City of Garland

2014 Capital Improvement Program

Preview – Council Work Session

January 6, 2014

Capital Improvement Program

Criteria and Structure

- **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) estimate utility and tax rate impacts.

- **Capital Budget is the first year of the CIP:** Appropriates funding for the upcoming fiscal 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 basis.**

Capital Improvement Program

Component Units

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

Capital Improvement Program

Tax-Supported Component – In 000s

Voter Approved	Authorized	Funded To Date	Unfunded	Funded Percent
1997 GO Bond Program	$126,080	$(123,868)	$ 2,212	98.2%
2004 GO Bond Program	223,745	(115,586)	108,159	51.7%
Totals	$349,825	$(239,454)	$110,371	

<u>In Addition to</u>:

Certificates of Obligation – $5-10 Million a Year for Facilities and Equipment.

Capital Improvement Program

Factors Impacting Funding Capacity – Tax-Supported Program

(1) **Tax Base –** As values grow, each cent on the Debt Service Tax Rate generates more funding. If values decline, less funding is available.

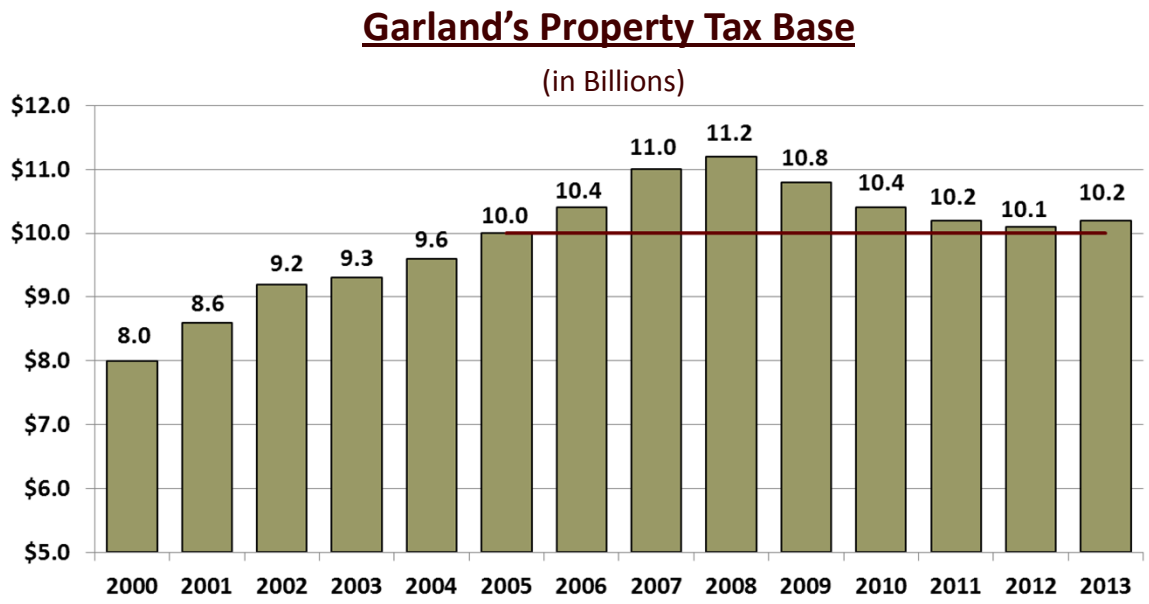
(2) **Existing Debt Service –** As previously issued debt is paid off, it creates capacity for new debt to be funded without an increase in tax rate.

(3) **Interest Rates –** Declines in interest rates reduce the cost to borrow and create refinancing opportunities on existing debt. Both increase 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

