

# City of Garland

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## **2016 Capital Improvement Program**

Preview – Council Work Session

January 19, 2016



# Capital Improvement Program

## Criteria and Structure

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- ❑ **Five-year financial plan for capital assets:** Including public works infrastructure, utility infrastructure, municipal facilities, and large or specialized equipment purchases.
- ❑ **To qualify for CIP, item must meet the policy criteria:** (1) It is a capital asset, (2) it has a useful life of at least five years, (3) it exceeds \$25,000 (in practice, \$50,000 typically used).
- ❑ **CIP includes the following:** (1) planned projects for five years, (2) expected costs, (3) method of financing, and (4) estimated utility and tax rate impacts.
- ❑ **Capital Budget is the first year of the CIP:** Appropriates funding for the upcoming year.
- ❑ **CIP projects often span multiple years:** Approving a project in Year 1 may, in effect, create an obligation to issue additional debt in Year 2 to complete the project.
- ❑ **CIP must be viewed from a multi-year perspective.**

# Capital Improvement Program

## Component Units

Tax-Supported	Utilities	Internal Services
1997 Bond Program	Electric	Fleet Services
2004 Bond Program	Water, Wastewater	Information Technology
Large Capital Items – GF	Solid Waste Collection	
	Stormwater	
<b><u>Financed with:</u></b>	<b><u>Financed with:</u></b>	<b><u>Financed with:</u></b>
Com. Paper (CP)/GO Bonds	CP/Revenue Bonds	Certificates of Obligation
Certificates of Obligation	Certificates of Obligation	
<b><u>Debt Repaid by:</u></b>	<b><u>Debt Repaid by:</u></b>	<b><u>Debt Repaid by:</u></b>
Debt Service Tax Rate	Utility Rates	Charges to Other Funds



# Capital Improvement Program

## Factors Impacting Funding Capacity – Tax-Supported Program

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- (1) **Tax Base** – As property values grow, each cent on the Debt Service Tax Rate generates more funding. If values decline, less funding is available.
- (2) **Existing Debt Service** – As previously issued debt is paid off, it creates capacity for new debt to be funded without an increase in the tax rate.
- (3) **Interest Rates** – Declines in interest rates reduce the cost to borrow and create refinancing opportunities on existing debt. This increases capacity for more projects.
- (4) **Tax Rates** – Increases are needed when growth in the tax base and declines in existing Debt Service do not create enough capacity to fund new programs.

# Capital Improvement Program

## Factors Impacting Funding Capacity – Tax Base

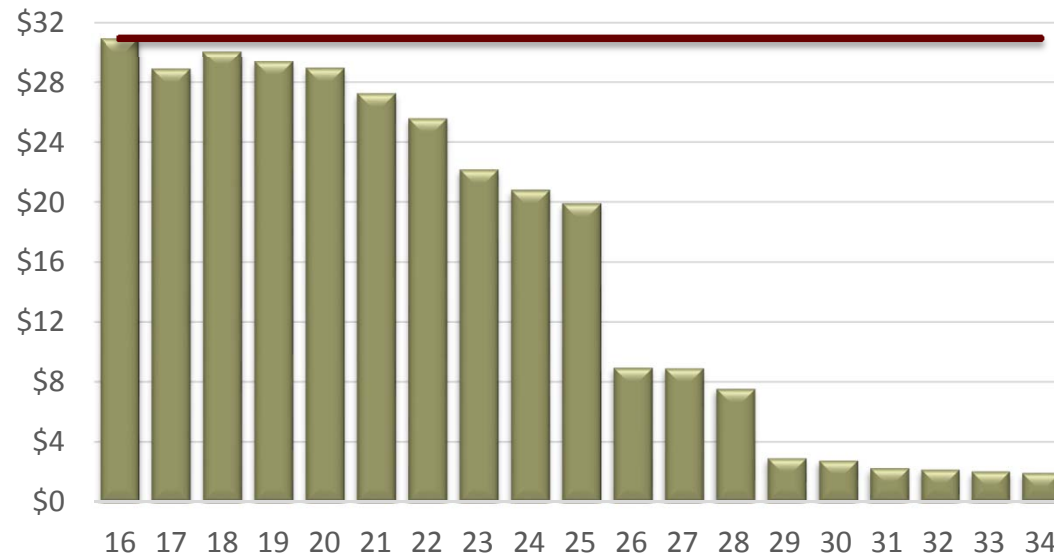


- (1) 2015 tax base returns to pre-recession levels.
- (2) Growth in tax base is the most significant influence in determining the CIP's capacity.  
*(Example: \$555 million growth (5%) = \$1.7 million in additional Debt Service tax revenue – Funds \$17 million in new debt)*

