

**MINUTES
BURKE COUNTY BOARD OF COMMISSIONERS
SPECIAL MEETING**

The Burke County Board of Commissioners held a special meeting on Wednesday, April 12, 2023, at 9:00 a.m., in the Commissioners' Meeting Room, Burke County Services Building, 110 N. Green Street, Entrance E, in Morganton, North Carolina. The purpose of the special meeting was to review and possibly approve a Capital Improvement Plan (CIP). The CIP is the planning mechanism by which the County Commissioners allocate limited financial resources to implement long-term goals by forecasting and matching projected revenues to major capital needs over a five-year period. Chairman Mulwee executed the public notice, and it was published on April 5, 2023. The meeting was streamed live on the County's YouTube channel, BurkeCountyNC, and it was broadcast on the local cable systems. The agenda, in its entirety, was posted to the County's website, www.burkenc.org, several days prior to the meeting. Those present were:

COMMISSIONERS:

Scott Mulwee, Chairman
Jeffrey C. Brittain, Vice Chairman
Randy Burns
Johnnie W. Carswell
Phil Smith

STAFF:

Brian Epley, County Manager
Margaret Pierce, Deputy County Manager/Finance Director
J.R. Simpson, II, County Attorney
Kay Honeycutt Draughn, Clerk to the Board

CALL TO ORDER

Chairman Mulwee called the meeting to order at 9:00 a.m.

APPROVAL OF THE AGENDA

Motion: To approve the agenda as presented.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Jeffrey C. Brittain, Vice Chairman
AYES:	Scott Mulwee, Jeffrey C. Brittain, Randy Burns, Johnnie W. Carswell, and Phil Smith

ITEM FOR DECISION**CM - APPROVAL OF THE CAPITAL IMPROVEMENT PLAN**

Utilizing a PowerPoint Presentation, County Manager Epley presented information related to the draft Capital Improvement Plan for 2024 – 2028 as well as several proposed financial policies. Highlights of the presentation are shown below.

Capital Financing – Fiscal Sustainability



FACILITIES ASSESSMENT PROCESS & NEEDS:

Building Condition Analysis 1-5 (where 1 is poor)

1. Structural
2. Interior Construction
3. Electrical System
4. Mechanical Systems
5. Plumbing Systems
6. Security Systems

Burke County Space Needs Assessment and Master Plan
General Facility Assessment
Address: 200 Avery Street, Morganton, NC
Date of Observation: 2/8/2022

Mechanical System 1			
Overall Condition Rating:	5		
HVAC System Type	Water Source Heat Pump	Controls	Thermostat
Unit Type	Vertical Recessed	Refrigerant Type	R22
Boiler	Wall-McLain	System age	Could not verify
Fuel Source	Gas Fire HW boiler	Pumps	HW and CHW pumps
Cooling Tower	BAC Closed Loop		
General comments: The WHP's age could not be determined but appear to be at the end of their service life. These units utilize R22 refrigerant that is no longer manufactured. The boiler and cooling tower age is also unknown. The boiler is aged as are associated HW pumps.			

Mechanical System 2			
Overall Condition Rating:	3		
HVAC System Type	Road Top Units (RTU) (Carrier)	Controls	Thermostat
Quantity	4	Refrigerant Type	410A
Secondary Systems		System age	7 years old (2015)
Fuel Source	Gas Fire Heat in RTU's		
General comments: RTU's were installed approximately 7 years ago and have approximately 8 years of service remaining.			

Mechanical System 3			
Overall Condition Rating:	5		
HVAC System Type	Split System Air Handling Units	Controls	Thermostat
Quantity	6	Refrigerant Type	R22
Secondary Systems		System age	15 years
Fuel Source	Electric Heat	Exhaust	Yes
Smoke Control	None		
General comments: The split system AHU's are at the end of their service life utilize R22 refrigerant that is no longer manufactured.			

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Capital Financing – Fiscal Sustainability



Facilities Evaluated During Space Needs Assessment

Building	Location	City	Rating	Sq. Ft.	Yr. Built
Animal Shelter	425 Kirksey Drive	Morganton	1.00	4,000	1980
EMS Station #1: Hospital	2201 S Sterling Street	Morganton	1.00	5,000	1975
Landfill - Transfer Station	2500 Marsh Trail	Morganton	1.40	12,500	1997
Avery Building	200 Avery Avenue	Morganton	2.13	28,700	1923
Sheriff's Office (Sheriff side only)	150 Government Drive	Morganton	2.14	11,500	1993
Burke-Catawba District Confinement Facility (Old Jail)	148 Government Drive	Morganton	2.14	48,500	1993
Human Resources Center (HRC)	700 East Parker Road	Morganton	2.42	56,500	1979
EMS Station #2: Rutherford College (Hospital Owns Property)	90 Campus Street	Rutherford College	2.50	1,900	1975
Hildebran Building (Water & Sewer Office)	101 Main Ave West	Hildebran	2.58	7,100	1964/2016
Courthouse	201 South Green Street	Morganton	2.60	55,000	1974
EMS Station #4: Hildebran	705 US Highway 70W	Hildebran	2.83	2,200	2002
Landfill - Office/Garage	2500 Marsh Trail	Morganton	3.00	5,000	1988
Morganton Library	204 South King Street	Morganton	3.00	16,800	1995/2004
Morganton Senior Center	501 North Green Street	Morganton	3.00	17,600	1984
Burke Agricultural Building	130 Ammons Drive	Morganton	3.50	14,000	2002
Burke Services Building	110 North Green Street	Morganton	3.83	24,000	1954/2000
Valdese Library (Share Ownership with Valdese)	213 St. Germain Avenue	Valdese	3.83	9,000	1943/2004
Foothills Higher Education	2128 South Sterling Street	Morganton	4.00	130,000	1980/2004

