

# City of Garland

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## **2018 Capital Improvement Program**

Preview – Council Work Session

January 16, 2018



# 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 the CIP, an item must meet the policy criteria:** (1) It is a capital asset, (2) it has a useful life of at least five years, and (3) it exceeds \$25,000 (in practice, \$50,000 typically used).
- ❑ **The 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.
- ❑ **The 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.
- ❑ **The CIP must be viewed from a multi-year perspective.**

# Capital Improvement Program

## Component Units

Tax-Supported
1997 Bond Program
2004 Bond Program
Large Capital Items – GF
<b><u>Financed with:</u></b>
Comm. Paper (CP)/GO Bonds
Certificates of Obligation
<b><u>Debt Repaid by:</u></b>
Debt Service Tax Rate

Utilities
Electric
Water, Wastewater
EWS - Delivery
Stormwater Management
<b><u>Financed with:</u></b>
CP/Revenue Bonds
Certificates of Obligation
<b><u>Debt Repaid by:</u></b>
Utility Rates

Internal Services
Fleet Services
Information Technology
<b><u>Financed with:</u></b>
Certificates of Obligation
<b><u>Debt Repaid by:</u></b>
Charges to Other Funds



# 2018 Proposed CIP

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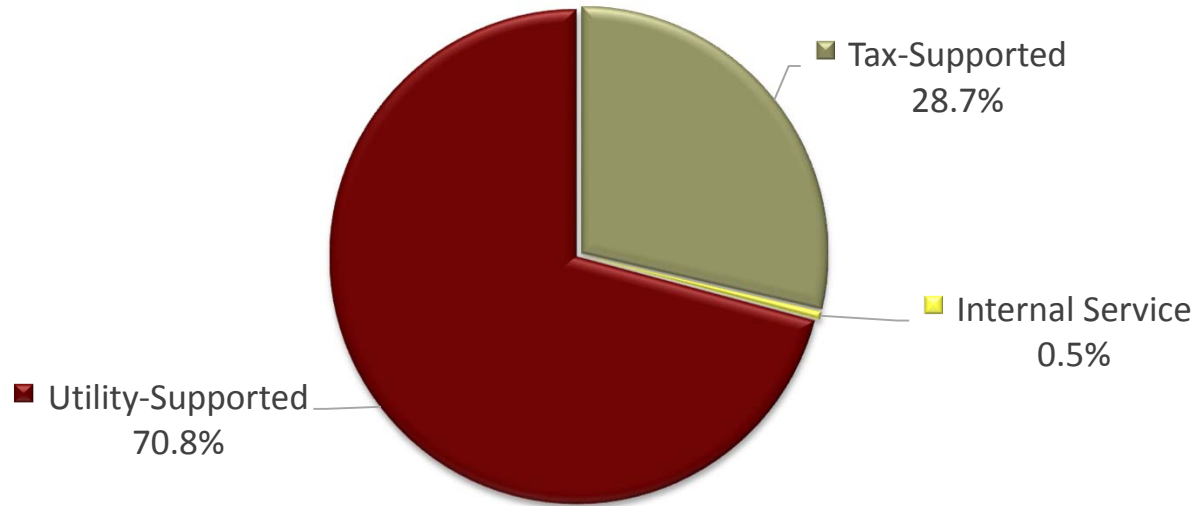
## PRIMARY GOAL OF 2018 CIP

- A. Increase Total Street Refurbishment Funding to \$25 Million Goal***
- B. Improve Quality of Life in the Community through the Enhancement of Parks***
- C. Make Progress Toward Completing the 2004 Bond Program***

