FY 2024-25 Capital Improvement Program Process & Initial General Obligation Bond Planning

December 12, 2023

Taylor Floyd & Tony McDowell,
Finance & Management Svcs

Andrew Carter, DEC Associates



Presentation Overview

- Overview of the budget development process
- Capital overview
- Capital needs and prioritization
- GO Bond referendum planning
- Financial planning for capital
- Summary and next steps

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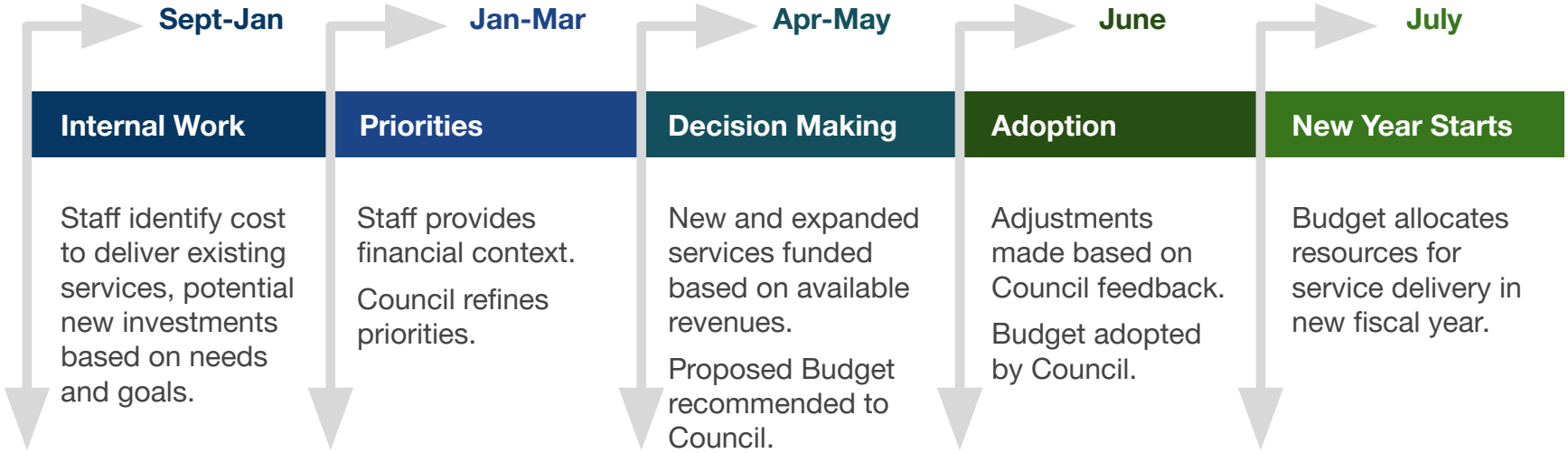
Key Takeaways

- Capital investment in facilities, equipment and infrastructure is essential to service delivery.
- Ongoing planning efforts have helped to identify and prioritize capital needs.
- Internal and external review will continue.
- Additional resources are needed to continue existing service delivery and meet identified goals.

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Fiscal Year 2024-25 (FY25): Budget Process Overview

Budget Development Process



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FY25 Budget Development Key Dates



Formal City Council meetings or work sessions only

Guiding Principles

Essential service delivery
Ensuring departments have the resources required to meet service delivery expectations.

Enhancing customer value
Ensuring efficient service delivery that improves the customer experience.

Strategic alignment
Aligning resources (new and existing) to achieve community, Council and staff goals.

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Council Priorities

- Equitable & Affordable Housing & Stability
- Houselessness Strategies
- Improve & Expand Core Services
- Neighborhood & Climate Resilience
- Reimagining Public Safety
- Reparations

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Questions

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Capital Overview

Capital Basics

What?



- Major assets like buildings, land, equipment and vehicles
- Asset life of 10+ years
- Cost of $50,000+

Why?



- Project-based not program-based
- Longer time horizon
- Scale of investment
- Use of debt

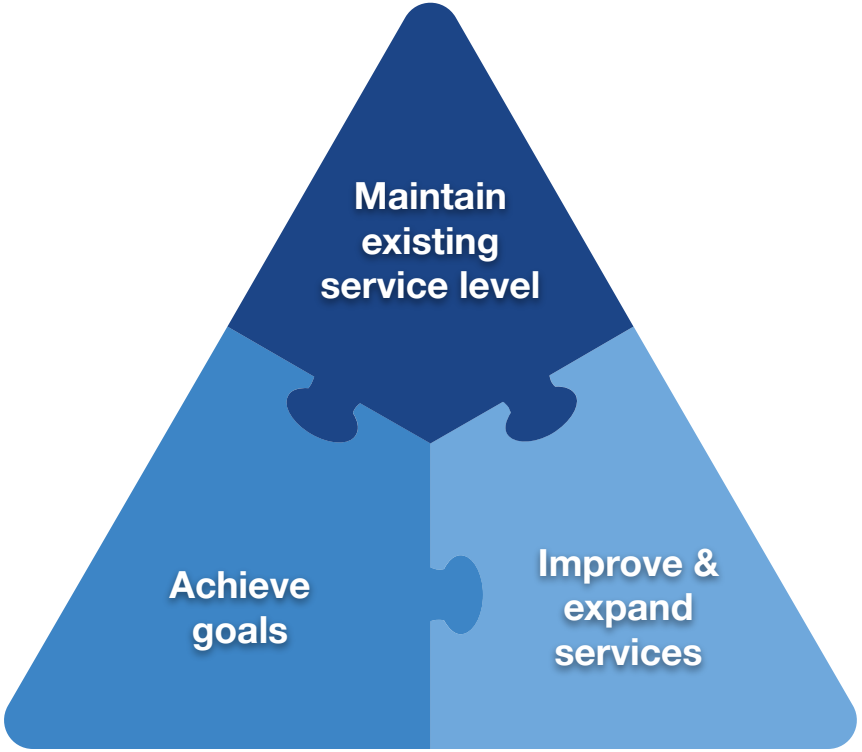
How?



