Capital Planning Work Session

December 13, 2022

Taylor Floyd, Budget Manager
Jade Dundas, Capital Projects Director
Tony McDowell, Finance Director



Presentation Outline

- Capital budgeting and investment
- Capital planning process
- Status update on capital and key projects
- Debt and financial capacity
- Summary

THE CITY OF ASHEVILLE

Key Takeaways

- Goal is to to have a capital plan that considers long term needs.
- Current capacity to fund projects outside of existing plan is limited.
- Significant decisions are on the horizon related to needs and funding needs.

THE CITY OF ASHEVILLE

Capital Budget Overview

THE CITY OF ASHEVILLE

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

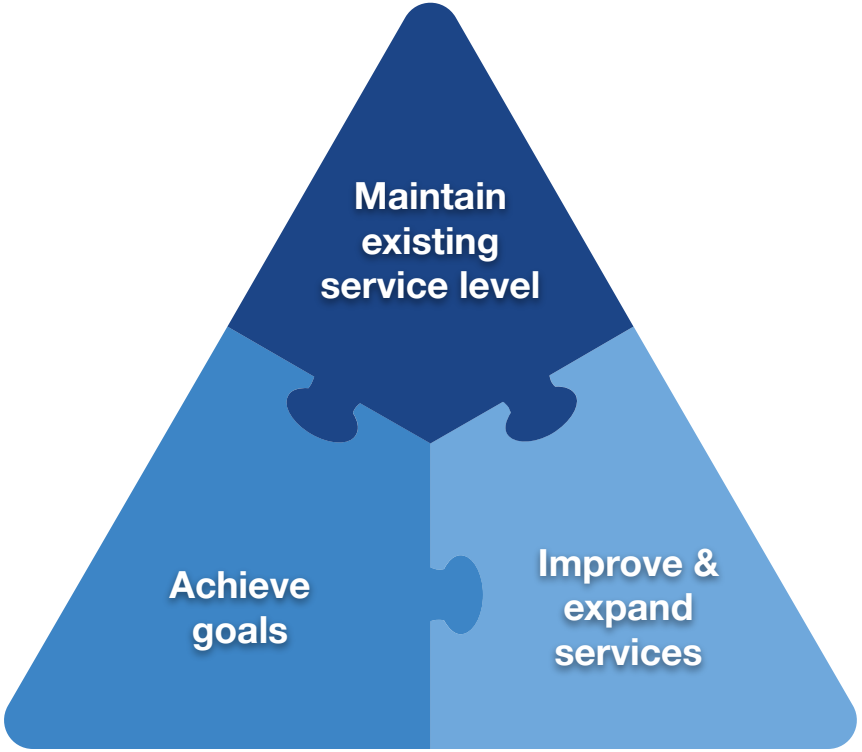
How?



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

THE CITY OF ASHEVILLE

How do capital projects impact services?

