



CAPITAL IMPROVEMENT PLAN FISCAL YEARS 2022-2031

DURHAM COUNTY NC

Capital Improvement Plan Fiscal Years 2022-2031 Durham County, North Carolina

Board of County Commissioners

Brenda Howerton Chair
Wendy Jacobs.....Vice Chair
Nida Allam Commissioner
Heidi Carter..... Commissioner
Nimasheena Burns Commissioner

Staff

Kimberly Sowell, Ph.D., County Manager

Claudia Hager, General Manager

Jay Gibson, General Manager

Gudrun Parmer, Interim General Manager

Joanne Pierce, General Manager

Deborah Craig-Ray, General Manager

Susan Tezai, Chief Financial Officer

S. Keith Lane, Budget Director

David Ades, Assistant Budget Director

Josh Edwards, Budget Analyst

Matthew Hunt, Budget Analyst

Jonathan Yeomans, Budget Analyst

Bethany Shewmaker, Performance Analyst

**Durham County Capital Improvement Plan (CIP)
Fiscal Years 2022-2031**

Capital Improvement Plan Overview 2

CIP Project Allocation Summary 6

CIP Project Costs by Goal Area 7

CIP Goal Area Totals & Percentages 9

CIP Financing Overview 10

CIP Funding Summary..... 11

Capital Financing Plan Model 13

Policy on Financing Capital Projects..... 16

Debt Service..... 17

CIP Annual Debt Service Payments (Existing Debt & New Debt) 18

CIP Annual Debt Service Payments (By Debt Type) 19

Durham County Government Capital Improvement Plan Fiscal Years 2022-2031

Durham County's FY 2022-2031 Capital Improvement Plan (CIP): Since the last CIP update was approved in June 2019, for FY 2020-2029 the County has seen the completion of Administration II Building renovation, Main Library renovations, Northern High School, Snow Hill Pump Station Phase I, and near completion of the 300 & 500 Parking Decks and new Youth Home. In 2022, we will propose to voters a bond referendum for \$550.2 million for Durham Public School projects (\$423.5 million), Durham Technical Community College projects (\$112.7 million), and various NC Museum of Life and Science projects (\$13.9 million).

Durham County has seen significant growth in population and the economy, with much of that growth centered around downtown Durham. This growth, both in population and our local economy, has created challenges, including the availability of affordable housing, a demand for downtown parking, and County services. This updated CIP is responding to the need for a new Board of Elections location, which is currently underway, with the goal of project completion by the 2024 Presidential Election. Additional project highlights include a new Sheriff's Training Facility, Emergency Medical Services Station Number 19, Fleet Maintenance Facility, and Animal Shelter.



Durham County Administration II Building

Based on historical and current spending patterns, General Obligation bond referendums are scheduled for 2026 and 2028 to defer maintenance issues and new construction resulting from increased service demands and population increases. Emerging slowly from a significantly more cautious lending climate over the last decade has had two serious effects on the CIP, one more positive than the other. 1) Low-interest rates have lowered the lifetime cost of debt service for large capital projects, putting less pressure on dedicated property taxes needed to support those costs, and 2) the need to support future planned projects within a financial framework, including a higher dedicated fund balance, that continuously gives us the ability to maintain the County's highly regarded triple A bond rating.

Revenues, other than property taxes, which the County uses to support annual capital debt service, have grown steadily. Future growth estimates for these revenues, along with property tax revenue estimates, are conservatively estimated to withstand possible economic downturns or other debt variables that are unknown at this time. What does this mean? This means that any significant project additions to the CIP in the future may need a concurrent property tax rate increase. Per Board of County Commissioner guidance, this 10-year CIP includes a two-and-a-half cent tax increase to support the proposed 2022 bond referendum. However, changes in the economic landscape, which could affect other CIP-related revenues (sales tax and occupancy tax), and rising project costs or new projects could add pressure to increase the property tax rate needed in our years.

As one of the few counties in the state to be triple A rated, Durham County has proven that it takes great care and pride in being financially responsible in its daily operations and future outlook. Due to the current lending climate locally and nationally, agencies that bestow bond ratings are taking a very close look at how counties like ours will conduct their financial business in the future. In response to this new rating environment, as well as our concern about what Durham County finances can safely handle over the next several years, Durham County management and the Board of County Commissioners felt it was prudent to limit the cost and scope of the FY 2022-2031 capital improvement plan.



Durham County Main Library

This plan is essential to the County and its citizens for several reasons. First, it states the intentions and priorities of the Board of County Commissioners concerning capital needs for the next ten years; second, it defines the fiscal and logistical constraints that factor into the timing of each project. Third, this plan shows the costs and anticipated funding sources to be used to achieve these goals. Capital projects in the plan extend into the future for ten years, but the fiscal effects extend up to 30 years. With that in mind, a capital financing plan is presented, showing all funding sources and revenues that will be used to support estimated capital project costs. Finally, this ten-year CIP is just that, a plan, and while a great deal of effort and thought has already gone into a starting point from which yearly comparisons, fiscal and environmental changes, unforeseen needs, and public discussion can ensue.

This approved FY 2022-31 CIP version is a significant update totaling \$1.9 billion in capital projects. Some highlights are listed below:

- The addition of a planned General Obligation Bond referendum in Fall 2022 is \$550.2 million, with the potential for a bond referendum planned for Fall 2026 totaling \$258.2 million. The Durham Community College will receive funding to support two new classroom buildings, repairs and renovations, and land acquisition needed for current and future growth.
- The Museum will receive funding to support repairs, renovations, and expansion at the Museum of Life & Science.
- A new Elections Building to consolidate all operations in one facility.
- Significant funding for technology infrastructure built around the County's ERP (SAP) system is planned across several projects over the next ten years.
- A new Emergency Operations Center.
- A new Animal Shelter.
- County Stadium upgrades.
- A Public Safety and Service Complex is planned in phases over much of this CIP's ten-year span.

