

**FY19 Budget Process
City Council Budget Questions
Group 2**

Fund Balance

22. Please provide peer city comparisons of available fund balance percentages and amounts.

The Department of the State Treasurer compiles data on General Fund fund balance for all municipalities and counties. The measures tracked are the amount of fund balance legally available for appropriation and the calculated percentage of available fund balance of net expenditures and transfers out from the General Fund. The table below provides comparisons of the ten largest municipalities for the fiscal year ending 6/30/17.

**North Carolina Department of State Treasurer
Fund Balance Available for Appropriation as a % of Expenditures
For the Fiscal Year Ending 6/30/17**

	Population	Fund Balance Available for Appropriation	FB as % of Expenditures
Charlotte	830,258	\$119,754,000	17.52%
Raleigh	448,706	\$212,313,820	48.02%
Greensboro	284,343	\$40,005,140	14.86%
Durham	255,397	\$50,107,004	28.02%
Winston-Salem	240,603	\$27,308,474	13.99%
Fayetteville	208,729	\$39,493,857	24.91%
Cary	155,079	\$123,328,434	66.75%
Wilmington	117,255	\$44,775,764	42.46%
High Point	110,244	\$19,913,679	18.45%
Asheville	91,929	\$42,280,885	40.06%
Average	274,254	\$71,928,106	31.50%
Median	224,666	\$43,528,325	26.47%

Also provided as Attachment A to this document is an excerpt from an April 26, 2017 memorandum from the Department of the State Treasurer State and Local Government Finance Division that provides: a definition of “fund balance available”; a discussion of components of fund balance; and, Local Government Commission considerations related to fund balance levels.

In addition to meeting Local Government Commission fund balance minimums, municipalities also adopt local policies or goals pertaining to fund balance. Most often, that goal is based upon unassigned fund balance, as opposed to available fund balance. Fayetteville’s adopted City Council fund balance policy establishes a minimum General Fund Unassigned Fund Balance of at least 10% of the succeeding year’s General Fund expenditure budget, excluding the budgets for the County Recreation Program. The table below provides fund balance policies for peer cities.

	Population	Fund Balance Policy Goal
Charlotte	830,258	Unassigned - 16%
Raleigh	448,706	Unassigned - 14%
Greensboro	284,343	Unassigned - 9%
Durham	255,397	Unassigned - 12%
Winston-Salem	240,603	Unrestricted - 14%
Fayetteville	208,729	Unassigned - Goal 12%, Policy Min 10%
Cary	155,079	Assigned + Unassigned - 25%
Wilmington	117,255	Unassigned - 15% to 20%
High Point	110,244	Available - 10%
Asheville	91,929	Undesignated - 15%
Average	274,254	
Median	224,666	

23. Please provide a table of the amount of additional funds that could be expended from fund balance while maintaining unassigned fund balance at specific levels beyond 10% in increments of 0.25%.

The table provided below provides the amount of additional fund balance that could be appropriated for the fiscal year 2019 budget while maintaining undesignated fund balance at the levels noted. While the amount of fund balance available beyond the 10% policy minimum is \$4,886,080 based upon the proposed budget, an increase in the budget would require additional fund balance to be maintained to meet the 10% fund balance policy minimum. The amounts presented in the table account for those adjustments at each of the levels noted.

Additional Use of Fund Balance	General Fund Unassigned Fund Balance %
\$ 4,441,000	10.00%
\$ 4,059,000	10.25%
\$ 3,679,000	10.50%
\$ 3,300,000	10.75%
\$ 2,923,000	11.00%
\$ 2,548,000	11.25%
\$ 2,174,000	11.50%
\$ 1,802,000	11.75%
\$ 1,432,000	12.00%
\$ 1,063,000	12.25%
\$ 696,000	12.50%
\$ 330,000	12.75%

24. What are the projected interfund loan amounts from the Risk Management Fund for the baseball stadium funding model?

The interfund loan from the Risk Management Fund to the General Fund for the stadium funding model is proposed to operate similar to a line-of-credit, with additional amounts borrowed as needed through fiscal year 2038 to meet funding requirements for the 20 year limited obligation bond debt service. Those amounts are projected to range as high as \$1.6 M in any one year, with the cumulative amount to be loaned projected to reach \$8.6 M by fiscal year 2038, and the projected outstanding loan balance to include accrued interest at \$13.4 M by fiscal year 2038. The repayment to the Risk Management fund is projected to be completed by fiscal year 2048, 30 years after the initial borrowing.

Parks, Recreation & Maintenance

25. Please provide all agreements and associated amendments between the City of Fayetteville and the Freedom Memorial Park Committee and MLK Park Committee. In addition, please provide a simple, side-by-side comparison of existing commitments or deliverables for these two parks on the part of the City and the two park committees (Freedom Memorial & MLK).