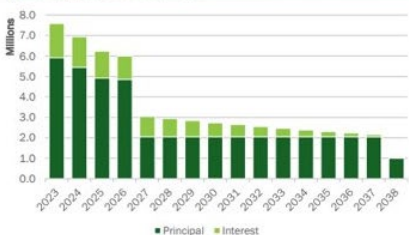
*Building Condition Rating Scale 1 thru 5 where 1 is poor condition and 5 is new or excellent condition

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Fiscal Sustainability – Debt Portfolio



Tax Supported Debt Service



Par Outstanding – Estimated as of 6/30/2022

Type	Par Amount
County Debt	\$18,041,250
School Debt	\$26,678,750
Total	\$44,720,000

Tax Supported Debt Service

FY	County	Schools	Total
Total	23,594,231	32,483,996	56,078,227
2023	2,790,280	4,792,285	7,582,565
2024	2,313,403	4,622,312	6,935,715
2025	1,789,063	4,443,799	6,232,862
2026	1,731,485	4,264,812	5,996,298
2027	1,501,250	1,541,438	3,042,688
2028	1,451,250	1,488,688	2,939,938
2029	1,401,250	1,435,938	2,837,188
2030	1,351,250	1,383,188	2,734,438
2031	1,301,250	1,351,538	2,652,788
2032	1,251,250	1,298,788	2,550,038
2033	1,201,250	1,256,588	2,457,838
2034	1,168,750	1,214,388	2,383,138
2035	1,136,250	1,172,188	2,308,438
2036	1,102,500	1,129,988	2,232,488
2037	1,068,750	1,088,063	2,156,813
2038	1,035,000	-	1,035,000

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Fiscal Sustainability – Debt Portfolio



Total Debt Outstanding	\$	44,720,000	
Debt Item	Amount	Payoff Date	
County Jail	\$ 15,815,000.00	2037	
Community College	\$ 1,075,000.00	2023	
Total County Debt	\$ 16,890,000.00		
Patton High School	\$ 5,885,000.00	2026	
Draughn High School	\$ 5,690,000.00	2026	
Mountain View Elementary	\$ 16,020,000.00	2038	
Total School Debt	\$ 27,595,000.00		

Annual Debt Service is 7.7% of Annual Expenditures

Annual Debt Service Budget

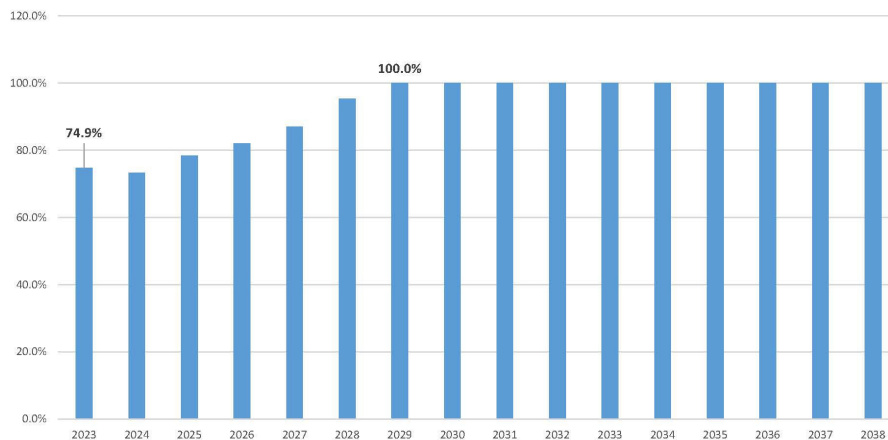


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Fiscal Sustainability -Ten Year Payout Policy



Ten Year Payout Percentage

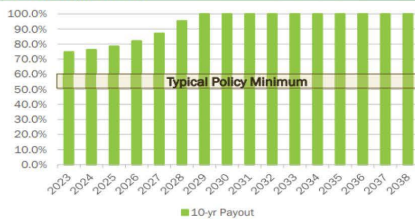


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Fiscal Sustainability -Ten Year Payout Policy

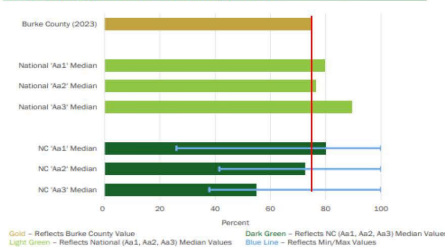


10-Year Payout Ratio



- Existing 10-year Payout Ratio
– FY 2023: 74.8%
- The 10-Year Payout Ratio measures the amount of principal to be retired in the next 10 years.
- This ratio is an important metric that indicates whether or not a locality is back-loading its debt.
- If not already in place, the County may consider adopting a policy establishing a minimum 10-year payout ratio.

10-year Payout Ratio Peer Comparative



- Rating Considerations:

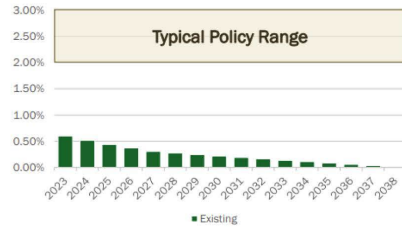
- S&P: A payout ratio greater than 65% results in a one point positive qualitative adjustment to the Debt & Contingent Liabilities section of S&P's General Obligation rating methodology.

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Debt to Assessed Tax Value Policy



Debt to Assessed Value

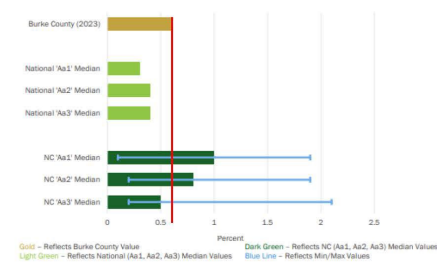


- Existing Debt to Assessed Value
 - FY 2023: 0.60%

- Assumed Future Growth Rates
 - 2023 Budgeted Assessed Value: \$7,449,106,902
 - 2024 & Beyond: 1.00%

- If not already in place, the County may consider adopting a policy establishing a maximum debt to assessed value ratio.