# Capital Improvement Program

## Factors Impacting Funding Capacity – Existing Long-Term Debt Service

Existing Long-Term Tax-Supported Debt as of December 2015

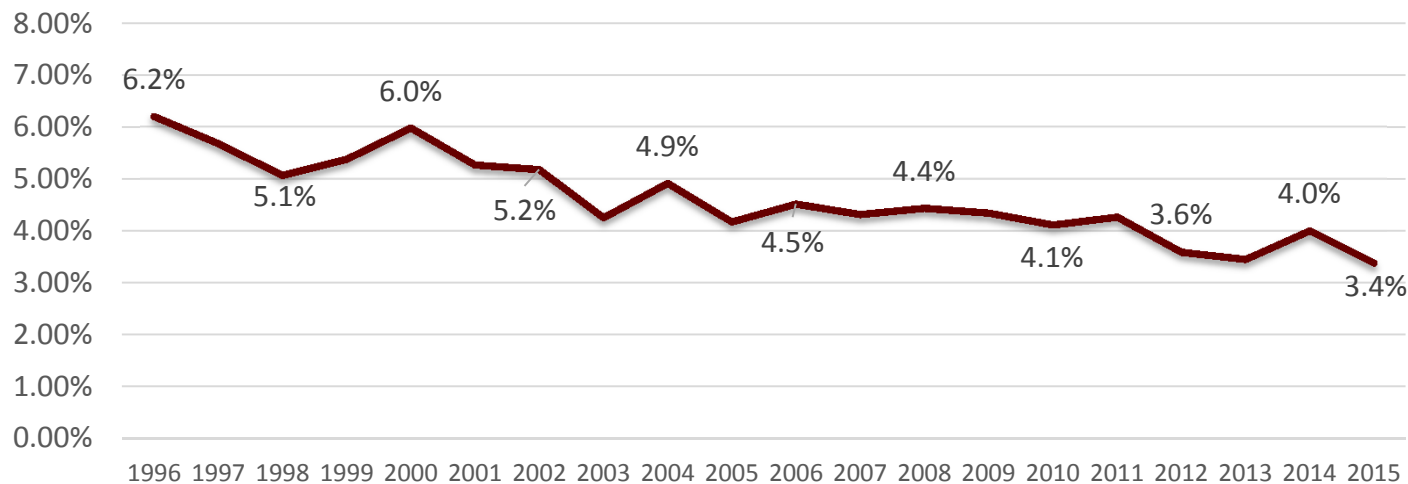


- (1) **Existing Debt Service payments steadily decline as the debt is amortized** – Approximately \$2.0 million decline in existing Debt Service payments from FY 2016 to FY 2017. Approximately 71% of existing Debt Service will be paid within next 10 years.

# Capital Improvement Program

## Factors Impacting Funding Capacity – Interest Rates

**Interest Rates on Tax-Exempt 20-Year Debt**  
By Issue Year



\* Data based on Bond Buyer Index which represents average rates for a municipal bond equivalent to an S&P AA-Plus.

- (1) Interest rates for tax-exempt debt are almost half what they were in 1996.
- (2) Reduces annual Debt Service payments for new debt issues.  
*(For Example: Annual Debt Service on \$1.0 million in 1996 totals \$88,600 per year vs. 2015 which totals \$69,700.)*
- (3) Created refinancing opportunities for existing debt.  
*(For Example: 2005 GO Bond Series was refunded in 2014, saving approximately \$4.5 million Debt Service between 2015 and 2020.)*

# Capital Improvement Program

## Factors Impacting Funding Capacity – Debt Service Tax Rates

### ❑ Bond Program Projected Tax Rate Impact:

<u>Bond Programs Approved</u>	<u>Amount Voted</u>	<u>Tax Rate Impact</u>	<u>Notes</u>
1997	\$126.1	4.14	Number of implementation years unknown.
2004	223.8	11.50	Based on 7-year implementation.
<b>Total</b>	<b>\$349.9</b>	<b>15.64</b>	