In Group 1 Budget Question responses, question 6 included information to respond to the question above. Staff has since located additional documentation concerning the City's relationship and commitments for the MLK Park Committee. A Memorandum of Understanding between the City and the Fayetteville/Cumberland Dr. Martin L. King, Jr. Committee executed in February, 1998 is provided as Attachment B to this document. The City was responsible to provide the land for the park, provide entrance signage, manage construction, and to accept ongoing maintenance responsibilities. The Committee was responsible for securing funds for the design and construction of the park, and for development of an interpretive program in the park to be staffed through volunteers.

26. Please provide a cost estimate for the construction of a pool in west Fayetteville.

Staff developed a rough cost estimate to build a pool based on the cost of constructing the Bates Pool at College Lakes. As the initial construction contracts for that pool were issued in November 2015, staff has increased costs by roughly 9.4% based upon the variance in the Construction Cost Index from April 2015 to April 2018. It is also assumed that the pool would be located at Lake Rim Park, which is owned by the State, at no cost to the City. On this basis, the estimate for the cost of the pool project would be \$3,032,500.

If Council is interested in moving forward with the pool in the immediate future, staff has developed a funding option based upon financing the pool over 15 years. The capital funding plan based upon current CIP and TIP proposals, reaches a low cumulative balance near \$135,000 in fiscal year 2022. There would be capacity in fiscal year 2023 and beyond to support the debt service for the pool. To bridge the funding gap for fiscal years 2020, 2021 and 2022, Council could elect to commit an estimated \$981,000 from undesignated General Fund fund balance to pay for three years of debt service for the pool.

27. What are the estimated costs for dome enclosures for the Westover and College Lakes pools, including the enclosure, installation, and estimated operating costs for keeping the pools open for a longer season? Are there any public/private partnerships that can be explored?

Parks and Recreation staff estimates costs at \$50,000 and \$65,000 to install inflatable dome covers over the College Lakes and Westover pools, with the Westover pool cover being more expensive due to the larger area to be covered. Although staff does not have experience with these structures, rough estimates of added operating costs for the seven additional months of the year would be estimated at \$19,880 per site, based upon increased utility costs, supplies and lifeguard services. This would provide staffing to operate each pool 20 hours per week. Local swim clubs may be interested in partnering with the City on an initiative to install these covers.

28. For City-owned cemeteries, please provide the following information:

- **A summary of current maintenance schedules and activities**
- **Estimated costs for paving the parking areas and driveways**
- **Proposed options for beautification including estimated costs**

City cemeteries are assigned for level 2 maintenance services, and based upon that standard should be visited 16 times in the 32 week growing season from April to November. The average cemetery takes 1.5 days to service. The 10 City cemeteries were visited 283 times last season. Staff was able to visit the locations and average of 18.9 times due to time savings at smaller locations.

Site	Number of Days Visited
CROSSCRK1-CEM	17
CROSSCRK2-CEM	41
CROSSCRK3-CEM (New/Old)	78
CROSSCRK4-CEM	30
CROSSCRK5-CEM	17
ELMWOOD-CEM	18
GROVEDOT	15
KINGST-CEM	25
MIMS-CEM	10
NORTHSD-CEM	32
Grand Total	283

Level 2 represents a moderate level of maintenance and is associated with locations that have moderate to low levels of development or visitation; or with operations that, because of budget restrictions, cannot afford a higher level of maintenance. Prescribed maintenance tasks include:

- **Turf Care** – Grass cut once every ten working days. Normally not aerated unless turf quality indicates a need or in anticipation of an application of fertilizer. Reseeding or resodding done only when major bare spots appear. Weed control measures shall be taken when 50 percent of small areas are weed infested or when 15 percent of the general turf is infested with weeds.
- **Litter Control** – Minimum service of two to three times per week. High use will dictate higher levels during the warm season.

- **Pruning** – Pruning will be done at least once per season unless species planted dictate more frequent attention. Sculpted hedges or high growth species may dictate more frequent requirement than most trees and shrubs in natural-growth plantings.
- **Disease and Insect Control** – Pesticides will be applied when disease or insects are inflicting noticeable damage, are reducing vigor to plant material or are considered to be a bother to the public. Preventive measures will be used, such as systemic chemical treatments. Cultural prevention of disease problems can reduce time spent in this category. Some minor problems may be tolerated at this level.
- **Surfaces** – Sweeping, cleaning and washing of surfaces shall be done so that at no time does an accumulation of sand, dirt or leaves distract from the appearance or safety of the area. Surfaces should be cleaned, repaired, repainted or replaced when their appearance has noticeably deteriorated.
- **Repairs** – Will be done whenever safety, function or appearance is in question.
- **Inspections** – Inspections will be conducted by supervisory staff at least once per week when regular staff is not scheduled. Qualitative results shall be recorded and reviewed over a three-year period for indication of improvement.

Cost estimates for paving of cemetery driveways or parking areas are not yet available.

Staff projects that gateway improvements at all of the cemeteries, including signage and landscaping, could be completed for an estimated cost of \$15,000 to \$20,000.

29. What would be required to expand the community garden program? Are there any public/private partnerships that could be explored?