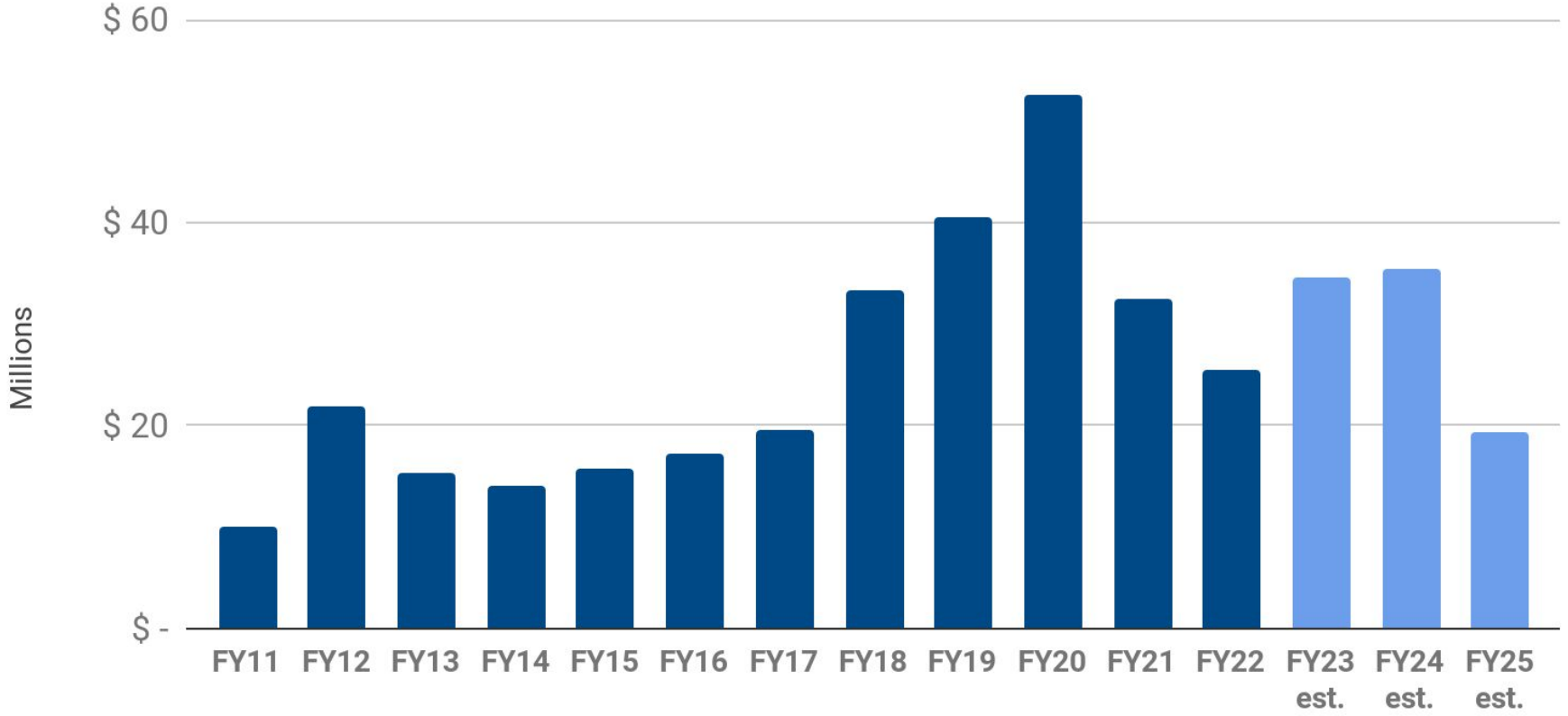


Examples:

- 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

THE CITY OF ASHEVILLE

Capital Spending History



Capital Project Timing Example

Active	Adopted (FY23)	Planned
• Street Resurfacing (annual) • Fleet Replacement (annual) • Broadway Public Safety Center (FY20) • Southside Grant Center (FY19) • Walton Street Park	• Street Resurfacing (annual) • Fleet Replacement (annual) • Muni Golf Course Renovation • I-26 Betterments • Vance Gap Landslide Repair	• Street Resurfacing (annual) • Fleet Replacement (annual) • AFD Apparatus (FY24) • Coxe Ave (FY24) • North RAD Greenway (FY25)

