total Score**																1.63
20	**Estimated Unadjusted Rating**																Aa1

Moody's Rating Scorecard: Indicative Ratings

HI	LO	Rating
0.50	1.50	Aaa
1.50	1.83	Aa1
1.83	2.17	Aa2

Note: Per Moody's MFRA

CHATHAM COUNTY
CAPITAL IMPROVEMENTS PROGRAM
CIP-2: Operational Costs Worksheet

The purpose of this form is to offer a mechanism for listing projected increases in operational costs associated with a CIP project.
The following are "typical" areas that departments may find increased operational costs when obtaining new equipment and/or constructing a new facility. However, if the following do not address your increased costs, please feel free to use the space marked "other" at the end of each category. When adding items, please include the description in column A and the account code in column B.

Project: Animal Shelter Expansion & Renovation

	Previous Year FY 2015	Current Year FY 2016	Year 1 FY 2017	Year 2 FY 2018	Year 3 FY 2019	Year 4 FY 2020	Year 5 FY 2021	Year 6 FY 2022	Year 7 FY 2023
A. Personnel Costs									
Regular Salaries	0	0	0	0	0	58,807	60,571	62,388	64,260
Health	0	0	0	0	0	18,098	18,641	19,200	19,776
Life	0	0	0	0	0	47	49	50	52
Dental	0	0	0	0	0	943	971	1,001	1,031
Workers Comp	0	0	0	0	0	1,268	1,306	1,345	1,385
FICA	0	0	0	0	0	4,904	4,634	4,773	4,916
Retirement	0	0	0	0	0	4,532	4,668	4,808	4,952
401K	0	0	0	0	0	2,884	2,971	3,060	3,152
List other personnel costs:									
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
B. One-Time Supplies/Equipment									
Uniforms	0	0	0	0	0	1,000	0	0	0
Office Supplies	0	0	0	0	0	6,218	0	0	0
Advertising	0	0	0	0	0	800	0	0	0
Small Tools & Equipment	0	0	0	0	0	2,500	0	0	0
Telephone/Communications	0	0	0	0	0	0	0	0	0
List other one-time supplies/equipment:									
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
C. Ongoing operational costs									
Telephone/Communications	0	0	0	0	0	652	672	692	713
Gasoline	0	0	0	0	0	5,614	5,782	5,955	6,134
Training	0	0	0	0	0	2,245	2,313	2,382	2,454
Contracted Services	0	0	0	0	0	7,985	8,224	8,471	8,725
Electricity	0	0	0	0	0	34,242	35,270	36,328	37,418
Water	0	0	0	0	0	26,945	27,753	28,586	29,443
	0	0	0	0	0	0	0	0	1
List other ongoing operational costs									
Building Maintenance	0	0	0	0	0	449	463	476	491
Equipment Maintenance	0	0	0	0	0	0	0	0	1
Medical Supplies	0	0	0	0	0	5,164	5,319	5,479	5,643
Printing	0	0	0	0	0	1,684	1,735	1,787	1,840
Advertsing	0	0	0	0	0	1,123	1,156	1,191	1,227
Medical Exams	0	0	0	0	0	225	231	238	245
	0	0	0	0	0	0	0	0	0
D. Capital Outlay									
Equipment	0	0	0	0	0	0	0	0	0
Vehicles	0	0	0	0	0	0	0	0	0
List other ongoing operational costs									
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
E. Cost Savings/Revenue									
List cost savings and revenue by line item									
Rent-Lease Space	0	0	0	0	0	-10,737	-10,737	-10,737	-10,737
All electric--gas goes away	0	0	0	0	0	-9,500	-9,500	-9,500	-9,500
Totals:									
Increased Costs	0	0	0	0	0	188,329	182,728	188,210	193,858
Decreased Costs	0	0	0	0	0	-20,237	-20,237	-20,237	-20,237
Net Total	**0**	**0**	**0**	**0**	**0**	**168,092**	**162,491**	**167,973**	**173,621**