These changes represent better knowledge of existing project costs, new county capital needs, updated financial market constraints, changes in Board of County Commissioner directives, and other factors that can change over two years. I am confident that this plan balances the County's physical needs, present and future, within the financial obligations and funding choices available to the County.

The County will continue to review the CIP biennially and present to the Board any recommended changes for consideration. This is necessary as new information about capital needs, fiscal strength, voter-supported funding, and existing project scheduling arises. A capital improvement plan involves constantly testing assumptions and modifying the plan based on new and different information.

This capital improvement plan outlines Durham County government's effort and determination to provide its citizens with the best service and infrastructure possible. We will continue to fulfill the mandate given to us by the citizens and elected officials of this County to provide the highest quality services and facilities.



Summary

General information and graphs concerning the entire Capital Improvement Plan

Durham County FY 2022-2031 Capital Improvement Plan Project Allocation Summary

Category	Prior Years	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Planning	\$ 14,550,007	\$ 1,289,427	\$ 20,688,361	\$ 20,604,805	\$ 2,081,923	\$ 8,041,901	\$ 4,398,708	\$ 5,574,342	\$ 1,849,352	\$ 1,337,646	\$ 521,890	\$ 80,938,361
Land Acquisition	\$ 1,629,692	\$ 587,252	\$ 6,449,770	\$ 2,307,868	\$ 948,184	\$ 2,507,130	\$ 1,161,128	\$ 350,541	\$ 802,671	\$ 1,678,756	\$ 250,985	\$ 18,673,977
Construction	\$ 123,168,104	\$ 132,285,060	\$ 286,741,915	\$ 174,422,928	\$ 213,588,887	\$ 111,461,230	\$ 112,443,604	\$ 165,692,922	\$ 101,706,122	\$ 90,192,392	\$ 63,744,110	\$ 1,575,447,273
Equip/Furnishings	\$ 12,885,905	\$ 7,619,377	\$ 38,042,930	\$ 18,248,209	\$ 12,302,328	\$ 14,787,904	\$ 18,086,598	\$ 11,352,237	\$ 6,674,739	\$ 9,996,609	\$ 9,100,029	\$ 159,096,864
Other	\$ 11,786,273	\$ 849,588	\$ 4,666,448	\$ 16,690,979	\$ 1,371,755	\$ 1,813,924	\$ 5,978,414	\$ 5,250,863	\$ 628,553	\$ 510,794	\$ 249,435	\$ 49,797,028
Contingencies	\$ 1,783,540	\$ 1,175,744	\$ 6,594,807	\$ 2,525,737	\$ 1,898,369	\$ 2,563,508	\$ 4,992,472	\$ 4,056,601	\$ 796,415	\$ 1,038,670	\$ 1,898,628	\$ 29,324,490
Total	\$ 165,803,520	\$ 143,806,448	\$ 363,184,231	\$ 234,800,525	\$ 232,191,445	\$ 141,175,597	\$ 147,060,926	\$ 192,277,505	\$ 112,457,852	\$ 104,754,867	\$ 75,765,077	\$ 1,913,277,993

The allocation amounts shown above are for all FY2022-2031 Capital Improvement Plan projects.

Planning: These costs include architect plans, site testing, and other pre-building issues.

Land Acquisition: Estimated costs for land needed for various projects.

Construction: Estimated costs for the actual buildings related to specific projects.

Equip/Furnishings: Estimated costs for equipment such as chillers, alarm systems, and safety equipment. Furnishings include desks, chairs, courtroom benches, and other items that employees and citizens will use.

Other: This allocation includes costs that do not easily fit into other categories. Examples include paving upgrades to County parking lots, security improvements to County buildings, and Sheriff body and car cameras.

Contingencies: This is generally a percentage of the total project cost and represents funds available for unforeseen and/or increased costs.

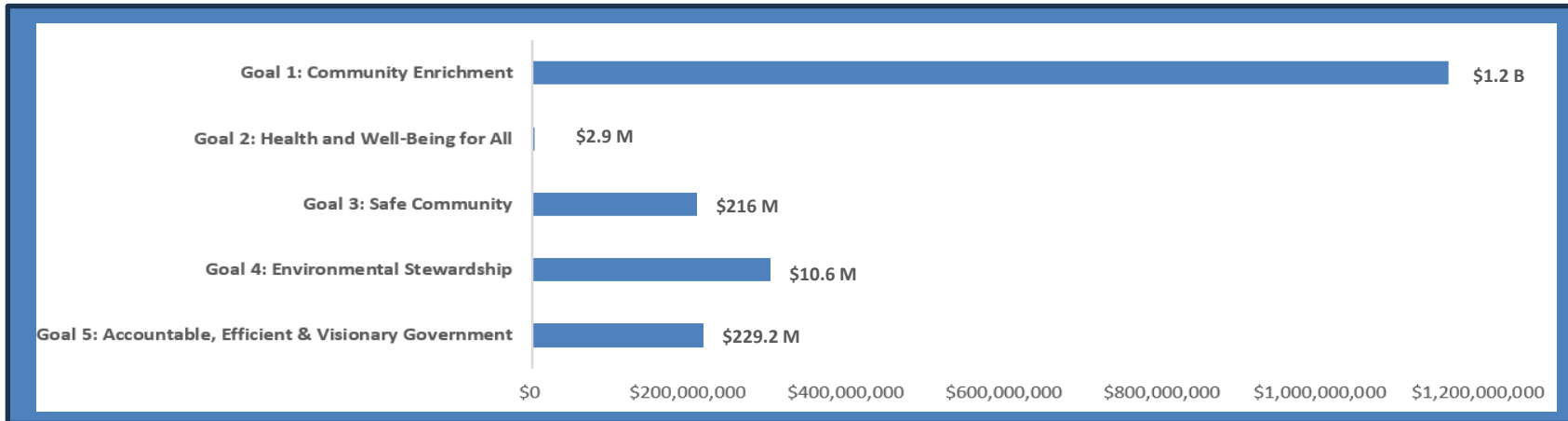
**Durham County FY 2022-2031 Capital Improvement
Plan Project Costs (By Strategic Plan Goal Area)**

