

2018–2023 MAJOR CAPITAL IMPROVEMENTS PROGRAM - FUTURE PROJECTS

FORSYTH COUNTY, NORTH CAROLINA

Introduction

The Forsyth County Major Capital Improvements Program (CIP) represents a multiyear forecast of the County'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. The County prepares a five-year CIP to function as a planning tool for capital improvements. The schedule of projects beyond the first year is subject to adjustments upon annual review by County staff and the Board of Commissioners. Future forecasts in the CIP serve the County by helping plan for capital repairs, replacements, and acquisitions which aids in financial planning to ensure the County's fiscal health and credit. Capital projects differ from annual operating expenses because they involve large dollar amounts, often require special financing, typically occur at irregular intervals, and involve the development of assets expected to last more than five years.

The County's CIP serves as a guide for the maintenance and acquisition of capital assets. It is an important management tool as it evaluates the effects of large capital costs on the County's operating budget and financial standing in terms of debt burden and capacity. The CIP is the result of an ongoing process by County officials to assess the need for major capital expenditures, to determine the feasibility of funding these projects and to establish an orderly plan for financing and implementing these projects to remain in compliance with Commissioner established financial policies. The entire CIP is not an adopted budget. Only the first year of the CIP (FY2017-2018) will become a part of the County's annual budget document if approved. Additionally, the CIP is not a static planning tool as it is evaluated annually and adjusted according to the County's goals and financial considerations.

Policies and Financial Strategies

The CIP helps the County 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 financial strategies guide County staff in CIP development:

1. A capital project is a physical asset with an initial cost greater than \$100,000 and a projected useful life greater than five-years or a non-recurring operating expenditure greater than \$50,000 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.
2. Similar projects costing less than \$100,000 should not be lumped together to form a single project greater than \$100,000. Such smaller projects should be requested and/or included in the upcoming budget.
3. The term of any County debt issue should not exceed the useful life of the asset for which the debt is issued.
4. The capital program recognizes the borrowing limitation of the County to maintain fiscal stability including a AAA rating from rating agencies.
5. Requesting departments will search for all possible outside funding sources for CIP projects to offset County debt, including grants, private-partnerships, and intergovernmental agreements.
6. A financial analysis will accompany the CIP to illustrate the County's capacity to repay debt and identify the impact on financial indicators.
7. The County will attempt to use pay-as-you-go financing assets with costs less than \$150,000.

2018–2023 MAJOR CAPITAL IMPROVEMENTS PROGRAM - FUTURE PROJECTS

FORSYTH COUNTY, NORTH CAROLINA

Financing Options

The following is a list of financing options available to the County for consideration when funding the Forsyth County CIP. Included are the assumptions used in deciding on which funding option to use for a project.

- **Long-term Financing** - includes General Obligation Bonds, 2/3rds Bonds, Limited Obligation Bonds (LOBS)
 - *General Obligation Bonds* - used for projects when voter approval is sought.
 - This type of financing is generally used to fund projects for the public school system or community college;
 - G.O. bonds require voter approval because the debt is secured by the taxing power of the County; and
 - Typically have the lowest interest rates and twenty-year terms.
 - *2/3rds Bonds* - a type of general obligation bond
 - Does not require voter approval; but
 - Can only be used when debt is reduced (principal only) from one year to the next.
 - *Limited Obligation Bonds (LOBS)* - used for essential projects where the project itself secures the financing.
 - A type of Installment Purchase Agreement;
 - Can either be short-term or long-term; and
 - Presents the best option for most of the County's current capital needs.
- **Short-term Financing** - includes Lease Purchase or Short-term direct borrowing. Forsyth County has traditionally limited total short-term financing in a given year to less than \$1.5 million. Typically this type of financing is:
 - For terms of five (5) years or less; and
 - Used for capital items which typically exceeds \$100,000 and have a relatively short useful life.
- **Pay-Go Financing** - the use of current income or fund balance (savings).
 - Assigned capital funds represent money set aside each fiscal year for capital projects;
 - General Statute 159-18 allows counties to establish capital project funds for any capital purpose. However, once a capital project fund (Board adopted Pay-Go Plan) is established, funding is allowed according to the Pay-Go Plan;
 - Historically used for capital items which cost less than \$100,000. However, Forsyth County has used pay-as-you-go to fund up-fits to the Public Safety Center (\$2 million) and additional funding for library projects (\$1.6 million);
 - Forsyth County's fund balance policy commits any excess of fund balance over 14% of the County's expenditures for capital projects; and
 - There is no debt associated with this funding.
- **Sale or Exchange of Assets** - use the sale of assets towards replacing that asset, or other needs, if deemed appropriate.
- **Other Participating Governments** - use where other governments have provided restricted funds to help fund any project.
- **Donations/Gifts** - normally any donor or grantor specifies the uses for the donation.
- **Certificates of Participation** - a type of installment purchase agreement
 - Typically have higher interest rates than GO bonds;
 - Debt is secured funds resulting from the project being financed and not the "full faith and credit" of the government; and
 - Typically financed for ten- to twenty-year terms.

