

Neighborhood Connector Street Project Funding Strategies

February 18, 2016

Issues and Concerns:

- Bridge & roadway flooding results in high maintenance costs to remove debris after floods
- No base to support roadway results in pavement failures and high maintenance costs
- Hazards due to edge drop-offs, slopes, culvert headwalls and roadside obstacles
- Traffic avoiding FM 1378 is using Winningkoff Road and Snider Lane
- Drainage too close to pavement and erosion near pavement edge
- Rough, uneven pavement impedes emergency vehicles
- Traffic conflicts due to narrow pavement on bridges and at curves such as Winningkoff Road reverse curves

Goals and Benefits:

- Eliminate flooding at the bridges and reduce maintenance costs for debris removal
- Provide for a substantial roadway foundation to support traffic for the next 20 years
- Install safety enhancements along roadside slopes and obstacles
- Reduce cut through/non-Lucas traffic
- Improve drainage and reduce erosion
- Protect tree canopy and maintain country/rural attractiveness
- Improve access for emergency vehicles
- Reduce potential traffic conflicts due to narrow pavement
- Establish utility corridors

Probable Construction Cost

• Blondy Jhune East & West Bridge Replacement	\$1,800,000
• Blondy Jhune Road	\$3,900,000
• Winningkoff Road	\$4,300,000
• Snider Lane Bridge/Floodway Crossing	\$2,800,000
• Stinson Road Bridge/Floodway Crossing	<u>\$2,000,000</u>
 Total	 \$14,800,000

⁽¹⁾ Does not include right-of-way, easements, engineering, surveying, tree mitigation and utilities.

Funding Goals

- ✓ Projects are needs vs wants
 - Safety vs Aesthetics
 - Infrastructure vs Amenities
- ✓ Fund projects as required and ability to pay
- ✓ Minimize impact on tax rate
 - Debt capacity is a function of:
 - Current tax base and appreciation
 - Increase in tax base (residential and commercial)
- ✓ Consider other funding sources

Source of Funds

Funding Required - Probable Construction Cost⁽¹⁾ \$14,800,000

Source of Funds:

Certificates of Obligation (issued in 2015) ⁽²⁾	\$ 2,000,000
Impact Fees	\$ 600,000
General Fund Reserves ⁽³⁾	\$ 2,400,000
Additional Debt Financing	
2016	\$ 6,000,000
2019	\$ 2,000,000
2021	<u>\$ 2,000,000</u>
	<u>\$15,000,000</u>

⁽¹⁾ Does not include right-of-way, easements,, engineering, surveying, tree mitigation, and utilities.

⁽²⁾ \$154,396 has been spent for Engineering

⁽³⁾ Excess General Fund Reserves:

General Fund Balance (unrestricted)	\$ 4,700,000
Less: 6 month reserve	<u>(\$2,300,000)</u>
Excess General Fund Reserves	<u>\$2,400,000</u>

Historical Taxable Values

<i>Historical Valuations</i>				
Tax Year	Fiscal Year Ending Sept 30	Taxable Values	Growth Rate	Residential Bldg Permits
2010	2011	551,500,014		91
2011	2012	567,043,409	2.82%	90
2012	2013	589,607,007	3.98%	96
2013	2014	663,672,428	12.56%	101
2014	2015	768,920,713	15.86%	126
2015	2016	847,504,395	10.22%	37 (4 mths)
Average Growth Rate			9.09%	

Historical Tax Rates

	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>
M&O	\$ 0.2472	\$ 0.2577	\$ 0.2612	\$ 0.2540	\$ 0.2331	\$ 0.2156
I&S	0.1269	0.1165	0.1130	0.1016	0.0876	0.1051
Total	<u>\$ 0.3742</u>	<u>\$ 0.3742</u>	<u>\$ 0.3742</u>	<u>\$ 0.3556</u>	<u>\$ 0.3207</u>	<u>\$ 0.3207</u>