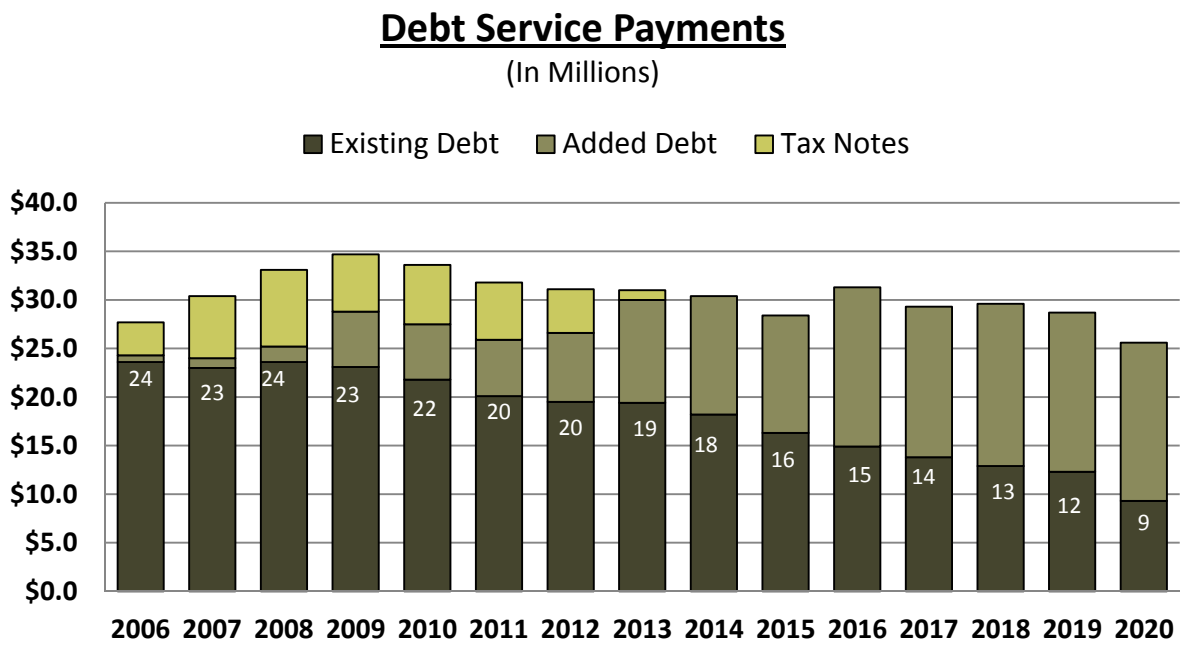
Factors Impacting Funding Capacity – Tax Base



(1) Tax base has declined $1.07 billion (9.6%) since 2008.
(2) Annual Debt Service Tax revenues declined $3.3 million.
(3) Decline in tax revenue eliminated $44.4 million in debt funding capacity.
(4) Growth in tax base is the most significant influence in determining the CIP's capacity.
(Example – $507 million growth (5%) = $1.5 million in additional Debt Service Tax revenue = funds $21 million in new debt = approximately one year's CIP funding)

