

AGENDA

Orange County Board of Commissioners

October 27, 2009, 7:00 p.m.

**Southern Human Services Center
2501 Homestead Road
Chapel Hill**

7:00 - 9:00 Budget Work session

ADJOURN FOR CLOSED SESSION Orange County Board of Commissioners

To consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee or prospective public officer or employee, NCGS § 143-318.11(a)(6).

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: October 27, 2009

**Action Agenda
Item No.** _____

SUBJECT: Discussion of Capital Project Funding

DEPARTMENT: County Managers Office
Financial Services Department

PUBLIC HEARING: (Y/N)

Yes

ATTACHMENT(S):
Capital Funding Update

INFORMATION CONTACT:
Name, Phone Number

Gary Humphreys 919-245-2453

PURPOSE: To provide the Board an opportunity to review and discuss the status of capital project funding as it relates to upcoming update of the Capital Investment Plan.

BACKGROUND: This work session provides the Board with an update of certain factors which will impact the upcoming Capital Investment plan and budget for County and School capital projects.

- Status of funds allocated for unmet project funding (Managers two year plan)
- Review of Known Impacts on 2010-11 Budget
- Impact of increasing debt service
- Review prior capital funding allocation
- Funding required to meet existing capital commitments
- Listing of Projected New Financings
- Review of Updated Debt Capacity Projections

The update of the Debt Capacity projections highlights changes in the debt capacity outlook which occur as the result of slower growth in the County's major revenue sources. Property Taxes which make up approximately 70% of the General Fund budget will grow more slowly as a result of the slowdown in development and the Board's decision to hold property tax rates revenue neutral in FY2010. The debt capacity projections assume that there will be small increases in future property tax rates. The state's projections of sales tax revenue show a continued decline through next fiscal year. We have assumed a further decline in Sales tax revenue of approximately 2% which is less than the states projected 3-4% decline.

The slower growth in the budget negatively impacts the growth of pay as you go revenues available for capital projects. It also impacts the ability to pay for additional debt financing and remain within the County's debt policy of maintaining debt service payments at 15% or less of the General Fund budget. The "15% "policy adopted by the Board is not an arbitrary

amount. It is the upper range of credit rating agency expectations for strong municipal credits. Orange County should strive to meet the policy as part of maintaining its current favorable credit rating.

FINANCIAL IMPACT: As presented in the attached materials currently identified impacts result in a reduction of over \$3.5 million in resources available for the FY 2011 budget. The major factor involved is the increase in debt service of \$3.7 million. Debt previously issued causes \$2.5 million of this increase with the remaining \$1.2 million coming from debt projected to be issued in the latter part of FY2010.

RECOMMENDATION(S): The Manager recommends that the Board review and discuss the information provided as it relates to the upcoming Capital Investment Program update.

Capital Funding Update

2010-11-2019-20

Topics to Be Discussed

- Status of funds allocated for unmet project funding
- Review of Known Impacts on 2010-11 Budget
- Review prior capital funding allocation
- Funding required to meet existing capital commitments
- Listing of Projected New Financings
- Review of Debt Capacity Projections

Manager's two year plan adopted by the Board on February 3, 2009 addressed additional capital funding needed.

- 1) \$5.9 million to be appropriated from the General Fund over 2 years and \$580,000 from School Capital Reserve Fund.
- 2) \$3.5 million General Fund appropriation on March 3, 2009 and \$580,000 from School Capital Reserve
- 3) Project amendments for over budget projects adopted June 16,2009
- 4) Meetings with the two School Systems have resolved project funding for the School Capital Outlay Fund.
- 5) Project ordinance amendments for the School Capital Outlay Fund scheduled for the November 5 Board meeting along with the appropriation of \$724,000 of the \$2.4 million scheduled to be appropriated in 2009-10.