- Bonds (general obligation bonds, revenue bonds)
- Pay-go (tax revenue)
- Intergovernmental grants (FTA, NCDOT, etc.)

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How do capital projects impact services?

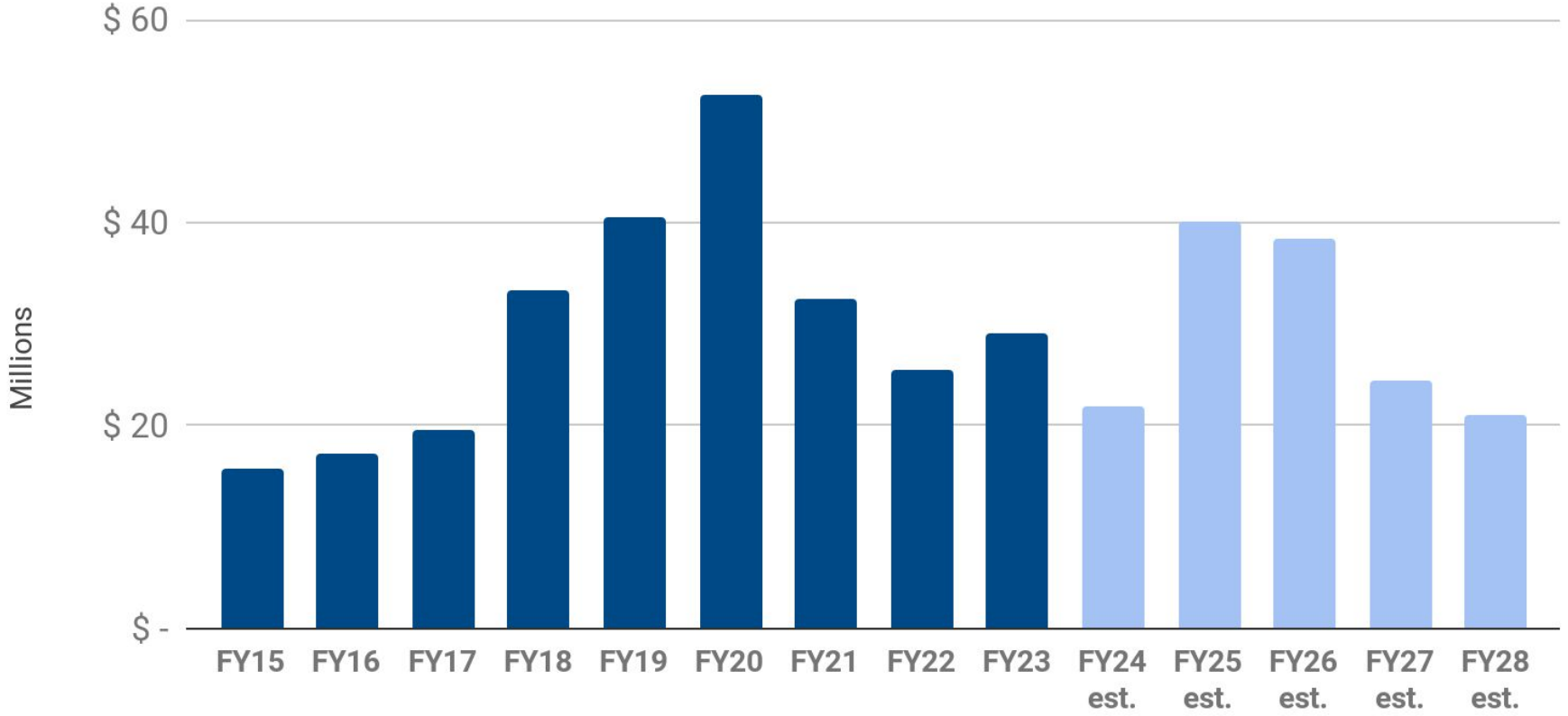


Examples:

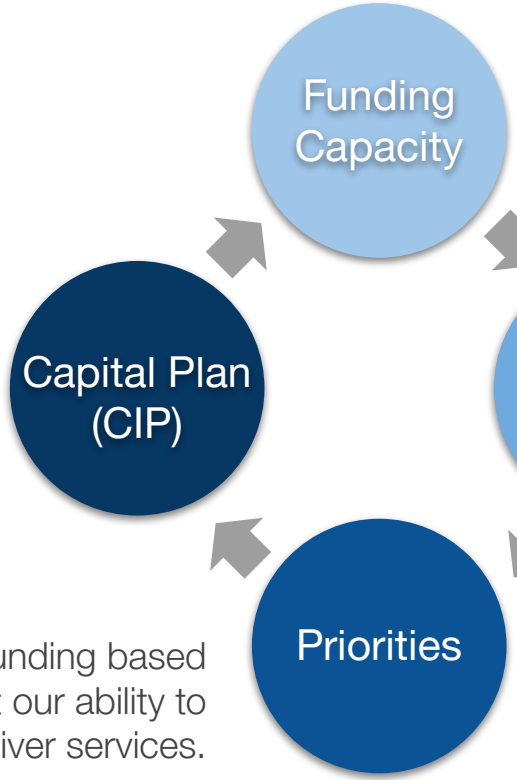
- Increase longevity of buildings, sidewalks, stormwater, water lines, parking decks.
- Replace vehicles and equipment
- Improve road conditions
- Improve environment for public and staff
- Expand access to recreation
- Increase ADA accessibility
- Achieve sustainability goals
- Preservation of historic buildings