THE CITY OF ASHEVILLE

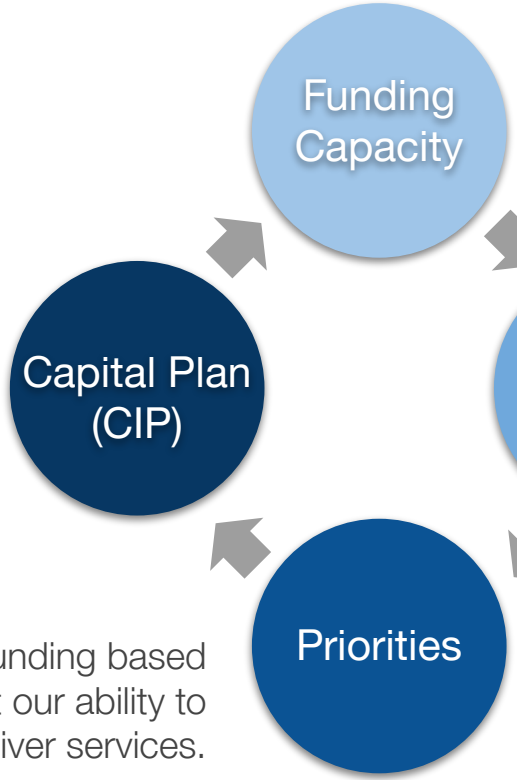
Discussion & Questions

THE CITY OF ASHEVILLE

Capital Planning Process

THE CITY OF ASHEVILLE

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.

THE CITY OF ASHEVILLE

Identifying 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.

THE CITY OF ASHEVILLE

Identifying Needs: Five Year Plan

FIVE YEAR GENERAL CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET						
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
FACILITY MAINTENANCE						
Harrah's Cherokee Center - Asheville Maintenance & Repairs	221,739	75,000	75,000	75,000	75,000	
Montford HVAC Replacement	200,000	-	-	-	-	
Municipal Building Capital Repairs	2,054,000	-	-	-	-	
Facility Upgrades	-	-	722,000	736,000	751,000	
Roof Replacement	-	-	150,000	153,000	156,000	
Total	**2,475,739**	**75,000**	**947,000**	**964,000**	**982,000**	
FLEET & EQUIPMENT						
AFD Apparatus Replacement	-	1,600,000	-	-	-	
Computer & Technology Replacement	275,000	300,000	500,000	500,000	500,000	
Electric Vehicle Infrastructure	159,000	-	-	-	-	
Fleet Replacement	3,217,000	3,477,000	3,581,000	3,688,000	3,799,000	
GovTV Broadcast Equipment Replacement	50,000	-	50,000	-	50,000	
Network Switch Replacement	-	130,000	-	-	-	
Self Contained Breathing Apparatus Replacement	-	-	-	1,200,000	-	
Transit Bus Replacement	757,350	4,496,000	4,676,000	4,863,000	5,058,000	
Total	**4,458,350**	**10,003,000**	**8,807,000**	**10,251,000**	**9,407,000**	
GREENWAYS						
North RADTIP Greenway	129,000	-	4,000,000	-	-	
Total	**129,000**	-	**4,000,000**	-	-	
PARKS & RECREATION						
Burton Street Park	500,000	-	-	-	-	
Comprehensive Parks & Recreation System Plan	-	300,000	-	-	-	
JBL Turf Replacement	15,000	15,000	15,000	15,000	15,000	
Memorial Stadium	2,500,000	-	-	-	-	

- FY 2022-23 projects are adopted as part of the annual budget process.
- Years 2 to 5 in the plan shift forward.
- A new year 5 is programmed.

THE CITY OF ASHEVILLE

Planned Projects (FY24 - FY27)

Facility Maintenance
- General maintenance & roof replacement

Recreational Facilities
- General maintenance & turf replacement
- *WNC Nature Center improvements*

Fleet & Equipment
- Fleet Replacement
- AFD Apparatus Replacement
- Transit Bus Replacement
- Computer & Technology Replacement
- TV Broadcast Equipment Replacement
- Self Contained Breathing Apparatus Replacement

Placemaking
- *Coxe Avenue*
- *Livingston Street*
- *Public Art*

Greenways
- *North RAD Greenway*

Streets & Sidewalks
- Streets & Sidewalk Resurfacing
- Sidewalk Rehabilitation & Replacement
- ADA Infrastructure Improvements
- *Deaverview Road Sidewalk & Pedestrian Crossings*
- *Neighborhood Sidewalks*
- *Pedestrian & School Zone Safety Projects*
- *Pedestrian Plan Projects*