Currently staff helps organize community garden programs when requested. We are able to assist with the garden design, limited debris removal, and assistance coordinating with PWC for water connections/taps. At present, the majority of our costs are staff time and debris-vegetative removal. Depending on the neighborhood and intended purpose, there may also be funds available in our community development program to assist. To expand the program, staff could reach out to gauge the interest and also seek partnerships, as our current assistance is offered when requested.

Public Services

30. What is the projected stormwater fee increase that would be needed to complete all remaining watershed studies within five years while also allowing for completion of the currently planned projects included in the five-year CIP, without additional fee increases during the five year period?

Raftelis staff has prepared the memorandum included as Attachment C which outlines their assumptions and recommendations of what could be achieved with a \$6.00 per month stormwater fee. That fee would represent a \$1.75 increase over the current \$4.25 monthly fee, or an increase of \$21.00 per year.

31. Please update the cost comparisons provided for Stormwater spot repair projects to include City employee labor costs.

Staff is working on compiling that data but it is not yet complete. It will be provided at a later date.

32. How much funding is needed to complete one mile of sidewalk? Are there grants or other funding opportunities for installation of sidewalk that we have not already taken advantage of?

The current estimated cost for sidewalk construction is \$50 per foot. One mile of sidewalk would cost approximately \$275,000 to construct.

Staff is not aware of any additional funding opportunities that are not already being pursued. We have taken advantage of all local, state and federal funding opportunities evident to staff. We do continue to monitor any funding sources that may be available to reduce the impact to our general fund.

33. Please provide a history of General Fund of sidewalk funding.

The list below provides a history of funds transferred from the General Fund for sidewalk projects for fiscal years 2014 through 2017, along with the year end projection for the current fiscal year and the proposed funding included in the recommended budget for fiscal year 2019. The totals include funds for sidewalk projects completed by the City, along with the local share of NC DOT project costs.

- 2019 Proposed \$900,000
- 2018 Projected 747,972
- 2017 Actual 525,000
- 2016 Actual 112,000
- 2015 Actual 206,134
- 2014 Actual 465,000

34. What distance of sidewalk has been installed in recent years?

Public Services staff report that since January 2014, a total of 13.98 miles of sidewalk have been installed, at a total cost of \$2,429,392.

35. How do the sidewalk projects currently proposed (both City projects and NC DOT Municipal Agreement projects) in the CIP relate to the Pedestrian Plan?

Public Services staff have reviewed the Pedestrian Plan adopted by Council and have confirmed that the following projects funded in the five year CIP are identified needs in the plan:

5 Year CIP Projects

1. Rosehill Rd. (Country Club Dr. north to Ramsey St.) Eastside
2. Owen Dr. Sidewalk (US 301 to All American Expressway) Eastside
3. Skibo Rd. at Louise St. Sidewalk (Raeford Rd. to Richwood Ct.) Westside
4. 71st School Rd. (Autumn Care to Raeford Rd.) Eastside
5. Yadkin Rd. (Skibo Rd. to Fort Bragg Limits)
6. Ramsey St. at Summerchase Dr.
7. McPherson Church Rd. Sidewalk (Westside)
8. US 401 Bypass Skibo Rd. / Country Club Dr. / Pamalee Dr. (Various Locations) Complete gaps on both sides

5 Year Municipal Agreement Projects

1. Raeford Rd. Sidewalk
2. Cliffdale Rd Sidewalk
3. Bunce Rd. Sidewalk
4. NC 210 Murchison Rd. Sidewalk

Transit

36. What is the estimated revenue impact if ridership of City buses increases?

The table below indicates the approximate number of new riders and estimated associated fare revenues that would be generated for 2%, 5%, and 10% ridership increases under the assumptions that there is no increase in Free Thursday ridership, and that 69% of multi-ride pass increases will be new riders and 31% will be existing riders using passes more frequently. The table only accounts for an increase to fixed route ridership.

	% Change		Annual Ridership	New Fare Revenues	Annual Fare Revenues
	Fixed Route Ridership	New Riders			
Current - Fixed Route			1,400,299		\$ 915,094
Ridership Increase	2%	27,610	1,427,909	\$ 18,043	\$ 933,137
Ridership Increase	5%	68,131	1,468,430	\$ 44,523	\$ 959,617
Ridership Increase	10%	135,664	1,535,963	\$ 88,656	\$ 1,003,750

37. Please provide the demand elasticity assumptions used for the revenue projections for the Transit fare increases.

The standard rule of thumb for transit fare elasticity has been -0.33% when considering all fare categories. This means for every 1% increase in fare or price, we would expect to lose 1/3% in ridership. There have been studies over the past 10 years indicating that negative elasticity has increased slightly, while certain riders will resist an increase less than others due to limited availability of options and commitment to the transit system. Transit attempted to disaggregate the elasticities for our different fare categories as follows:

<u>Fare Category</u>	<u>Price Elasticity</u>
Adult Bus Full Fare & Adult Day Passes	-0.42%
Elderly and Disabled Fare & Passes	-0.36%
Multi-day Unlimited Passes	-0.36%
Students/Youth	-0.40%
ADA Demand Response Fares	-0.30%

These factors are slightly higher (2%) than those used for the estimates for the 2013 fare change due to lower gasoline prices and availability of other options such as Uber, Lyft and telecommuting. In general, these factors are contributing to lower transit ridership being experienced nationwide.