Capital Improvement Program

Factors Impacting Funding Capacity – Existing Debt Service

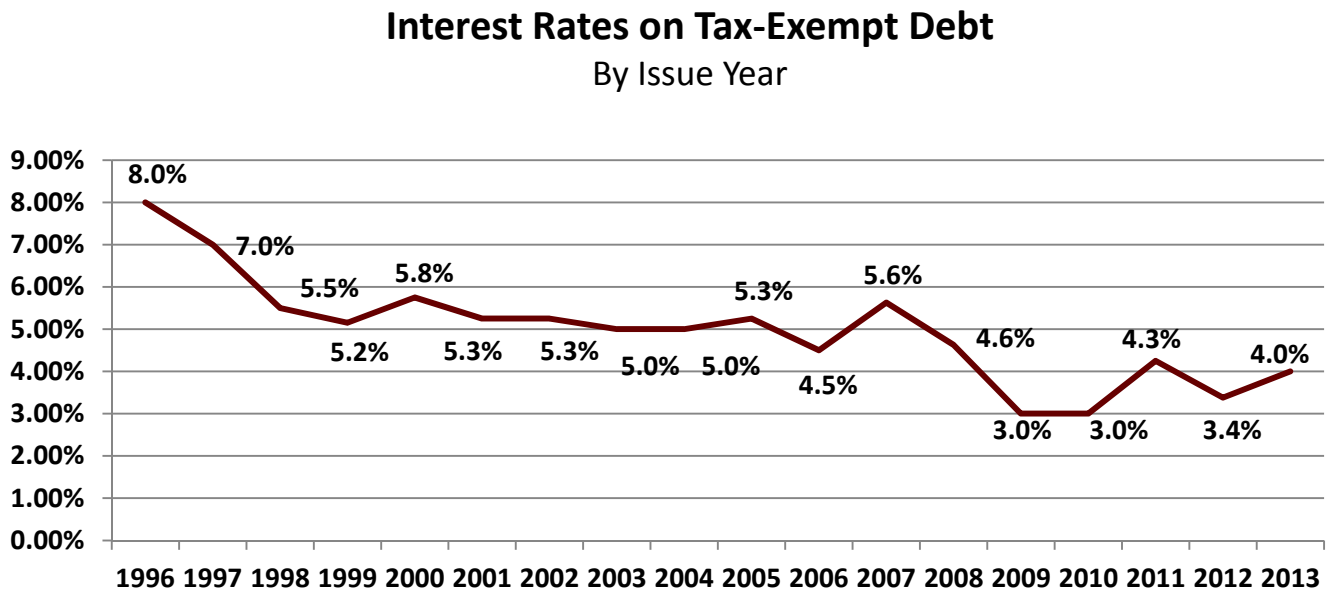


(1) Existing Debt Service payments declined $5.4 million from 2006 to 2014.
(2) Absorbed $3.3 million in lost Debt Service Tax revenue.
(3) Freed up $2.1 million in revenue to fund new projects.

(Added Debt is net of refinancing savings.)

Capital Improvement Program

Factors Impacting Funding Capacity – Interest Rates



(1) Interest rates for tax-exempt debt are half what they were in 1996.

(2) Reduces annual Debt Service payments for new debt issues.

(For example – Debt Service for each $1.0 million declined from $101,900 per year to $73,600.)

(3) Created refinancing opportunities for existing debt.

(Total savings in Debt Service of approximately $4.0 million a year.)

Capital Improvement Program

Factors Impacting Funding Capacity – Debt Service Tax Rates

- **Bond Program Projected Tax Rate Impact:**

Bond Programs Approved	Amount Voted	Tax Rate Impact	Notes
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 – which included $15 million in 2005 for S.H. 190 infrastructure.

(2) Original strategy for 2004 Bond Program was to keep rate increases **under 1.5 cents a year**.

(3) Changed to **no tax rate increase** with onset of recession. Tax rate unchanged since 2009.

(4) **Increase avoided primarily by extending implementation**.

Capital Improvement Program

Summary of Key Factors Impacting the Tax Supported CIP

(1) Tax Base – Declines over the past four years significantly reduced funding capacity.

(2) Existing Debt Service – Declining Debt Service provided capacity to absorb the loss in tax revenues.

(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.