Project Expenditures												
Goal Area	FY (Prior)	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30	FY2030-31	Total
Goal 1	\$83,661,444	\$57,446,790	\$254,036,231	\$127,732,747	\$157,565,257	\$81,337,314	\$89,331,234	\$104,678,883	\$62,210,249	\$89,983,877	\$51,203,747	\$1,159,187,772
Durham Public Schools	\$59,411,444	\$54,796,790	\$67,477,990	\$30,834,578	\$1,434,087	\$2,405,475						\$216,360,364
Durham Public Schools 2022 GO			\$182,843,300	\$66,919,451	\$109,906,717	\$44,095,583	\$16,491,809					\$420,256,859
Durham Public Schools 2026 GO							\$51,673,274	\$98,864,172	\$55,029,109	\$87,758,307	\$44,183,106	\$337,507,968
DTCC-Allied Health Bldg			\$512,000	\$8,053,333	\$24,773,333	\$24,773,334	\$15,888,000					\$74,000,000
DTCC-Land Purchase			\$1,200,000	\$2,300,000								\$3,500,000
DTCC-Life Science Training Bldg				\$15,590,000	\$13,250,000	\$6,396,600						\$35,236,600
DTCC-Retrofit HVAC			\$1,100,000	\$770,000	\$770,000	\$770,000	\$590,000					\$4,000,000
DTCC-Tec Center and Collins Bld							\$1,750,000	\$5,525,000	\$4,725,000			\$12,000,000
DTCC-Welding and HVAC Program						\$505,000	\$1,995,000					\$2,500,000
Durham Technical CC	\$24,250,000	\$2,650,000										\$26,900,000
NCMLS-Exhibition Renovations			\$118,803	\$1,165,857	\$3,807,617	\$2,391,322						\$7,483,599
NCMLS-Learning Environments							\$446,271	\$5,145	\$932,345		\$4,795,071	\$6,178,832
NCMLS-Operations Infrastructure							\$496,880	\$284,566	\$1,523,795	\$2,225,570	\$2,225,570	\$6,756,381
NCMLS-Program and Event Infstr			\$458,254	\$1,703,439	\$3,623,503							\$5,785,196
NCMLS-Sustainability			\$325,884	\$396,089								\$721,973
Goal 2	\$20,000		\$900,000				\$2,000,000					\$2,920,000
Bragtown Branch Upgrade	\$20,000		\$900,000									\$920,000
Southwest Parking							\$2,000,000					\$2,000,000
Goal 3	\$14,163,349	\$10,108,671	\$37,342,281	\$18,796,882	\$16,602,804	\$5,370,175	\$28,130,842	\$49,057,682	\$36,250,000			\$215,822,686
Sheriff Firing Range Upgrade	\$919,608	\$335,000	\$10,730,393									\$11,985,001
Sheriff-Detention Center Annex									\$4,000,000			\$4,000,000
Sheriff-Detnt Centr Security		\$42,634	\$2,348,410	\$2,034,458								\$4,425,502
Sheriff-Detnt Cntr Food Doors				\$668,281	\$639,844							\$1,308,125
Emergency Operations Center			\$2,192,299	\$9,937,620	\$8,431,920							\$20,561,839
Public Safety & Service Complex	\$169,000					\$5,000,000	\$23,500,000	\$34,750,000	\$32,250,000			\$95,669,000
New Youth Home	\$1,810,833	\$10,314,120	\$19,632,208	\$347,920								\$32,105,081
EMS-Duke West (2 Bay)			\$337,080			\$285,701	\$2,380,842	\$75,182				\$3,078,805
EMS-Equipment Replacement	\$4,350,000				\$2,835,000			\$1,732,500				\$8,917,500
EMS-Far East County (2 Bay)		\$151,497		\$321,014	\$2,675,115	\$84,474						\$3,232,100
EMS-MLK Blvd (4 Bay)	\$258,000		\$334,423	\$2,786,855	\$70,926							\$3,450,203
EMS-Station 19 Co-location	\$734,580	(\$734,580)	\$1,767,468	\$200,734								\$1,968,202
Multi-Dept. Radios & Towers	\$5,921,328		\$0	\$2,500,000	\$1,950,000		\$2,250,000	\$12,500,000				\$25,121,328

