



Legislation Text

File #: 18-903, **Version:** 1

Subject:

2018 CIP Update

EXPLANATION AND SUMMARY :

Every year in a fall work session, Council and staff review planned capital expenditures or the Town's Capital Improvement Plan (CIP). Every other year this CIP is the basis for a bond or debt issuance to finance capital projects identified in the plan. During FY18 the Town has been presented with several opportunities for capital projects outside the regular fall and two-year bonding cycles. As such, the attached updated plan is attached for Council consideration.

The objective of the plan revisions is to present Council with options that include investing in three new projects:

1. A proposed public parking condominium on Mill Street NE at a cost of \$4.6 million; potentially reduced to a Town expenditure of \$2.3 million if the Town receives a grant from NVTA. The award is expected to be announced June 14, 2018.
2. A proposed purchase of a historic building for an estimated cost of \$2 million for purchase and renovation. This is a high estimate. The low estimate to purchase and renovate is \$1.3 million. This number will be finalized after a feasibility study is performed in June and July 2018. An alternative proposal is to buy the building for up to \$1.0 million and not plan the improvements until a later year.
3. Purchase of a single-family residence on Beulah Road, approved by Council on May 21, 2018, to complete a contiguous Town property at the Town mulch yard at a cost of \$712,000.

Three viable options are presented. All options include removal of the downtown library parking project and a shift of \$4.55 million in projects from 2022 through 2026 out to 2026 and 2028. All options include the \$712,000 purchase price for the Beulah Road property, and show that future borrowing will be defrayed by \$1.0 million received in bond premium from the 2018 bonds.

Option 1 - No NVTA funding for Mill Street; Historical Building purchase, no improvements for a total net borrowing of \$5.312 million. This is the recommended option if NVTA funding is not received, but would require a re-prioritizing of other capital projects to avoid a very low reserved balance by 2029.

Option 2 - Mill Street with NVTA 50% financing and \$1.3 million for the historic property for a total net borrowing of \$3.312 million. This is the recommended option if NVTA funding is received.

Option 3 - Mill Street with NVTA 50% financing and \$2.0 million for the historic property for a total net borrowing of \$4.012 million. This would be a different option for Council to consider if NVTA funding is received.

A public hearing for debt issuance on January 29, 2018 and the adoption of a debt ordinance authorized Council to borrow \$15 million in general obligation debt or bank placement as a taxable or non-taxable issuance. \$7,900,000 in general obligation bonds were issued in February 2018 with a premium of \$1,347,000 received, which has been factored into the debt model and will reduce the future borrowing requirements. Council may borrow the remaining \$7.1 million without another public hearing under the current ordinance during calendar year 2018, and none of the proposed options exceed \$5.4 million.

Town staff recommends Option 1 as the preferred option assuming NVTA funds not are received, including a re-prioritization of projects during the FY 2019 CIP review so as not to use most of the reserved fund balance. Staff recommends Option 2 as the preferred option if NVTA funds are received. Staff further asks Council to direct staff to arrange borrowing for the purchases net of the bond premium in the fall of 2018.

Departmental Recommendation : Recommend approval of Option 1 if NVTA funds are not received, or Option 2 if NVTA funds are received.

Finance Recommendation : Recommend approval of Option 1 if NVTA funds are not received, or Option 2 if NVTA funds are received.

Purchasing Recommendation : N/A

Town Attorney Recommendation : Town Council may approve a capital improvement plan in its discretion. Any specific project will require formal Town Council approval.

Town Manager's Recommendation : I recommend the Town Council adopt the revised 2018 CIP with Option One as presented with the exception that if the Northern Virginia Transportation Authority funds are awarded to the Town and the Town Council votes to receive those funds, that Option three be approved by the Town Council to give Town Staff maximum flexibility to renovate the structure.

I further recommend the Town Council direct Staff to arrange to borrow funds necessary to complete the approved Council purchases during this calendar year, as presented.

Cost and Financing: \$5,312,000

Account Number: 300-000-0000-39420, various accounts to be determined

Decision Needed by This date: June 4, 2018

PROPOSED/SUGGESTED MOTION

"I move to adopt the 2018 CIP plan as revised and with Option 1 as presented or Option 2 if funds from NVTA are received and accepted. I further move to direct staff to arrange to borrow funds necessary to complete approved Council purchases during calendar year 2018 under the funding ordinance adopted on January 29, 2018,"

Or

Other action deemed necessary by Council.