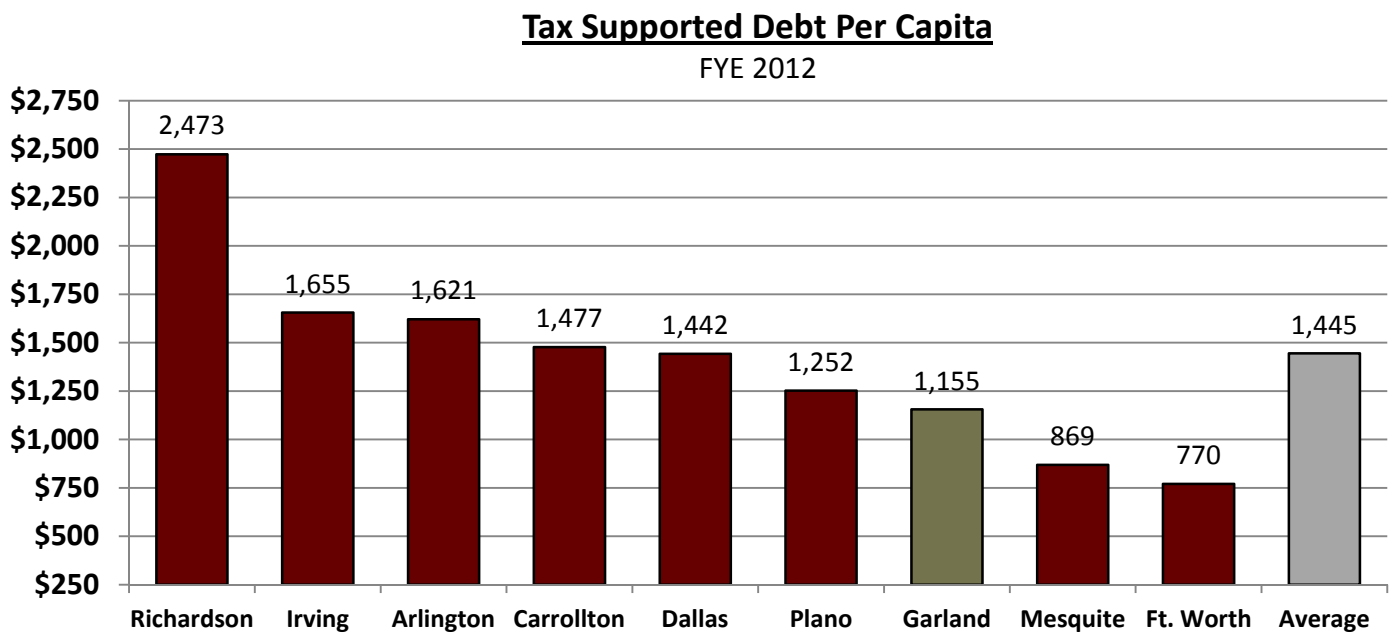
Capital Improvement Program

Key Assumptions and Factors for 2014

- **Tax Base Assumptions** – Five-Year Plan is based on increases of 3.0% a year.
- **Interest Rate Assumptions** – Increases of 15 basis points a year with rates ranging from 4.48% to 5.18% over the five-year period.
- **Requirements for Project Continuations** – $69.7 million (93%) of 2014 CIP is related to projects started or approved in previous years.
- **Critical Radio System Replacement** – $23.9 million over the next three years. One-half is tax-supported with the remaining funded by Utility departments.

Tax-Supported Debt Per Capita

Metroplex Comparisons - FYE 2012



(1) Garland's debt per capita is $1,155 ***($263 million / 227,726).***

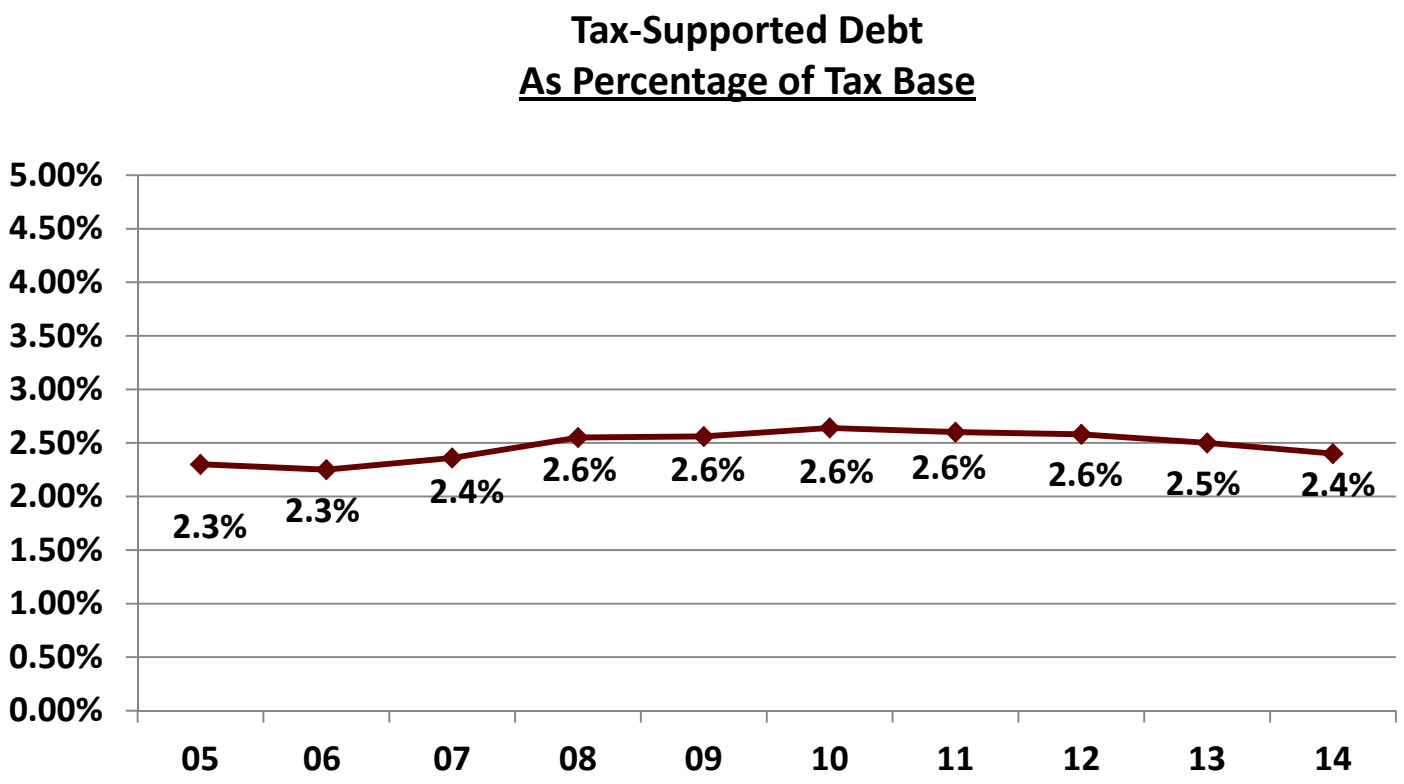
(2) Is $290 (20%) below the Metroplex average of $1,445.