**Durham County FY 2022-2031 Capital Improvement Plan
Project Costs (By Strategic Plan Goal Area)**

Project Expenditures												
Goal Area	FY (Prior)	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30	FY2030-31	Total
Goal 4	\$49,019,541	\$59,632,729	\$56,045,123	\$33,624,780	\$45,314,983	\$28,266,836	\$7,939,759	\$2,714,509	\$6,111,783	\$6,869,904	\$10,639,637	\$306,179,584
300 E. Main St. Parking Deck	\$23,842,884	\$770,000	\$12,339,295									\$36,952,179
500 E. Main St. Parking Deck	\$300,000	\$31,543,516	\$5,248,297									\$37,091,813
Animal Shelter			\$2,399,681	\$12,154,283	\$14,865,322							\$29,419,286
DSS Main Renovation	\$800,003			\$7,500,000	\$7,200,000							\$15,500,003
Engineering-Stormwater Retrofit	\$200,000	\$1,000,000	\$250,000	\$250,000								\$1,700,000
Open Space Land Acquisition		\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$5,000,000
Renewable Energy Plan				\$1,360,497	\$3,829,661	\$2,446,836	\$2,569,759	\$1,519,509	\$4,511,783	\$5,749,904	\$9,519,637	\$31,507,586
Roxboro St. Deck (DHACJRC)		\$500,000	\$4,350,000	\$2,650,000								\$7,500,000
Timberlake Rail Trail							\$2,000,000	\$75,000	\$480,000			\$2,555,000
Snow Hill Rd Pump Station	\$18,295,000	\$6,905,000	\$6,000,000									\$31,200,000
Enterprise-Chin Page Rd PS		\$800,000	\$19,610,000									\$20,410,000
Enterprise-Coll. Sys Rehab.	\$3,859,613	\$750,000	\$560,000	\$560,000	\$620,000	\$620,000	\$620,000	\$620,000	\$620,000	\$620,000	\$620,000	\$10,069,613
Enterprise-Hopson Extension				\$300,000	\$1,500,000	\$10,000,000						\$11,800,000
Enterprise-New Admin. Bldg.	\$1,722,041	\$16,664,213										\$18,386,254
Enterprise-Page Point PS				\$300,000	\$2,000,000	\$12,000,000						\$14,300,000
Enterprise-Slater Rd PS			\$287,850	\$2,250,000	\$12,000,000							\$14,537,850
Enterprise-TWWTP Phase 4 Rehab		\$200,000	\$4,500,000	\$5,800,000	\$2,800,000	\$2,700,000	\$2,250,000					\$18,250,000
Goal 5	\$18,939,185	\$16,618,258	\$14,860,596	\$54,646,117	\$12,708,401	\$26,201,272	\$19,659,091	\$35,826,432	\$7,885,820	\$7,901,085	\$13,921,693	\$229,167,951
Board of Election Office		\$1,736,202	\$2,567,868	\$24,474,999	\$2,182,688							\$30,961,757
GS-County Bldg HVAC Replacement	\$2,685,196	\$721,860	\$622,660	\$1,321,630	\$741,752	\$128,142	\$522,074	\$458,758	\$862,416	\$1,638,545	\$2,156,040	\$11,859,072
GS-County Bldg Roof Replacement	\$3,623,773	\$13,653	\$121,992	\$180,748	\$196,846	\$238,468	\$306,262	\$352,828	\$248,098	\$546,920	\$224,644	\$6,054,232
GS-County Building Envelope	\$1,903,744	\$470,670	\$1,138,297	\$369,450	\$1,279,720	\$467,376	\$216,996	\$133,536	\$75,670			\$6,055,459
GS-County Security Improvements	\$1,647,847	\$441,116	\$99,765	\$445,221	\$300,188			\$51,547	\$29,211	\$79,983	\$622,218	\$3,717,094
GS-County Stadium Maj Upgrades					\$1,500,000	\$7,000,000		\$2,500,000				\$11,000,000
GS-County Stadium Parking Deck								\$20,000,000				\$20,000,000
GS-County Stadium Upgrades	\$1,809,859	\$1,285,729	\$219,350	\$866,700	\$139,100	\$572,450	\$1,048,600	\$123,050	\$155,150	\$299,600	\$85,600	\$6,605,188
GS-Detention Center Windows	\$1,696,141		\$1,364,162									\$3,060,303
GS-Owned Convenience Sites	\$654,618	\$100,000		\$2,089,500								\$2,844,118
GS-Parking Lot Replacement	\$1,812,362	\$182,691	\$350,000	\$116,202	\$92,073	\$78,217	\$304,629	\$535,535	\$85,921	\$36,038	\$92,191	\$3,685,859
GS-Parkwood Convenience Site					\$909,500	\$80,250	\$2,969,250					\$3,959,000
DCo-SAP Ariba								\$4,602,988				\$4,602,988
DCo-SAP Budget and Planning						\$3,697,451						\$3,697,451
DCo-SAP Cloud Analytics							\$2,896,868					\$2,896,868
DCo-SAP S4 Emp. Cent & Payroll						\$7,531,538						\$7,531,538
DCo-SAP S4 HANA	\$250,000			\$16,257,117								\$16,507,117
IT-AI Automation						\$600,000	\$600,000	\$1,176,000	\$1,176,000	\$1,897,000	\$1,897,000	\$7,346,000
IT-Broadband Expansion			\$2,500,000	\$2,500,000								\$5,000,000
IT-Disaster Recovery Site		\$7,056,350				\$55,000	\$5,236,000			\$55,000	\$5,236,000	\$17,638,350
IT-Enterprise Asset Management				\$594,000								\$594,000
IT-Hardware Replacement Sched.	\$1,283,765	\$3,740,452	\$3,438,454	\$3,975,469	\$3,481,000	\$4,463,000	\$3,393,000	\$4,543,000	\$3,934,000	\$3,348,000	\$3,608,000	\$39,208,140
IT-Security Program Support			\$876,360	\$350,000	\$386,720							\$1,613,080
IT-Sheriff Body & Car Cameras	\$797,539	\$211,346	\$200,459	\$505,620	\$887,500	\$600,000	\$600,000	\$600,000	\$600,000			\$5,002,464
IT-Sheriff Life Cycle	\$774,341	\$658,190	\$1,361,229	\$599,462	\$611,314	\$689,381	\$1,565,413	\$749,190	\$719,354			\$7,727,874
Total	\$165,803,520	\$143,806,448	\$363,184,231	\$234,800,525	\$232,191,445	\$141,175,597	\$147,060,926	\$192,277,505	\$112,457,852	\$104,754,867	\$75,765,077	\$1,913,277,993

**Durham County FY 2022-2031 Capital Improvement Plan
Project Costs (By Strategic Plan Goal Area)**



GOAL 1 COMMUNITY EMPOWERMENT AND ENRICHMENT: Provide access to educational, vocational, economic, and cultural opportunities while empowering citizens to choose pathways for their own success.