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Gen Fund Capital Spending



Capital Planning Summary



Ability to fund new projects is informed by how much capacity the city has to take on new debt.

Projects and estimated costs are identified through plans, studies & community engagement.

Projects are prioritized for funding based on how they impact our ability to achieve goals and deliver services.

Council adopts the budgets for projects in year one, CIP shows planned future investments.

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Five Year CIP Plan

FIVE YEAR CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
REVENUE SOURCES						
Pay-go (Cash)	10,278,089	15,685,480	13,881,800	14,000,690	14,215,680	
Water Capital Reserve	5,000,000	-	-	-	-	
Short-Term Installment Debt	3,982,000	4,131,000	5,388,000	4,349,000	4,413,000	
Long-Term Debt	44,473,000	15,290,500	10,193,500	24,516,824	9,217,500	
State Revolving Fund	5,000,000	-	8,000,000	-	-	
Grants & Donations	100,000	13,328,000	300,000	1,896,000	100,000	
Revenue Total	**68,833,089**	**48,434,980**	**37,763,300**	**44,762,514**	**27,946,180**	
PLANNED PROJECTS						
General Fund						
Facility Maintenance	2,175,000	1,515,000	825,000	1,935,300	75,000	
Fleet & Equipment	6,707,000	7,415,000	6,578,000	5,587,000	5,701,000	
Greenways		4,000,000	-	-	-	
Recreation & Entertainment Facilities	36,665,000	836,000	858,000	1,180,000	903,000	
Placemaking	111,430	12,470,480	91,800	11,299,714	75,680	
Streets & Sidewalks	4,428,000	5,166,000	4,657,000	6,773,000	4,652,000	
Contingency	750,000	750,000	750,000	750,000	750,000	
Water Resources Fund	15,900,000	14,150,000	20,400,000	12,400,000	12,950,000	
Parking Services Fund	1,176,659	300,000	300,000	300,000	300,000	
Stormwater Fund	920,000	1,832,500	3,303,500	4,537,500	2,539,500	
CIP Total	**68,833,089**	**48,434,980**	**37,763,300**	**44,762,514**	**27,946,180**	

- FY 2023-24 projects are adopted as part of the annual budget.
- Years 2 to 5 in the plan shift forward.
- A new year 5 is programmed.

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Capital Project Timing Example

Active (Previously Adopted)		Planned
• Street Resurfacing (annual) • Bent Tree and Crestwood Landslide Repair (FY23) • Burton St Park (FY23)	• Fleet Replacement (annual) • Carrier Park Playground (FY24) • Weaver Park Playground (FY24)	• Street Resurfacing (annual) • Fleet Replacement (annual) • North RAD Greenway (FY25) • I-26 Improvements (FY27)

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Significant Adjustments in FY24 CIP

- McCormick Field
  - Added annual City funding for debt ($865k).
- I-26 Betterments/Aesthetic Improvements
  - $5.9M programmed in for FY27.
  - Will work to identify funding opportunities.
- Municipal Building
  - Additional $2.1M to complete essential repairs.

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Capital Investments & Planning

- CIP is primarily funded with debt and supported by ~$15M annual allocation from General Fund.
- Current Capital Improvement Program (CIP) primarily consists of maintenance projects.
- Limited capacity to add projects/costs to plan within existing resources.

Questions

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Capital Needs & Prioritization

Identifying & Prioritizing Capital Needs

- Plans and studies identify needs and help to prioritize (e.g., corridor studies, GAP Plan, Comprehensive Facilities Study)
- Sustainability, equity, core service delivery, and other goals.
- Community engagement opportunities during plans/studies and project development.
- Holistic approach to project planning.

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Previous Work Sessions

- Thomas Wolfe Auditorium (9/26/23)
- Facilities I (10/10/23) & II (11/14/23)
  - Capacity needs for growing city, staff, and services.
  - Ongoing maintenance needs to serve staff and residents well in existing facilities.
  - Funding needs to support prioritizing and sequencing large projects required to help make Council priorities a reality.

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TWA Work Session

Significant needs at Thomas Wolfe Auditorium

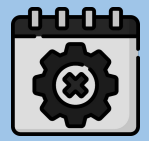
- Short term full capacity repairs underway.
- Long term renovation suggested focused on patron/performer experience ($130-150 million).

Next Steps

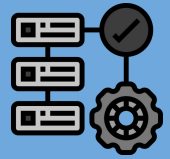
- Stakeholder input
- Understanding debt capacities
- Funding feasibility

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Facility Maintenance Model



$1M current annual maintenance funding is insufficient.