# 2018 Proposed Capital Program

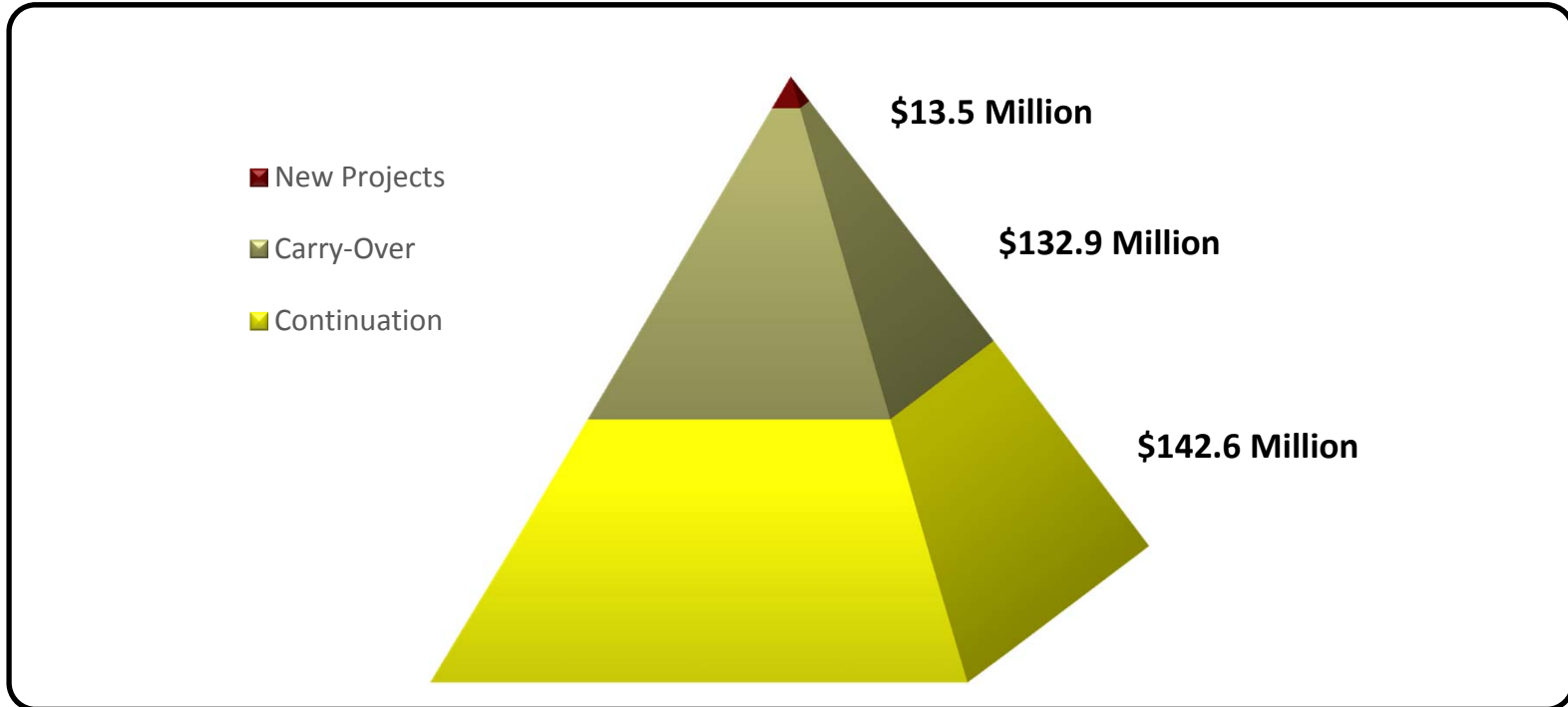
(In Millions)

Tax-Supported Projects	\$ 82.8	28.7%
Internal Service Projects	1.5	0.5%
Utility-Supported Projects	204.7	70.8%
Total 2018 CIP	\$289.0	100.0%



**Decrease of \$4.1 Million (1.4%) from  
Total 2017 Adopted CIP (\$293.1 Million)**

# Composition of 2018 Proposed CIP



2018 Proposed CIP	Amount	Percent
New Projects	\$ 13.5 million	4.7%
Carry-Over (Existing Funds)	132.9 million	46.0%
Continuation	142.6 million	49.3%
Total	\$289.0 million	100.0%