### ❑ Actual Debt Service Tax Rate Increases:

- (1) Total Debt Service Tax Rate increases held to **5.6 cents** for both Bond Programs and Tax-Supported CO Issues.
- (2) Changed to **no tax rate increase** with onset of recession. Tax rate unchanged since 2009.
- (3) **Increase avoided primarily by extending implementation.**





# Capital Improvement Program

## Summary of Key Factors Impacting the Tax-Supported CIP

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- (1) **Tax Base** – Recovery from recession provides additional funding capacity.
- (2) **Existing Debt Service** – Declining Debt Service provides additional funding capacity.
- (3) **Interest Rates** – Substantial declines in interest rates provided refinancing opportunities. Those savings created capacity to fund more projects.
- (4) **Tax Rates** – Beginning with the onset of the recession, tax rates were not increased to fund the 1997 and 2004 Bond Programs. As a result, the programs were extended.



# Capital Improvement Program

## Key Assumptions and Factors for 2016

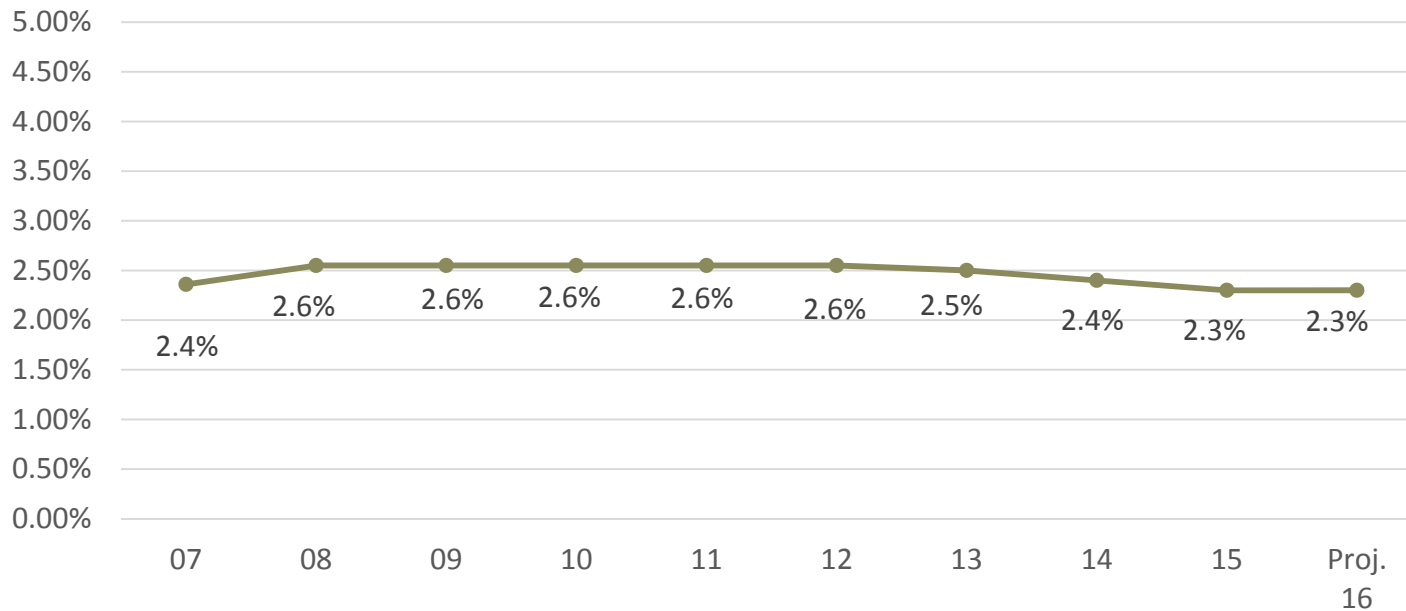
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- ❑ **Tax Base Assumptions** – Five-year plan is based on an average increase of 3.3% a year.
- ❑ **Interest Rate Assumptions** – Rates gradually increasing by 30 basis points per year
  - Examples: 20-year debt 4.09% in 2016 to 5.59% in 2021
  - 10-year debt 2.19% in 2016 to 3.69% in 2021
- ❑ **Requirements for Project Continuations** – \$16.6 million in new City funding for previously approved projects in 2016.
  - Public Safety Radio System Replacement – \$3.8 million
  - Continuation of Street Reconstruction Program - \$4.0 million
- ❑ **Large 2004 Bond Projects in 5-Year Plan** – Several street and drainage projects approved in the 2004 Bond Program are currently in design and expected to require approximately \$20.7 million in new funding over the next 3 years.
  - Oates Road – Broadway to Rosehill
  - Bobtown Road – Rowlett to Waterhouse
  - Brand Road – S.H. 190 to Muirfield
  - Parkmont Drive Drainage Improvements