$3.5M in annual maintenance funding is needed to continue service in existing facilities.



Maintenance Only: no growth, improvement, building replacement.

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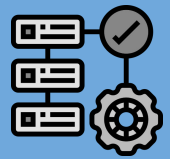
Facility Planning Process



Process: Align and Prioritize with council priorities, then Lay the “Tracks” to build the future



Incremental Approach: Project phasing allows large and complex projects to be broken into more manageable independent projects

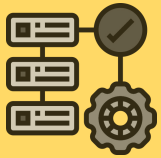


Commit to Maintain: Continue our commitment to maintain core service delivery

Parking Garages (User Fee Funded)



High Priority Repairs: Must implement repairs within 2 years; projected cost = $11.3M



Maintenance Saves $: Properly maintained garages will serve the City for 30 years ($1.06M inflation adjusted over the next 30 years)



Demand/Capacity: Parking demand and accessibility considerations will inform future parking rates & plans for future structures

Water Infrastructure (User Fee Funded)

- **$28.8M - Meter replacement project**
  Debt payments begin FY25, 20-year term, 4.5% interest
- **$12.5M - Water Treatment Plant rehab project**
  Debt payments begin FY25, 30-year term, 4.5% interest
- **$75M - Water Treatment Plant treatment enhancements**
  Debt payments begin FY28, 30-year term, 4.5% interest
- **$40M - Mills River Expansion Phase III**
  Debt payments begin FY28, 30-year term, 4.5% interest

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GAP Plan Priority Project Lists



Greenway Projects

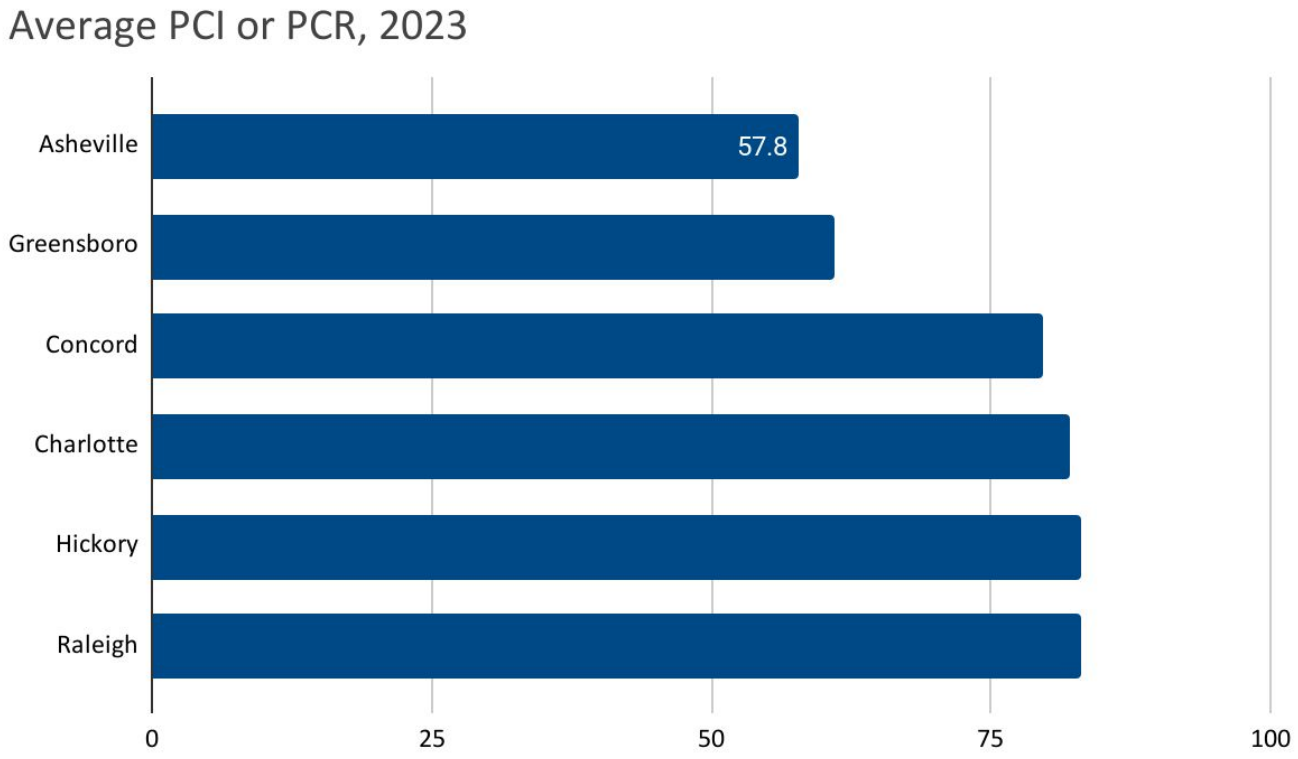
- 13 Spine Greenway projects
- 29 Arterial Greenway projects
- 37 Neighborhood Greenway projects
- 3 AVL Unpaved Natural Surface Trail pilot projects

ADA Transition & Pedestrian Projects

- 60 NCDOT ADA priority projects
- 39 City ADA priority projects
- 54 NCDOT Ped Plan priority projects
- 29 City Ped Plan priority projects