KNOWN IMPACTS ON 2010-2011 BUDGET

	2009-10 Budget	Changes	2010-11 Budget	Cause
Property Taxes	\$130,571,195	1,306,005	131,877,200	1% growth
Sales Tax	16,873,405	(987,405)	15,886,000	Projected 09-10 Shortfall plus 2% decline
Licenses& Permits	288,000		288,000	
Intergovernmental	16,724,924	(143,000)	16,581,924	Loss of 2/3rds ABC revenue
Charges for Services	9,698,897	(65,000)	9,633,897	Loss of Jail Fees for misdemeanor prisoners
Investment Earnings	670,000		670,000	
Miscellaneous	762,618		762,618	
Transfers	2,000,000	100,000	2,100,000	Increase in Debt Service Transfer from Capital Funds
Total Revenue	\$177,589,039	210,600	177,799,639	
Debt Service Increase		(3,746,162)		Currently issued debt \$2,514,948 New debt \$1,231,214
Probation Parole Rent		(20,000)		
Net Reduction in Resources		(\$3,555,562)		

Three Contrasting Approaches to Funding Capital for 2010-11 (including debt Service)

- 1) Maintain Debt Policy – Debt service no more than 15% of total General Fund Budget.**
- 2) Fund Capital needs without a Tax Increase**
- 3) Increase Taxes to cover the net increase in Debt Service**

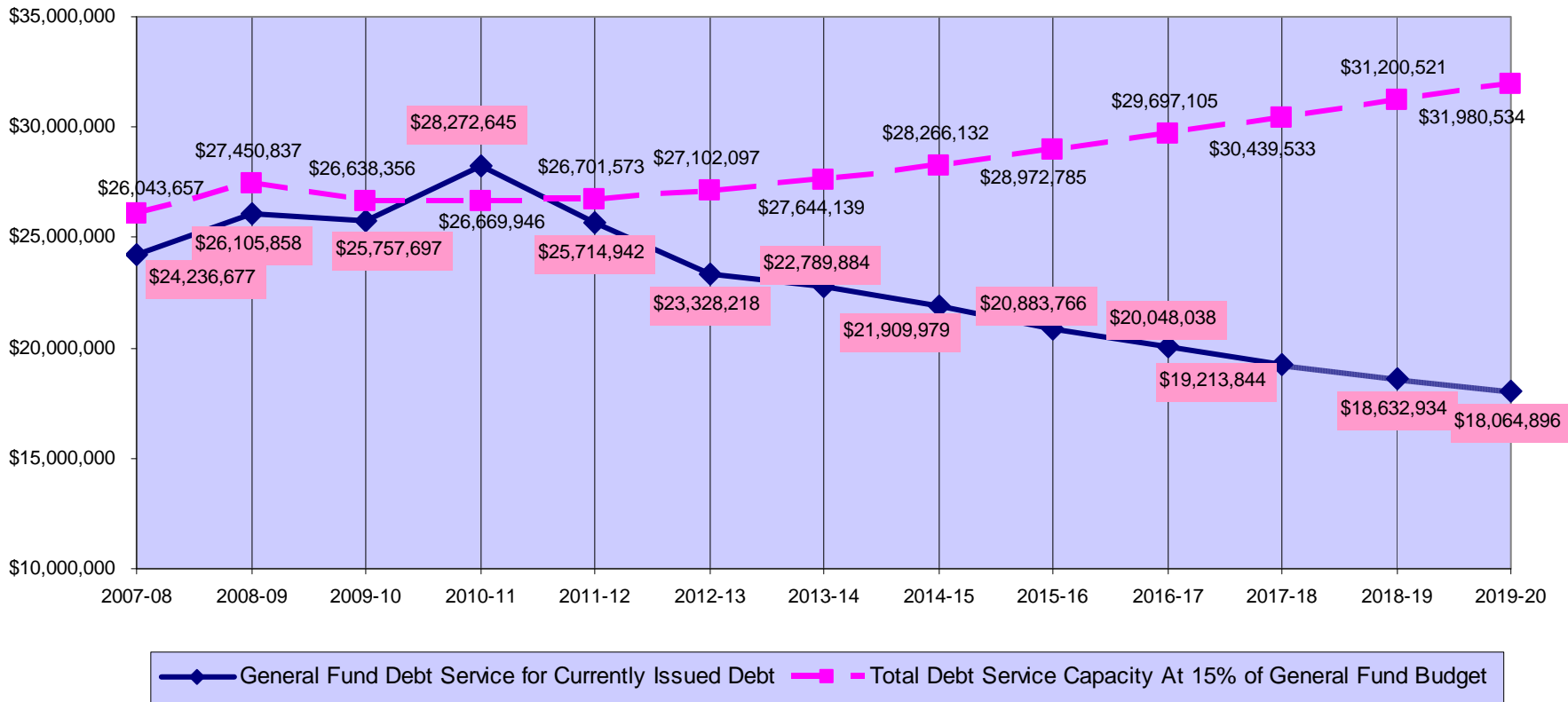
Capital Allocation	Fiscal Years					Maintain	No Tax	Tax Increase
	2006	2007	2008	2009	2010	Debt Policy 2011	Increase (2) 2011	for Debt Service 2011
School Cap Outlay Transfer	4,444,072	4,155,562	4,073,827	4,818,826	4,311,827	5,571,827	2,064,130	4,011,827
County Cap Outlay Transfer	2,937,364	2,770,374	2,715,885	1,887,551	2,874,551	3,714,551	1,376,086	2,674,551
Total Capital Outlay Transfer	7,381,436	6,925,936	6,789,712	6,706,377	7,186,378	9,286,378	3,440,216	6,686,378
Debt Service	19,661,775	23,379,243	24,270,286	26,229,463	25,757,697	29,503,859	29,503,859	29,503,859
Total CO Trans & Debt Svc	27,043,211	30,305,179	31,059,998	32,935,840	32,944,075	38,290,237	32,944,075	36,190,237
Beginning Budget	149,856,874	163,473,184	173,624,381	183,005,580	177,589,039	196,692,394	177,799,639	181,545,801
Debt Service % of Budget	13.1%	14.3%	14.0%	14.3%	14.5%	15.0%	16.6%	16.3%
Capital Funding as % of Budget	18.0%	18.5%	17.9%	18.0%	18.6%	19.5%	18.5%	19.9%
Revenue at Existing Tax Rate					177,589,039	177,799,639	177,799,639	177,799,639
Additional Revenue						18,892,755	0	3,746,162
Value of 1cent (1)					1,505,352	1,520,406	1,535,610	1,535,610
Tax Increase needed						12.426	0.000	2.440