(3) Of the nine cities, Garland is 3rd lowest.

(4) Garland's Debt Service Tax Rate of 31.06 cents is the highest of the nine cities – due to the City having the next to lowest tax base per capita ***($44,215 compared to $64,657 average).***

Tax-Supported Debt

As Percentage of Tax Base



Council Policy restricts debt to no more than 5% of tax base.

2014 Proposed CIP

GOAL OF 2014 CIP

A. ***Make Progress Toward Completing the 2004 Bond Program***

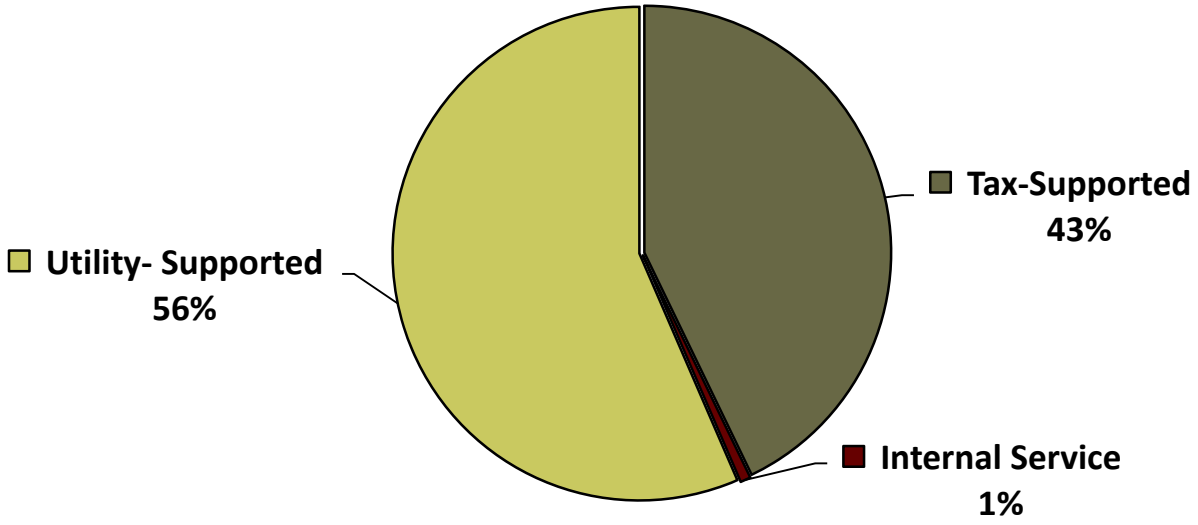
B. ***Fund Economic Development***

C. ***Reserve Capacity to Replace Radio System for Public Safety and Utility Departments in 2015 and 2016***

2014 Proposed Capital Program

(In Millions)