GOAL 2: HEALTH AND WELL-BEING FOR ALL: Improve the quality of life across the lifespan by protecting the health of the community, reducing barriers to access services, and ensuring a network of integrated health and human services available to people in need.

GOAL 3 SAFE COMMUNITY: Partner with stakeholders to prevent and address unsafe conditions, protect life and property, respond to emergencies, and ensure accessible and fair justice.

GOAL 4 ENVIRONMENTAL STEWARDSHIP AND COMMUNITY PROSPERITY: Protect natural resources and support and promote community and economic vitality for all residents of Durham County.

GOAL 5 ACCOUNTABLE, EFFICIENT, AND VISIONARY GOVERNMENT: An effective organization committed to continuous innovation, exceptional customer service, transparency, and fiscal responsibility.

Capital Improvement Plan Financing Overview

Two primary functions of a capital improvement plan are the identification and prioritization of capital projects over a specified amount of time (in this case, 10 years) and the financing choices used to fund planned capital projects. The selection of projects for Durham County's FY 2022-2031 capital improvement plan was born out of a detailed grading process that involved costs, needs, timeliness, and other criteria. The financing choices were and are more limited. Identifying a particular type of financing for a specific project includes assessing legal funding criteria for specific types of projects, county debt capacity, securing and keeping a high County bond rating (triple A), the total cost of issuing different types of debt, debt payment schedules, planned tax increases due to increased debt payments, and anticipated voter support for bond referendums. While finding worthwhile capital projects to support is all too easy, finding the appropriate debt vehicles and revenue to support debt payments is much more complicated.

Below is a list of the types of funding included in Durham County's FY 2022-2031 capital improvement plan, along with a brief description:

County Contribution (PAYGO): Funding directly from County revenue (cash) for each year. There is no debt associated with this funding.

General Obligation Bonds: Funds received after voter approval of a bond referendum. This is the strongest form of security a local government can pledge for debt, its full faith and credit, making the debt general obligation. In November 2022, Durham County residents will vote in a referendum to give Durham County the approval to issue up to \$550.2 million in General Obligation debt. Debt payments for G.O. Bonds are expected to be paid off over twenty years. An additional bond referendum is planned for November 2026, totaling \$258.2 million.

Two-Thirds Bonds: These are funds that the County can receive by issuing General Obligation bonds equal to 2/3rds of the amount of General Obligation Bond debt service paid off in the previous year. These bonds do not require voter approval. No 2/3rds Bonds are used in the current 10-year CIP.

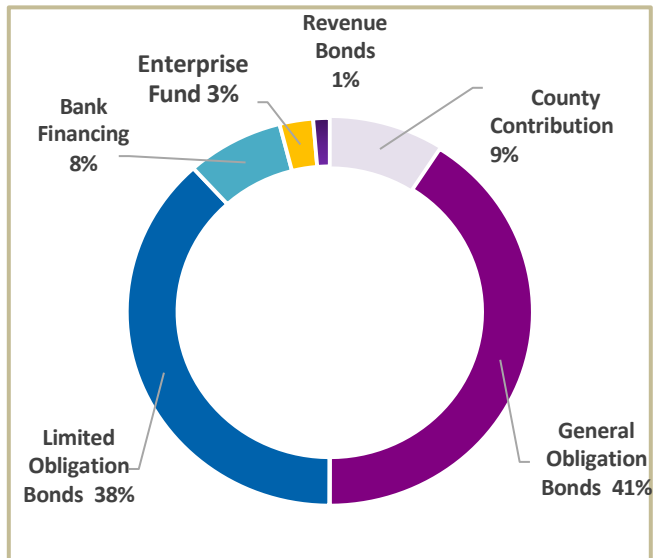
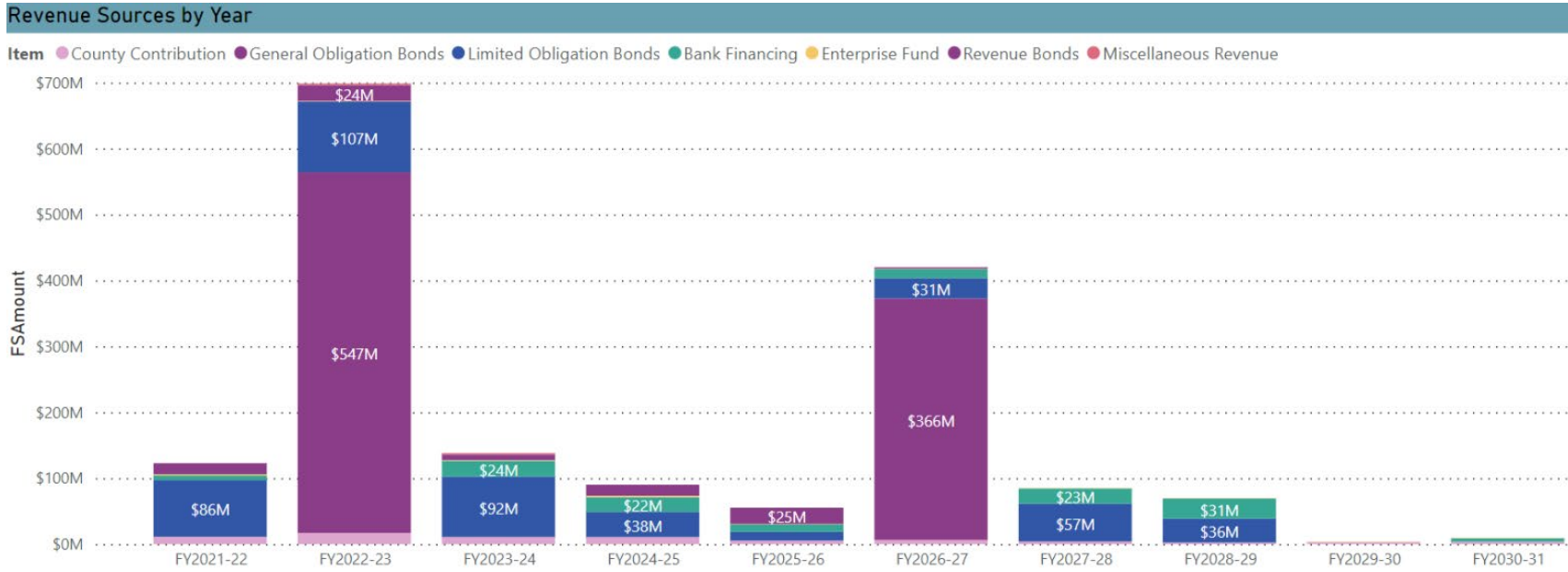
LOBS/Short Term Bank Financing: Limited Obligation Bonds (LOBS) and Bank Financing are other financing sources that do not require voter approval. Limited Obligation Bonds are a loan (made by multiple financial institutions) broken into pieces and sold to investors. Each piece is a Limited Obligation Bond. This is the second largest funding source behind General Obligation Bonds in the current 10-year CIP.

