

CAPITAL IMPROVEMENT PROGRAM

2014/15 TO 2018/19

General Capital Project Summary

As discussed with City Council at its May 13, 2014 budget worksession, staff worked with financial advisors to develop a multi-year debt management and capital improvement program utilizing additional revenue that was generated by the 3-cent property tax rate increase that City Council approved in June 2013. The total five-year capital improvement program (CIP) includes project expenses totaling \$132 million, which represents a substantial increase over the most recent five-year period (2009-2013) which included a project total of just under \$42 million.

Projects will be funded with a mix of internal City resources and external resources such as grants and partnerships. Approximately \$90 million in funding will come from City resources through the use of pay-as-you-go general fund operating contributions, and the issuance of municipal debt. Projects were selected based on a number of criteria including: public safety, economic growth and sustainability, affordable housing & community development, quality of life, availability of outside funding sources, and potential return on investment.

The charts beginning on page 68 show a summary of the projects and their anticipated cash flows between the current fiscal year and FY 2018-19. At the end of the summary is a list of project budgets that are included in the FY 2014-15 budget ordinance, which includes new projects that will either 1) incur actual cash expenses during FY 2014-15, or 2) require budget authorization for contract approval in FY 2014-15 with actual cash expenses occurring after June 30, 2015.

It is important to note that project detail in the CIP can and often does change during the year based on various factors. Staff updates City Council via the quarterly financial reports on progress with capital projects.

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RELATIONSHIP TO THE ANNUAL OPERATING BUDGET

An important aspect of capital improvement planning is the effect that capital projects have upon the annual operating budget. Many CIP projects in the City of Asheville are funded through annual operating funds, (pay as you go) such as the General Fund and the Water Resources Fund. In these instances, the Capital Improvement Program (CIP) and the annual operating budget are directly linked since this project funding is authorized with the adoption of the annual operating budget. Projects funded through debt financing also impact the operating budget through ongoing debt service expenses.

In addition, some completed CIP projects will impact the operating budget through ongoing expenses for staffing and operations. For example, when a new fire station or recreation center is built, the costs of maintaining and staffing the new facility must be funded in the operating budget. Advance knowledge of these costs aids in the budgeting process. Some CIP projects, such as new parking decks, may impact the operating budget by generating additional revenue as well as additional costs. Other projects may create cost savings by reducing annual operating expenses.

The estimated impact of the capital improvement budget on the annual operating budget in FY 2014-15 is \$26.87 million, including debt service costs incurred from the long-term financing of capital projects approved this year and in prior years, and pay-as-you-go financing of current year projects. The only capital project approved in the FY 2014-15 budget that is expected to have a major operating impact in future years is the Fire Station #14 project. Once the station is complete, an additional fifteen firefighters will need to be hired at an estimated cost of \$675,000. This budget impact will likely occur in FY 2018.

Total Impact of Capital Budget on FY 2014-15 Operating Budget	
General Fund Pay-Go/Debt	8,995,878
Water Resources Fund CIP Transfer	10,084,000
Water Resources Fund Debt Service	6,108,208
Non-Major Enterprise Funds Pay-Go/Debt	<u>1,685,150</u>
Total	26,873,236