Debt to Assessed Value Peer Comparative



- Rating Considerations:
 - S&P: A positive qualitative adjustment is made to the Debt and Contingent Liabilities score for a debt to market value ratio below 3.00%, while a negative adjustment is made for a ratio above 10.00%.

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Comprehensive Capital Planning



Debt Service vs. Governmental Expenditures

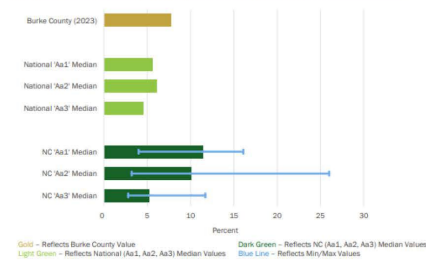


- Existing Debt Service vs. Expenditures
 - FY 2023: 7.74%

- Assumed Future Growth Rates
 - 2021 Adjusted Expenditures: \$88,617,570
 - 2022 & Beyond: 1.00%

- If not already in place, the County may consider adopting a policy establishing a maximum debt service vs. expenditures ratio.

Debt Service vs. Expenditures Peer Comparative



- Rating Considerations:
 - S&P: The Debt and Contingent Liabilities section defines categories of Net Direct Debt as a % of Total Governmental Funds Expenditures as follows:
 - Very Strong: <8%
 - Strong: 8% to 15%
 - Adequate: 15% - 25%
 - Weak: 25% - 35%
 - Very Weak: > 35%

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Comprehensive Capital Planning





ISSUER COMMENT
17 June 2021

General Objective (or GO Rating)
Aa2

Capital
Burke County, NC
Annual Comment on Burke County

Issuer Profile
Burke County is located in western North Carolina. The county seat of Morganton is approximately 50 miles northwest of Charlotte. The county has a population of 85,066 and a moderate population density of 78 people per square mile. The county's median family income is \$55,817 (4th quartile) and the April 2021 unemployment rate was 4% (2nd quartile). The largest industry sectors that drive the local economy are manufacturing, health services, and retail trade.

Credit Overview
Burke County has a very good credit position. Its Aa2 rating is level with the US counties median of Aa2. The key credit factors include a robust financial position, solid debt and pension liabilities, a considerable tax base, but a somewhat weak wealth and income profile.

Reasons: The financial position of the county is very healthy. The cash balance as a percent of operating revenues (35.6%) is slightly below the US median, and remained stable between 2016 and 2020. Additionally, the fund balance as a percent of operating revenues (29.0%) is also slightly below the US median and stable.

Debt and Pensions: The debt and pension liabilities of Burke County are manageable overall and are considered credit strength with respect to its Aa2 rating position. The net debt ratio to full value (2.2%) is slightly below the US median, and remained stable from 2016 to 2020. However, the Moody's adjusted net pension liability to operating revenues (33.4%) remains slightly below the US median.

Economy and Tax Base: The economy and tax base of Burke County are satisfactory but the factor is relatively weak in comparison to the assigned rating of Aa2. The full value (2.2 billion) is large but slightly below the US median, and grew moderately from 2016 to 2020. Furthermore, the full value per capita (\$23,216) is below other Moody's-rated counties nationwide. Lastly, the median family income is only 72.2% of the US level.

Management and Governance: North Carolina counties have an institutional framework, some form of 'tax' or very strong property taxes, counties' main revenue source, are highly predictable and stable. Counties have moderate and stable long-term rating ability, given that, however, all rated counties maintain single headroom under this cap. Expenditures, which are largely for personnel, are highly predictable and stable and counties have a high ability to reduce expenditures given modest fixed cost burdens and no collective bargaining units.

- **Strengths**
 - Very strong credit position.
 - Robust financial position.
 - Light debt and pension burden with negligible liability.
 - Fund balance and Cash balance as percentages of operating revenues are in-line to slightly above the US median and other Moody's-rated counties.
 - Strong financial management.
- **Challenges**
 - Weak socioeconomic profile, relative to the assigned rating of Aa2.
 - Should consider formal financing and debt management policies.
 - Median family income is only \$55,817 (4th quartile) of the US level.

Fiscal Sustainability – Policy Considerations



1. Ten-year pay-out
2. Debt Balance as a percentage of assessed taxable value
3. Debt Service Expenditures as a percentage of total annualized expenditures

A. Debt Limits

1. The County shall not exceed N.C.G.S. 159-55(c) Net debt as a percentage of estimated market value of taxable property shall not exceed [2.5%]. Net debt is defined as any and all debt that is tax-supported.
2. The ratio of tax-supported debt service expenditures as a percent of total governmental fund expenditures shall not exceed [15.0%] with a minimum aggregate ten-year tax-supported principal payout ratio of [50%].

Board of Commissioners Operational Capital



Revenue Sources: - Prioritized in this order:

Grant Funds: The County continues to aggressively pursue state and federal grant funding and has been successful in many of these efforts.

Capital Reserve Funds: The proposed funding for Capital Reserve Funds is a dedicated tax rate of 2.57 cents or approximately \$2.75MM annual re-occurring.

Pay-As-You-Go: Whenever possible, pay-as-you-go funding is the preferred method of funding CIP projects. For large capital projects, this is not a feasible option.

Debt Proceeds: Some major capital projects are best funded through bank or bond borrowings that provide for a longer term pay back. These debt service payments would be paid from our debt service fund – which is funded through the dedicated Capital Reserve Fund.

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Board of Commissioners Operational Capital



Major Rolling Stock: Burke County staff annually evaluate the condition and utilization of the rolling stock fleet. As of January 2023, the County's fleet was comprised of 236 vehicles and the average miles were 85,250. Burke County budget team is working on drafting a formal rolling stock replacement policy and staggered replacement schedule to be included in the CIP plan moving forward. The policy, which will include an annual evaluation of each vehicle's condition and mileage, would be the predictive data analytic – which assumes mechanical and safety standards remain above level 3 on the County's condition rating scale. (1 = bad / 5 = good).