38. Please provide the following information regarding bus shelters and benches:

- **How many bus benches and shelters are currently in storage and what is the timeframe for their installation?**
- **How many bus stops will need shelters and benches once our current inventory of those items has been installed, and what are the requirements for installation of a shelter and bench at a bus stop?**
- **What is the estimated cost to install a bench or bench and shelter combination at all bus stops that do not currently have these or are not planned to using our current inventory?**

The current inventory on hand includes four shelters with backless benches, one regular shelter, and nine benches with backs. An order for 10 shelters is in process.

Within the next two to three weeks, benches should be placed at: the Village Drive bus stop across from the Bordeaux Library, the Morganton Road bus stop at True Vine Church, and at the Russell Street and Alexander Street bus stop by the Salvation Army. Easement agreements are underway for the bus stops on Ramsey Street at the Housing Authority and on Skibo Road at Wal-Mart.

In conjunction with the Public Services department, efforts are underway to obtain the required permits, surveys, designs, and easements or encroachments for several locations, to include Murchison Road between Pamalee and Shaw Mill, Raeford Road, Village Drive at the Bordeaux Library, Cliffdale Road at Bunce Road, and Bonanza Drive at the recreation center.

Council has adopted service standards as required by Title VI to guide the equitable placement of benches and shelters:

- 10 or more average boardings per day, or where two routes connect, warrant a bench
- 20 or more average boardings per day warrant a shelter

When we place a new stop or improve a stop (i.e., add a bench and/or shelter), the stop must be compliant with ADA requiring a hard surface accessible pathway or sidewalk leading to the stop.

In many cases it is almost physically impossible to place a shelter for a variety of reasons:

- If on an NCDOT roadway, the shelter must be placed outside the public ROW if speed limit is 45 or greater, requiring acquisition of private property (easement)
- Street ROW is too narrow to add the needed sidewalk and bus pad, so private property (easement) must be acquired
- Easements have often been difficult to obtain
- Terrain (ditches, hills, drop offs) or trees around stop may make it very expensive.

Transit staff has prepared a rough estimate of costs to place a shelter at every stop:

- We currently have 625 unique bus stops. When the five benches indicated above are completed, 493 stops will remain that do not have both a bench and shelter (38 have benches only, 455 have neither).
- To add shelters to the 38 existing bench-only stops would cost approximately \$250,800. (\$6,600 per shelter)
- The cost to install shelters and benches at the remaining 455 stops would be approximately \$5,005,000. (\$11,000 per stop) We have 15 shelters on hand and on order currently, which would reduce the cost by \$99,000.

- The estimated total cost to install a shelter and bench at all existing bus stops would be \$5,156,800. Using 80% federal grant funds, the 20% local match would be \$1,031,360.
- Based on current deployments, if we were to install shelters with benches at 2/3rd of the stops and benches only at 1/3rd of the stops, the cost is estimated at \$4,317,500.
- Use of formula grant funding for shelters and benches would reduce available grant funds for bus and van replacements and other capital improvements

Other Requests

39. Pathways for Prosperity

CM Wright has requested consideration of \$15,000 of funding for P4P which would be used for an accountability meeting with all neighborhood revitalization teams to discuss progress to date in all areas, review program metrics, and discuss next steps. The meeting would be an opportunity to do an official check-in and to ensure that progress is being made on action plan items. Funding would also be used to help provide supplies to neighborhood revitalization teams for monthly meetings.

40. Expansion of work studies programs throughout the school year in partnership with Cumberland County Schools

Earlier this year it was proposed that we should have a meeting with the Cumberland County School Board to discuss how the City can further support the system and their students. A meeting could be scheduled to include this topic and others. Any funding or additional resources identified following the meeting could possibly be handled within the proposed budget for fiscal year 2020, or through a fund balance appropriation in the current fiscal year. Cumberland County's new Superintendent starts July 1. In the interim, staff will contact CCS staff members assigned to the Career and Technical Education services to see if there are opportunities to assist.

41. Consideration of targeted neighborhood revitalization with a focus on single family, professional housing accommodations

CM Waddell would like to consider opportunities for communities like University Estates, Broadell and other well established neighborhoods throughout the city, that are experiencing signs of aging and becoming increasingly more occupied by renters. She would like to pursue options for tax incentives and assistance for renovations and ownership opportunities using public/private partnerships that help teachers, healthcare professionals other than doctors, first responders and other professional service based employees with affordable housing while reenergizing aging communities.

In order to make an appreciable impact on some of our older neighborhoods, a targeted revitalization effort is needed. Given the complexity of the issue, staff recommends that it be a 'target for action' consideration during our strategic planning process. However, staff can do research on successful revitalization efforts in other cities and present concepts to the City Council in this fall for consideration in the fiscal year 2020 strategic planning and budget development processes.