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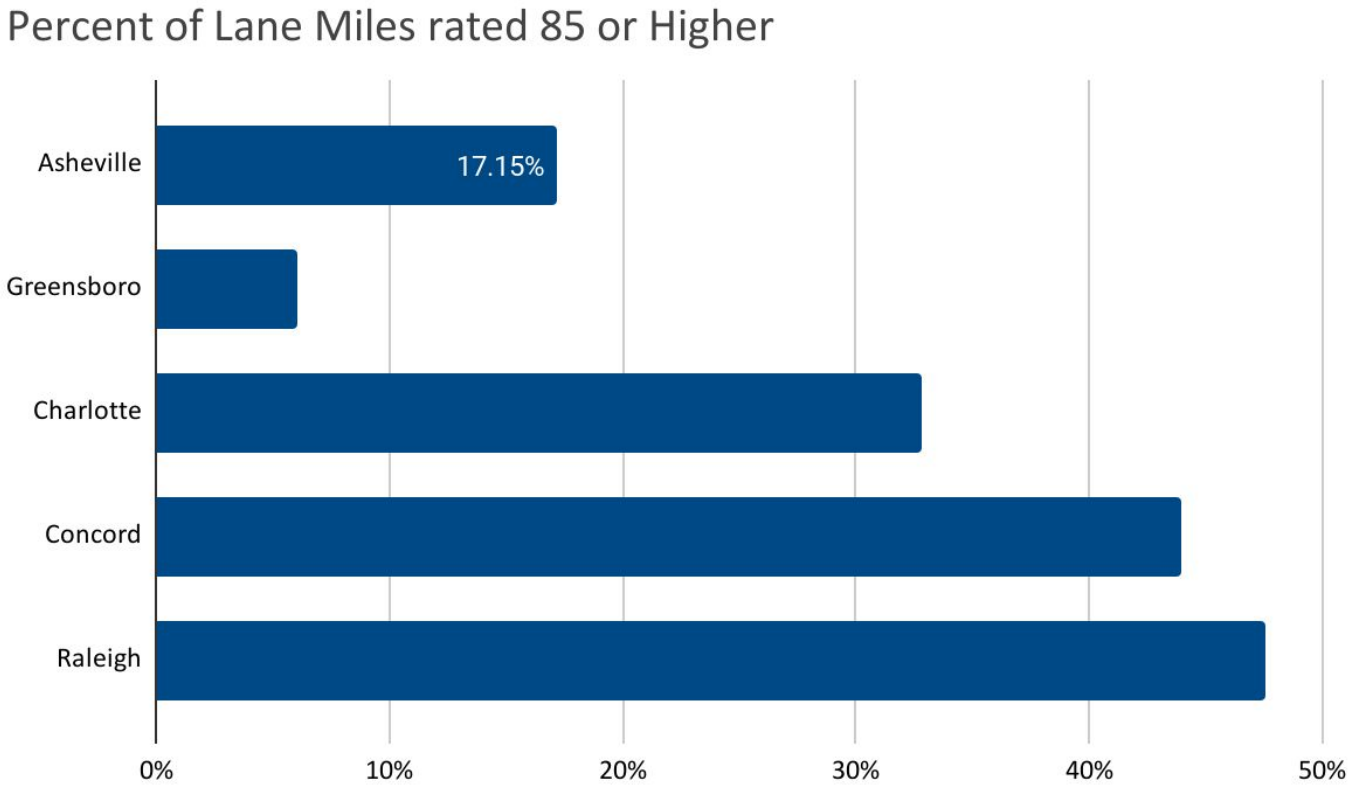
Infrastructure Needs



Preliminary data from UNC School of Government Benchmarking Project, subject to change

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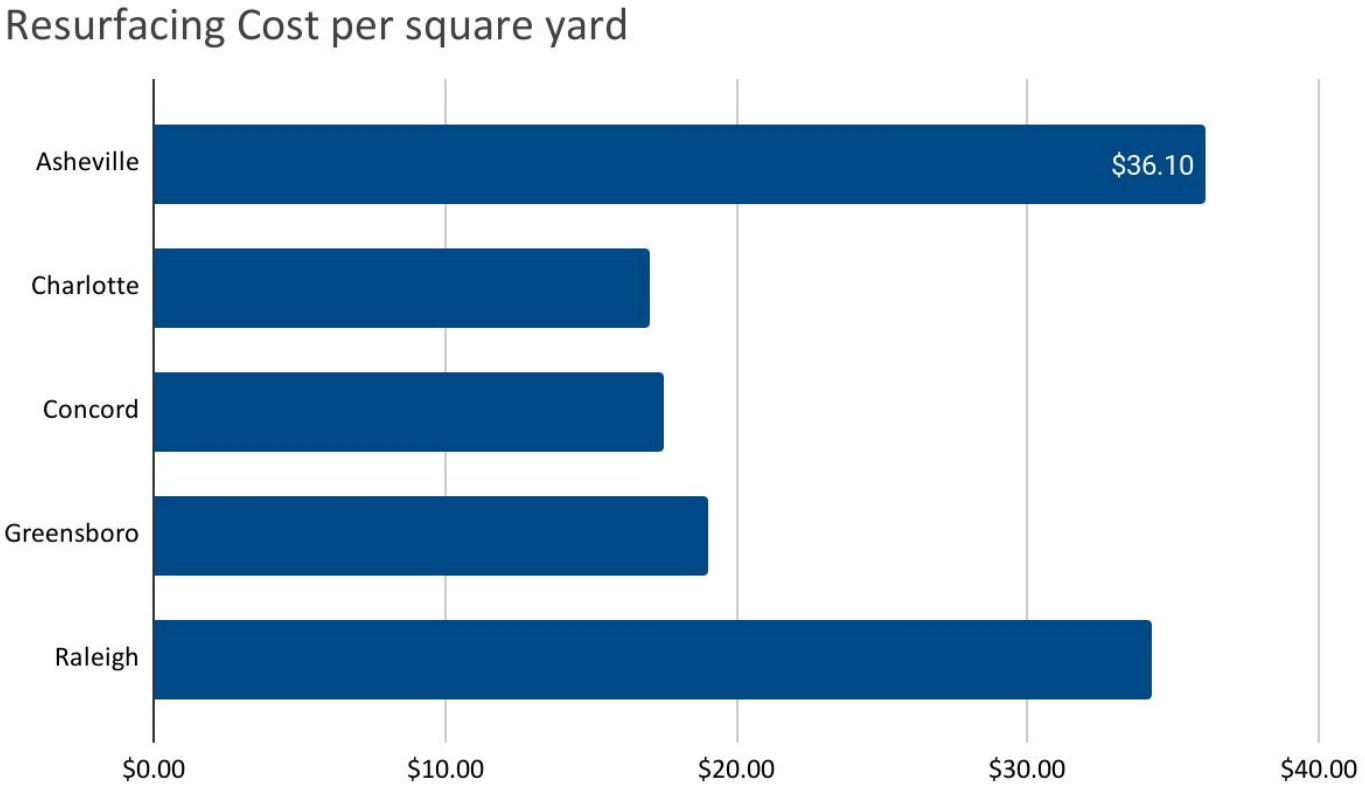
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FY25 CIP Development Process

