

Debt & Capital Model Update

May 13, 2019



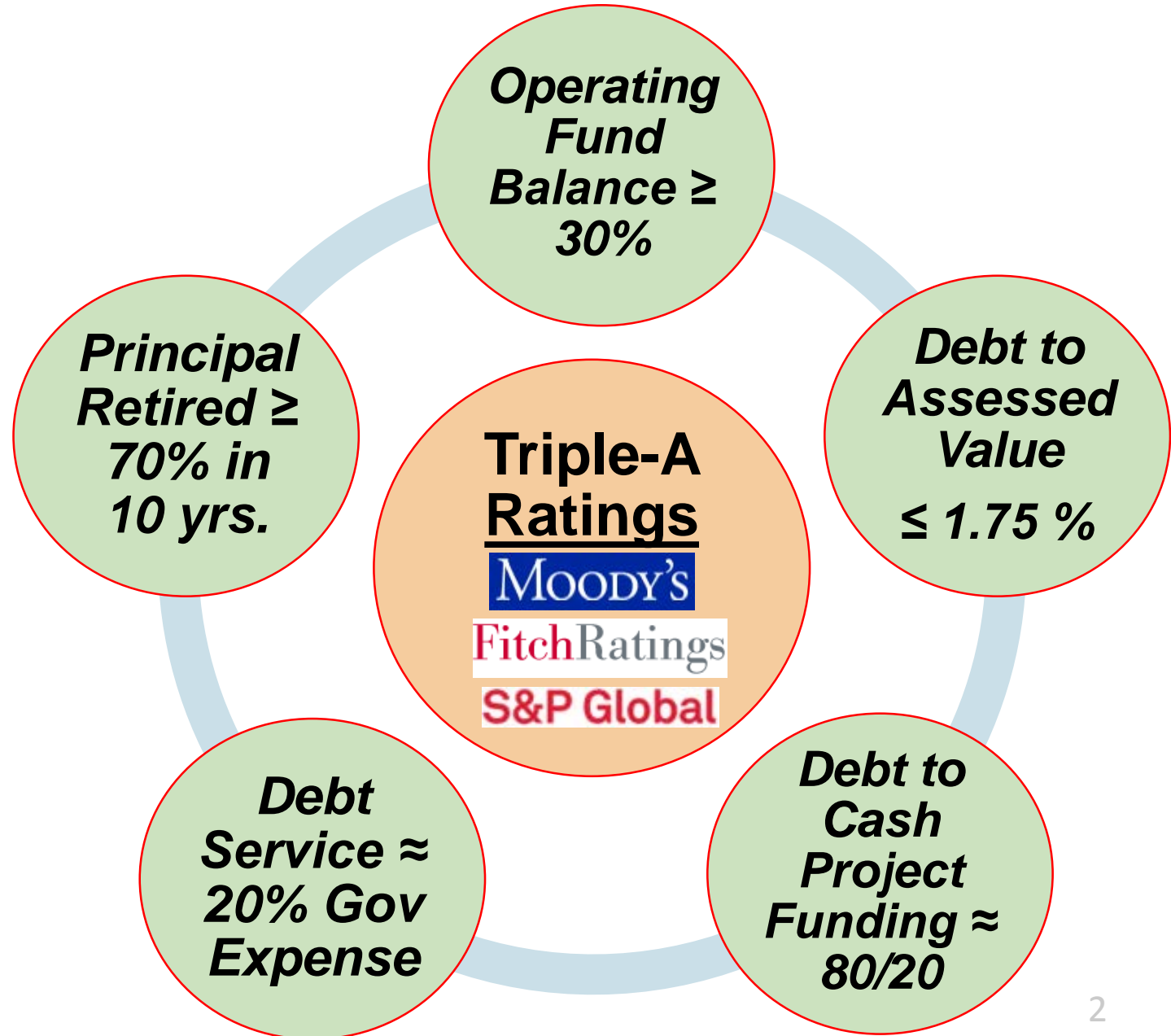
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Debt and Capital Model developed around context of policies and targets