Debt Service Increase> 3,746,162 3,746,162 3,746,162

Footnote

(1) Assumes 1% increase in tax value (2) Maintains same dollars for Operations by reducing Capital Transfers

**Current Debt Service
Compared to Debt Service Capacity**
Based on County's Current Debt Management Policy of Annual Debt Service Being No More Than 15% of Total General Fund Budget



Projected New Financing

<u>General Fund Debt</u>	<u>Amount</u>	<u>Estimated Issuance</u>
PropInfMgtSystem	750,000	2009-10
Phone System	575,000	2009-10
Parks Open Space	2,700,000	2009-10
Carrboro High Arts Wing	4,200,000	2009-10
Stanford Middle Auditorium	3,300,000	2009-10
Efland Sewer Loan *	3,500,000	2009-10
Elementary 11	31,000,000	2011-12
	<u>\$46,025,000</u>	
Hillsborough Commons	\$17,000,000	2011-12
(purchase price Approx \$14,900,000)		
<u>Enterprise Debt</u>		
Transfer Station	<u>\$8,000,000</u>	2009-10

* Efland Sewer will become enterprise debt when revenue is adequate to support debt service

Annual Debt Service Capacity and Tax Rate Impact - General Fund Only (Including Planned Debt Issuance)

Based on County's Current Debt Management Policy of Annual Debt Service Being No More Than 15% of Total General Fund Budget