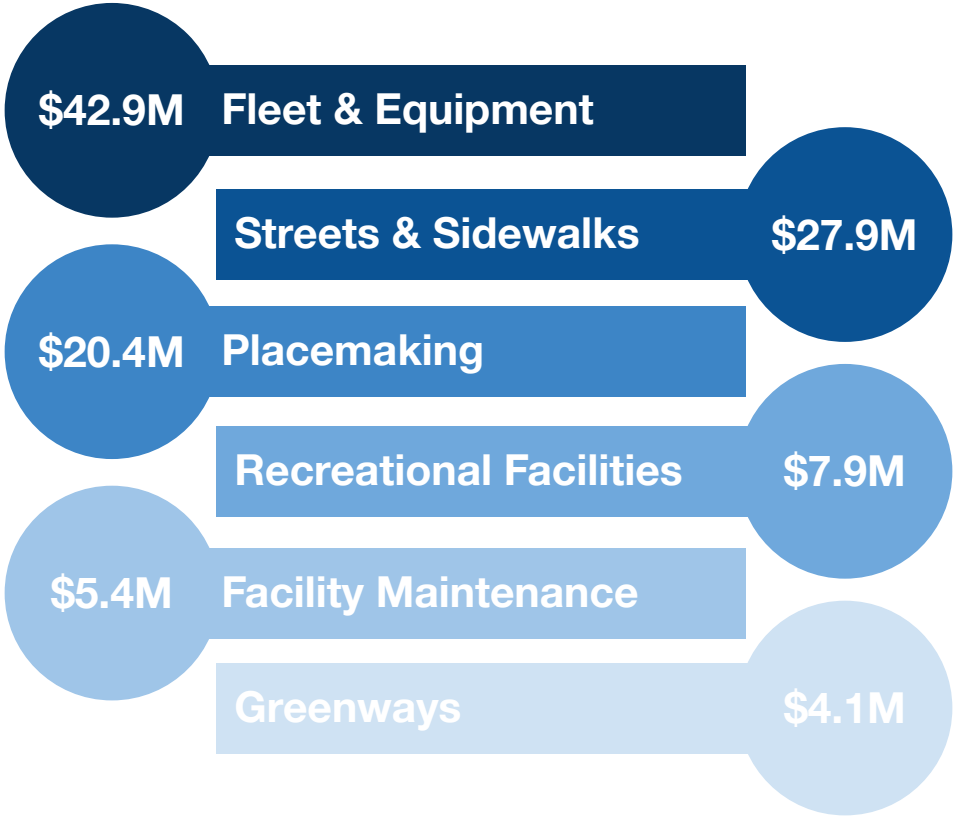
Water
- System maintenance (lines, meters, pump stations, plants) & *enhancements*

Parking
- Parking garage maintenance

Stormwater
- *Edwin Place/Celia Place Drainage Project*
- Lake Craig Sediment Removal
- *Infrastructure projects in St Dunstans, Shiloh, Waynesville Avenue, City parks*
- Watershed studies

THE CITY OF ASHEVILLE

Prioritization: Allocating Funding



- Projects groups together by type.
- Funding allocations provide target to work towards.
- Easier to prioritize among similar projects.

**Amounts shown are from FY23 5-year CIP and include external funding sources.*

THE CITY OF ASHEVILLE

Discussion & Questions

THE CITY OF ASHEVILLE

Status Update: Current Capital Projects

THE CITY OF ASHEVILLE

Project/CIP Update Summary

- 2016 GO bond projects are on schedule to be complete or under contract by summer 2023, ahead of the final debt issuance.
- Continuing to develop a better understanding of our capital needs, prioritization and funding strategy.
- Capital needs are increasing due to:
  - additional services
  - aging infrastructure and facilities
  - effects of climate change and carbon reduction goals

2016 GO Bond Financial Summary (11/30/22)

Service Area	A 2016 GO Bond Funding	B Add'l Funding (Grants, Pay-Go, Donations, LOBs Debt)	C Total GO Project Budgets (A+B)	D Total Spent or Encumbered	E Remaining Amounts (C-D)
Transportation	32.0M	8.2M	40.2M	21.8M	18.4M
Parks & Recreation	17.0M	8.1M	25.1M	19.4M	5.7M
Affordable Housing	25.0M	1.2M	26.2M	19.7M	6.5M
Total	**74.0M**	**17.5M**	**91.5M**	**60.9M**	**30.6M**