**Notes:**

New Project Funding – New Projects

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

Continuation Funding – New Funding for Existing Projects



# Capital Improvement Program

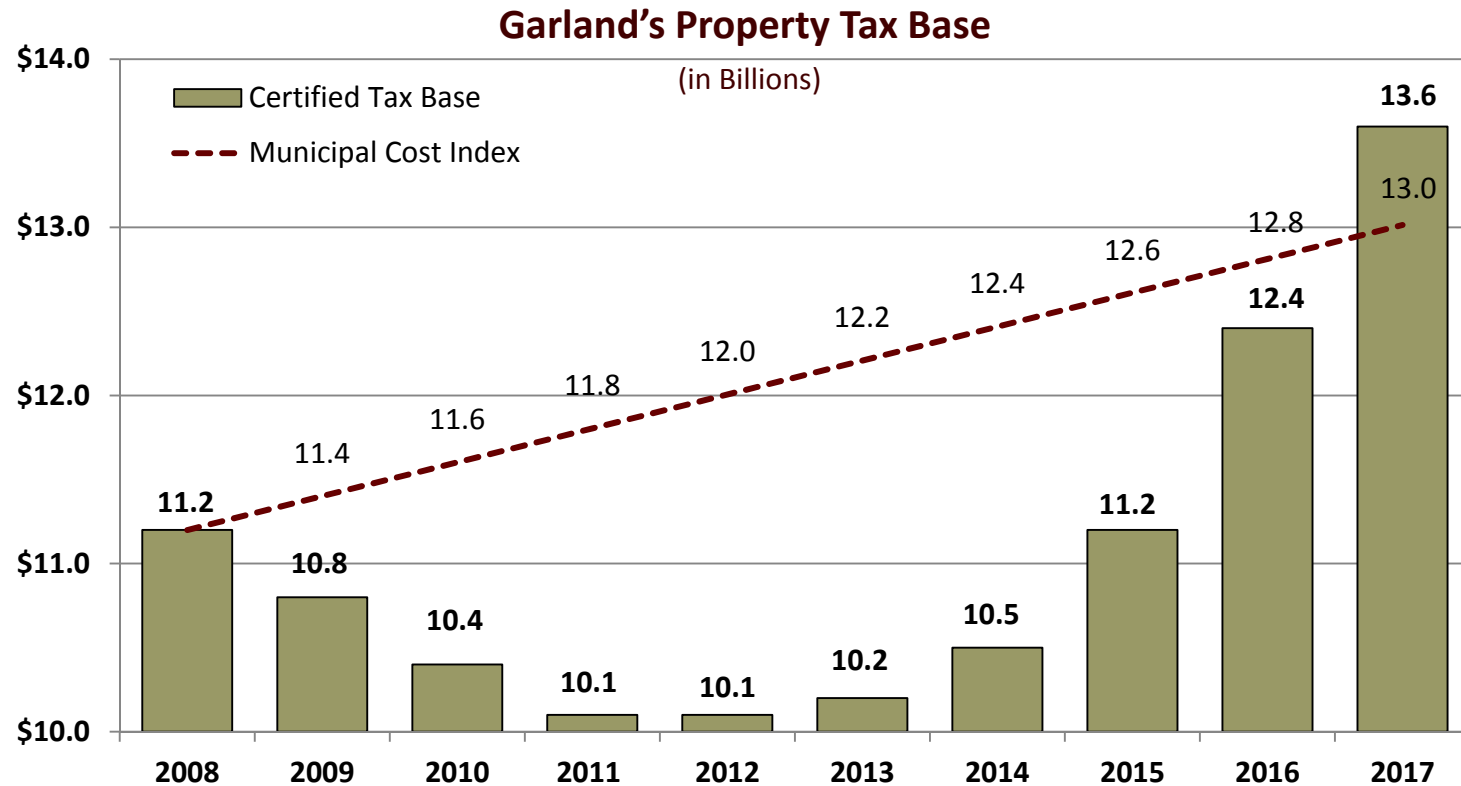
## Factors Impacting Funding Capacity – Tax-Supported Program

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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



**Note:**

Growth in tax base is the most significant influence in determining the CIP's capacity.

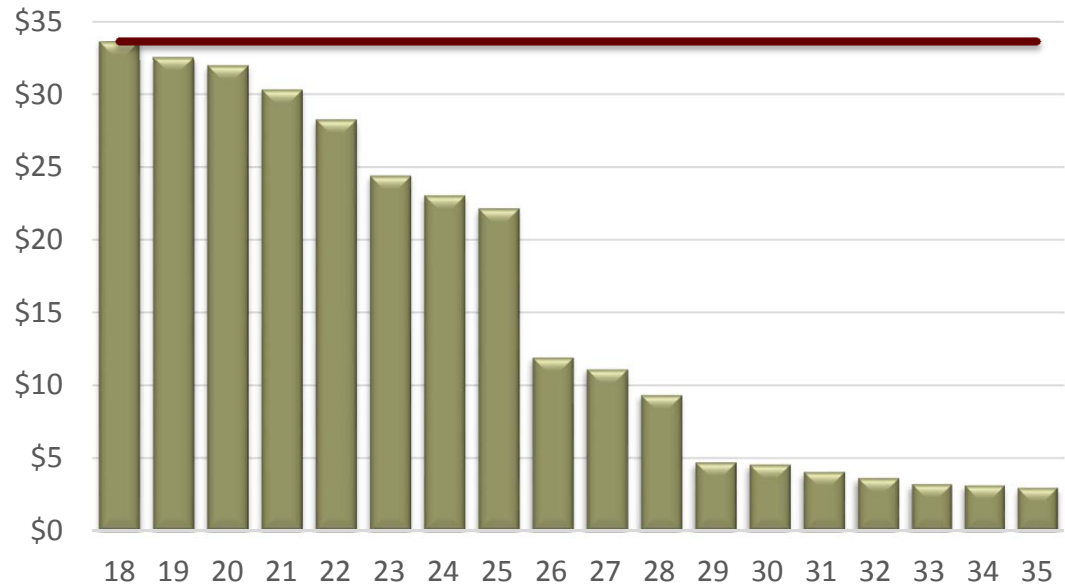
*(Example: \$620 million growth (5%) = \$1.8 million in additional Debt Service tax revenue – Funds \$18 million in new debt)*