FY 23-24 will introduce the first budget year of a 5-year capital lease obligation that provides for a full fleet replacement (5) of ambulances. The EMS department has a total fleet of 16 ambulances and utilizes 9 per shift – many of the existing fleets have more than 250,000 miles and are end of life. The lease total lease amount is \$2,113,780 - \$422,756 payable over a five (5) year period. Other rolling stock such as QRVs will be funded annually on a pay as you go basis – the FY 24 budget will include three (3) QRVs at an estimated total cost of \$230,000. The annual appropriate to the Sheriff's Office, based on prior year experiences and predictive analytics on replace vs. repair, is fourteen (14) vehicles. The total cost for FY 23-24 is anticipated to be approximately \$979,850 – it is funded pay as you go inside the Sheriff's department budget. Approximately 57% of the total fleet is operated by either the Sheriff's office or Emergency Services departments. Other rolling stock investments include replacement of several other departmental use vehicles.

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Board of Commissioners Operational Capital



Foothills HVAC Replacements: The 2023-2024 CIP plan includes continued replacement of the roof top HVAC units at the Foothills Higher Education Center (FHEC). The total project cost was \$407,000 and will replace 13 of the more than 20 roof top units. The County is utilizing a portion of the American Recovery grant funding for this project.

Computer & PC Replacement: The 2023-2024 CIP plan includes a transition to centralized scale replacement of employees individual devices. The planned budget amount of approximately \$274,000 will be managed through the I.T. department.

Public Safety Radios Plan: This five (5) year replacement strategy allocates approximately \$1,060,000 over five (5) budget periods to replace the County's public safety radios.

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Board of Commissioners Operational Capital



CURRENT YEAR NON-MAJOR DEPARTMENT REQUESTED							
Project	Total Project Cost	2024	2025	2026	2027	2028	5 YEAR TOTAL
Fonta Flora County Park playground, picnic, restrooms, parking, trails	\$ 900,000	\$ 900,000	\$ -	\$ -	\$ -	\$ -	900,000
Organizational Wide Public Safety Mobil Radio Replacement 212	1,060,000	205,000	205,000	205,000	205,000	205,000	1,025,000
Water Meter Mechanics replacement - ALL	600,000	200,000	200,000	200,000	-	-	600,000
Migrate Servers from Hyperflex to Scale environment	250,000	125,000	125,000	-	-	-	250,000
Field 3 lights at Reep park	180,000	90,000	90,000	-	-	-	180,000
Rollins Avenue Water Line Replacement	175,000	175,000	-	-	-	-	175,000
Fonta Flora Trail Canal Bridge On-deck Sidewalk	150,000	150,000	-	-	-	-	150,000
BCECC network replacement, radio network, wifi	150,000	50,000	50,000	50,000	-	-	150,000
I.T. Strategic Plan	125,000	62,500	62,500	-	-	-	125,000
Services building network replacement	80,000	20,000	20,000	20,000	20,000	-	80,000
Paving of parking lots at reep and simpson	70,000	25,000	25,000	25,000	-	-	75,000
replace two 20 year kabota mowers	55,000	27,500	27,500	-	-	-	55,000
Jail network and wifi	50,000	15,000	15,000	15,000	15,000	-	60,000
	\$ 3,845,000	\$ 2,045,000	\$ 820,000	\$ 515,000	\$ 240,000	\$ 205,000	\$ 3,825,000

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Board of Commissioners - Priorities



Short Term:

- Jonas Ridge Phase I & II
- East Burke Collection Site
- Indian Hills Pump Station
- Courthouse Improvements
- Storage Management Policies

Mid Term:

- Health and Human Services Building
- Animal Services Building
- Emergency Medical Services Base #1
- Regional Substance Abuse Rehabilitation Center
- ~~Fonta~~ Flora Trail Boardwalk at Linville Dam
- ~~Fonta~~ Flora Trail Eagles Nest Overlook and ADA pocket park

Long Term:

- Library Expansion
- Solid Waste MSW Development
- Water/Sewer Infrastructure
- EMS Base Additions
- Courthouse Replacement

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Board of Commissioners - Priorities



<u>One-Time Pay as you go Funding</u>	<u>2022-2023</u>	<u>2023-2024</u>		
Capital Expansion	\$13,958,615	\$2,270,551	\$16,229,166	
<u>Capital Project Funding</u>	<u>Pay as you go</u>	<u>Grant</u>	<u>Debt</u>	<u>Total</u>
Jonas Ridge	\$ 2,300,000	\$ -	\$ -	\$ 2,300,000
East Burke	1,429,166	-	-	1,429,166
Indian Hills Pump Station	1,300,000	1,118,000	-	2,418,000
Courthouse Renovations	1,000,000	1,000,000	-	2,000,000
HRC Building	-	-	25,000,000	25,000,000
Animal Services Building	5,000,000	-	-	5,000,000
EMS Base #1	3,000,000	5,000,000	-	8,000,000
Regional Rehab Facility (ARC)	-	15,000,000	-	15,000,000
Fonta Flora Trail System	2,200,000	-	-	2,200,000
	<u>\$ 16,229,166</u>	<u>\$22,118,000</u>	<u>\$25,000,000</u>	<u>\$63,347,166</u>

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Chairman Mulwee opened the floor for questions or comments then commended the County Manager for his hard work in executing the vision of the Board in a very prudent way without increasing the taxpayer burden. This sentiment was echoed by Vice Chairman Brittain. Commissioner Burns expressed his desire to expedite the Health and Human Services CIP from mid-term to short-term. Mr. Epley explained that it is in the mid-term category due to the amount of time needed for that project, but if the Board approves of the plan, it could move forward and that he could be back before the Board within 12 months with building designs,

costs, and a recommended funding source. Commissioner Burns also stated that he would like to see an Article 46 referendum, which is a quarter of a percent additional sales tax, that could help achieve some of these long term CIP goals, while also helping alleviate the tax burden on property owners. Mr. Epley answered a question on staff capabilities to execute the County's goals from Chairman Mulwee. The County Manager also answered questions about Article 46 from Commissioner Smith. He then received comments from Commissioner Burns and Commissioner Carswell.