- Established and revised using triple-A ratings guidelines
- Frequently benchmarked to peer triple-A rated governments
- County's 7-yr Capital Plan is developed around these policies and guidelines



Recap of Model inputs from March 2019 retreat

(in thousands)

Capital Program:

Debt

	2020	2021	2022	2023	2024	2025	2026
WCPSS	\$ 265,865	\$ 282,032	\$ 287,067	\$ 274,646	\$ 348,238	\$ 303,877	\$ 303,877
WTCC	86,543	90,510	76,873	95,111	99,697	78,902	79,148
PROS	20,000	20,000	20,000	20,000	20,000	20,000	
HUMAN SERVICES (LOBs)		15,000		55,000			
TOTAL DEBT	\$ 372,408	\$ 407,542	\$ 383,940	\$ 444,757	\$ 467,935	\$ 402,779	\$ 383,025

PAYGO

WCPSS	\$ 38,381	\$ 65,856	\$ 62,231	\$ 64,648	\$ 66,108	\$ 68,091	\$ 68,091
WTCC	10,033	10,033	7,500	7,500	7,500	7,500	7,500
HUMAN SERVICES	5,800	500	1,500	5,000	1,500	2,600	
OTHER COUNTY CIP	34,076	34,870	35,971	36,702	38,444	39,309	40,020
TOTAL CASH	\$ 88,290	\$ 111,259	\$ 107,202	\$ 113,850	\$ 113,552	\$ 117,500	\$ 115,611

TOTAL CAPACITY

\$ 460,698	\$ 518,801	\$ 491,142	\$ 558,607	\$ 581,487	\$ 520,279	\$ 498,636
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Future Recommended Levy	3.80	0.85	1.75
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Debt guidelines at desired levels given inputs at Retreat

Policy or Guideline	Goal	2020	2021	2022	2023	2024	2025	2026
Fund Balance Ratio	$\geq 30\%$	31.2%	32.7%	33.3%	32.5%	32.1%	31.3%	32.7%
% Debt Paid in 10 Years	$\geq 70\%$	73%	71%	71%	70%	70%	70%	71%
Debt / Capital Ratio	Strive for 80 / 20	81%	79%	78%	80%	80%	77%	77%
Debt/Assessed Value Ratio	$\leq 1.75\%$	1.59%	1.54%	1.58%	1.66%	1.70%	1.60%	1.65%
Debt Service % of Total Expenditures	Strive for $\leq 20\%$	19%	18%	19%	20%	21%	22%	21%

What Has Taken Place Since Retreat?

- County capital project updates:
 - Updated Human Services Facility Plan
 - Refinement of timing of PGROS bond issuances
 - Finalized County CIP for recommended budget
- Updated WCPSS CIP
 - Joint Facilities Core Team reviewed cost updates and plan changes
 - BOE formally adopted updated plan on April 2nd
- Updated the Debt and Capital Model with current information



County CIP Update

Updated Human Services Facilities Plan

(in thousands)

	2020	2021	2022	2023	2024	2025	2026	Total
Debt								
Prior - Retreat		\$ 15,000		\$ 55,000				\$ 70,000
Current			\$ 20,000	\$ 60,500			\$ 10,000	\$ 90,500
PAYGO								
Prior - Retreat	\$ 5,800	\$ 500	\$ 1,500	\$ 5,000	\$ 1,500	\$ 2,600		\$ 16,900
Current	\$ 6,600	\$ 5,100	\$ 500		\$ 500	\$ 1,100	\$ 1,500	\$ 15,300
Total Debt and PAYGO								
Prior - Retreat	\$ 5,800	\$ 15,500	\$ 1,500	\$ 60,000	\$ 1,500	\$ 2,600		\$ 86,900
Current	\$ 6,600	\$ 5,100	\$ 20,500	\$ 60,500	\$ 500	\$ 1,100	\$ 11,500	\$ 105,800

