

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: May 11, 2010

**Action Agenda
Item No.** 2

SUBJECT: Appropriations to Fund Existing County Capital Projects, the Establishment of a County Capital Reserve Fund and Balance & Close County Capital Projects

DEPARTMENT: Financial Services

PUBLIC HEARING: (Y/N)

ATTACHMENT(S):

Attachment 1: Resolution to Establish a County Capital Reserve Fund

Attachment 2: Schedule to Projects to be Closed

Attachment 3: Schedule of Active Projects and Other Available Funds

INFORMATION CONTACT:

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PURPOSE: To balance and fund all individual projects in the County Capital Projects Fund and provide reserves for future County Capital Projects. There are five individual actions requested to fully fund and balance all County Capital Projects.

Summary of Requested Actions

1. Appropriate General Fund Balance to provide funding for County Capital Projects that have a shortfall.
2. Appropriate Solid Waste Fund Balance to provide funding for Lands Legacy.
3. Establish a County Capital Reserve Fund for future County Capital needs.
4. Review and Close completed and active County Capital Projects.
5. Appropriate County Capital Fund Balance to provide:
 - a. Funding for four projects with a shortfall.
 - b. Funding for the County Capital Reserve Fund.

ACTION REQUESTED

- 1. Appropriate General Fund Balance to provide funding for County Capital Projects that have a shortfall.**

BACKGROUND: The Board of County Commissioners was presented a two year plan on February 3, 2009 related to School and County Capital Projects. The plan was to fund a \$5.9 million dollar shortfall from the General Fund. A total of \$4.2 million dollars has been appropriated from the General Fund, \$3.5 million in Fiscal Year 2008/2009 and \$.7 million in Fiscal Year 2009/2010. The remaining \$1.7 million has not yet been appropriated from the General Fund.

In February 2009 staff analysis showed that the majority of the remaining shortfalls resulted from differences between the pay-as-you-go funds budgeted for projects in the County Capital Projects Fund and the funds actually transferred to the individual projects. Many of these differences existed when the conversion to the MUNIS System occurred in 2003.

As an accounting reminder, the Board will recall that the General Fund only has annual appropriations that when not expended at the end of each fiscal year, the remaining funds lapse into Fund Balance. The County Capital Projects Fund is established by a project ordinance and the funds only lapse when the project is complete and the project is closed.

CURRENT SITUATION: There are eleven County Capital projects that have individual existing budgets that receive transfers from the General Fund. To complete funding for these projects listed below, an appropriation of \$1,739,270 from the General Fund Balance is needed.

Project	Amount
Justice Facility	\$267,094
Norther Human Services Center	\$83,022
Senior Center Central Orange	\$280,533
Animal Services Facility	\$65,197
EMS Relocation	\$60,959
Lands Legacy - Unallocated	\$325,452
Parkland & Recreation Facilities	\$27,563
Utility Exiension Development	\$9,450
Affordable Housing	\$250,000
Roofing Projects	\$100,000
Information Technology	\$270,000
Total Project Funding	1,739,270

FINANCIAL IMPACT: The appropriation of \$1,739,270 from the General Fund has been anticipated since 2008 when the BOCC was presented a two year plan to fund the shortfall and will not have an impact in the current Fiscal Year.

RECOMMENDATION(S): The Manager recommends the Board approve the appropriation of \$1,739,270 in General Fund Balance to provide funding for 11 County Capital Projects that have a shortfall.

ACTION REQUESTED

- 2. Appropriate Solid Waste Fund Balance to provide funding for Lands Legacy.**

BACKGROUND: Same as Action #1 above.

CURRENT SITUATION: On December 11, 2007 the BOCC approved the purchase of 145 acres of land from Fred M. Kirby. Five acres of the total site was for a solid waste convenience center. The final cost of the project was \$1,548,013, with \$50,000 coming from the Solid Waste Fund. This \$50,000 transfer was budgeted in Fiscal Year 2007/2008, but the transfer was never completed to the Lands Legacy Project and the funds lapsed into the Solid Waste Fund Balance. To complete funding for the Lands Legacy Project, an appropriation of \$50,000 from the Solid Waste Fund Balance needs to be transferred to the Lands Legacy Project.