Process

- Departments
- Budget & Performance staff
- Inter-departmental review
- Community engagement
- City Council work sessions

Affordable Housing

- Parallel process
- Affordable Housing Plan

Prioritization

- Equity and inclusion
- Sustainability
- Adopted and in-process plans
  - Comprehensive Plan
  - Greenway ADA Pedestrian Plan
  - Municipal Climate Action Plan
  - Comprehensive Facilities Study
  - Parks & Recreation Master Plan
- Council Strategic Priorities
- Urgency and impact
- Location

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CIP Community Engagement

Attending community group and neighborhood meetings to inform on plan.

Receive and incorporate feedback

- Utilize GIS mapping for projects
- National Community Survey
- Budget survey
- Informal community leaders networking

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Internal Process Update

100+ projects submitted and reviewed by interdepartmental team.

- Parks, public safety and other facilities, streets, sidewalks, greenways, stormwater, parking, fleet/equipment projects.
- Most could likely be funded through GO Bonds.
- Still working to identify and review projects.

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GO Bond Referendum Process

Purposes GO bonds may be issued:

Providing

- Public building
- Facilities for fire fighting and law enforcement
- Auditoriums, civic centers and public gathering
- Facilities for parks and recreation
- Streets and sidewalks
- Public transportation facilities
- Housing projects for the benefit of persons of low/moderate income

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Asheville 2016 GO Bond Referenda

$74 million Total



$17M



$32M



$25M

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Local GO Bond Referenda in NC

	County	*Municipal*	*Total*
Total Number of Referenda	70	143	213
Total Number of Referenda Approved	68	134	202
% of Referenda Approved	97.14%	93.71%	94.84%
Total Amount of Proposed Issuance	$10,290,580,000	$4,301,512,000	$14,592,092,000
Total Amount of Approved Issuance	$10,205,835,000	$4,170,857,000	$14,376,692,000
% of Issuance Amount Approved	99.18%	96.96%	98.52%

Type of Issuance	*Percentage of All GO Bonds Proposed*	*Amount of GO Bonds Proposed*
Public School Facilities	57.19%	$8.22 billion
Community College Facilities	10.96%	$1.59 billion
Parks and Recreation Facilities	8.92%	$1.30 billion
Public Transportation Projects	8.29%	$1.22 billion
Street and Sidewalk Projects	4.81%	$701.2 million
All Other Types	18.12%	$1.46 billion

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GO Bond Council Actions

Meeting 1 (June): Council adopts

1) Resolution directing publication of notice of intent to apply to the Local Government Commission;
2) Resolution authorizing the Finance Officer to apply to the LGC and making certain findings of fact

Meeting 2 (June): Council

1) Introduces the Bond Order(s);
2) adopts the Resolution setting a public hearing on the Bond Order(s)

Meeting 3 (July): Council

1) holds public hearing(s) on Bond Order(s);
2) adopts the Bond Order(s); and
3) adopts the Resolution setting a Special Bond Referendum

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Bond Transparency Requirements

As of January 1, ballot language must include:

- A statement that the bond may result in tax increases.
- The estimated bond cost over its total life.
- The property tax liability increase that could be needed to fund the bond.