Motion: To approve the Capital Improvement Plan as presented, including the debt management and fund balance policies.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Jeffrey C. Brittain, Vice Chairman
AYES:	Scott Mulwee, Jeffrey C. Brittain, Randy Burns, Johnnie W. Carswell, and Phil Smith

Note: The CIP, in its entirety, begins on page twelve (12) of this set of meeting minutes. The minimum unassigned fund balance policy of 25% is shown on page three (3), Fiscal Management, of the CIP.

REORTS & COMMENTS

Chairman Mulwee opened the floor for comments or questions from the Board. Commissioner Carswell requested to maximize the potential of the property purchased for the East Burke Convenience Site as part of any future CIP. Chairman Mulwee asked Commissioner Carswell on the status of broadband in the County. Commissioner Carswell said he was hopeful about the CAB (Completing Access to Broadband) program being effective for bringing broadband to Burke County. Mr. Epley stated it would require a public / private partnership to move forward. He is creating a heat map of the services that Spectrum and other companies are able to provide in the area to see where the highest area of need is, which will allow for a more surgical approach to a potential future investment.

ADJOURN

Motion: To adjourn at 10:02 a.m.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Randy Burns, Commissioner
AYES:	Scott Mulwee, Jeffrey C. Brittain, Randy Burns, Johnnie W. Carswell, and Phil Smith

Approved this 21st day of November 2023.

Scott Mulwee, Chairman
Burke Co. Board of Commissioners

Attest:

April 12, 2023 (Special)

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Kay Honeycutt Draughn, CMC, NCMCC
Clerk to the Board



Burke County, North Carolina

Dear Board:

I'm pleased to present you with the Capital Improvement Plan (CIP) for fiscal years 2024-2028. The CIP serves as a long-range planning tool used to help the County match revenues with major capital needs (items/projects with a unit cost over \$50,000) over a five-year period. The projects in the CIP are derived from Board Goals, citizen requests, and departmental recommendations. Moving forward, a summary version of the CIP will be provided with my recommended budget for each fiscal year that aligns with the projects.

Burke County's CIP Plan is a five-year investment plan. The CIP effectively coordinates the addition, renovation or replacement of County-owned facilities, infrastructure, equipment, and land acquisition. It is important to note that the County is also statutorily responsible for certain public school and community college related capital.

Major Factors Impacting Capital Planning

Revenue – All budgets are constrained by available revenues and that is no different for Burke County. Capital projects are prioritized so that available funds are allocated based on need, Board priority, and their impact on service provision. Fiscal year 2023-2024 will be a year of transition and movement for many of the major projects that have remained in the planning stage over the past thirty-six (36) months. The County intends to include funding for a variety of County projects, with a special emphasis on building stock, infrastructure, and technology. Included in the 2023-2024 budget and the FY 24-28 Capital Improvement Plan is consideration for a dedicated funding source.

Building Stock – As County facilities age, there is a need to renovate buildings to meet ADA, safety standards, service delivery demands and citizen expectations. During the 2020 fiscal year, the county contracted with outside consultants (*Moseley Architects*) to facilitate a 30-year facilities master plan that took stock of all major county facilities. This detailed report was presented to the Board of Commissioners at your March 2nd working session – staff worked to separate the top recommendations into short, medium, and long-term strategies.

As part of the FY 24-28 CIP plan, we will share recommendations of strategy based on highest need, timing and funding source.

Infrastructure – The report showed that many facilities are near their end of life in the county's core buildings, the importance of infrastructure cannot be understated. Several projects are underway across the County to update outdated systems, improve operating efficiencies and reduce repair costs including major HVAC repairs and roof replacements. The Board of Commissioners approved to participate in a water/sewer asset inventory assessment (AIA) feasibility study that will evaluate every major piece of infrastructure across the county. The county can enhance design, reduce operational costs, and improve effectiveness through infrastructure improvements. The County has also begun construction of two solid waste collection site projects that are included in this plan.

Technology: Citizens expect their County to be technologically savvy. As we move forward with the foundation of our technology systems in place, we will shift our focus to long-term efficiency and systems synchronization. The FY 2023-2024 CIP continues to invest into technology with a focus on engaging an outside consultant to help draft a long-term I.T. strategic plan – our principles include increased automation (*with a focus on increasing business intelligence*), customer service, data security and citizen engagement. Our focus in the short-term will be interactive

CAPITAL IMPROVEMENT PLAN FY 2024-2028

citizen interface, internal organizational communication and measuring the utilization percentage of our current ERP systems (*Munis*) – which seems drastically underutilized.

Maintenance of County Facilities – The County continues to identify areas for improvement to general county facilities. The CIP plan includes a sinking fund that is dedicated to various projects across the organization.

Revenue Sources: - Prioritized in this order:

Grant Funds: The County continues to aggressively pursue state and federal grant funding and has been successful in many of these efforts.

Capital Reserve Funds: The proposed funding for Capital Reserve Funds is a dedicated tax rate of 2.57 cents or approximately \$2.75MM annual re-occurring funds.

Pay-As-You-Go: Whenever possible, pay-as-you-go funding is the preferred method of funding CIP projects. For large capital projects, this is not a feasible option.

Debt Proceeds: Some major capital projects are best funded through bank or bond borrowings that have a longer pay back term. These debt service payments would be paid from the debt service fund – which is funded through the dedicated Capital Reserve Fund.