# Capital Improvement Program

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

Existing Long-Term Tax-Supported Debt as of December 2017



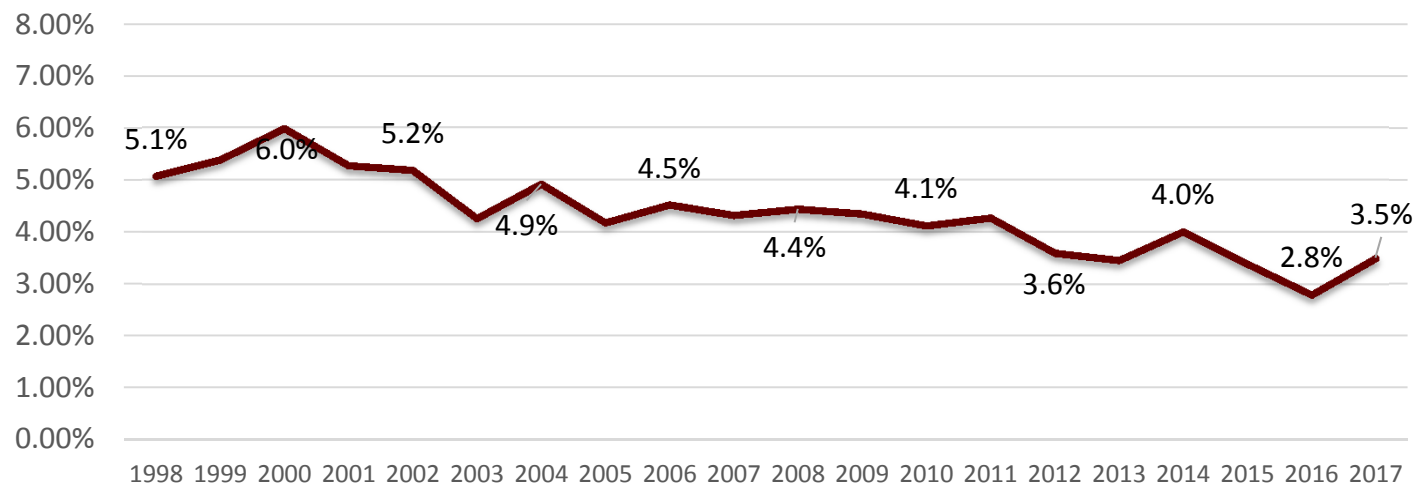
**Note:**

**Existing Debt Service payments steadily decline as the debt is amortized** – Approximately 83.4% of existing Debt Service will be paid within the next 9 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+.

### Notes:

- (1) Interest rates for tax-exempt debt in 2017 increased for the first time since 2014.
- (2) Reduces annual Debt Service payments for new debt issues.  
***(For Example: Annual Debt Service on \$1.0 million in 1998 totals \$80,900 per year vs. in 2017 which totals \$70,400.)***
- (3) Creates refinancing opportunities for existing debt.  
***(For Example: 2008 GO Bond & CO Series were refunded in 2017, saving approximately \$4.5 million combined in Debt Service between 2017 and 2028.)***

# 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
Total	\$349.9	15.64	

### ❑ 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 2018

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- ❑ **Tax Base Assumptions** – Five-year plan is based on an average increase of 4.3% a year.
- ❑ **Interest Rate Assumptions** – Rates gradually increasing by 35 basis points per year
  - Examples: 20-year debt – 3.69% in 2018 to 5.44% in 2023
  - 10-year debt – 2.59% in 2018 to 4.34% in 2023
- ❑ **Requirements for Project Continuations** – \$30.6 million in new City funding for previously approved projects in 2018.
  - Continuation of Street Reconstruction Program - \$8.1 million
- ❑ **Large 2004 Bond Projects in 5-Year Plan** – Several Street, Drainage, and Parks projects approved in the 2004 Bond Program are currently in design and expected to require approximately \$24.1 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
  - Shiloh Road - I.H. 635 to Kingsley
  - Parkmont Drive Drainage Improvements
  - Granger and Audubon Recreation Centers