Short-term bank financing is secured by a pledge of the asset being purchased and is being used in this current CIP for IT-related purchases of County computer hardware replacement, audio/visual equipment, and ERP system upgrades, with a planned four-year hardware replacement schedule. Also supported by 10-year bank financings are 800 MHz radio replacement and radio tower replacements.

Enterprise Fund (Revenue Bonds): These funds come from revenue collected by the County's wastewater treatment facility and collection system. The revenue goes to support capital projects related to the wastewater treatment facility and collection system. Revenue Bonds are planned for a Sludge Energy project in FY 2028-29. Revenue Bonds are backed by revenue earned by the asset, in this case fees charged to WWTP customers.

Miscellaneous Revenue: Miscellaneous revenue represents sources other than those listed above.

Durham County Capital Improvement Plan Fiscal Year 2022-31 Funding By Source



Capital Financing Plan Model

Once the types and amounts of debt and capital spending were decided on, it became necessary to estimate where and how much revenue would be needed from Durham County to support the capital projects planned and implemented. A capital finance plan model was created to estimate the amount and type of revenue that would be available to pay for the capital improvement plan. This model is included in the CIP document and shows various types of revenues, including property taxes, needed over the next ten years (although most types of debt payments extend out 20 to 30 years).

While the capital financing plan model is filled with numbers, it is not as complicated as it may initially seem. The top table of the plan shows the “known” debt (debt incurred previous to FY 2020-21, “new” debt (debt incurred as part of the CIP in future years), future PAYGO (Pay as you go, or cash), and other minor known costs. The end result is the expected net General Fund debt for each of the next ten years. This is the amount of debt that will have to be supported by various revenue sources, which are shown in the middle of the plan. It should be noted that PAYGO is considered direct financial support of the CIP from the County. There are no multi-year payments associated with these funds. This amount is set each year by the Board of County Commissioners through the adoption of the annual budget and can be changed as new projects are added to the CIP, or as other unknown factors dictate.

Revenues to support the net General Fund debt are largely dictated by the Capital Financing Policy initially adopted by the Board of County Commissioners in March 1989, which outlines several revenue sources to be specifically used for capital projects and debt related to capital projects. They are:

- Article 40 and Article 42 one-half cent sales taxes;
- 21.74% of Article 46 one-quarter cent sales tax dedicated to support Durham Public School-related debt service
- The county's share of the occupancy tax;
- Countywide property taxes;

These revenues are shown in the middle table of the capital financing plan model, along with several other smaller revenue sources, including transfers from other funds and lease payments. In the corresponding table, the major groups of revenue are “Fund Balance Appropriated” (available dollars unspent from previous years), “Non Property Tax Revenue” (a selection of various small revenue sources), “Occupancy Tax” (collected from hotel stays in Durham County), “Property Tax Revenue” (based off of a dedicated CIP related property tax rate), and “Sales Tax Revenue” (Article 40, 42, and 46 sales tax noted above).

Since the last CIP update, several changes have occurred to available “Non-Property Tax Revenue” sources. Reductions in available funds from the Community Health Trust Fund have occurred over the last several fiscal years due to contractual agreements with Duke Hospital, while potential available Lottery Funds that were used for Durham Public School debt service have been reallocated directly to DPS for their smaller capital needs.

The line graph of the capital financing plan model shows the amount of property tax that would be needed to fully support current and new debt related to the CIP. The property tax rate needed to support the CIP creates the “Property Tax Revenue” shown in the second table. This “dedicated” property tax can and will change as future estimates for other revenues change.

In developing a model that extends out ten years, several assumptions were made. Estimates as to how much newly incurred debt would cost on a yearly basis were developed with the help of the County’s outside financial consultants and the Finance department. Estimates on expected revenue collection were based on trends over the last ten years, assessment of present and future local economic variables, and known countywide revaluation years.

The amount of property tax “dedicated” to the capital improvement plan financing will change in future years as assumptions about debt costs, debt amount, and revenue amount and types become known. As has been stated before, this is a plan and is, therefore, subject to change.

The final table shown in the Capital Financing Plan are annual future year estimates of available fund balance (savings, a revenue source) related to capital project support or project related debt service. Per stricter bond rating rules, the County carries significantly more fund balance than it has in past decades, but these funds are also available to use over the course of the next ten years to lessen the variability of the property tax rate revenue needed in any one year. This can be seen in the second table where “Fund Balance Appropriated” is used in certain years. Correspondingly the amount of available fund balance (three different funds) fluctuates in any year.