2018–2023 MAJOR CAPITAL IMPROVEMENTS PROGRAM - FUTURE PROJECTS

FORSYTH COUNTY, NORTH CAROLINA

The Proposed Plan

The Plan contained herein is not an approved Plan. Final approval of any plan or project is subject to subsequent action by the Board of Commissioners. Some of the projects contemplated in this plan require long-term financing. On April 27, 2015, the Board of Commissioners amended its formal debt policy for the County to 18% of the appropriations in the annually adopted budgets as shown in the budget ordinance. The amended policy limits annual debt service to a raw 18% of the annually appropriations as shown in the budget ordinance. This simpler computation quickly allows the casual observer to see when debt capacity is getting near.

The Capital Improvement Plan as shown in the following pages attempts to adhere to this policy; however, a caveat to the debt policy is that the percentage is a function of numerator over denominator, therefore if the annually adopted budgets do not grow at least by the amounts shown in the Future Budget Projections, so that the denominator increases, there will be decisions to make on which projects are funded first.

	FY	2018	2019	2020	2021	2022	2023
Existing:		15.9%	14.9%	14.1%	13.5%	12.9%	12.4%
Existing + proposed CIP		15.9%	14.9%	16.5%	15.8%	18.8%	18.1%

The CIP is reviewed by the Commissioners periodically, usually twice a year, once at the annual Commissioners' Planning Workshop, and then again during their annual budget deliberations. The most recent discussion occurred in February 2017 during the Winter Workshop.

The CIP consists of the following Sections:

- 1) *Summary of All Projects Considered* - this section provides a summary of the capital improvement plan in table form. It outlines all of the projects requested by departments. The summary presents the estimated capital costs for each project by department, whether the project is in the proposed plan period, and whether or not a debt leveling plan would be recommended.
- 2) *Summary of Projects Considered but not Proposed* - this section provides all projects that are considered, but not proposed within this plan period.
- 3) *Proposed Project By Year* - this section looks at the proposed projects in terms of the year in which the project is to begin.
- 4) *Annual County Dollar Requirements* - this section provides estimates of the annual cost of the projects in terms of debt service, related operating expenses, and offsetting revenues (if applicable).
- 5) *Individual Projects and Future Budget Impact Analysis* - this section evaluates the impact of the CIP on the operating budget and the County's debt tolerance. These tables and charts present the potential effects of the CIP on the County's ability to maintain its current fiscal practices and its ability to borrow money without compromising the County's strong financial status. Annual needs include any costs which will impact the General Fund. Annual needs include debt service and all related operating costs of the project once complete, i.e., personnel, utilities, etc.

For the Capital Improvement Planning period for FY18 – FY23, the requested projects cost an estimated \$478,922,800.

Key points of the Capital Plan include:

2018–2023 MAJOR CAPITAL IMPROVEMENTS PROGRAM - FUTURE PROJECTS FORSYTH COUNTY, NORTH CAROLINA

Source of Funding for Included Projects

GO Bonds	\$322,500,000
Limited Obligation Bonds	126,822,800
2/3rds Bonds	29,600,000
Total	<u>\$478,922,800</u>

The Capital Improvement Plan is not a stagnant document and changes and updates are constantly being made as priorities change and opportunities arise.