THE CITY OF ASHEVILLE

Examples of Unfunded Major Facility Needs*

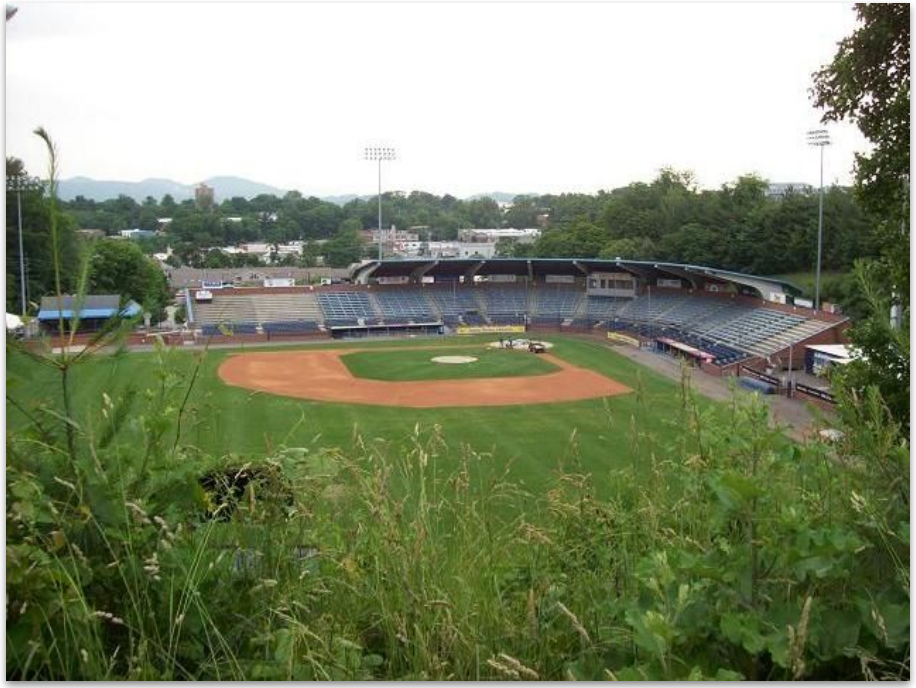
Thomas Wolfe Auditorium	$ 120M	Renewal and improvement of performance space
Operations Campus	$ 105M	Needed for expanding service and to free up South Charlotte Street space
Transit Maintenance Center	$ 57M	Needed to allow for expansion of service
West Asheville Public Safety Facility	$ 13M	Current building has exceeded useful life
Oakley Multipurpose Facility	$ 20M	Current building has exceeded useful life
Fire Station 8	$ 8M	Current building is too small for operations

**Additional projects will be identified in the Comprehensive Facilities Study*

THE CITY OF ASHEVILLE

Unfunded: McCormick Field

- Renovation & upgrade of facility to meet MLB standards.
- $37.5M estimated cost original cost estimate was $30M.
- Will require a partnership with team, County & TDA.
- Improvements could potentially be funded through 20-year debt with City contribution estimated at an increase of $1.0M-$1.2M per year.
- Plan to MLB by April 1, 2023.



THE CITY OF ASHEVILLE

Funded: Walton Street Park

- Currently funded at $500k
- Improving courts, playground, paved walks, signs and mural to honor history of pool
- Construction award March/April
- Preliminary site work in Jan/Feb
- Pool under construction at Grant Center will replace historic Walton St Pool
- Future work to determine how to repurpose pool site (pool and building)



THE CITY OF ASHEVILLE

Partially Funded: Municipal Building

- Needs structural, roof, building envelope, HVAC, and office space improvements.
- Structural observations on a routine schedule.
- Current $2.5M budget is the entire annual maintenance budget for nearly 3 years.
- Additional $1.5M-$4.8M needed.
- Fire service delivery impacts.
- Planned construction award July 2023 (phasing possible).