Updated PGROS Capital Plan

Parks, Greenways, and Open Space Bond		FY 20				FY 21				FY 22				FY 23				FY 24				FY 25				FY 26				FY 27	
PROJECT NAME	Cost	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Greenways	20.0		5.00						5.00											10.00											
Open Space	20.8		2.00			5.30										5.00							8.50								
Southeast County Park	13.6		1.74					11.86																							
Kellam Wyatt Preserve	3.5		0.25					3.25																							
Lake Myra County Park - Phase 1	16.0					2.40						13.60																			
Historic Oak View Tier 1	3.0					0.29						2.71																			
Lake Crabtree Tier 1	5.6						0.60						5.00																		
Harris Lake Tier 1	5.2								0.58							4.62															
Blue Jay Point Tier 1	5.2									0.55						4.65															
Crowder Tier 1	7.3		2.40								0.51						4.39														
Yates Mill Tier 1	4.7													0.47						4.23											
ATT Tier 1	6.9													0.76						6.14											
Green Hills Tier 1	3.6																0.54						3.06								
Robertson Millpond - Phase 3	2.9																		0.30					2.60							
Sinclair Nature Preserve	1.7																			0.25					1.45						
		11.39				28.70				22.95				19.89				21.46				15.61				0.00				0.00	
		Bond Sale #1 - 41.73										Bond Sale #2 - 22.54				Bond Sale #3 - 19.20				Bond Sale #4 - 20.92				Bond Sale #5 - 15.61							

January 7, 2019 the Board of Commissioners voted to make the Southeast County Park project the top priority.

Updated PGROS Bond issuance to reflect project timing

(in thousands)

	2020		2021		2022		2023		2024		2025		2026
Debt													
Prior - Retreat	\$	20,000	\$	20,000	\$	20,000	\$	20,000	\$	20,000	\$	20,000	
Current	\$	41,726			\$	22,540	\$	19,200	\$	20,920	\$	15,610	

PGROS Bond Sale #1: \$41.73M - Two Years of Projects

Southeast County Park	\$13.60
Greenways	\$10.00
Open Space	\$7.30
Kellam-Wyatt Preserve	\$3.50
Crowder Improvements	\$2.91
Lake Myra County Park Phase 1	\$2.40
Lake Crabtree Improvements	\$0.60
Harris Lake Improvements	\$0.58
Blue Jay Point Improvements	\$0.55
Historic Oak View Improvements	\$0.29

(\$ in millions)



WCPSS 7-Year CIP Update

2019 Cost Model Update

Analysis of 2018 estimated vs. experienced cost of projects that bid in 2018 included four Elementary, one Middle, and no High Schools.

Results are as follows:

- Elementary - Building cost increase of \$.48/SF; site cost in line with 2018 estimate.
- Middle - No change; building and site cost in line with 2018 estimate.
- High - No change; no new contract data for 2018.

	2018 Cost Model		2019 Cost Model				Potential Program Changes Add		
School Type	2018 Estimated Building Cost	2019 Estimated Building Cost (5.5% Escalation)	2018 Adjusted Building Cost	2019 Estimated Building Cost (5.5% Escalation)	Delta		Adds		Total Cost / SF 2019 Estimated Building Cost
					\$	%	\$	%	
Elementary	\$178.52	\$188.34	\$178.98	\$188.82	\$0.48	0.26%	\$0.12	0.06%	\$188.94
Middle	\$176.51	\$186.22	\$176.51	\$186.22	\$0.00	0.00%	\$0.17	0.09%	\$186.39
High	\$174.60	\$184.20	\$174.60	\$184.20	\$0.00	0.00%	\$0.25	0.14%	\$184.45

2019 Program Changes/Additions

School Type	Potential Program Changes Add		
	Adds		Total Cost / SF 2019 Estimated Building Cost
	\$	%	
Elementary	\$0.12	0.06%	\$188.94
Middle	\$0.17	0.09%	\$186.39
High	\$0.25	0.14%	\$184.45