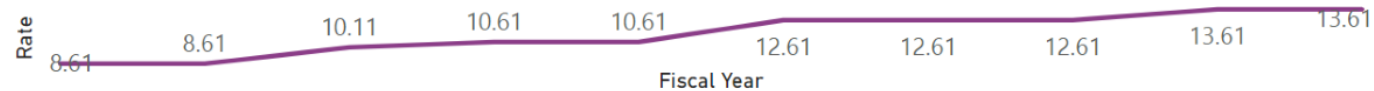
Durham County FY 2022-31 Capital Improvement Plan Annual Debt Service Payment Amounts and Related Revenue Support

CFP Debt Type	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
New Debt	\$15,342,448	\$22,113,927	\$47,580,279	\$68,460,302	\$82,307,182	\$97,511,437	\$106,353,083	\$121,526,401	\$128,015,475	\$136,551,827	\$825,762,362
Known Debt	\$62,636,501	\$52,723,285	\$48,772,229	\$44,557,309	\$44,415,063	\$44,903,364	\$36,740,016	\$35,178,614	\$33,515,427	\$32,374,340	\$435,816,149
New PAYGO	\$6,125,794	\$16,942,933	\$10,898,158	\$10,811,668	\$5,420,553	\$6,338,561	\$4,037,936	\$2,436,466	\$3,156,085	\$3,680,693	\$69,848,847
Other Known Costs	\$4,859,771	\$587,648	\$1,580,000	\$500,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$9,327,420
Total	\$88,964,515	\$92,367,794	\$108,830,666	\$124,329,280	\$132,442,798	\$149,053,362	\$147,431,035	\$159,441,481	\$164,986,986	\$172,906,860	\$1,340,754,778

Additional Capacity	2022	2024	2028
Reserve for Future Purchases	\$3,000,000	\$2,689,813	\$255,176

CFP Revenue Type	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Fund Balance Appropriated	\$8,406,095	\$1,711,954	\$0	\$8,075,811	\$3,524,441	\$4,434,798	\$0	\$8,678,055	\$4,651,631	\$1,678,926	\$41,161,711
Non Property Tax Revenue	\$2,003,818	\$1,727,631	\$1,706,492	\$1,101,816	\$1,066,442	\$1,031,053	\$994,762	\$892,753	\$636,751	\$591,532	\$11,753,049
Occupancy Tax	\$2,462,049	\$4,000,000	\$4,500,000	\$4,620,000	\$4,743,600	\$4,870,908	\$5,002,035	\$5,137,096	\$5,276,209	\$5,419,495	\$46,031,393
Property Tax Revenue	\$39,451,717	\$40,174,539	\$50,889,848	\$54,474,788	\$65,369,746	\$79,245,876	\$80,434,564	\$81,641,082	\$89,437,126	\$98,380,839	\$679,500,126
Sales Tax Revenue	\$39,640,836	\$44,753,670	\$54,424,140	\$56,056,864	\$57,738,570	\$59,470,727	\$61,254,849	\$63,092,495	\$64,985,269	\$66,934,827	\$568,352,248
Total	\$91,964,515	\$92,367,794	\$111,520,479	\$124,329,280	\$132,442,798	\$149,053,362	\$147,686,211	\$159,441,481	\$164,986,986	\$173,005,620	\$1,346,798,527

Annual Property Tax Rate Needed (Cents)



Capital Financing Plan

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
103 (SWAP Fund) Cash Flow	\$17,000,000	\$17,500,000	\$17,750,000	\$18,000,000	\$18,250,000	\$18,500,000	\$18,750,000	\$19,000,000	\$19,250,000	\$19,500,000
125 (Capital Financing Fund) Cash Flow	\$17,900,000	\$37,400,000	\$37,900,000	\$38,400,000	\$35,375,559	\$31,440,761	\$31,940,761	\$27,440,761	\$25,440,761	\$24,261,835
304 (Debt Service Fund) Cash Flow	\$35,500,000	\$35,288,046	\$37,977,859	\$29,902,048	\$29,902,048	\$29,902,048	\$30,157,224	\$26,479,169	\$24,327,538	\$24,426,298
Total	\$70,400,000	\$90,188,046	\$93,627,859	\$86,302,048	\$83,527,607	\$79,842,809	\$80,847,985	\$72,919,930	\$69,018,299	\$68,188,133

DURHAM COUNTY POLICY ON FINANCING CAPITAL PROJECTS

Durham County recognizes the goal of the capital financing policy is to provide for the adequate funding of the county's capital program while avoiding erratic increases or decreases in the county's property tax rate. Thus, a capital financing plan for the payment of debt related to projects financed by long-term borrowing shall be updated annually.

The county currently dedicates the following revenues to the payment of debt and capital projects:

Article 40 and Article 42 one-half cent sales taxes;
21.74% of Article 46 one-quarter cent sales tax for Durham Public School related debt service
The county's share of the occupancy tax;
Countywide property taxes;
Enterprise revenues.

The county reserves up to twenty percent (20%) of these annually dedicated revenues for pay-as-you-go projects. In addition, the pay-as-you-go policy restricts dedicated property tax revenue to 20% of a maximum of five cents (One cent total) in countywide property taxes.

Investment earnings on unexpended debt proceeds shall be restricted to the payment of debt. Investment earnings on amounts restricted for the payment of debt and pay-as-you-go funds shall bear the same restrictions as the principal amounts generating these investment earnings.

Excess funds, if available, within the debt service fund may be used to provide advance funding for capital projects pending bond sale or loans to the equipment leasing fund. Such advances or loans would be repaid with interest based on the monthly yield of the North Carolina Cash Management Trust short-term investment fund.

This policy applies to the governing board and administration of the county and may be revised from time to time by the governing board, as it deems appropriate to meet the changing needs of the county for capital financing.

Debt Service

Current Debt Service

Voters approved a bond referendum held in November 2016, giving the County the authority to issue general obligation bonds with an aggregate principal amount not exceeding \$170,000,000 to finance the construction of selected capital projects.