Chatham County
Fund Balance Projection

		FY 2014 Actual	FY 2015 Actual	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
1	Budgeted Revenues (natural growth)	80,392,315	81,329,602	84,912,860	87,460,246	91,680,531	94,430,947	97,263,876	100,181,792	106,783,326	109,986,826
2	Budgeted Revenues (increase for CIP operating)				1,549,979			0	3,491,340		0
3	Total Revenues	80,392,315	81,329,602	84,912,860	89,010,225	91,680,531	94,430,947	97,263,876	103,673,132	106,783,326	109,986,826
4	Debt Transfer In	7,771,084	9,743,962	8,967,169	11,251,164	11,745,989	14,851,989	15,499,164	15,338,684	19,646,854	19,107,099
5	Other Transfer In	0	0	0	0	0	0	0	0	0	0
6	Total Transfers In	7,771,084	9,743,962	8,967,169	11,251,164	11,745,989	14,851,989	15,499,164	15,338,684	19,646,854	19,107,099
7	Budgeted Expenditures	69,365,849	74,402,036	78,007,794	80,348,028	83,021,467	85,505,842	88,149,042	91,097,348	97,426,349	100,694,552
8	Additional operating expenditures per CIP (increase)	620,555	185,677	0	255,338	(6,087)	75,753	294,985	3,491,340	335,353	193,947
9	CIP Projects	2,938,408	142,860	0	0	0	0	0	0	0	0
10	General Fund Capital Outlay	623,287	1,125,595	930,029	957,930	986,668	1,016,268	1,046,756	1,078,159	1,110,503	1,143,818
11	School Capital Outlay	2,279,391	1,409,456	1,911,708	2,369,059	2,440,131	2,513,335	2,588,735	2,666,397	2,746,389	2,828,781
12	Debt Service	10,021,243	10,638,580	10,614,633	11,680,876	12,189,090	15,297,979	16,230,421	15,799,473	20,120,267	19,589,492
13	Budgeted Expenditures	85,848,733	87,904,204	91,464,164	95,611,231	98,631,269	104,409,176	108,309,939	114,132,717	121,738,861	124,450,590
14	Transfers Out	6,732,654	6,128,065	8,026,974	10,845,577	10,851,726	10,840,850	10,909,578	10,524,473	10,538,932	10,826,191
15	Projected Revenues	84,769,053	86,952,904	87,460,246	91,680,531	94,430,947	97,263,876	100,181,792	106,783,326	109,986,826	113,286,430
16	Projected Expenditures	82,440,715	84,247,009	89,764,748	93,193,130	96,140,808	101,841,728	105,656,619	111,295,056	118,806,010	121,423,935
17	Revenues over Expenditures	2,328,338	2,705,895	(2,304,503)	(1,512,599)	(1,709,860)	(4,577,852)	(5,474,827)	(4,511,730)	(8,819,184)	(8,137,504)
18	Transfers/other financing sources/uses	(762,348)	2,758,648	940,195	405,586	894,263	4,011,138	4,589,586	4,814,210	9,107,922	8,280,907
19	Fund Balance Beginning of Year	28,765,324	30,331,314	35,795,857	34,431,550	33,324,537	32,508,940	31,942,226	31,056,985	31,359,465	31,648,203
20	Increase in Fund Balance	1,565,990	5,464,543	(1,364,308)	(1,107,012)	(815,597)	(566,714)	(885,241)	302,480	288,738	143,403
21	Fund Balance End of Year	30,331,314	35,795,857	34,431,550	33,324,537	32,508,940	31,942,226	31,056,985	31,359,465	31,648,203	31,791,606
22	Revenue Variance	4,376,738	5,623,302	2,547,386	2,670,307	2,750,416	2,832,928	2,917,916	3,110,194	3,203,500	3,299,605
23	Expenditure Variance	(3,408,018)	(3,657,195)	(1,699,416)	(2,418,101)	(2,490,461)	(2,567,448)	(2,653,321)	(2,837,661)	(2,932,851)	(3,026,655)
24	**Fund Balance as % of Expenditures**	**32.76%**	**38.07%**	**34.61%**	**31.30%**	**29.69%**	**27.72%**	**26.05%**	**25.16%**	**23.93%**	**23.50%**
25	Debt as a % of General Fund	10.82%	11.31%	10.67%	10.97%	11.13%	13.27%	13.61%	12.67%	15.21%	14.48%

Assumptions:

1 Original budgeted revenues; 3% increase projected annually (no growth reflected for Chatham Park)
2 Reflects additional revenues needed for CIP operating; assumes property tax increase (other CIP increases projected to be absorbed by existing revenue)
3 1+2
4 Based on Version 40B of debt model; represents funds being transferred in from CIP reserve to pay debt service on projects included in the model
5 Includes other transfers from capital reserve
6 4+5
7 Original budgeted expenditures + 8 from previous year; less 8-12 of current year; 3% increase projected annually
8 Additional expenditures resulting from CIP projects (added in subsequent year budgeted expenditure [7])
9 CIP projects funded by fund balance appropriation--net of capital reserve funding
10 General fund capital outlay; 3% increase projected annually
11 School capital outlay; 3% increase projected annually
12 Annual debt service based on current outstanding debt plus projected debt in CIP
13 Total of 7-12
14 Transfers out based on Version 40B of debt model
15 Actual revenues; assumed to be 3% above budgeted revenues
16 Assumes 7 and 8 spent at 97%; assumes 9-12 spent at 100%
17 15 less 16
18 6 less 14
19 Previous year's ending fund balance
20 17+18
21 19+20
22 15 less 3
23 16 less 13
24 21 divided by (13+14)
25 Line 18 divided by line 20