The following page provides an outline of the projects proposed for the planning period FY18 - FY23. All projects require final approval by the Board of Commissioners before moving forward.

2018–2023 MAJOR CAPITAL IMPROVEMENTS PROGRAM - FUTURE PROJECTS

FORSYTH COUNTY, NORTH CAROLINA

Section 1 - Summary of All Projects Considered

All Projects Considered	Total Project(s) Requested	Proposed in Plan	Debt Leveling Proposed
Winston-Salem/Forsyth County Schools: The successful November 2016 referendum included \$350m for WSFCS. Plans were developed to issue the \$350m over four separate issuances in equal amounts of \$87.5m in FY17, FY19, FY21, and FY23. Projects include 4 new schools, 4 Replacement Schools, 4 Additions, 4 Renovations, Safety Improvements throughout the system, Technology Updates, Maintenance and Capital Improvements, and Inflation and Contingency costs. Remaining in the plan are the three issuances in FY19, FY21, and FY23.	350,000,000	262,500,000	X
Forsyth Technical Community College: The successful November 2016 referendum included \$65m for Forsyth Tech. Plans were developed to issue the \$65m over four separate issuances in equal amounts of \$16.25m in FY17, FY19, FY21, and FY23. Projects include Main Campus renovations, Oak Grove Center renovations, a Learning Commons, a Transportation Technology Center, and an Aviation Technology Facility. Remaining in the plan are the three issuances in FY19, FY21, and FY23.	65,000,000	48,750,000	X
Park System Development – The successful November 2016 referendum included \$15m for County Parks. Plans were developed to issue the \$15m over four separate issuances in equal amounts of \$3,750,000 in FY17, FY19, FY21, and FY23. Remaining in the plan are the three issuances in FY19, FY21, and FY23.	15,000,000	11,250,000	X
Winston - Salem/Forsyth County Schools: Capital Maintenance Plan (FY19 2/3rds Bonds and alternating years) - funds ongoing life cycle replacements and repairs. Assumes \$8.5m issued in FY19, FY21, and FY23.	25,500,000	25,500,000	
Forsyth Technical Community College: Capital Maintenance Plan (FY19 2/3rds Bonds and alternating years) - funds ongoing life cycle replacements and repairs. Assumes \$2.3 million issued in FY19, FY21, and FY23.	6,900,000	6,900,000	
County General Capital Maintenance (\$2 million in FY19 & alternating years)	6,000,000	6,000,000	
Park System Capital Maintenance - (\$2 million in FY19 & alternating years)	6,000,000	6,000,000	
Court Facilities - (FY19-FY20 - LOBS) - Renovate or replace Hall of Justice to provide additional courtroom space and technology upgrades.*	126,822,800	126,822,800	?
SciWorks/Merschel Plaza - Replace or renovate nature science museum. (Sale or Exchange of Assets)	17,840,000	17,840,000	
Grand Total	<u>619,062,800</u>	<u>511,562,800</u>	

The Court Facility Renovation/Replacement is estimated to cost between \$126,822,800 and \$145,953,100 depending on location and scope of project

2018–2023 MAJOR CAPITAL IMPROVEMENTS PROGRAM - FUTURE PROJECTS

FORSYTH COUNTY, NORTH CAROLINA

Section 2 - Summary of New Projects Considered but not Proposed

New Projects Considered

800 MHz Radio System Upgrade/Replacement: The County 800 MHz Radio System is a joint venture with the City of Winston-Salem and was purchased in 2002. Some infrastructure equipment and subscriber equipment is no longer being manufactured and technical support for the radios is actually no longer available. For this reason, the City and County need to upgrade to the most current generation of radio infrastructure known as P25.

The issue with this is that cost estimates are very broad and for this reason, no cost estimate is included in the Plan.