Conclusion

The following pages of this document provide additional detail on the projects listed above as well as those in future planning years. This document is considered a “living” document that serves as a planning guide and will be adjusted as existing projects change and new needs arise.

Respectfully submitted,



Brian C. Epley
County Manager

CAPITAL IMPROVEMENT PLAN FY 2024-2028

BURKE COUNTY CAPITAL IMPROVEMENT PLAN

County Profile

Burke County is located in the west central section of North Carolina's mountain region, with a population of about 90,000 people and a diverse economy that includes industrial products from technological, furniture, medical, chemical, machine component and textile manufacturers. Burke County is home to the western campus of the North Carolina School of Science and Mathematics and Western Piedmont Community College. The County's median household income is \$48,142 and unemployment remains steadily below four percent.

County Commissioners

Burke County is led by the Board of County Commissioners, a five (5) member board, who are elected at large to serve the citizens of Burke County. The Commissioners annually work through a strategic planning process which is the essential first step in the development of a results-based accountability system that defines the Board's strategy and policy direction for achieving organizational and community goals.

FY 2023-2024 Board Strategic Goals

The Board's strategic goals are broken into five focus areas: Community Advancement, Economic Growth & Sustainment, Public Safety & Well-Being, Fiscal Stewardship and Employer of Choice.

In March 2023, the Board of Commissioners held their annual planning session. The direction provided by the Board during the planning session will be used to update their strategic plan. These goals guide budget prioritization, development, and implementation. Several of the key goals associated with the FY 23-24 strategic plan are associated with multi-year capital planning and a focus on a developed deferred maintenance plan and building stock replacement. These long-term commitments are further complimented by the County's comprehensive master facility plan that was completed during 2020.

Fiscal Management

In addition to the strategic planning process, the County has also developed a set of financial policies that are reviewed and approved by the Board to guide the County in the financial management of all funds. Although North Carolina local governmental units must adhere to the requirements set forth in the North Carolina Local Government Budget and Fiscal Control Act, the financial policies approved by the Board are often more stringent than State requirements to assure that Burke County will continue to function in a very fiscally sound manner.

The Board has included a strategic plan for adopting a minimum unassigned fund balance policy of 25%. As of June 30, 2022, the general fund unassigned fund balance percentage is 33.3%. The Board receives ongoing financial information and projections that provide them with regular comprehensive financial updates.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

Current and On-Going Projects

Several capital expenditures included in the 2023-2024 CIP plan are included in the current operating budget and include all rolling stock, solid waste collection site construction, technology investments and HVAC infrastructure (boilers/chillers).

Land Stock Development

This area of the plan will be reserved for future land stock acquisition and management:

Current Capital Expenditures**Current Capital Reserve Planning**

During the 2023 budget process, the County has begun strategically planning for long-term operational capital investments. Moving forward, during the annual budget process, the County has developed an operational capital reserve fund in collaboration with all County departments. The fund is funded annually through the budget process, based on planned proportionate project amounts (ahead of their planned timeline) and available resources - it will also experience investment annually based on available resources remaining at the end of a budget cycle.

The County's 2020 facility study continues to be the primary tool used for outyear capital prioritization and funding alignment.

Statutorily, the Capital Reserve Fund is dollars set aside for future capital needs; however, there remains a certain fluidity and adaptability that is critical to allow for constant capital prioritization. The Capital Reserve Fund is used to plan and forecast outyear non-major capital needs. Major capital projects - primarily those that are in excess of \$1MM and are completed over a multi-year period are outlined separately and accounted for via separate project ordinances and funds. See below for details of the Capital Reserve Fund, which are part of the FY 23-24 CIP and budget draft:

Technology & Automation: Increasingly, services that we have once offered locally are being developed and updated within the Cloud. Although more expensive, the Cloud offers present opportunities for easy mobile access, increased collaboration, and allows users to work from anywhere. It ensures everyone operates with the most recent product a vendor has to offer. Beginning with a complete Enterprise Resource Planning (ERP) review, transitioning to more cloud-based services, email systems and most recently electronic timekeeping will all be priorities of capital reserve planning.

Security and user education remain an extreme priority. We are researching artificial intelligence (AI) systems to help in sifting through network and email traffic to root out malware and infections. Funding requirements for these system-wide upgrades that include increased mobility, security, and efficiency over the next five (5) years will require proactive funding. The annual County I.T. investment and strategy will become more centralized, more a focal point of the budgeting process. This level of needed investment will be critical as the team continues to refine processes and pursue our organizational goals related to LEAN principles and efficiency. As part of the FY 24-28 capital plan, the County will begin envisioning the first ever I.T. strategic plan – with a very specific purpose of advancing synchronization and developing a clear I.T. vision.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

Foothills HVAC Replacements: The 2023-2024 CIP plan includes continued replacement of the roof top HVAC units at the Foothills Higher Education Center (FHEC). The total project cost was \$407,000 and will replace 13 of the more than 20 roof top units. The County is utilizing a portion of the American Recovery grant funding for this project.

There are other roof maintenance plans in the County's operational budgets – excluded from this CIP.

Major Rolling Stock: Burke County staff annually evaluate the condition and utilization of the rolling stock fleet. As of January 2023, the County's fleet was comprised of 236 vehicles and the average miles were 85,250. The Burke County budget team is working on drafting a formal rolling stock replacement policy and a staggered replacement schedule to be included in the CIP plan moving forward. The policy, which will include an annual evaluation of each vehicle's condition and mileage, would be the predictive data analytic – which assumes mechanical and safety standards remain above level 3 on the County's condition rating scale. (1 = bad / 5 = good).