# Tax-Supported Debt

As Percentage of Tax Base

**Tax-Supported Debt  
As Percentage of Tax Base**



**Notes:**

- 1) Council Policy restricts debt to no more than 5% of tax base.
- 2) Projected Outstanding Debt at the end of FY 2015-16 is \$265.3 million.
- 3) Projected Tax Base is 11.7 billion and assumes 4% increase from current levels.



# 2016 Proposed CIP

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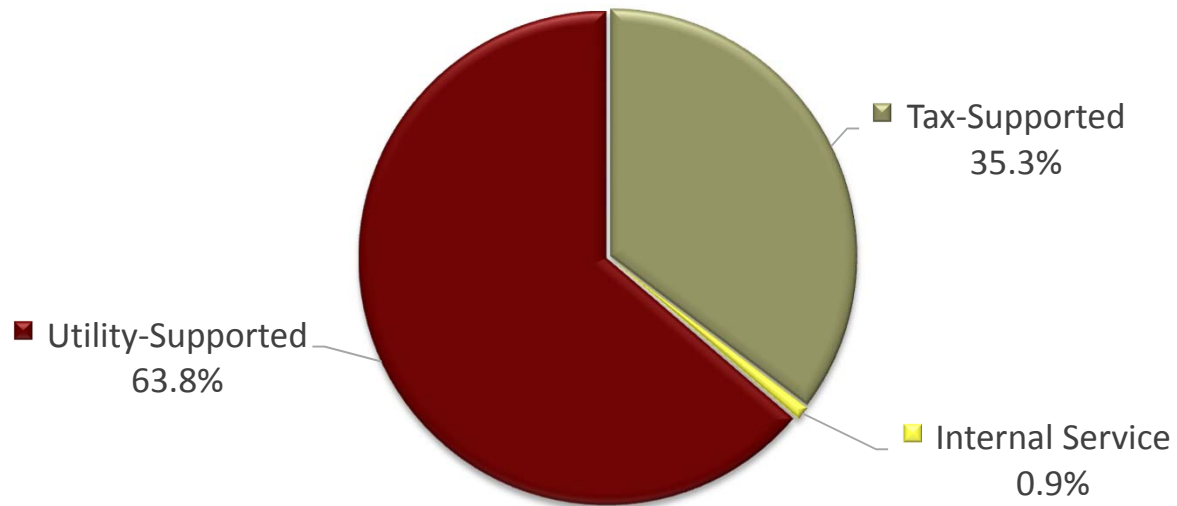
## GOAL OF 2016 CIP

- A. *Street Reconstruction Remains a High Priority***
- B. *Completion of City Center and Related Economic Development Projects***
- C. *Replacement of Radio System for Public Safety and Utility Departments***
- D. *Make Progress Toward Completing the 2004 Bond Program***