## Tax-Supported Program Areas

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	<u>Program Areas</u>	<u>Budget</u>	<u>Percent</u>
(1)	Street/Transportation	\$35,661,000	43.1%
(2)	Economic Development	10,777,000	13.0%
(3)	Park	9,615,000	11.6%
(4)	Facilities and Equipment	8,068,000	9.7%
(5)	Drainage	7,202,000	8.7%
(6)	Library	4,898,000	5.9%
(7)	Public Safety	4,128,000	5.0%
(8)	Landfill/Transfer Station	2,448,000	3.0%
	Total Tax-Supported	\$82,797,000	100.0%

**Note:**

2017 Adopted CIP Tax-Supported – \$64.7 Million.

# Largest 10 Tax-Supported Projects

Ranked by 2018 Budgeted Expenditures

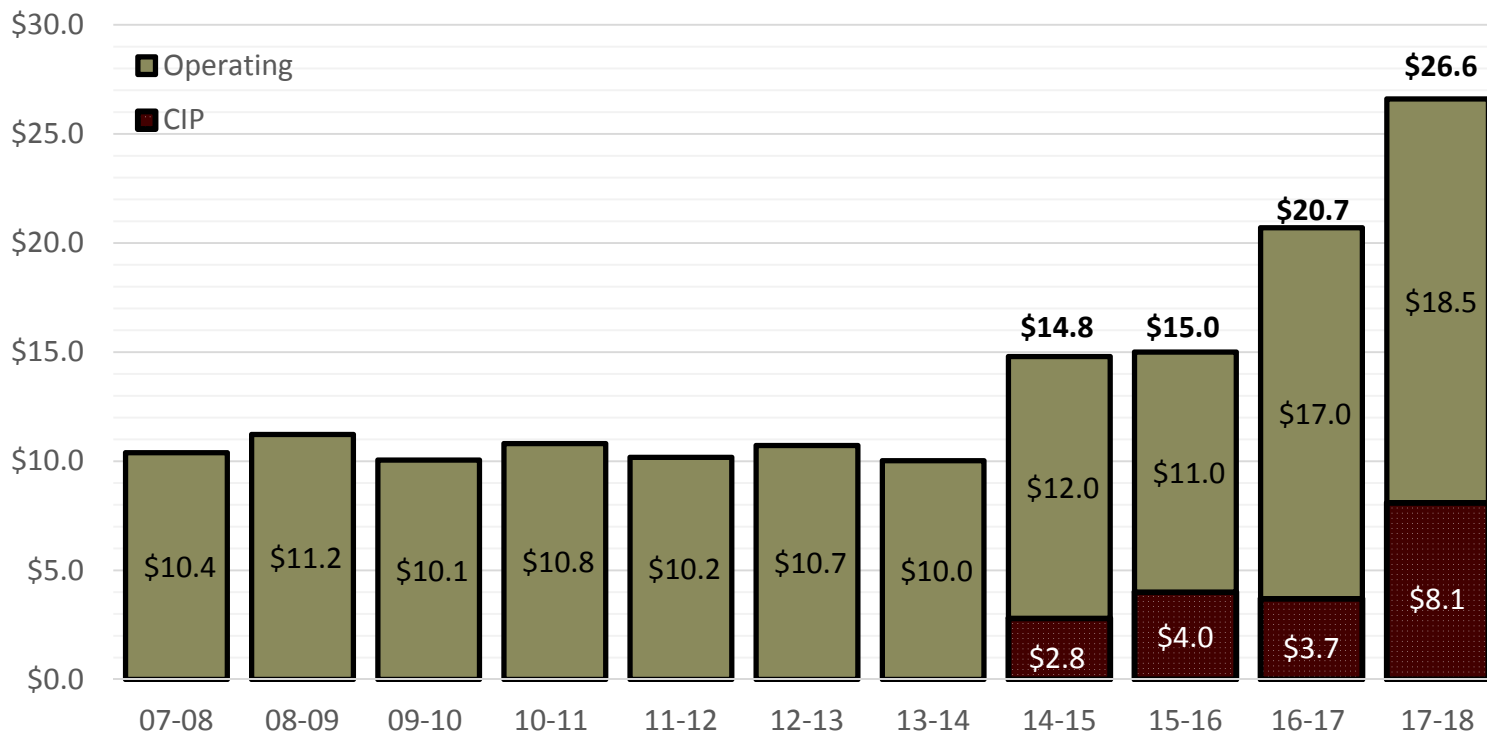
	<u>Project Description</u>	<u>Cost</u>
(1)	Continue Street Reconstruction and Improvements Program	\$10,638,000
(2)	Construction on Pleasant Valley Road (RTR/County Participation)	10,120,000
(3)	Land Acquisition - Economic Development	6,411,000
(4)	Shiloh Road - I.H. 635 to Kingsley (Dallas County Participation)	4,411,000
(5)	Continuation of Bridge Remediation	3,396,000
(6)	Construction of Parkmont Drive	3,118,000
(7)	Construction of Carver Center Renovation & Safety Upgrades	3,063,000
(8)	Construction of Central Library Life and Safety Upgrades	2,563,000
(9)	Construction of Granger Recreation Center & Annex Renovation	2,487,000
(10)	Replacement of Fire Apparatus	2,346,000
	<b>Total Top 10 Projects</b>	<b>\$48,553,000</b>