FY 23-24 will introduce the first budget year of a 5-year capital lease obligation that provides for the replacement of five (5) ambulances. The EMS department has a total fleet of 16 ambulances and utilizes 9 per shift – many of the existing fleets have more than 250,000 miles and are end of life. The total lease amount is \$2,113,780 - \$422,756 payable over a five (5) year period. Other rolling stock such as Quick Response Vehicles (QRV) will be funded annually on a pay-as-you-go basis – the FY 23-24 budget will include three (3) QRVs at an estimated total cost of \$230,000. The annual appropriation to the Sheriff's Office, based on prior year experiences and predictive analytics on replace vs. repair, is fourteen (14) vehicles. The total cost for FY 23-24 is anticipated to be approximately \$979,850 – it is funded pay-as-you-go inside the Sheriff's department budget. Approximately 57% of the total fleet is operated by either the Sheriff's office or Emergency Services departments. Other rolling stock investments include replacement of several other departmental use vehicles.

Public Safety Radios: Interoperable communications was identified in the General Assembly's Criminal Justice Information Network report of 1995 as a critical need for public safety agencies when responding to emergencies. The mobile VIPER towers provide limited local area communications where there is none. The VIPER towers can provide 800MHz, VHF, and UHF. VIPER currently operates a Motorola SmartZone 800 MHz system with 92 remote voice radio transmitter sites across the state of North Carolina. Burke County operates on the VIPER system for public safety mobile communication – historically with public safety rated Motorola radios. The majority of the fleet was purchased on the onset of the system and had reached both end of life for production and support from the manufacturer. Beginning in FY 23-24, Burke County included a radio replacement plan in the CIP plan that requires an annual investment of \$205,000 per year through FY 28. This is funded pay-as-you-go for FY 23-24.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

Capital Reserve Fund

CURRENT YEAR NON-MAJOR DEPARTMENT REQUESTED							
Project	Total Project Cost	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	5 YEAR TOTAL
Fonta Flora County Park playground, picnic, restrooms, parking, trails	\$ 900,000	\$ 450,000	\$ 450,000	\$ -	\$ -	\$ -	900,000
Organizational Wide Public Safety Mobile Radio Replacement 212	1,025,000	205,000	205,000	205,000	205,000	205,000	1,025,000
Water Meter Mechanics replacement - ALL	685,000	-	225,000	225,000	235,000	-	685,000
Water / Sewer System Maintenance	3,250,000	650,000	650,000	650,000	650,000	650,000	3,250,000
Creek Bank Stabilization	120,000	60,000	60,000	-	-	-	120,000
Migrate Servers from Hyperflex to Scale environment	250,000	125,000	125,000	-	-	-	250,000
Field 3 lights at Reep park	180,000	90,000	90,000	-	-	-	180,000
Rollins Avenue Water Line Replacement	175,000	175,000	-	-	-	-	175,000
Fonta Flora Trail Canal Bridge On-deck Sidewalk	150,000	150,000	-	-	-	-	150,000
BCECC network replacement, radio network, Wi-Fi	150,000	50,000	50,000	50,000	-	-	150,000
I.T. Strategic Plan	125,000	62,500	62,500	-	-	-	125,000
Services building network replacement	80,000	20,000	20,000	20,000	20,000	-	80,000
Paving of parking lots at Reep and Simpson	75,000	25,000	25,000	25,000	-	-	75,000
replace two 20 year Kabota mowers	55,000	27,500	27,500	-	-	-	55,000
Jail network and Wi-Fi	60,000	15,000	15,000	15,000	15,000	-	60,000
	\$ 7,280,000	\$ 2,105,000	\$ 2,005,000	\$ 1,190,000	\$ 1,125,000	\$ 855,000	\$ 7,280,000

Major Facility Projects

Long-Term Planning

On March 2, 2023 the Burke County Board of Commissioners analytically reviewed a comprehensive list of County capital needs. This listing was in part based on the 2020 facility analysis along with key deferred maintenance needs identified by staff. The County has conducted several long-term studies for major capital that will prove vital as we focus on making sustainable and long-term capital investments: Commissioners prioritized these needs based on urgency and affordability. See below for a short-term, mid-term, and long-term strategy of prioritization.

Short-Term:

- Jonas Ridge Phase I & II
- East Burke Collection Site
- Indian Hills Pump Station
- Courthouse Improvements
- Storage Management Policies

Mid-Term:

- Health and Human Services Building
- Animal Services Building
- Emergency Medical Services Base #1
- Regional Substance Abuse Rehabilitation Center
- Fonta Flora Trail Boardwalk at Linville Dam
- Fonta Flora Trail Eagles Nest Overlook and ADA pocket park

Long-Term:

- Library Expansion
- Solid Waste MSW Development
- Water/Sewer Infrastructure
- EMS Base Additions

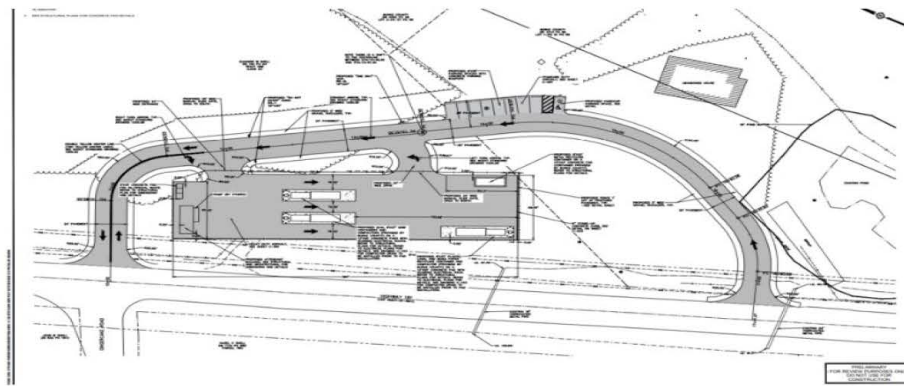
CAPITAL IMPROVEMENT PLAN FY 2024-2028

Short-Term Projects:**Jonas Ridge Collection Site**

- **Phase I & Phase II:** Jonas Ridge - The three-acre parcel owned by the County will house the new convenience site and convert the existing building into a community center with public restrooms. The Convenience site will have more room, additional drop off bins, and new compactors that make it easier to drop off trash.