2016 Bond Referendum

<i>Durham Public Schools</i>	<i>\$90,000,000</i>
<i>Durham Technical Community College</i>	<i>\$20,000,000</i>
<i>NC Museum of Life & Science</i>	<i>\$14,067,705</i>
<i>Main Library Renovations</i>	<i>\$44,297,262</i>
<i>Issuance Costs</i>	<i>\$1,635,033</i>
Total	\$170,000,000

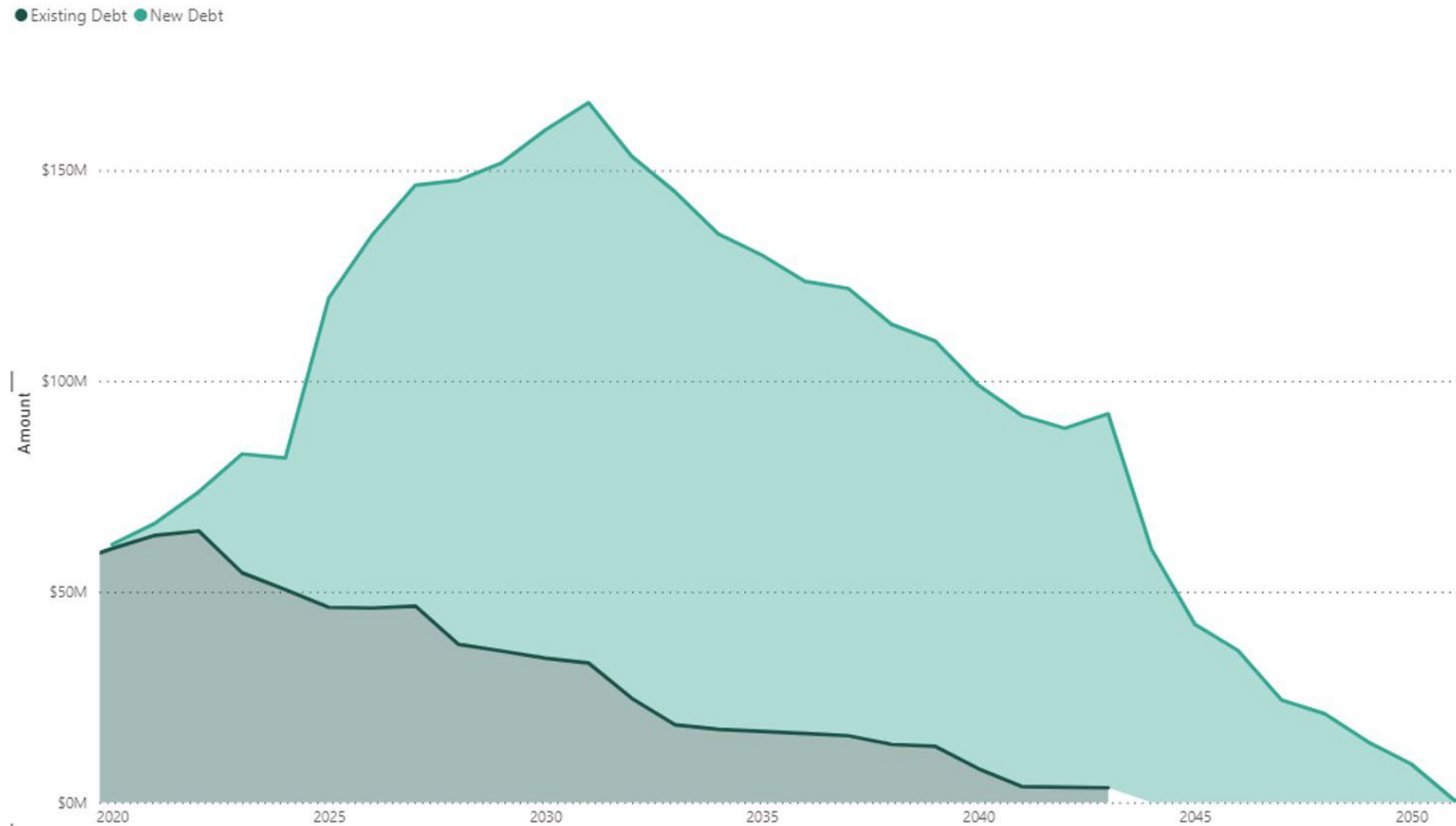
Limited short-term borrowing (BANS) has been and will continue to be used with an actual GO Bond issuance every two to three years, paying off any short-term borrowing debt. Approximately \$50 million of the authorized GO Bonds amount was issued in FY 2018-19, with short-term borrowing covering the difference between FY 2016-17 and FY 2017-18. Using short-term borrowing (BANS) allows for a more accurate issuance amount than has been available in the past.

New Debt Service

A significant change from the previous CIP is the inclusion of a planned \$550.2 million GO Bond referendum in FY 2022-23 and a planned \$258.2 million GO Bond referendum in FY 2026-27. Project highlights include: 1) additional funding for Durham Public Schools to address deferred maintenance and new school construction totaling \$581 million over ten years using a combination of GO bonds and Limited Obligation Bonds (LOBS) financing, 2) two new downtown parking decks with affordable housing at \$56.6 million, 3) a pump station at Snow Hill Road at \$19.6 million, and a new Youth Home at \$22.1 million are expected to be supported by Limited Obligation Bonds (LOBS) financing starting in FY 2020-21. A new Public Safety Complex will be built over most of the CIP's 10-year span at a cost of approximately \$45.3 million using LOBS funding. The following tables show projected debt service payments over time. These amounts will change as capital planning is refined in future years.

Annual Debt Service Payments Over Time

Existing and New Debt



Annual Debt Service Payments Over Time

Debt Type

Bank Loan BANS COMM PAPER Enterprise Revolving Loan GO Bond GO Bond (Taxable) Housing LOBS Revenue Bond Utility Performance