THE CITY OF ASHEVILLE

Unknown: Duke Substation

- Needed rebuild of downtown electrical substation adjacent to HCCA.
- Continue to explore options in partnership with Duke.
- Assessing other sites, unknown potential costs to City.
- Timeline?

THE CITY OF ASHEVILLE

Discussion & Questions

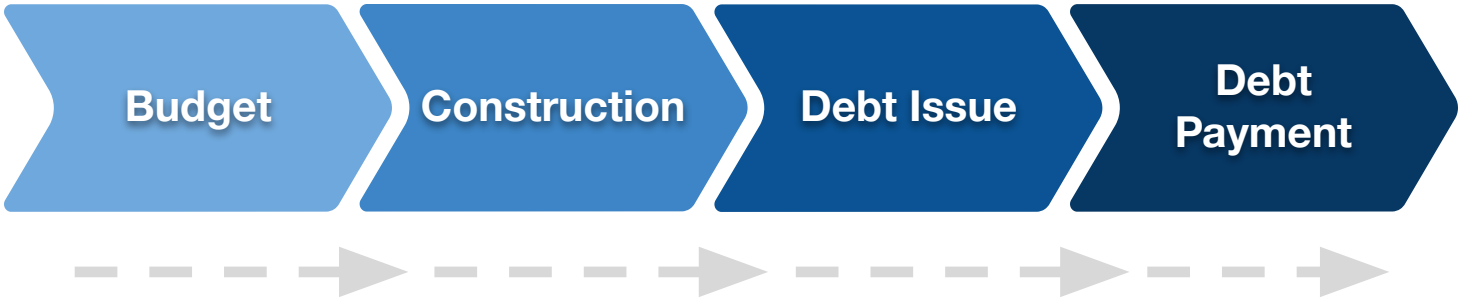
THE CITY OF ASHEVILLE

Debt, Financial Capacity & Looking Forward

THE CITY OF ASHEVILLE

Capital Project Financing

Debt issued to finance capital projects is paid for using general revenues.



Project budget is adopted by Council.

In construction, City pays with cash on hand, and reimburses itself with short-term loan.

Short-term loan is paid off with long-term debt (bonds).

Debt payments are made using general revenues.

THE CITY OF ASHEVILLE

Funding Capacity: Debt Modeling

- Forward looking projection of revenues and spending.
- Based on assumptions and financial policies:
  - Revenue growth rate (2% annual)
  - Timing of project spending
  - Interest rate assumptions (5% for tax exempt)
  - Minimum fund balance levels
  - Inflationary pressure

Debt Capacity

- Active projects and adopted CIP fully funded in the model.
- LOBs CIP (Non-GO) Projected Spending FY22 – FY26 (~$81M):
  - Facilities & Equipment - $33M
  - Greenways - $7M
  - Parks - $11M
  - Streets/Sidewalks/Placemaking - $30M
  - Capital Maintenance - $12.118M
- Due to projected spending, no capacity for additional projects prior to FY27.
  - Inflationary pressures and higher bid prices
  - Rising rate environment
- To increase capacity, slower spending or additional resources are needed.

FY24 CIP Development & Beyond

- Using FY24 process to identify where we can’t fund priority projects within our existing resources.
- Identifying what is flexible in the current plan.
- Aligning outside funding opportunities with community priorities.

THE CITY OF ASHEVILLE

Next Steps

- Staff are already working to identify new projects and update information for existing projects.
- Working towards developing a 2024 GO bond referendum.
- Follow up at future budget work sessions.

THE CITY OF ASHEVILLE

Key Takeaways

- Goal is to to have a capital plan that considers long term needs.
- Current capacity to fund projects outside of existing plan is limited.
- Significant decisions are on the horizon related to needs and funding needs.

THE CITY OF ASHEVILLE