FINANCIAL IMPACT: The appropriation of \$50,000 from the Solid Waste Fund, while not planned for this fiscal year, will not have a significant impact on the operation of the Solid Waste Fund.

RECOMMENDATION(S): The Manager recommends the Board approve the appropriation of \$50,000 from Solid Waste Fund Balance to provide funding for Lands Legacy Project.

ACTION REQUESTED

- 3. Establish a County Capital Reserve Fund for future County Capital needs**

BACKGROUND: On June 11, 2009 the Board of County Commissioners approved the establishment of a Reserve Fund for the proceeds from the sale of surplus property with 60% of the proceeds designated for the needs of older schools and 40% for County needs.

As stated in North Carolina General Statute 159-18 Capital Reserve Funds; "A local government may establish and maintain a capital reserve fund for any purposes for which it may issue debt. A capital reserve fund shall be established by resolution or ordinance of the governing board which shall state (i) the purpose for which the fund is created, (ii) the approximate periods of time during which the moneys are to be accumulated for each purpose, (iii) the approximate amounts to be accumulated for each purpose, and (iv) the sources from which moneys for each purpose will be derived."

CURRENT SITUATION: The Board of County Commissioners established a School Capital Reserve Fund many years ago. This Capital Reserve Fund has been used successfully for identifying and reserving funds for future School Capital Projects.

Orange County has several Capital Projects, in the County Capital Fund, clearly established to serve as a reserve. These projects exist only to act as a reserve for future projects and funds are not expended from the project, but rather transferred to other projects when needed. These projects better fit the definition of a Capital Reserve Fund rather than a Capital Project Fund. In a Capital Reserve Fund the funds can be identified and reserved for specific purposes, but the BOCC can appropriate these funds for individual projects approved by the Board.

FINANCIAL IMPACT: The establishment of a Capital Reserve Fund will allow the BOCC to reserve funds for future County Capital Projects but will not have an immediate impact on the County's financial condition.

RECOMMENDATION(S): The Manager recommends the Board establish a County Capital Reserve Fund by approving the attached resolution.

ACTIONS REQUESTED

4. Review and Close completed and active County Capital Projects.

BACKGROUND: As of June 30, 2009, the Comprehensive Annual Financial Report for Orange County had 84 active capital projects in the County Capital Project Fund. Over the past eight years, few if any capital projects were closed even though many have been completed for several years. The purpose of a Capital Project Ordinance is to fund the acquisition or construction of a capital asset.

A Capital Asset is defined by Governmental Accounting, Auditing, and Financial Reporting (GAAFR) as: land, improvements to land, easements, work of art, and historical treasures, infrastructure and all other tangible or intangible assets that are used in the operations and that have initial useful lives extending beyond a single reporting period.

As stated in North Carolina General Statute 159-13.2 (c) Project Ordinances, "A project ordinance shall clearly identify the project and authorize its undertaking, identify the revenues that will finance the project, and make the appropriations necessary to complete the project."

CURRENT SITUATION: Orange County has established two types of projects in the County Capital Projects Fund. The first type of project has been established in whole or in part to construct or acquire a capital asset. The second type of project has been established to act as a reserve to fund other projects. Both types of projects have rarely been closed even after the scope of the original project is complete.

Attachment 2 lists twenty-six County Capital projects that are still active even though they have either been substantially completed or never had any activity. Closing these projects would provide \$245,560 in capital resources that can be used for other capital priorities.

Attachment 3 lists twelve active County Capital Projects with available balances, that have had limited activity over the past few years and could be closed as of June 30, 2010. This action would provide \$737,868 in capital resources that can be used for other capital priorities.