Memorandum #2017-15

Municipality Cash, Taxes and Fund Balance Available, June 30, 2016

April 26, 2017

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Fund Balance Available

“Fund balance available” is the statutory concept that describes the amount of funds local governments have available at the end of a fiscal year to be appropriated in the next fiscal year. The calculation was introduced as a way to prevent units of government from appropriating funds that they have not yet received in cash form. It is essential that ad valorem tax-levying units, such as municipalities and counties, maintain an adequate amount of fund balance available to meet their cash flow needs during the months in their revenue cycles when outflows exceed inflows. Property tax revenues are a major source of revenue in the General Fund, and are typically not received until the latter months of the calendar year. Therefore, a unit must maintain reserves on hand in the form of fund balance available for appropriation at June 30th to prevent the unit from experiencing cash flow difficulties during the first two quarters of the next fiscal year. As a benchmark, we use the population group averages that can be found in the attached report; if units fall significantly below their group average they may experience cash flow issues during periods of declining inflows.

While the population group average is a reasonable target for most units within the group, some units find they need to maintain more or less than the group average. Units that may want to maintain higher percentages include those with large fluctuations in cash flow, units with significant capital needs, or those that are geographically prone to natural disasters, such as our units on the coast. Units with more stable cash flows or those that have fewer capital needs may find they can operate successfully with lower fund balance available percentages. In any case we encourage units to examine their needs closely and develop at least an informal fund balance policy that sets their expectations for the appropriate amount of fund balance available to be maintained.

It is important to distinguish between the statutory calculation of fund balance available for appropriation and the fund balance that is reported on a unit's General Fund Balance Sheet. Fund balance available for appropriation represents the maximum amount that is legally available for appropriation in the next year per NCGS 159-8(a). This amount includes funds that are restricted in nature and funds that the unit has already committed to spend in subsequent years for various purposes. For example, fund balance available for appropriation would include any Powell Bill moneys on hand at June 30 that are restricted for use for streets. Those funds will be recorded as restricted fund balance on the Balance Sheet because our General Statutes restrict how the funds are to be spent.

The categories of fund balance that one may see on the Balance Sheet are:

- Non-spendable: fund balance that is not spendable by its nature; created by long-term receivables, inventory, or the non-spendable corpus of a trust
- Restricted: funds on which constraints are placed externally by creditors, grantors, contributors, or laws of other governments or imposed by law through enabling legislation or constitutional provisions. Restricted fund balance includes the amount restricted by North Carolina General Statutes as unavailable for appropriation in the next budget year. As a result the reader of the financial statements cannot make a direct connection between the fund balance that appears on the financial statements and the fund balance available calculation that appears in this report
- Committed: funds to be used for specific purposes as dictated by formal action of the unit's governing body
- Assigned: amounts that are constrained by the government's intent but are neither restricted or committed

- Unassigned: funds that do not fall into any of the other spendable categories

The amount calculated (and shown in this report) as fund balance available may be comprised of amounts shown as restricted, committed, assigned or unassigned. While legally available to be appropriated, 100% of fund balance available may not be available to support all operations of a local government or may have already been committed by the governing board.

Using the 8% fund balance metric, which represents only one month's worth of expenditures on hand, as a target, rather than an absolute minimum, may have devastating effects on the fiscal health of North Carolina local governments, particularly small municipalities. Across the state, the average fund balance amounts maintained by municipalities (average of 46.71 %) has continued to increase over the last three years, albeit in small increments. This continued increase may indicate that revenues are starting to rise while expenditures have remained constant or are not increasing at the same rate as revenues. Some of the increase in 2016 also may be attributable to an accounting change which required units of government to report money held to pay future pension and other post-employment benefits (such as the Law Enforcement Officers Special Separation Allowance) as part of the General Fund. In prior years, these funds were accounted for in a pension trust fund. We believe that maintaining fund balance at or close to the current average level for the relevant population cohort is the prudent course for municipalities.

Each year the staff of the Local Government Commission analyzes the financial statements of cities and counties to determine the amount of fund balance available for appropriation in the General Fund, and the amount of fund balance available for appropriation as a percentage of that fund's expenditures. The staff sends letters to units if the amount of fund balance available for appropriation as a percentage of expenditures in the General Fund falls below 8%. The staff also compares the percentage of fund balance available for appropriation to the prior year percentages for similar units, as well as noting the trend in the percentage of fund balance available for that particular unit. If that percentage is materially below the average of similar units, and the trend for fund balance available is declining, the staff will send a letter to alert the unit of this fact. Units are encouraged to evaluate the amounts in reserves and determine if their level is adequate.

The following chart shows the average percentage of fund balance available for appropriation for similarly grouped cities for the fiscal year ended June 30, 2016. Officials should use these figures to compare their unit to similar units and evaluate the adequacy of their unit's current reserves.