Taxable Value Growth Rate Assumptions

2017	10%
2018	5%
2019	5%
2020	2%
2021-2038	0%

Tax Rate Impact

1	2	5	6	7	8	9	10	11	12
Fiscal Year Ending Sept 30	Projected Net Taxable Values	Net Debt Service	Debt Service for Proposed Funding			Debt Service w/ additional funding	I&S (debt service) Tax Rate ⁽⁴⁾		
			\$6,000,000 Series 2016 ⁽²⁾	\$2,000,000 Series 2019 ⁽³⁾	\$2,000,000 Series 2021 ⁽³⁾		For the fiscal year	Increase (Decrease)	Cumulative Change
2016	764,664,187	747,142				747,142	\$0.1051	(1)	
2017	841,130,606	703,351	303,700			1,007,051	\$0.1197	\$0.0146	\$0.0146
2018	883,187,136	705,662	350,100			1,055,762	\$0.1195	-\$0.0002	\$0.0144
2019	927,346,493	702,066	404,300			1,106,366	\$0.1193	-\$0.0002	\$0.0142
2020	945,893,423	702,294	431,600	158,500		1,292,394	\$0.1366	\$0.0173	\$0.0315
2021	945,893,423	696,346	433,000	155,500		1,284,846	\$0.1358	-\$0.0008	\$0.0307
2022	945,893,423	699,722	434,000	157,375	158,500	1,449,597	\$0.1533	\$0.0174	\$0.0481
2023	945,893,423	456,478	464,000	159,000	155,500	1,234,978	\$0.1306	-\$0.0227	\$0.0254
2024	945,893,423	451,378	463,000	155,500	157,375	1,227,253	\$0.1297	-\$0.0008	\$0.0246
2025	945,893,423	450,353	466,500	156,875	159,000	1,232,728	\$0.1303	\$0.0006	\$0.0252
2026	945,893,423	443,878	464,500	158,000	155,500	1,221,878	\$0.1292	-\$0.0011	\$0.0240
2027	945,893,423	441,953	462,100	158,875	156,875	1,219,803	\$0.1290	-\$0.0002	\$0.0238
2028	945,893,423	341,603	464,200	159,500	158,000	1,123,303	\$0.1188	-\$0.0102	\$0.0136
2029	945,893,423	342,828	465,700	159,875	158,875	1,127,278	\$0.1192	\$0.0004	\$0.0140
2030	945,893,423	343,503	466,600	160,000	159,500	1,129,603	\$0.1194	\$0.0002	\$0.0143

(1) I&S established tax rate for 2016 is slightly higher than calculated rate due to change in Taxable Value for 2016.

(2) Series 2016 CO interest rate calculated at 4%. Current interest rates indicate +/- 3%.

(3) Series 2019 & 2021 CO interest rate calculated at 5%.

(4) Based on questions from Town Hall meeting columns 11 and 12 have been revised from original presentation to clarify the impact on the I&S rate.

Debt Alternatives

- General Obligation Bonds
 - Requires Election
 - Requires Bond Council
 - Subject to H.B. 1378
- Certificates of Obligation
 - Authorized by City Council
 - Subject to Public Hearing
 - Prior to sale Subject to Petition by Citizens

Legislative Constraints

House Bill 1378 (effective on January 1, 2016)

- Section 140.008 - Its purpose is to increase financial transparency via reporting
- Section 271.047(d) - restricts the City's ability to issue debt for related projects for 3 years if the voters do not support a general obligation proposal.

Failure of bond election would push all work out at least 3 – 4 years

Summary and Council Recommendation

- ✓ Projects are needs vs wants
 - Safety vs Aesthetics
 - Infrastructure vs Amenities
- ✓ Funding will have little impact on tax rate
 - Debt issued as tax base increases
- ✓ Council recommendation
 - Proceed with Certificates of Obligations
 - Supplement funding with excess General Fund reserves and Impact Fees