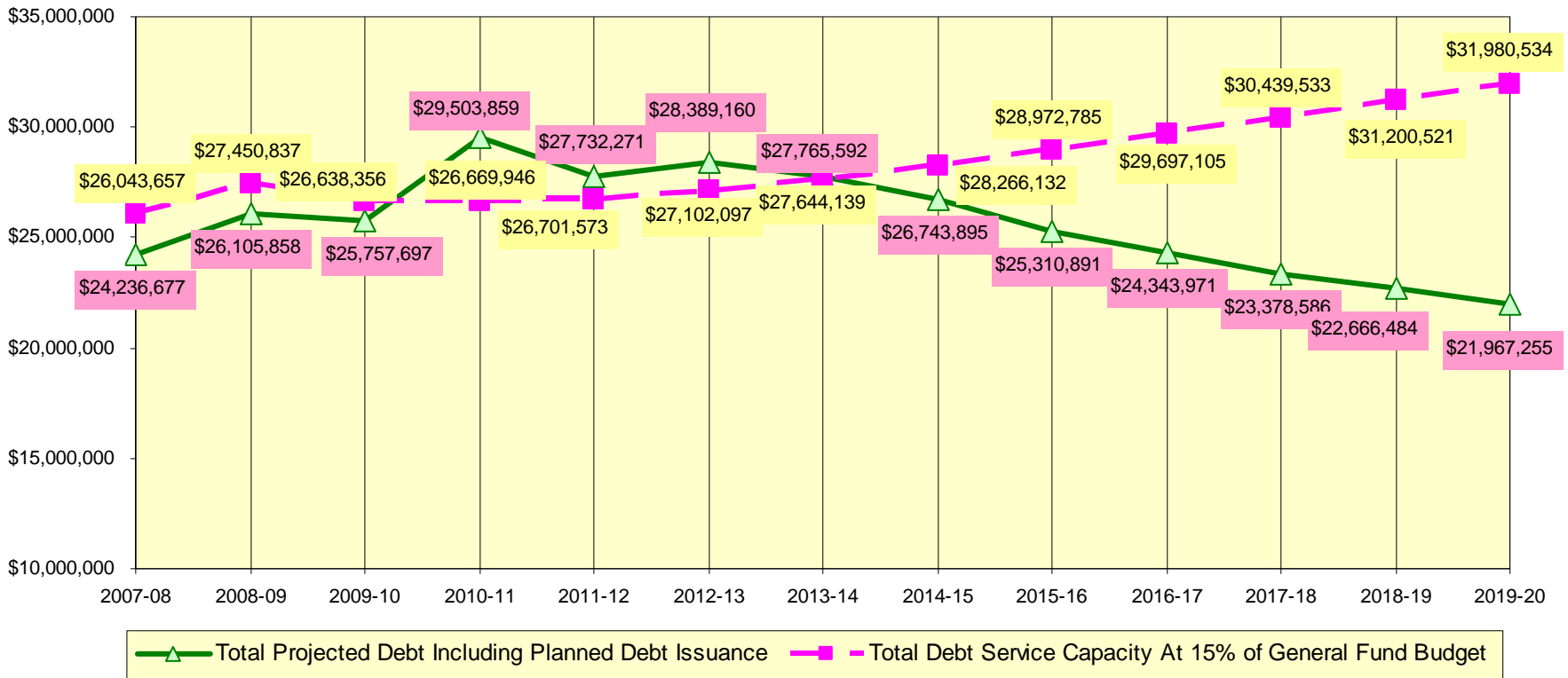
A	B	C	D	E	F	G	H		J
Fiscal Year	Original General Fund Budget	Annual % Increase (1)	Total Debt Service Capacity At 15% of General Fund Budget	General Fund Debt Service for Currently Issued Debt	Additional General Fund Debt Service for Currently Planned Debt Issuance			Value of One Cent (2)	Tax Rate Impact of Projected Additional Debt Service (column f)
					Projected Additional Debt Service By Fiscal Year	Total Projected Debt Including Planned Debt Issuance	Remaining Debt Capacity		
2007-08	\$173,624,381	6.21%	\$26,043,657	\$24,236,677		\$24,236,677	\$1,806,980		
2008-09	\$183,005,580	5.40%	\$27,450,837	\$26,105,858		\$26,105,858	\$1,344,979		
2009-10	\$177,589,039	-2.96%	\$26,638,356	\$25,757,697		\$25,757,697	\$880,659	\$1,505,352	
2010-11	\$177,799,639	0.12%	\$26,669,946	\$28,272,645	\$1,231,214	\$29,503,859	(\$2,833,913)	\$1,520,406	0.81
2011-12	\$178,010,489	1.50%	\$26,701,573	\$25,714,942	\$2,017,329	\$27,732,271	(\$1,030,698)	\$1,550,814	1.30
2012-13	\$180,680,646	2.00%	\$27,102,097	\$23,328,218	\$5,060,942	\$28,389,160	(\$1,287,063)	\$1,589,584	3.18
2013-14	\$184,294,259	2.25%	\$27,644,139	\$22,789,884	\$4,975,708	\$27,765,592	(\$121,453)	\$1,629,324	3.05
2014-15	\$188,440,880	2.50%	\$28,266,132	\$21,909,979	\$4,833,916	\$26,743,895	\$1,522,237	\$1,670,057	2.89
2015-16	\$193,151,902	2.50%	\$28,972,785	\$20,883,766	\$4,427,125	\$25,310,891	\$3,661,894	\$1,711,808	2.59
2016-17	\$197,980,699	2.50%	\$29,697,105	\$20,048,038	\$4,295,933	\$24,343,971	\$5,353,133	\$1,754,603	2.45
2017-18	\$202,930,217	2.50%	\$30,439,533	\$19,213,844	\$4,164,742	\$23,378,586	\$7,060,947	\$1,798,468	2.32
2018-19	\$208,003,472	2.50%	\$31,200,521	\$18,632,934	\$4,033,551	\$22,666,484	\$8,534,037	\$1,843,430	2.19
2019-20	\$213,203,559	2.50%	\$31,980,534	\$18,064,896	\$3,902,359	\$21,967,255	\$10,013,278	\$1,889,516	2.07