Memorandum of Understanding

Martin Luther King, Jr. Memorial Park

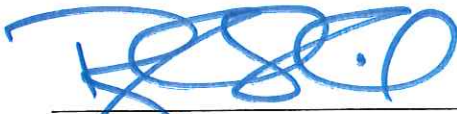
The following is a memorandum of understanding as to the development and operations of the Martin Luther King, Jr. Memorial Park located at 739 Blue Street, Fayetteville, North Carolina. This agreement shall be between the Fayetteville/Cumberland County Dr. Martin L. King, Jr. Committee and the City of Fayetteville. This agreement is to jointly develop a park to honor Dr. King and to commemorate significant local civil rights history.

City of Fayetteville will be responsible for the following:

1. Provide approximately 17 acres of land at 739 Blue Street for the development of the park. The City has officially named this property as the Martin Luther King, Jr. Memorial Park.
2. Upon development of the park, the city will be responsible for the maintenance and upkeep of the park including landscaping, equipment, buildings and utilities.
3. City will review and approve design and designer as coordinated with the Fayetteville/Cumberland County Dr. Martin Luther King, Jr. Committee.
4. City will provide the initial park sign and install at the park entrance.
5. The City, through its various departments, boards and commissions, will assist in publicizing, promoting public awareness and fostering public support by soliciting input through public meetings. This information shall be shared with the Fayetteville/Cumberland County Dr. Martin L. King, Jr. Committee for program development and facility design.

Fayetteville/Cumberland County Dr. Martin L. King, Jr. Committee shall be responsible for the following:

1. The securing of funds for the design and construction of the park.
2. MLK Committee shall develop the requirements and selection procedures for memorials and historical features which are to be placed within the park.
3. MLK Committee will develop and staff through volunteers an interpretative program in the park as determined by the Committee.
4. Funds raised for this project shall be used only for this purpose and maintained in accordance with proper accounting procedures. Upon request to the MLK Committee, the City may review the financial account which pertains to the development of MLK park.
5. This shall be a public park, open to all citizens for appropriate public uses.
6. The City will be responsible for construction management and biddings once the project has been designed and funding secured.



Roger Stancil, City Manager
City of Fayetteville

Date

FEBRUARY 3, 1998



Lula G. Crenshaw, Chairperson
Fayetteville/Cumberland County
Dr. Martin L. King, Jr. Committee
Board of Directors

Date

JAN. 14, 1998

MEMO

To: John Larch, P.E., City of Fayetteville Stormwater Program Director
From: Jennifer Fitts, Project Manager
Keith Readling, P.E., Executive Vice President, Raftelis Financial Consultants
Date: May 23, 2018
Re: Stormwater Program Funding and FY 2019 Rate Increase Recommendation

The City of Fayetteville (City) engaged Raftelis Financial Consultants, Inc. (Raftelis) to determine how to accelerate the current plans to evaluate the City's plan to perform watershed studies and to determine the appropriate program funding increase. The program assessment project was contracted December 15, 2017 and was underway when this additional funding evaluation engagement was requested.

Raftelis presented preliminary recommendations to City Council May 17th, immediately following a stormwater budget presentation that was made by the Public Services Director. At that meeting, Raftelis presented a plan to accelerate the watershed studies which would include a \$1.00 per month rate increase and four subsequent \$0.25 per month annual increases, but Council requested a plan to fund the same efforts but with one increase effective July 1, 2018 followed by four years with no rate increase. The recommendations in this memo achieve that goal, but of course require a larger initial rate increase in FY2019 since the following four years would see no increases.

This funding evaluation effort does not constitute a financial plan or rate study, but is meant to inform a near-term choice on stormwater rates that could be effective July 1, 2018 and which could speed the funding of watershed studies that will forecast longer-term capital project needs. This memo documents the conclusions of this funding evaluation.

FUNDED PROGRAM ELEMENTS

In FY 2018, the City's stormwater budget was approximately \$8.8 million, from which \$7.83 million were generated through stormwater utility fees. These monies fund 40.5 full time equivalents (FTEs), as noted in the adopted FY 2018 budget, across Engineering (under which the Stormwater Program falls), Streets, and Public Services Administration. Currently, over half of the City's stormwater budget is spent on operating expenses, about a third is spent on PAYGO (rate-funded) capital project expenses, and the remainder services a small amount of remaining debt and other capital vehicle and equipment costs.

The budget for each year has tended to be established via an escalation from the prior year, plus a list of anticipated capital projects. Each year, the Finance Department receives a list of projects from Engineering in October that are anticipated for the following fiscal year. This list is

reconciled with the stormwater financial model, which reports on fund balance at the end of each year, and is refined over the remainder of the fiscal year.

FY2019 FUNDING EVALUATION

Raftelis conducted an independent evaluation to answer the following question posed by the City:

Without taking on a large upfront expense (such as the proposed \$8-million City-wide Stormwater master plan), how can the City accelerate its stormwater CIP program through watershed studies and what stormwater rate is required to meet the proposal.