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Questions

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City Financial Planning, Debt Model & Affordability

December 12, 2023

DEC Associates, Inc.
Defining Emerging Concepts

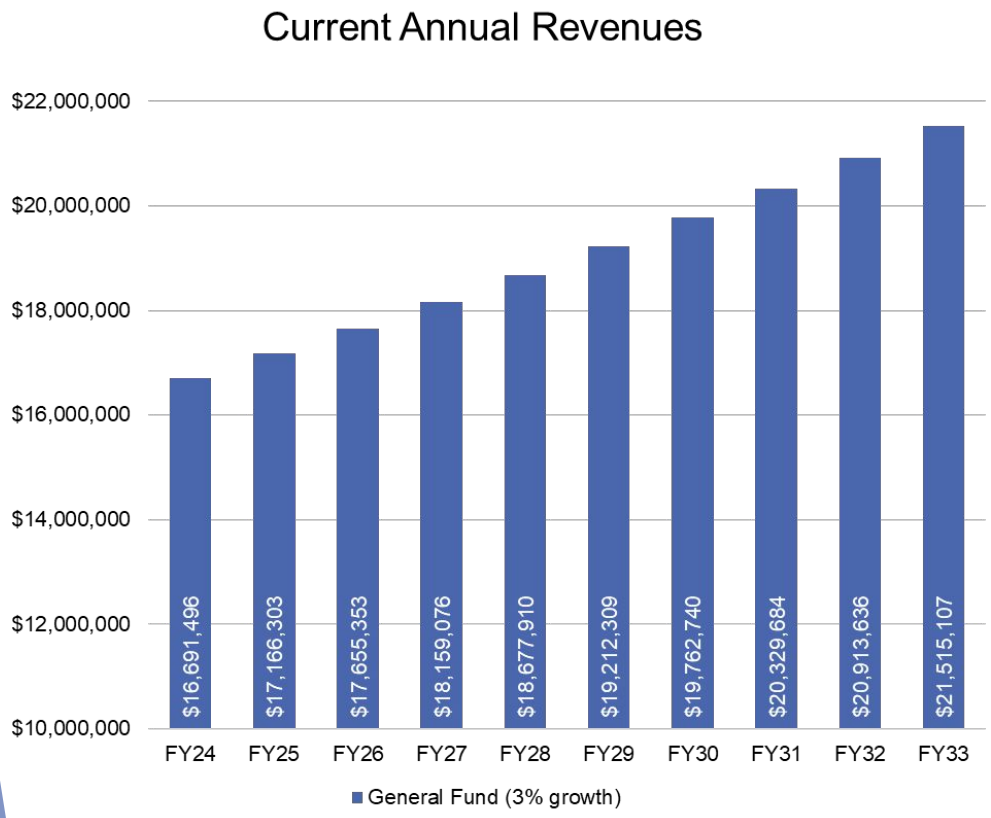
Outline

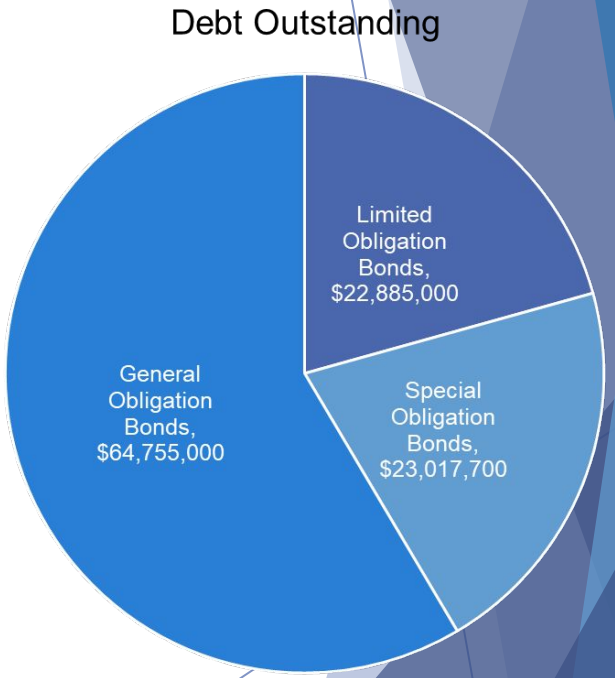
- Financial Planning, Policies and CIP Funding
- Current Resources & Debt Outstanding
- Asheville's Method of Debt Issuance
- Future Projects Funded by Financial Model & Additional Capacity
- Potential New G.O. Bonds
- "Steady State"
- Annual Resources Needed

Financial Planning, Policies and CIP Funding

- City has sound and comprehensive Capital Oriented Planning
  - Use of debt affordability model to guide blending of revenues, debt service and pay-go
  - Financial policies that guide decision making
  - Blend of debt modes, using appropriate mix of debt
- Intense capital planning and debt modeling began in 2013
  - Brought together dept. heads, engineers, financial advisor and others
  - Created a planning system with appropriate parties assembled and continues today
  - Major accomplishment during this period – Triple A credit ratings!

Current Resources & Debt Outstanding





Asheville's Method of Debt Issuance

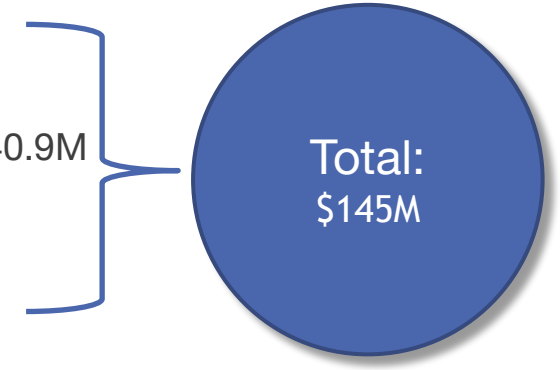
- "Cash Flow" form of financing from capital fund
  - Short-term Bond Anticipation Note ("BAN") issued for expected spending during two-year period
  - Actual spending reimbursed from BAN monthly
  - After two-year spending period - BAN refunded into 20-year bonds
    - Long-term bonds issued only for actual dollars spent
- Very creative method – used by other Triple As