Tax-Supported Projects	$ 74.6	43%
Internal Service Projects	1.2	1%
Utility-Supported Projects	98.4	56%
Total 2014 CIP	$174.2	100%



Decrease of $66.5 Million (27.6%) from Total 2013 Adopted CIP

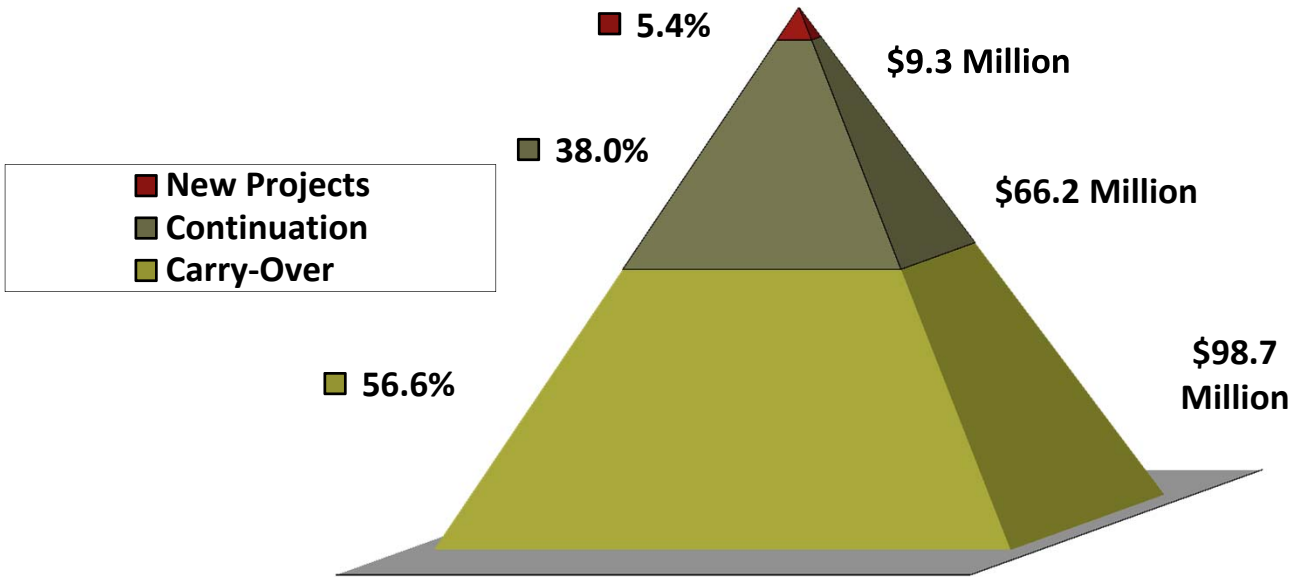
Tax-Supported Program Areas

	Program Areas	Budget	Percent
(1)	Street/Transportation	$29,932,000	40.1%
(2)	Economic Development	14,514,000	19.4%
(3)	Facilities and Equipment	7,838,000	10.5%
(4)	Park	6,292,000	8.4%
(5)	Public Safety	6,901,000	9.3%
(6)	Landfill	2,850,000	3.8%
(7)	Drainage	3,998,000	5.4%
(8)	Library	2,302,000	3.1%
	Total Tax-Supported	$74,627,000	100.0%

Notes:

(1) 2013 Adopted CIP Tax-Supported – $72.7 Million

Composition of 2014 Proposed CIP



Tax-Supported (ONLY)	Amount	Percent
New Projects	$ 4.9 million	6.6%
Continuation	20.7 million	27.7%
Carry-Over (Existing Funds)	49.0 million	65.7%
Total	$74.6 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

New Tax-Supported	
General Obligation – Commercial Paper	$ 5,321,000
Certificates of Obligation	9,972,000
Total Tax-Supported Debt	$15,293,000

Internal Service and Utility-Supported	
Revenue Bonds – Commercial Paper	$10,419,000
Revenue Bonds	19,190,000
Certificates of Obligation	4,462,000
Total Revenue-Supported Debt	$34,071,000

New Debt Issuance Required	**$49,364,000**

Notes:

(1) An additional $41 million anticipated CP issuance in 2014 from amounts approved in prior year CIPs.