**Notes:**

- (1) Top 10 represent budgeted expenditures, not debt issuance.
- (2) Top 10 equal 58.6% of Tax-Supported Proposed 2018 CIP.

# Street Funding

## Ten-Year History of Total Street Funding (in Millions)



**Notes:**

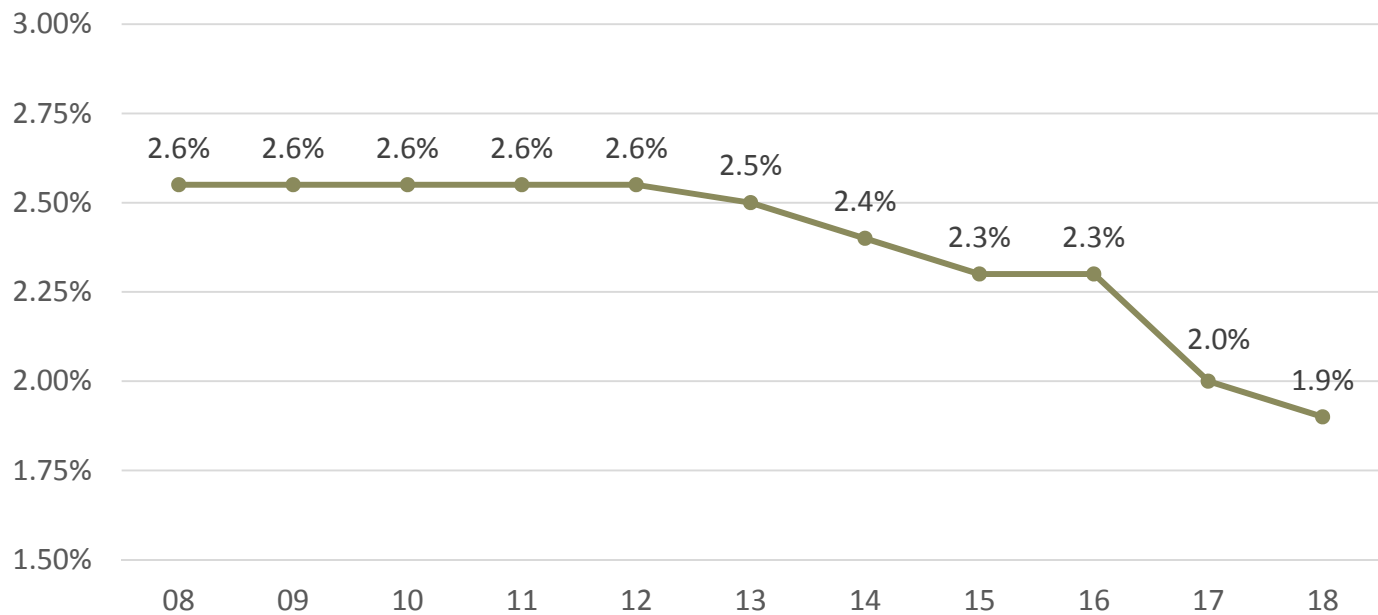
- (1) Because of declining PCIs, Street Funding increased by approximately \$5.0 million in 2015, 2017, and 2018.
- (2) 2018 Proposed CIP includes additional debt due to changes made in the FY 2017-18 Operating Budget related to the implementation of a Public Safety Retirement Stability Benefit and Land Acquisition.