Section 3 - Proposed Future Projects - Year Project Begins

	Source	FY18	FY19	FY20	FY21	FY22	FY23
Long Term Financing							
WSFC Schools	G.O. Bonds		\$ 87,500,000		\$ 87,500,000		\$ 87,500,000
Forsyth Tech Community College	G.O. Bonds		\$ 16,250,000		\$ 16,250,000		\$ 16,250,000
Park System Development	G.O. Bonds		\$ 3,750,000		\$ 3,750,000		\$ 3,750,000
WSFC S Capital Maintenance	2/3rds Bonds		\$ 8,500,000		\$ 8,500,000		\$ 8,500,000
FTCC Capital Maintenance	2/3rds Bonds		\$ 2,300,000		\$ 2,300,000		\$ 2,300,000
Parks System Capital Maintenance	2/3rds Bonds		\$ 2,000,000		\$ 2,000,000		\$ 2,000,000
County General Capital Maintenance	2/3rds Bonds		\$ 2,000,000		\$ 2,000,000		\$ 2,000,000
Justice Center - Renovate/Replace*	LOBS			\$97,400,000		\$24,400,000	
Subtotal Long Term Financing			\$122,300,000	\$97,400,000	\$122,300,000	\$24,400,000	\$122,300,000
No Debt - Other							
SciWorks /Merschel Plaza- Renovate/Replace	Sale of Assets						
Total by Year			\$122,300,000	\$97,400,000	\$122,300,000	\$24,400,000	\$122,300,000

*Discussions continue on location and scope of project but recent estimates range from \$126.8m to \$145.9m

2018–2023 MAJOR CAPITAL IMPROVEMENTS PROGRAM - FUTURE PROJECTS

FORSYTH COUNTY, NORTH CAROLINA

Section 4 - Annual Debt Service Requirements

	Source	FY18	FY19	FY20	FY21	FY22	FY23
Long Term Financing (Debt Service Costs)							
Proposed Projects:		FY18	FY19	FY20	FY21	FY22	FY23
\$113.75m issued (January 2019)	G.O. Bonds	-	-	\$10,755,000	\$10,486,000	\$10,217,000	\$9,948,000
WSFC Schools - \$350m G.O. Bond - November 2016 (\$87.5m issued) FTCC Projects - \$65m G.O. Bond - November 2016 (\$16.25m issued) Parks - \$15m G.O. Bond - November 2016 (\$10m issued)							
\$14.8m - issued (January 2019)	2/3rds Bonds	-	-	\$1,480,000	\$1,443,000	\$1,406,000	\$1,369,000
WSFC Schools Capital Maintenance Program - \$8.5m FTCC Capital Maintenance Program - \$2.3m Parks System Capital Maintenance/ Development - \$2.0m County General Capital Maintenance Program - \$2.0m							
\$97.4m - issued (January 2020)	LOBS	-	-	-	\$2,436,000	\$9,620,250	\$9,376,750
Court Facilities Replace/Renovate - \$126.8 LOBS (\$97.4m issued)							
\$113.75m issued (January 2021)	G.O. Bonds/LOBS	-	-	-	-	\$10,755,000	\$10,486,000
WSFC Schools - \$350m G.O. Bond - November 2016 (\$87.5m issued) FTCC Projects - \$65m G.O. Bond - November 2016 (\$16.25m issued) Parks - \$15m G.O. Bond – November 2016 (\$3.75m issued)							
\$12.8m - issued (January 2021)	2/3rds Bonds	-	-	-	-	\$1,480,000	\$1,443,000
WSFC Schools Capital Maintenance Program - \$8.5m FTCC Capital Maintenance Program - \$2.3m Parks System Capital Maintenance/ Development - \$2.0m County General Capital Maintenance Program - \$2.0m							
\$24.4 - issued (January 2022)	LOBS	-	-	-	-	-	\$609,000
Court Facilities Replace/Renovate - \$126.8 LOBS (\$24.4m issued)							
\$12.8m - issued (January 2023)	2/3rds Bonds	-	-	-	-	-	-
WSFC Schools Capital Maintenance Program - \$8.5m FTCC Capital Maintenance Program - \$2.3m Parks System Capital Maintenance/ Development - \$2.0m County General Capital Maintenance Program - \$2.0m							
\$113.75m - issued (January 2023)	G.O. Bonds	-	-	-	-	-	-
WSFC Schools - \$350m G.O. Bond - November 2016 (\$87.5m issued) FTCC Projects - \$65m G.O. Bond - November 2016 (\$16.25m issued) Parks - \$15m G.O. Bond – November 2016 (\$3.75m issued)							
Total by Year		-	-	\$12,235,000	\$14,365,000	\$33,478,250	\$33,231,750