Tax-Supported Program

Voter-Approved Bond Projects

Bond Programs	2014 CIP Includes	Projected Complete (1)
1991 Bond Program	$ 534,000	100.0%
1997 Bond Program	1,981,000	98.5%
2004 Bond Program	18,211,000	51.2%
Total Bond Projects	$20,726,000	

Notes:

(1) Percentage complete based on end of 2014 – assuming no project delay or slippage.

(2) The 1997 GO Bond Program is 98.2% funded through 2013 and is expected to be 98.5% complete by the end of 2014.

(3) The 2004 GO Bond Program is 51.7% funded through 2013 and is expected to be 51.2% complete by the end of 2014.

Tax and Utility Rate Impacts

(Based on Typical Garland Resident)

	2013-14 Rate Impacted	Increase
(1)	Property Tax Rate	None
(2)	Water – Residential Rate	$1.08
	(Total Water Rate Increase Projected – 9.25%) – $4.01 per month	
(3)	Wastewater – Residential Rate	None
	(Total Wastewater Rate Increase Projected – 3%) – $1.06 per month	
(4)	Trash Collection – Residential	$1.23
	(Total EWS - Delivery Rate Increase Projected – 7.8%) – $1.35 per month	
(5)	Electric Utility – Rates	None

2014 Project Highlights

Tax-Supported

Street/Transportation Program	
$29.9 Million	
$3.0 Million – New Debt	
Individual Projects – 27	
Major Projects:	**2014 Schedule:**
Northwest Highway - Centerville to La Prada	Continue Construction
Pleasant Valley - Firewheel to Richfield	Continue Construction
Fifth Street - Miller to Avenue D - Phase B	Continue Construction
Shiloh Road - I.H. 635 to Kingsley	Continue Construction
Pleasant Valley Road and Bridge (Joint project with Regional Toll Revenue)	Begin Construction
Dairy Road - E. Celeste to Broadway	Begin Construction
Fifth Street - Miller to Kingsley	Begin Construction
Bobtown Road - Rowlett to Waterhouse	Begin Design

2014 Project Highlights

Tax-Supported

Drainage Program	
$4.0 Million	
$925,000 – New Debt	
Individual Projects – 5	
Major Projects:	**2014 Schedule:**
Downtown Drainage Improvements	Begin Construction
Parkmont Drive	Continue Design
Petition Drainage and Bridge Remediation	Ongoing Projects

Public Safety Program	
$6.9 Million	
$3.8 Million – New Debt	
Individual Projects – 9	
Major Projects:	**2014 Schedule:**
Replace Two Engine/Pumpers	Purchase of Equipment
Fire Station No. 5	Begin Construction
Communications 911 System	Design/Purchase of Equipment
Radio System Replacement	Begin Design

2014 Project Highlights

Tax-Supported

Park Program	
$6.3 Million	
$2.3 Million – New Debt	
Individual Projects – 16	
Major Projects:	**2014 Schedule:**
Trail Development	Ongoing Project
Repaving of Parking Lots for Parks Dept.	Ongoing Project
Park Land Acquisition	Ongoing Project
Audubon Recreation Center Expansion	Begin Design
Dog Park	Design & Construction

Library Program	
$2.3 Million	
$930,000 – New Debt	
Individual Projects – 5	
Major Projects:	**2014 Schedule:**
Library Collection Materials	Ongoing Project
RFID Service Delivery	Continue Design

2014 Project Highlights

Tax-Supported

Landfill Program	
$2.9 Million	
$1.3 Million – New Debt	
Individual Projects – 7	
Major Projects:	**2014 Schedule:**
Construction of Waste Cell #6	Continue Construction
Replacement of D8 Dozer, Semi-Tractor Truck, Trailers, and Pedestal-Mounted Crane	Purchase of Equipment

Economic Development Program	
$14.5 Million	
$640,000 – New Debt	
Individual Projects – 8	
Major Projects:	**2014 Schedule:**
City Center Development	Continue Construction
Neighborhood Vitality Grant Program	Ongoing Project
Pace House and Lyles House Relocation	Design and Construction
Walnut Street Pedestrian Corridor	Continue Construction