# Tax-Supported Debt

As Percentage of Tax Base

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



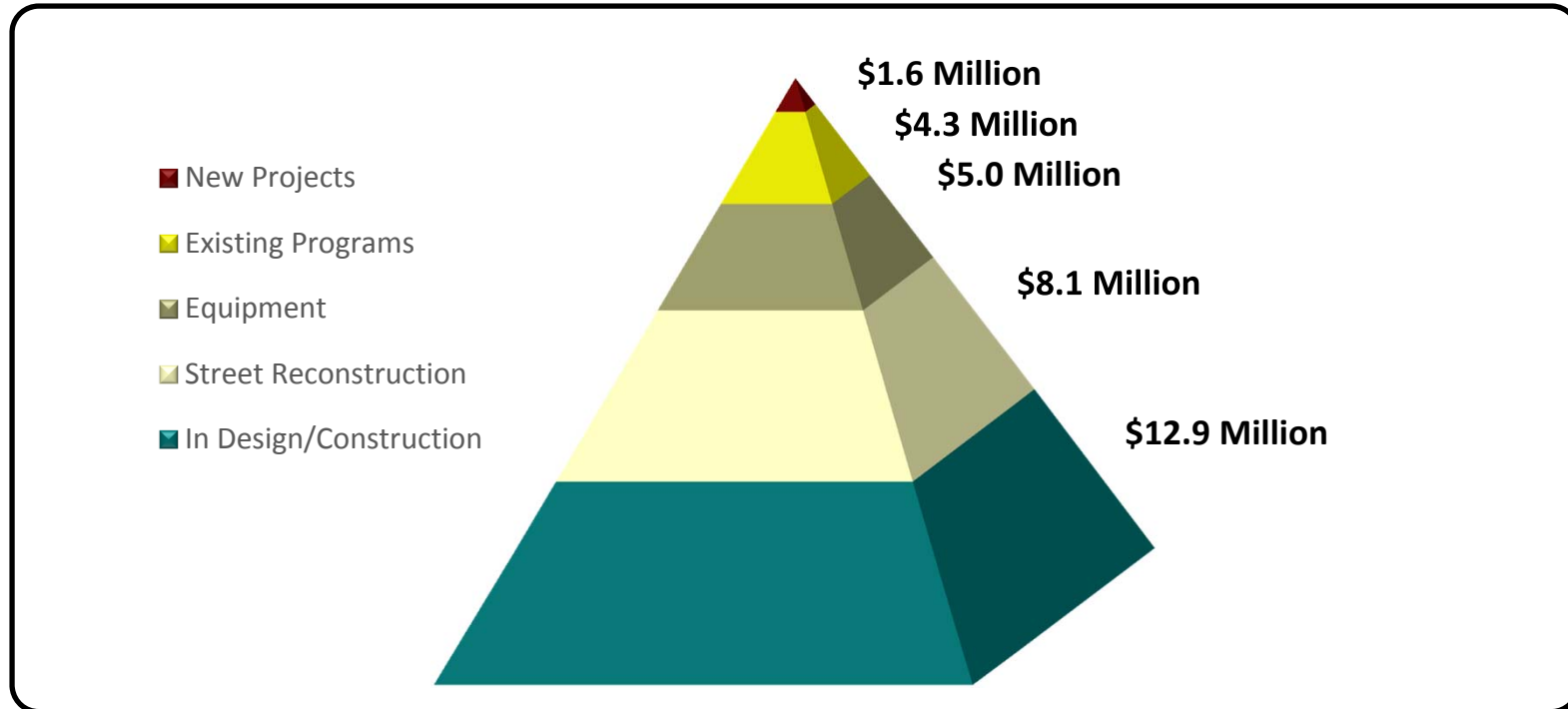
**Notes:**

- (1) Council Policy restricts debt to no more than 5% of tax base.
- (2) Projected Outstanding Debt at the end of FY 2017-18 is \$258.3 million.
- (3) Projected Tax Base is 13.6 billion and assumes a 5.9% increase for FY 2018-19.