Attachment 3 also lists three active projects that are not yet complete and will remain active for their identified purposes. The available funds identified with these three projects of \$825,000 were volunteered by the Department of Environment, Agriculture, Parks and Recreation (DEAPR) to assist balancing the County's annual budget without further reductions in programs.

FINANCIAL IMPACT: The closing of 38 projects and transferring \$825,000 from existing projects to the Capital Projects Fund Balance will make \$1,808,428 available for future County Capital Needs.

RECOMMENDATION(S): The Manager recommends the Board approve the closing of 38 projects and the transfer of \$825,000 from existing projects to the Capital Projects Fund Balance as listed on Attachments 2 and 3.

ACTIONS REQUESTED

5. Appropriate County Capital Fund Balance to provide:

- a. Funding for four projects with a shortfall; and
- b. Funding for the County Capital Reserve Fund.

BACKGROUND: The Board of County Commissioners was presented a two year plan on February 3, 2009 related to School and County Capital Projects. The plan was to fund a \$5.9 million dollars shortfall from the General Fund. A total of \$4.2 million dollars has been appropriated from the General Fund – \$3.5 million in Fiscal Year 2008/2009 and \$.7 million in Fiscal Year 2009/2010.

CURRENT SITUATION: The Board first took action to implement the 2 year plan to correct the shortfall in the County Capital Projects Fund on February 3, 2009. After the initial appropriation of \$3.5 million from the General Fund, staff was given direction to take those actions necessary to reallocate available funding to correct the project shortfalls.

Staff proceeded to reallocate resources between projects without the approval of the BOCC. Then these projects were closed once adequate funding was available at the end of Fiscal Year 2008/2009. This staff action leaves four County Capital projects with a shortfall of \$1,429,470. The shortfall did not exist before action was taken to close projects in Fiscal Year 2008/2009. Three of these projects are still active, with only the Homestead Community Center Project having been completed. The total shortfall for these four projects is \$1,429,470.

Projects with a Shortfall

Twin Creeks Park (funded with 2003 Alternative Financing)	\$ 900,000.
Blackwood Farms (From County Parks Reserve)	\$ 400,000
Homestead Community Center (project over budget)	\$ 17,834
Lands Legacy (2004 2/3"s Bonds)	\$ 111,636
Total Shortfall	\$1,429,470

The County has an existing project in the County Capital Projects Fund designated as "Unallocated". The purpose of the project is to accumulate unallocated revenues that are dedicated to the County Capital Projects Fund but not yet appropriated to any one project. There are \$1,016,519 of unallocated resources in this project that can be appropriated for capital needs.

Summary of Available Resources

12 Active Projects with Available Balances to be Closed	\$ 737,868
3 Projects with Available Balances to be Transferred	\$ 825,000
26 Completed Projects to be Closed	\$ 245,560
Unallocated Revenues	\$1,016,519
Total Available Resources	\$2,824,947

FINANCIAL IMPACT: The closing of projects, transferring funds from active projects to Fund Balance, and appropriating unallocated revenues will provide a total of \$2,824,947 available to fund future County Capital priorities. A total of \$1,429,470 is needed to fund the four projects with a shortfall.

RECOMMENDATION(S): The Manager recommends the Board:

1. Appropriate \$1,016,519 from Unallocated Resources and \$412,951 from the Fund Balance of the County Capital Projects Fund to fund the \$1,429,470 shortfall; and
2. Appropriate \$200,000 from the Fund Balance of the County Capital Projects Fund to the New Capital Reserve Fund, leaving \$1,195,477 available for future County Capital needs.

ORANGE COUNTY BOARD OF COMMISSIONERS

Resolution

Establishment
of the
County Capital Reserve Fund

WHEREAS, there is a need in Orange County, North Carolina to accumulate funds for future County Capital needs;

NOW, THEREFORE, BE IT RESOLVED BY THE ORANGE COUNTY BOARD OF COMMISSIONERS THAT:

Section 1. The Governing Board hereby creates a Capital Reserve Fund for the purpose of funding future County capital needs.