The planned FY 2019 rate increase was 25 cents per month, so Raftelis originally considered a rate increase of \$1 per month to bring the monthly rate to \$5.25, followed by \$0.25 per month increases each year thereafter during the planning period. In response to Council's direction from the May 17, 2018 workshop, we have prepared a scenario that considers a larger rate increase, \$1.75 per month, in the first year (effective July 1, 2018) and no rate increase during the remainder of the five-year planning period. This scenario plans for completion of all watershed studies within four years, enhanced staffing, and additional capital project design in anticipation of debt issuance toward the end of the planning period.

Watershed Studies

To date, the City has been operating a highly reactive capital program, and it currently has a backlog of close to \$20 million in funded stormwater capital projects, and another approximately \$28 million in unfunded projects. These identified projects represent needs around the City that were largely identified through two watershed studies, two neighborhood studies and customer complaints and subsequent drainage investigations. As part of the effort to grow into a sustainable, proactive program, the City needs to evaluate its stormwater drainage needs before problems arise.

The City has the option to embark on either a City-wide stormwater master plan or a series of smaller individual watershed studies. There are several reasons to prefer the smaller watershed studies to the wider master plan. Each watershed study evaluates the drainage system and its current or potential opportunities for flow constriction, flooding, and exacerbation of downstream impacts. By their nature smaller and less expensive than the broader plan, the City can prioritize the studies and start receiving meaningful results in a relatively short timeframe, likely within 24 months. It is in the City's interest to generate as much information on capital needs as possible, as soon as possible, and to start to plan for constructing critical capital projects that are identified through these studies.

Raftelis recommends initiating individual watershed studies over a three-year period, and ramping up capital spending to both catch up on the backlogged projects and begin to address additional needs identified through these studies. Table 1, below, outlines the watershed studies and the years in which Raftelis believes they could be begin under the funding scenario presented. The cost is estimated for each to be evenly distributed across two years, the year it begins and the following year, since the studies are expected to each take 18 to 24 months to complete. The actual flow of funding will vary somewhat, though this approximates the spending pattern at a high level.

Table 1. Watershed Study List, Costs Estimated by Stormwater Program

Study Area	Size (SQ MI)	Size (Acres)	Cost Study (estimated @ \$110K/SQ MI)	Improvements needs (estimated @ \$2.5M/SQ MI)
Underway				
Beaver Creek 2	8.2	5,269	\$ 902,000	\$ 20,500,000
Beginning FY 2019				
Beaver Creek 1	10.6	6,767	\$ 1,166,000	\$ 26,500,000
Beaver Creek 3	3.4	2,200	\$ 374,000	\$ 8,500,000
Blounts Creek	11.6	7,392	\$ 1,276,000	\$ 29,000,000
Cape Fear 1	5.8	3,731	\$ 638,000	\$ 14,500,000
Cape Fear 2	3.1	2,005	\$ 341,000	\$ 7,750,000
Beginning FY 2020				
Carvers Creek	4.3	2,765	\$ 473,000	\$ 10,750,000
Little Rockfish Creek 1	8.2	5,229	\$ 902,000	\$ 20,500,000
Little Rockfish Creek 2	1.8	1,132	\$ 198,000	\$ 4,500,000
Stewarts Creek	2	1,287	\$ 220,000	\$ 5,000,000
Beginning FY 2021				
Bones Creek	8.2	5,262	\$ 902,000	\$ 20,500,000
Cross Creek	10.5	6,716	\$ 1,155,000	\$ 26,250,000
Little Cross Creek	7.2	4,634	\$ 792,000	\$ 18,000,000

The watershed studies are planned for two-year durations such that half of the cost of studies beginning in FY2019 is funded in FY2019, and the second half is funded in FY2020. Half of the cost of studies beginning in FY2020 is also funded in FY2020, and the second half is funded in FY2021, and so on. Table 2 (below) accordingly shows the total cost of all the studies spread across four years, FY2019 through FY2022.

Enhanced Staffing

Paired with this additional effort identifying potential capital needs, Raftelis believes that an increase in staffing is needed to provide project management services. As will be more fully discussed in the broader program assessment report, the project management function is short-staffed. Project management is a role shared between several stormwater staff and in many cases outsourced to third parties, who themselves require some oversight by the City. Given that watershed studies will ramp up beginning in FY2019 and capital spending will increase under the recommended scenario beginning in FY2020, the need for additional in-house dedicated project managers is critical. The modeled scenario includes three additional staff people, beginning in the second quarter of FY2019. The personnel costs include base salary of \$45,000 and a conservative 50% of base salary for employment tax and benefits.

Capital Project Design and Construction

The modeled scenario includes a small increase in cash-funded capital spending in FY2020 and beyond. Prior to modeled debt issuance in FY2022, those funds are anticipated to be used for project design. If projects are prioritized, designed and bid prior to FY2022, bond proceeds could be put to use toward shovel-ready projects immediately upon their receipt.

Modeled Scenario

The modeled scenario for FY 2019 and beyond is included as Table 2, below. Raftelis' work at this time does not represent a full rate study, which is highly recommended for the City in the coming years. It does reflect an approximation of what could be achieved during FY2019 with a \$1.75 rate increase to \$6.00 per month.