## Tax-Supported Debt Issuance Required

Tax-Supported	Debt Issuance
<b>General Obligation – Commercial Paper</b>	
Street/Transportation	\$ 2,625,000
Drainage	1,035,000
Park	550,000
Economic Development	542,000
<i>Total General Obligation – Commercial Paper</i>	<i>\$ 4,752,000</i>
<b>Certificates of Obligation</b>	
Street/Transportation	\$12,875,000
Park	3,840,000
Facilities and Equipment	3,599,000
Public Safety	2,361,000
Drainage	1,624,000
Landfill/Transfer Station	1,352,000
Library	1,100,000
Economic Development	431,000
<i>Total Certificates of Obligation</i>	<i>\$27,182,000</i>
<b>Tax-Supported Debt Issuance Required</b>	<b>\$31,934,000</b>

# Composition of Tax-Supported Debt



<u>Tax-Supported Debt Issuance</u>	<u>Amount</u>	<u>Percent</u>
New Projects	\$ 1.6 million	5.0%
Existing Programs	4.3 million	13.6%
Equipment	5.0 million	15.7%
Street Reconstruction & Imprvmt. Program	8.1 million	25.3%
Projects in Design or Construction	12.9 million	40.4%
Total	\$31.9 million	100.0%

**Note:**

An additional \$11.9 million in Tax-Supported CP issuance is anticipated in 2018 from amounts approved in prior year CIPs.

# Tax-Supported Program

## Voter-Approved Bond Projects

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<u>Bond Programs</u>	<u>2018 CIP Includes</u>	<u>Projected Complete</u> <sup>(1)</sup>
1997 Bond Program	\$ 166,000	99.5%
2004 Bond Program	16,469,000	60.2%
Total Bond Projects	\$16,635,000	

**Note:**

Percentage complete based on end of 2018 – assuming no project delay or slippage.

## Utility and Internal Service Program Areas

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	<u>Program Areas</u>	<u>Budget</u>	<u>Percent</u>
(1)	Electric Utility	\$134,421,000	65.2%
(2)	Wastewater Utility	40,299,000	19.5%
(3)	Water Utility	24,838,000	12.0%
(4)	Environmental Waste Services	4,013,000	2.0%
(5)	Stormwater Management Utility	1,131,000	0.6%
(6)	Information Technology	813,000	0.4%
(7)	Fleet Services	697,000	0.3%
	Total Utility and Internal Service	\$206,212,000	100.0%

**Notes:**

- (1) 2017 Adopted CIP for Utility and Internal Service – \$228.4 million.
- (2) Electric proposed decrease of \$22.2 million due primarily to Limestone to Gibbons Creek Transmission Line and Substations Upgrades.

# Utility-Supported and Internal Service Debt Issuance Required

Utility-Supported and Internal Service	Debt Issuance
<b>Revenue Bonds – Commercial Paper</b>	
Electric Utility	\$ 65,038,000
Wastewater Utility	21,575,000
Water Utility	12,500,000
<i>Total Utility-Supported Revenue Bonds – Commercial Paper</i>	<i>\$ 99,113,000</i>
<b>Certificates of Obligation</b>	
Environmental Waste Services	\$ 3,422,000
Stormwater Management Utility	1,131,000
Fleet Services	350,000
Management Information Services	100,000
<i>Total Internal Service Certificates of Obligation</i>	<i>\$ 5,003,000</i>
<b>Total Revenue-Supported Debt Required</b>	<b>\$104,116,000</b>

**Note:**

An additional \$86.7 million in Utility-Supported CP issuance is anticipated in 2018 from amounts approved in prior year CIPs.

# Utility Rate Projected Impacts

	<b>2018-19 Projected Rate Impacted</b>	<b>Projected Increase</b>
(1)	Water – Residential Rate (Total Projected Water Rate Increase – 10.0% or \$6.38 per month based on 8,000-gallon usage)	2.0% or \$1.28 per month
(2)	Wastewater – Residential Rate (Total Projected Wastewater Rate Increase – 3.0% or \$1.26 per month based on 8,000 gallons)	1.5% or \$0.63 per month
(3)	Trash Collection – Residential Rates (Total Projected Trash Collection – Residential Rate Increase – 10.2% or \$2.00 per month)	4.0% or \$0.78 per month
(4)	Electric Utility – Rates	None
(5)	Stormwater Management – Residential Rates	None



## 2018 CIP Review Calendar

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Jan. 16 <sup>th</sup>	Tuesday, 7:00 p.m. Council Meeting	City Manager Presentation of 2018 Proposed CIP
Jan. 20 <sup>th</sup>	Saturday, 9:00 a.m. Special Work Session	Staff Presentations Council Deliberations
Feb. 5 <sup>th</sup>	Monday, 6:00 p.m. Regular Work Session	Council Deliberations
Feb. 6 <sup>th</sup>	Tuesday, 7:00 p.m. Council Meeting	Public Hearing
Feb. 19 <sup>th</sup>	Monday, 6:00 p.m. Regular Work Session	Council Deliberations
Feb. 20 <sup>th</sup>	Tuesday, 7:00 p.m. Council Meeting	Public Hearing 2018 CIP Adoption