Section 2. The fund will remain operational until such time as it is no longer needed.

Section 3. The County Capital Reserve Fund will be funded by:

- Pay as you go funds (i.e. property tax, sales tax)
- General Obligation Bonds
- Alternative Financing
- Other revenue sources the Board of Commissioners chooses to dedicate.

Section 4. This resolution shall become effective upon adoption.

Adoption certification: I hereby certify that this is a true and correct copy of the Resolution entitled, "Establishment of the County Capital Reserve Fund" as adopted by the Board of County Commissioners of Orange County, North Carolina, on the _____ day of _____, 2010.

WITNESS my hand and the official seal of, this the _____ day of _____, 2010.

Clerk to the Board of County Commissioners

Seal:

Attachment 2

Capital Projects to be closed 2009- 2010
Available Balances 4/16/10

Project Number	Project	Actual Balance Remaining in Project
10003	Animal Shelter	\$ -
10032	Farmers Market	\$ -
10036	Carrboro Library	\$ -
10041	Efland Rescue Building	\$ 12,500.00
20004	Efland Cheeks Park	\$ -
20007	Greenways Development	\$ -
20009	Homestead Park/Aquatics	\$ 96,018.00
20012	Little River Natural Area	\$ 18,191.00
20013	McGowan Creek Preserve	\$ 1.00
20016	Other Park Projects	\$ -
20019	Seven Mile Creek Preserve	\$ 5,311.60
20020	Smith Middle School Park	\$ -
20021	Southern Park	\$ 43,004.46
20022	Sportsplex	\$ -
20025	Bolin Creek Greenway	\$ -
20031	Orange HS Tennis	\$ -
30001	Building Safety	\$ (0.35)
30020	Masonry Repairs	\$ -
30021	Painting of County Facilities	\$ -
30022	Assessments & Testing	\$ 28,200.00
30026	Elevator Repairs & Imp	\$ 8,635.00
30027	Fire Alarm System	\$ 30,000.00
30028	Flooring Replacement	\$ -
30030	Signage	\$ 3,700.00
30032	Waterproofing & Drainage	\$ -
30033	Emergency Communications	\$ -
		<u>\$ 245,560.71</u>

Attachment 3

**County Capital Projects
Active Projects With available balances**

Project Number	Name	Last Activity	Last Budget Amendment	Available Balance 4/15/2010
10010	Historic Courthouse	2/6/2009	FY 08/09	\$ 58,787.52
10030	Dickson House	None	FY 08/09	\$ 12,500.00
10033	Parks Operations	11/18/2008	FY 05/06	\$ 181,700.00
10044	Animal Ser Deconstruct	10/16/2009	FY 09/10	\$ 7,000.00
20001	Cates Property	11/10/2009	FY 05/06	\$ 22,063.91
20027	New Hope Creek Pres	6/16/2009	FY 09/10	\$ 18,741.50
30013	Emergency Power	6/30/2007	FY 06/07	\$ 81,014.02
30015	Solid Waste Collection Ctrs	6/30/2008	FY 07/08	\$ 111,301.40
30029	Parking Lot Repairs	6/30/2009	FY 06/07	\$ 133,005.00
30024	Capital Repairs Reserve	6/30/2008	FY 07/08	\$ 58,445.16
30025	Facilities Art Reserve	1/26/2010	FY 09/10	\$ 3,310.00
30036	Library Task Force		FY 08/09	\$ 50,000.00
			Subtotal	\$ 737,868.51

Active Projects From ERCD & Parks

20011	Lands Legacy	\$ 450,000
20003	Twin Creeks Park	\$ 300,000
20030	Central Recreation	\$ 75,000
	Subtotal	\$ 825,000

Other Sources of Available Funds

19999	Unallocated	Unbudgeted Sales Tax Revenue	\$ 285,733.30
19999	Unallocated	Unbudgeted Interest Income	\$ 730,785.29
		Subtotal	\$ 1,016,518.59