# 2016 Proposed Capital Program

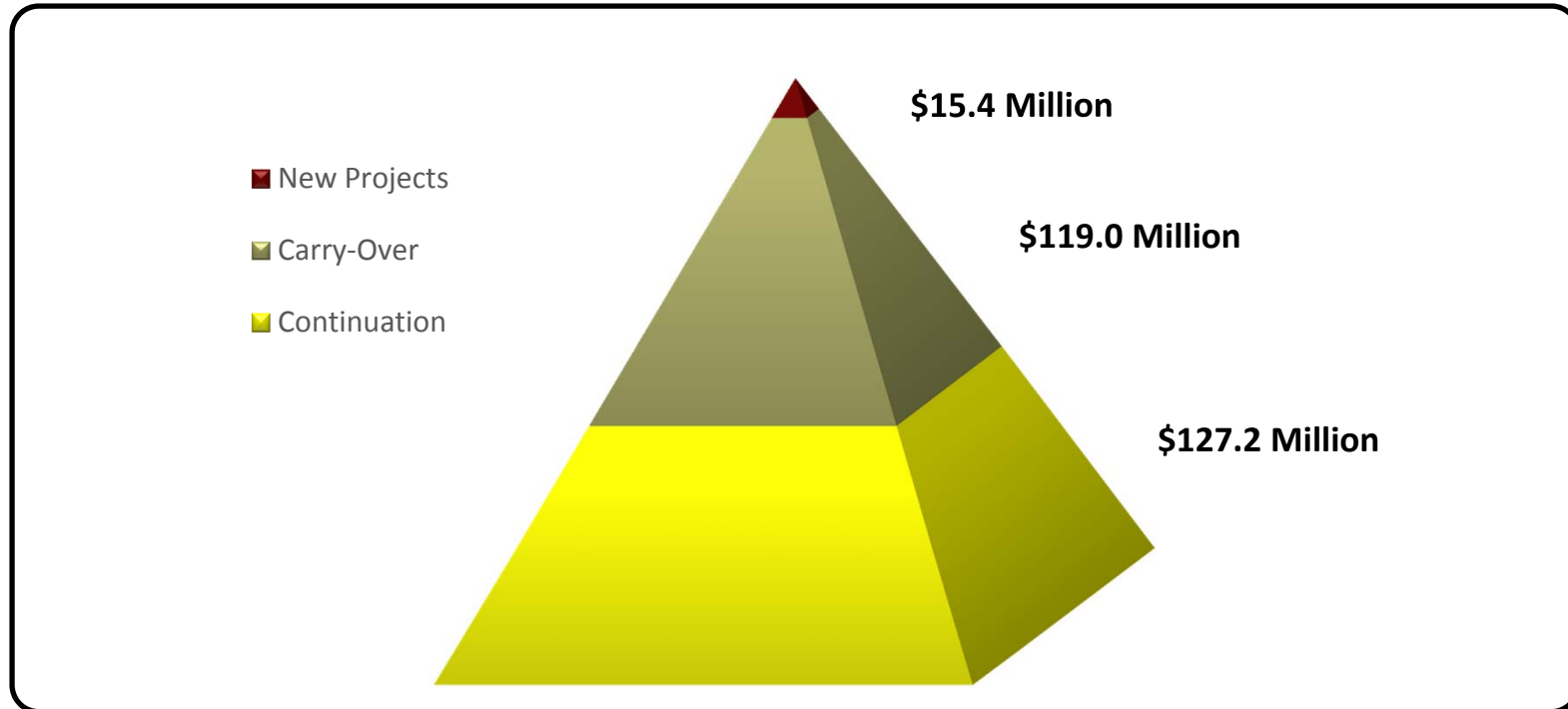
(In Millions)

Tax-Supported Projects	\$ 92.4	35.3%
Internal Service Projects	2.4	0.9%
Utility-Supported Projects	166.8	63.8%
Total 2016 CIP	\$261.6	100.0%



**Increase of \$68.8 Million (35.7%) from  
Total 2015 Adopted CIP**

# Composition of 2016 Proposed CIP



Tax-Supported (ONLY)	Amount	Percent
New Projects	\$10.7 million	11.6%
Continuation	23.4 million	25.3%
Carry-Over (Existing Funds)	58.3 million	63.1%
Total	\$92.4 million	100.0%

**Notes:**

New Project Funding – New Projects

Continuation Funding – New Funding for Existing Projects

Carry-Over Funding – Funding Approved in Prior Years for Existing Projects

## New Debt Issuance Required

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<b>New Tax-Supported</b>	
General Obligation – Commercial Paper	\$ 6,463,000
Certificates of Obligation	16,599,000
<b>Total Tax-Supported Debt</b>	<b>\$23,062,000</b>
<b>Internal Service and Utility-Supported</b>	
Revenue Bonds – Commercial Paper	\$87,877,000
Certificates of Obligation	5,997,000
<b>Total Revenue-Supported Debt</b>	<b>\$93,874,000</b>
<b>New Debt Issuance Required</b>	<b>\$116,936,000</b>

**Note:**

- (1) An additional \$13 million in tax-supported and \$40.4 million in utility-supported CP issuance is anticipated in 2016 from amounts approved in prior year CIPs.

## Tax-Supported Program Areas

	<u>Program Areas</u>	<u>Budget</u>	<u>Percent</u>
(1)	Street/Transportation	\$39,468,000	42.7%
(2)	Public Safety	17,281,000	18.7%
(3)	Economic Development	8,689,000	9.4%
(4)	Facilities and Equipment	7,963,000	8.6%
(5)	Park	7,252,000	7.8%
(6)	Drainage	3,863,000	4.2%
(7)	Library	3,983,000	4.3%
(8)	Landfill	3,932,000	4.3%
	Total Tax-Supported	\$92,431,000	100.0%

**Notes:**

- (1) 2015 Adopted CIP Tax-Supported – \$79.1 Million.
- (2) Street/Transportation – Largest increase due to funding of \$16.1 million for the construction of Pleasant Valley Road Bridge.