*Long Term Financing is \$0 in FY18 as this plan only includes debt issued in FY19, FY21, and FY23. It is anticipated that debt will be issued in January of 2019 so debt service will not be budgeted for the FY19 G.O. Bonds and 2/3rds Bonds until FY20.

2018–2023 MAJOR CAPITAL IMPROVEMENTS PROGRAM - FUTURE PROJECTS

FORSYTH COUNTY, NORTH CAROLINA

Section 5 - Department Projects

November 2016 Bond Referendum

A successful referendum was passed in November 2016 for \$430 million that provided \$350,000,000 for Winston-Salem/Forsyth County Schools, \$65,000,000 for Forsyth Technical Community College, and \$15,000,000 for County Parks. This debt will be issued over eight years, starting in January 2017, in equal installments. Winston-Salem/Forsyth County Schools will receive \$87.5 million in FY17, FY19, FY21, and FY23; Forsyth Technical Community College will receive \$16.25 million in FY17, FY19, FY21, and FY23; and County Parks will receive \$3.75 million in FY17, FY19, FY21, and FY23.

If the School Funding Formula remains in play, the related operating costs are supposed to be taken care of by the School System. The funding formula plus the allocation of 1/12th of the Schools budget each month, should provide the School System with enough fund balance to take care of most of the operating costs related to opening new schools.

The School System's projects includes four new schools, four replacement schools, four additions, four renovations, and district wide projects that may include life cycle maintenance projects. A portion of the bond proceeds would also go towards shoring up the capital maintenance fund for life cycle and regular maintenance projects.

Forsyth Tech's projects include Main Campus renovations, Oak Grove Center renovations, a Learning Commons, a Transportation Technology Center, and an Aviation Technology Facility.

County Parks projects include renovations at the Tanglewood golf facilities, replacement of equipment at various parks, and plans for County parks.

A debt leveling plan of 2.9¢ is included in the FY18 Recommended budget to offset debt service requirements associated with this referendum. This has been done in the previous two bond referendums held in 2006 and 2008 and have proven to be very beneficial with leveling the required tax increases needed to cover debt costs. The Education Debt Leveling Plans at present represent 4.51¢ of the County's 72.35¢ recommended tax rate.

Capital Maintenance Programs

The County has provided capital maintenance funding to Winston-Salem/Forsyth County Schools, Forsyth Technical Community College, and County facilities and Parks for several years in an effort to provide a consistent funding source for lifecycle projects such as boiler and roof replacements. Two-thirds bonds are issued every other year to provide \$8.5 million for capital repair and maintenance projects for Winston-Salem/Forsyth County Schools, \$2.3 million for Forsyth Technical Community College, \$2 million for County facilities, and \$2 million for County Parks.

Additionally, a \$1.735 million annual transfer from the General Fund is made to support Winston-Salem/Forsyth County Schools, but that is not included in the CIP as it is in the General Fund.

Kaleideum Project

There was a merger between SciWorks, the nature science center in the County, and the Children's Museum effective July 1, 2016. As part of this merger, the plan is to move to one location in downtown Winston-Salem in Merschel Plaza and the groups have assumed a new name - Kaleideum. The plan assumes that proceeds from asset sales will be used to fund the County's portion of the museum's funding plan. The General Fund impact shown below includes the annual appropriation the County has sent to SciWorks for several years to offset operating expenses.

Court Facilities Renovation/Replacement

The current court facility called the Hall of Justice was built in the 1970s. To accommodate growth and to incorporate more updated technological features, a request to either completely renovate or replace the Hall of Justice was made. The estimated cost outlined in the plan and used to calculate potential debt costs is \$126.8 million. The plan proposes that Limited Obligation Bonds be used to finance the renovation or replacement costs.