This scenario includes issuing debt in FY2022, either in the form of revenue bonds or general obligation bonds, the proceeds from which would fund stormwater capital projects and the debt from which in either event would be serviced through stormwater revenues. This scenario is not an implicit recommendation that debt be issued. Rather, debt issuance is one of the many factors that should be reviewed during the rate study and financial planning recommended in the near term.

In the Revenue Requirements section of the table below, revenue requirements from the City's current stormwater model are in black font. Additional modeled revenue requirements are shown in green font. Both existing and new costs are included in the Total Revenue Requirement. Capital spending is modeled as a separate Capital Fund, distinct from the Operating Fund as a repository for bond proceeds until they can be used. Though the accounts need not be separated in reality, modeling them as such ensures that bond proceeds are not unintentionally planned to subsidize operating expenses.

RECOMMENDED RATE STUDY

Raftelis recommends that the City soon conduct a thorough cost of service and rate study to meet a number of objectives. Most importantly, those objectives include re-establishing the functions, or portion of functions within the City that are allocable to stormwater, calculating a defensible rate that is closely tied to the true cost of stormwater service, and confirming the feasibility of debt issuance to cover capital costs. This study might best be done in FY 2020.

CONCLUSION

A \$1.75 increase in the monthly stormwater rate represents about an additional \$3.2 million, or more than a 40% increase, in stormwater fee revenue. Jump-starting the watershed studies, which in turn will jump start a proactive capital program, and enhancing key staffing roles can greatly improve service delivery and protect vulnerable parts of the City from persistent flooding issues. A rate study during the planning period will ensure that future rate changes and debt issuances are done responsibly. Fayetteville's stormwater program will achieve important planning and capital successes and begin a shift toward proactive system management through this rate increase.

Table 2. Modeled Scenario for FY 2019 to FY 2023

	FY18	FY19	FY20	FY21	FY22	FY23
Rate Base (Units)	161,959	161,959	163,578	165,214	166,866	168,535
Collection Rate	95%	95%	95%	95%	95%	95%
Revenue Requirements						
Operating Costs	\$ 4,471,348	\$ 4,362,075	\$ 4,492,938	\$ 4,627,726	\$ 4,766,558	\$ 4,909,555
Additional Staffing	\$ -	\$ 151,875	\$ 208,575	\$ 214,832	\$ 221,277	\$ 227,916
Debt Service	\$ 913,086	\$ 917,081	\$ 920,214	\$ 917,642	\$ 914,443	\$ 920,539
Additional Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 442,075	\$ 884,151
Additional Studies	\$ -	\$ 1,996,500	\$ 2,854,500	\$ 2,282,500	\$ 1,424,500	\$ -
Transfer to Capital Fund	\$ 3,615,543	\$ 2,517,222	\$ 3,699,378	\$ 3,850,080	\$ 3,435,620	\$ 2,942,382
Additional Transfer to Capital Fund	\$ -	\$ -	\$ 250,000	\$ 400,000	\$ 250,000	\$ 1,500,000
Revenue Offsets	\$ (196,673)	\$ (152,932)	\$ (143,232)	\$ (144,520)	\$ (143,877)	\$ (143,596)
Total Revenue Requirements	\$ 8,803,304	\$ 9,791,821	\$ 12,282,373	\$ 12,148,260	\$ 11,310,597	\$ 11,240,946
Monthly Rate	\$ 4.25	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Anticipated Revenue	\$ 7,846,898	\$ 11,077,973	\$ 11,188,753	\$ 11,300,641	\$ 11,413,647	\$ 11,527,783
Surplus (Deficit)	\$ (956,406)	\$ 1,286,152	\$ (1,093,619)	\$ (847,620)	\$ 103,050	\$ 286,837
Operating Fund Balance	\$ 694,500	\$ 1,980,652	\$ 887,033	\$ 39,413	\$ 142,463	\$ 429,301
Transfer from Operating Fund	\$ 3,615,543	\$ 2,517,222	\$ 3,949,378	\$ 4,250,080	\$ 3,685,620	\$ 4,442,382
Bond Proceeds to Capital Fund	\$ -	\$ -	\$ -	\$ -	\$ 10,000,000	\$ -
Total Contributions to Capital Fund	\$ 3,615,543	\$ 2,517,222	\$ 3,949,378	\$ 4,250,080	\$ 13,685,620	\$ 4,442,382
Planned Capital Spending	\$ 3,615,543	\$ 2,517,222	\$ 3,699,378	\$ 3,850,080	\$ 3,435,620	\$ 2,942,382
Additional Capital Projects	\$ -	\$ -	\$ 250,000	\$ 400,000	\$ 3,300,000	\$ 3,300,000
Total Capital Spending	\$ 3,615,543	\$ 2,517,222	\$ 3,949,378	\$ 4,250,080	\$ 6,735,620	\$ 6,242,382
Capital Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ 6,950,000	\$ 5,150,000