# Tax-Supported Program

## Voter-Approved Bond Projects

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<u>Bond Programs</u>	<u>2016 CIP Includes</u>	<u>Projected Complete</u> <sup>(1)</sup>
1991 Bond Program	\$ 243,000	100.0%
1997 Bond Program	2,016,000	98.8%
2004 Bond Program	17,191,000	56.4%
Total Bond Projects	\$19,450,000	

**Notes:**

- (1) Percentage complete based on end of 2016 – assuming no project delay or slippage.
- (2) The 2004 GO Bond Program is 54.7% funded through 2015 and is expected to be 56.4% complete by the end of 2016.

# Largest 10 Tax-Supported Projects

Ranked by 2016 Budgeted Expenditures

	<u>Project Description</u>	<u>Cost</u>
(1)	Begin Construction on Pleasant Valley Road Bridge (RTR/County Participation)	\$ 16,100,000
(2)	Continuation of Public Safety Radio System Replacement	12,400,000
(3)	Continue Street Reconstruction and Improvements Program	5,689,000
(4)	Shiloh Road – I.H. 635 to Kingsley (Dallas County Participation)	5,392,000
(5)	Continuation of Fire Station No. 5 Relocation	4,070,000
(6)	Continue Construction on City Center Project	3,625,000
(7)	Replacement of Critical Landfill Equipment	2,517,000
(8)	Trail Development (TxDOT and County Participation)	1,873,000
(9)	Construction of Economic Development Office in Downtown Garland	1,573,000
(10)	Brand Road – S.H. 190 to Murfield	1,550,000
	<b>Total Top 10 Projects</b>	<b>\$54,789,000</b>

**Notes:**

- (1) Top 10 represent budgeted expenditures, not debt issuance.
- (2) Top 10 equal 59.3% of Total Proposed 2016 CIP.

## Utility and Internal Service Program Areas

	<u>Program Areas</u>	<u>Budget</u>	<u>Percent</u>
(1)	Electric Utility	\$ 89,038,000	52.6%
(2)	Wastewater Utility	46,837,000	27.7%
(3)	Water Utility	25,826,000	15.3%
(4)	Environmental Waste Services	4,596,000	2.7%
(5)	Fleet Services	1,898,000	1.1%
(6)	Information Technology	510,000	0.3%
(7)	Stormwater Utility	508,000	0.3%
	Total Tax-Supported	\$169,213,000	100.0%

**Notes:**

- (1) 2015 Adopted CIP for Utility and Internal Service – \$113.7 Million.
- (2) Electric proposed increase of \$40.3 million primarily due to Limestone to Gibbons Creek Transmission Line.

# Utility Rate Projected Impacts

	<b>2015-16 Projected Rate Impacted</b>	<b>Projected Increase</b>
(1)	Water – Residential Rate (Total Water Rate Increase Projected – 8% or \$4.39 per month based on 8,000-gallon usage)	2% or \$1.10 per month
(2)	Wastewater – Residential Rate (Total Wastewater Rate Increase Projected – 2% or \$0.83 per month based on 8,000 gallons)	0.5% or \$0.21 per month
(3)	Trash Collection – Residential Rates	None
(4)	Electric Utility – Rates	None
(5)	Stormwater Management – Residential Rates	None

# 2016 CIP Review Calendar

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Jan. 19 <sup>th</sup>	Tuesday, 7:00 p.m. Council Meeting	City Manager Presentation
Jan. 23 <sup>rd</sup>	Saturday, 9:00 a.m. Special Work Session	Staff Presentations Council Deliberations
Feb. 1 <sup>st</sup>	Monday, 6:00 p.m. Regular Work Session	Council Deliberations
Feb. 2 <sup>nd</sup>	Tuesday, 7:00 p.m. Council Meeting	Public Hearing
Feb. 15 <sup>th</sup>	Monday, 6:00 p.m. Regular Work Session	Council Deliberations
Feb. 16 <sup>th</sup>	Tuesday, 7:00 p.m. Council Meeting	Public Hearing 2016 CIP Adoption