Budget	Construction	Debt Issue	Debt Payment
Project budget adopted by Council	Construction period, City pays then reimburses monthly from BAN	BAN is refunded with long-term bonds	Debt payments from capital fund/consistent with affordability of debt model

Future Projects Funded by Financial Model

- Spending from FY25 – FY29
  - Equipment & Vehicles - $29.1M
  - Parks/Rec/Entertainment Facilities - $40.9M
  - Transportation & Greenways - $57.0M
  - Facility Maintenance - $18.8M



- $42,000,0000 Draw Program issued June 2022 for spending from FY23-24
  - Expected issuance of 20-year bonds in mid 2024
- $53,292,000 Draw Program expected in mid 2025 for spending from FY26-28
  - Expected issuance of 20-year bonds in mid 2028
- All affordable from current resources/assumptions

Additional Capacity

- Current adopted CIP and 2016 GO bond authorized spending funded in financial model
- Small amount of capacity exists past the 2029 spending cycle
  - Factors influencing capacity
    - Aggressive spending through 2029 – approximately $145M
      - Slower actual spend provides additional capacity
    - Interest rate and inflationary pressures
      - Higher rates and construction prices decrease capacity
- To increase capacity past 2029, spend slower or add additional dedicated to financial model

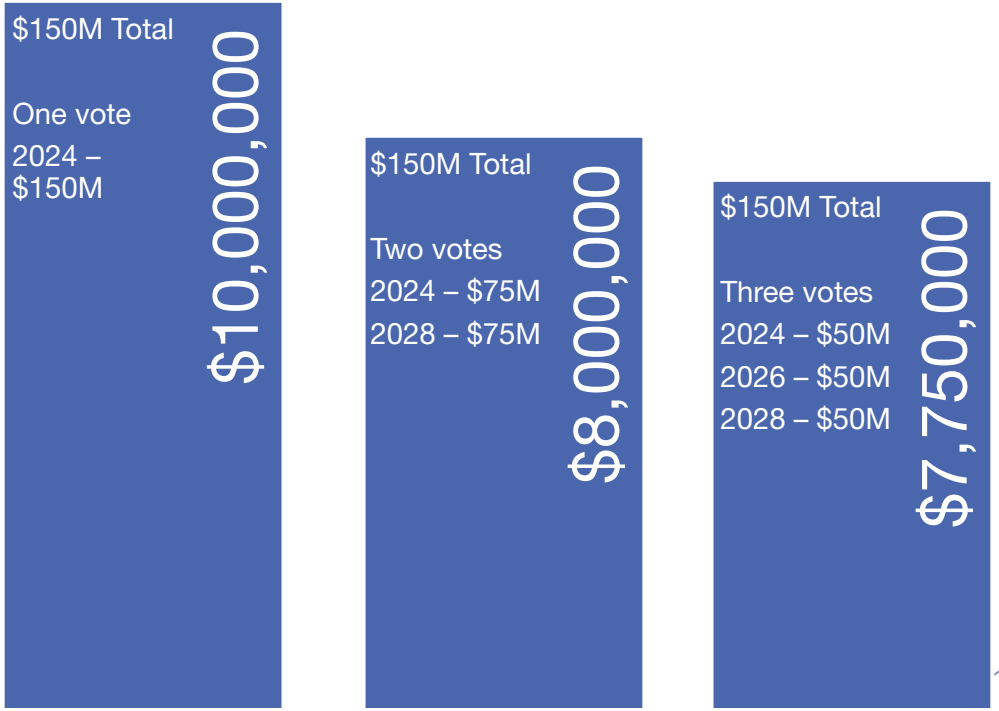
Potential New G.O. Bonds

- Discussion of Potential New Voted G.O. Bonds – November 2024 election
- Additional resources will be needed to fund new voted bonds
  - Examples for illustration - $150 million in projects
    - One vote for $150 million 2024
      - One issue of debt – 18 months after vote – cash flow method
    - Two votes for $75 million each – 2024 and 2028
      - Two issues of debt – 18 months after each vote – cash flow method
    - Three votes for $50 million each – 2024, 2026, 2028
      - Three issues of debt – 18 months after each vote – cash flow method

“Steady State”

- Cities moving to using a consistent “steady state” vote cycle – should Asheville?
  - Allows for better long-term GO capital program planning
  - Shaves “peaks and valleys” of debt service and resources needed
  - Establishes importance of funding future capital needs
  - Improves resource allocation – City of Charlotte example
  - Gives policy makers breadth of decision making and roadmap
- Consistent cycle has many benefits
  - Bond votes are normal part of raising capital
  - Increases affordability and consistency in bond purposes and sizing
  - Occurs periodically (every 2 or 4 years)

Annual Resource Needs – Each Alternative



*Assumptions of 5% fixed rate debt, 5% for construction notes

Questions

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Summary & Next Steps

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FY25 Budget Development Key Dates



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- Capital investment in facilities, equipment and infrastructure is essential to service delivery.
- Ongoing planning efforts have helped to identify and prioritize capital needs.
- Internal and external review will continue.
- Additional resources are needed to continue existing service delivery and meet identified goals.

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