Learning Environment & Design Guideline Updates:

- Command Center – conference room with security elements
- Auditorium Projection System – integrated with sound system and controls; eliminates mobile systems
- Sound Board for Dance & Drama
- Exterior Curb on HS Track – improves life cycle cost savings

WCPSS Cost Model Escalation Rates Remain Unchanged

	2020	2021	2022	2023	2024	2025	2026
<u>Building</u>							
Current	4.5%	4.5%	3.5%	3.5%	3.5%	3.5%	3.5%
<u>Site</u>							
Current	11.0%	11.0%	7.0%	7.0%	7.0%	7.0%	5.0%
<u>FFE</u>							
Current	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Adopted WCPSS CIP for FY2020 - FY2026

(in millions)

Program Area	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
New Schools	\$ 17.9	\$ 104.1	\$ 197.2	\$ 107.4	\$ 196.3	\$ 119.2	\$ 177.7	\$ 919.9
Renovations	174.1	126.3	44.4	127.8	55.9	59.8	52.5	640.9
Other:								
Life Cycle	29.0	29.8	30.7	31.6	37.2	42.3	47.3	248.0
Educational Equipment	1.0	1.1	1.1	1.1	1.2	1.2	1.2	7.9
Environmental/ADA					1.2	1.2	1.3	3.7
Technology	29.0	29.9	30.8	31.7	32.7	33.7	34.7	222.6
Security	4.3	4.5	4.6	4.8	4.9	5.0	5.2	33.3
Mobiles	1.3	1.3	1.4	1.4	1.5	1.5	1.6	10.0
Assessments	0.5	0.5	0.5	0.6	0.6	0.6	0.6	3.9
Property Acquisition	10.6	10.9	11.3	11.6	11.9	12.3	12.7	81.3
SNAP	15.0	16.0	15.0	16.5	16.3	16.5	17.0	112.2
Partial Reno. Imprvmnt. Projects (PRIMP)	4.6	4.2	4.4	4.6	9.0	18.0	23.7	68.4
Program Contingency	8.5	9.5	10.3	10.3	11.5	9.3	11.2	70.6
Program Management	8.6	9.5	10.1	10.4	11.1	9.3	11.2	70.3
Total Other	112.5	117.3	120.2	124.6	139.0	151.0	167.5	932.2
Total	\$ 304.5	\$ 347.7	\$ 361.9	\$ 359.9	\$ 391.2	\$ 330.0	\$ 397.8	\$2,492.9

Key Changes from 2018 to 2019 CIP

New Schools

Only 13 new schools,
down from 15

Two elementary schools
moved out of CIP
window

Changed planned HS to
MS/HS combo

(\$146 million decrease)

Renovations

Changes in renovation
schedule to account to
uneven County growth
(\$82 million increase)

Program Requirements

Partial Renovations &
Improvements (PRIMP)
– new category to
address needs that don't
rise to the level of a total
renovation (\$68.4 million
over 7 years)

WCPSS CIP reduces funding needs by \$32 million through FY 2025

WCPSS CIP Funding Plan

(in thousands)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
WCPSS							
2018 Adopted CIP	\$ 304,348	\$ 347,888	\$ 349,298	\$ 339,294	\$ 414,346	\$ 371,968	\$ -
2019 Recommended CIP	304,518	347,718	361,869	359,859	391,168	330,018	397,757
Change from 2018 to 2019	\$ 170	\$ (170)	\$ 12,571	\$ 20,565	\$ (23,178)	\$ (41,950)	\$ 397,757

2018 Referendum

Change from FY 2022-2025 \$ (31,992)

While the WCPSS CIP reduces funding in the FY 2022-2025 window, \$33 million has been moved up in the schedule to accommodate more renovations and improvements.