Footnotes

(1) Fiscal Years 2007-08 and 2008-09 are the actual % increase in the Original Adopted Budget from the previous years Original Adopted Budget

(2) Tax Rate Impact = Assumes 1.0% growth in 10-11, 2.0% in 11-12 and 2.5% 2012-13 through 2017-18

**Projected Debt Service Including Planned Debt Issuance
Compared to Debt Capacity**
Based on County's Current Debt Management Policy of Annual Debt Service Being No More Than 15% of Total General Fund Budget



Annual Debt Service Capacity and Tax Rate Impact - General Fund Only (Planned Financing Includes Financing for Hillsborough Commons)

Based on County's Current Debt Management Policy of Annual Debt Service Being No More Than 15% of Total General Fund Budget

A	B	C	D	E	G	H	J		
Fiscal Year	Original General Fund Budget	Annual % Increase	Total Debt Service Capacity <i>(based on Debt Management Policy of 15% of total General Fund budget)</i>	General Fund Debt Service for Currently Issued Debt	Additional General Fund Debt Service for Currently Planned Debt Issuance			Value of One Cent (2)	Tax Rate Impact of Projected Additional Debt Service <i>(column f)</i>
					Projected Additional Debt Service By Fiscal Year with Hillsborough Commons	Total Projected Debt Including Planned Debt Issuance	Remaining Debt Capacity		
2007-08	\$173,624,381	6.21%	\$26,043,657	\$24,236,677		\$24,236,677	\$1,806,980		
2008-09	\$183,005,580	5.40%	\$27,450,837	\$26,105,858		\$26,105,858	\$1,344,979		
2009-10	\$177,589,039	-2.96%	\$26,638,356	\$25,757,697		\$25,757,697	\$880,659	\$1,505,352	
2010-11	\$177,799,639	0.12%	\$26,669,946	\$28,272,645	\$1,231,214	\$29,503,859	(\$2,833,913)	\$1,520,406	0.81
2011-12	\$178,010,489	1.50%	\$26,701,573	\$25,714,942	\$2,463,579	\$28,178,521	(\$1,476,948)	\$1,550,814	1.59
2012-13	\$180,680,646	2.00%	\$27,102,097	\$23,328,218	\$7,057,025	\$30,385,243	(\$3,283,146)	\$1,589,584	4.44
2013-14	\$184,294,259	2.00%	\$27,644,139	\$22,789,884	\$6,912,291	\$29,702,175	(\$2,058,037)	\$1,629,324	4.24
2014-15	\$187,980,144	2.00%	\$28,197,022	\$21,909,979	\$6,710,999	\$28,620,978	(\$423,957)	\$1,670,057	4.02
2015-16	\$191,739,747	2.00%	\$28,760,962	\$20,883,766	\$6,244,708	\$27,128,474	\$1,632,488	\$1,711,808	3.65
2016-17	\$195,574,542	2.00%	\$29,336,181	\$20,048,038	\$6,054,017	\$26,102,055	\$3,234,127	\$1,754,603	3.45
2017-18	\$199,486,033	2.00%	\$29,922,905	\$19,213,844	\$5,863,325	\$25,077,169	\$4,845,736	\$1,798,468	3.26
2018-19	\$203,475,753	2.50%	\$30,521,363	\$18,632,934	\$5,672,634	\$24,305,567	\$6,215,796	\$1,843,430	3.08
2019-20	\$208,562,647	2.50%	\$31,284,397	\$18,064,896	\$5,481,942	\$23,546,839	\$7,737,559	\$1,889,516	2.90

Footnotes

⁽¹⁾ Fiscal Years 2007-08 and 2008-09 are the actual % increase in the Original Adopted Budget from the previous years Original Adopted Budget

⁽²⁾ Tax Rate Impact = Assumes 1.0% growth in 10-11, 2.0% in 11-12 and 2.5% 2012-13 through 2017-18

**Projected Debt Service Including Hillsborough Commons
Compared to Debt Service Capacity**
Based on County's Current Debt Management Policy of Annual Debt Service Being No More Than 15% of Total General Fund Budget