2014 Project Highlights

Tax-Supported

Facilities and Equipment	
$7.8 Million	
$2.4 Million – New Debt	
Individual Projects – 13	
Major Projects:	**2014 Schedule:**
Facilities Upgrades	Ongoing Project
City Hall Code & Safety Updates	Continue Construction
CGTV Upgrades (Funded by Available Designated Funds)	Sound Studio Construction
Firewheel Golf Park - Course Improvements	Ongoing Project
Firewheel Golf Park - Cart Replacements	Purchase of Equipment
Infrastructure Equipment (Asphalt Paver & Distributor, and 2 Crack Seal Machines)	Purchase of Equipment

2014 Project Highlights

Utility-Supported

Environmental Waste Services Program	
$4.5 Million	
$4.5 Million – New Debt	
Individual Projects – 7	
Major Projects:	**2014 Schedule:**
95-Gallon Recycling Bins - Phase 3 of Single Stream Program	Ongoing Project
Replacement of Two Recycling Trucks	Purchase of Equipment
Replacement of Six Side-Load Residential Trucks	Purchase of Equipment
Replacement of Two Rear-Load Residential Trucks	Purchase of Equipment
Replacement of Four Brush Tractor Trucks	Purchase of Equipment
Replacement of Two Commercial Front-Loader Trucks	Purchase of Equipment
Replacement of Knuckle Boom Truck	Purchase of Equipment

2014 Project Highlights

Utility-Supported

Water Utility Program	
$21.3 Million	
$16.8 Million – New Debt	
Individual Projects – 13	
Major Projects:	**2014 Schedule:**
West Pressure Plane Improvements (Phase 1)	Continue Design & Construction
Water Pump Station Rehab	Ongoing Project
Relocation of Mains Prior to Paving	Ongoing Project
Transmission and Distribution Projects	Ongoing Project
Radio Read Water Meter Installation	Ongoing Project

2014 Project Highlights

Utility-Supported

Wastewater Utility Program	
$20.4 Million	
$2.4 Million – New Debt	
Individual Projects – 19	
Major Projects:	**2014 Schedule:**
Rowlett Creek and Duck Creek Master Plan Projects	Ongoing Project
Collection Mains and Relocation of Mains Prior to Paving	Ongoing Project

Electric Utility Program	
$52.3 Million	
$10.4 Million – New Debt	
Program Areas – 12	
Major Projects:	**2014 Schedule:**
Competitive Renewable Energy Zone (CREZ) Project	Continue Construction
Transmission and Distribution Lines	Ongoing Project
Substations Upgrades	Ongoing Project

Largest 10 Tax-Supported Projects

Ranked by Additional Debt Issuance

	Project Description	New Debt
(1)	Street – Pleasant Valley / Firewheel Pkwy. to Richfield	$ 1,342,000
(2)	Fire – Replace Fire Station No. 5	1,182,000
(3)	Police – Communications 911 System	996,000
(4)	Facilities Management – Facilities Upgrades	959,000
(5)	Library – New Materials	900,000
(6)	Landfill – Replacement of D8 Dozer	760,000
(7)	Park – Repaving of Parking Lots	630,000
(8)	Public Safety – Radio System Replacement	620,000
(9)	Park – Land Acquisition	600,000
(10)	Drainage – Miscellaneous Flooding	575,000
	Total Top 10 Projects	**$8,564,000**

Notes:

(1) Top 10 represent only projects requiring additional debt – not budgeted expenditures.

(2) Top 10 equal 56% of total new debt issuance required for 2014.

2014 CIP Review Calendar

Jan. 14th	Tuesday, 6:00 p.m. Special Work Session	Staff Presentations
Jan. 21st	Tuesday, 6:00 p.m. Regular Work Session	Council Deliberations
Jan. 21st	Tuesday, 7:00 p.m. Council Meeting	Public Hearing
Feb. 3rd	Monday, 6:00 p.m. Regular Work Session	Council Deliberations
Feb. 4th	Tuesday, 7:00 p.m. Council Meeting	Public Hearing 2014 CIP Adoption