Updated Schools FY2020–FY2026 CIP

(in thousands)

	2020	2021	2022	2023	2024	2025	2026
Debt							
Prior - Retreat	\$ 265,865	\$ 282,032	\$ 287,067	\$ 274,646	\$ 348,238	\$ 303,877	\$ 303,877
Current	\$ 266,137	\$ 281,863	\$ 299,638	\$ 294,731	\$ 324,811	\$ 261,927	\$ 327,624

PAYGO

Prior - Retreat	\$ 38,381	\$ 65,856	\$ 62,231	\$ 64,648	\$ 66,108	\$ 68,091	\$ 68,091
Current	\$ 38,381	\$ 65,855	\$ 62,231	\$ 65,128	\$ 66,357	\$ 68,091	\$ 70,133

Total Debt and PAYGO

Prior - Retreat	\$ 304,246	\$ 347,888	\$ 349,298	\$ 339,294	\$ 414,346	\$ 371,968	\$ 371,968
Current	\$ 304,518	\$ 347,718	\$ 361,869	\$ 359,859	\$ 391,168	\$ 330,018	\$ 397,757

Total 2020 - 2026	
prior-Retreat	\$ 2,499,008
current	\$ 2,492,907

Updated Timing of Future Property Tax Needs

(in thousands)

Capital Program:	2020	2021	2022	2023	2024	2025	2026
Debt							
WCPSS	\$ 266,137	\$ 281,863	\$ 299,638	\$ 294,731	\$ 324,811	\$ 261,927	\$ 327,624
WTCC	86,543	90,510	76,873	95,111	99,697	78,902	79,148
PGROS	41,726		22,540	19,200	20,920	15,610	
HUMAN SERVICES (LOBs)			20,000	60,500			10,000
OTHER COUNTY CIP (LOBs)					11,000		
TOTAL DEBT	\$ 394,406	\$ 372,373	\$ 419,051	\$ 469,542	\$ 456,428	\$ 356,439	\$ 416,772
PAYGO							
WCPSS	\$ 38,381	\$ 65,855	\$ 62,231	\$ 65,128	\$ 66,357	\$ 68,091	\$ 70,133
WTCC	10,033	10,033	7,500	7,500	7,500	7,500	7,500
HUMAN SERVICES	6,600	5,100	500		500	1,100	1,500
OTHER COUNTY CIP	34,004	34,873	36,036	36,791	38,416	39,313	40,024
TOTAL CASH	\$ 89,018	\$ 115,861	\$ 106,267	\$ 109,419	\$ 112,773	\$ 116,004	\$ 119,157
TOTAL CAPACITY	\$ 483,424	\$ 488,234	\$ 525,318	\$ 578,961	\$ 569,201	\$ 472,443	\$ 535,929

Future Recommended Levy	3.80	0.85	1.75
Future Recommended Levy	3.80	1.00	1.60

A stylized, light blue map of Wake County is centered in the background of the slide. The map shows the county's irregular shape with various indentations and protrusions.

Current Debt & Capital Model

Debt guidelines remain at desired levels with updated CIP

Policy or Guideline	Goal	2020	2021	2022	2023	2024	2025	2026
Fund Balance Ratio	$\geq 30\%$	30.7%	31.9%	32.6%	32.0%	31.6%	30.5%	31.4%
% Debt Paid in 10 Years	$\geq 70\%$	73%	71%	71%	70%	70%	71%	71%
Debt / Capital Ratio	Strive for 80 / 20	82%	76%	80%	81%	80%	75%	78%
Debt/Assessed Value Ratio	$\leq 1.75\%$	1.59%	1.53%	1.58%	1.67%	1.73%	1.61%	1.65%
Debt Service % of Total Expenditures	Strive for $\leq 20\%$	18%	17%	19%	20%	21%	21%	20%

Next Steps

- **Provide feedback and additional questions to staff**

Staff can provide additional information at May 29 work session

- **Adopt CIP as part of FY2020 budget**

- **Debt issuance already planned for 2018 bond**

Schools / Wake Tech – 2019 GO Draw Programs (close Aug 2019)

PGROS – 2019 GO Bonds (close Oct 2019)