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
<u>Phase I</u>	<u>\$1,500,000</u>	<u>Pay-as-you-go</u>	<u>12/31/2023</u>
<u>Phase II</u>	<u>\$800,000</u>	<u>Pay-as-you-go</u>	<u>6/30/2024</u>

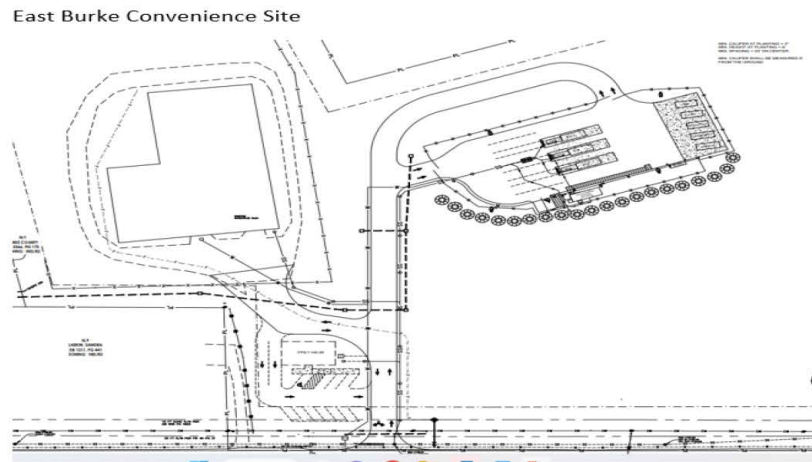
Jonas Ridge Convenience Site

**East Burke Collection Site**

- **East Burke:** East Burke - The Convenience site will have more room, additional drop off bins, and new compactors that make it easier to drop off trash. The estimated cost is approximately \$1.5MM and is funded pay-as-you-go. The County will review the RFP process in April 2023 — project completion should be early 2024.

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
<u>East Burke Collection</u>	<u>\$1,429,166</u>	<u>Pay-as-you-go</u>	<u>12/31/2023</u>

CAPITAL IMPROVEMENT PLAN FY 2024-2028

**Indian Hills Pump Station**

- Indian Hills Pump Station:** Located in East Burke, the Indian Hills sewer pump station is subject to frequent stream flooding and experiences excessive peak flows. The flooding has prevented County personnel from properly operating the station, due to access being blocked by flood waters. Excessive peak flows have caused seven sanitary sewer overflows (SSO's) reaching surface waters over just the last three years. Therefore, the pump station site and access road need to be raised above flood level (2' above BFE), and the pump station and force main need to be upgraded such that peak flows of up to 2,000 gpm can be handled. Another issue is that increased flood frequency and flood intensity have caused erosion of the streambank adjacent to the pump station (Drowning Creek). This erosion is threatening to undermine the pump station site and infrastructure.

The proposed project will upgrade the existing pump station's nominal capacity from 1,000 gpm to 2,000 gpm by adding a third suction lift pump assembly and by upsizing the force main. The existing 10" force main will be replaced with approximately 9,400 linear feet (LF) of 14" force main (the old force main can be kept in place as a backup). In addition, all equipment and maneuvering/access areas will be raised to 2' above BFE (currently, only the pumps and electrical are above BFE). Finally, the eroding streambank of Drowning Creek will be stabilized.

The project will ensure continuous operation of this vital infrastructure located within the 100-year floodplain.

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
Indian Hills Pump Station	\$1,118,000	Grant - SWDF	12/31/2024
Indian Hills Pump Station	\$1,300,000	Pay-as-you-go	12/31/2024

Courthouse Improvements

- Courthouse:** The Burke County Courthouse, originally built in 1976, has been renovated twice. Once in 2011 and again in 2020. Overall, the building has been taken care of and renovated. With investments in courthouse esthetics, flooring, mechanical, and structure, the building is suitable for continued use; however, there are roofing failures, most of the equipment infrastructure is end of life, lighting should be updated to LED, and other esthetics

CAPITAL IMPROVEMENT PLAN FY 2024-2028

should be considered. There are also significant needs in the HVAC realm, primarily in the basement – that if properly adapted, could create compression relief that allows for additional courtroom space and storage. The estimated costs of these renovations are approximately \$2.0MM.

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
Courthouse	\$1,000,000	Grant - SCIF	12/31/2024
Courthouse	\$1,000,000	Pay-as-you-go	12/31/2024

Mid-Term Projects:**Health and Human Services Building**

- **HRC:** The Burke County Human Resource Center (HRC) originally built in 1973, has reached its end of life. Over time there have been many interior renovations, roof investments, and investments in mechanical systems. The overall building score from the 2020 analysis was 2.42. This approximately 75,000 square foot building houses approximately 320 full-time employees and is a critical function of service delivery. Next steps would include beginning a space planning needs assessment – followed by site location civil/survey analysis. A twelve (12) month due diligence process followed by twenty-four (24) months of construction. If programmed at 10% needed growth and factored at \$250 per square foot the speculative building cost is assumed at approximately \$22MM – site due diligence, planning/engineering, and financing costs could add another 12.5-13% (\$3MM) for a total estimated project cost of \$25MM. A 20-year financing through the issuance of Limited Obligation Bonds (LOBS) or bank installment is the recommended funding source. Due to the complexity of the project a Construction Manager at Risk CMAR procurement model is likely to produce the best outcome.

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
DHHS Building	\$25,000,000	LOBS - Debt	06/30/2026

Animal Services Building

- **Animal Services:** The Burke County Animal Services Building has reached its end of life. This facility currently provides working space for 8 FTEs and has only 16 dog kennels and 24 cat cages. A space planning document has been started and is currently under review by a consultant. The estimated needed square footage is approximately 15,000 square feet – and the estimated cost of the building is between \$5-\$5.5MM. A design/build procurement model is the recommended path forward.

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
Animal Services	\$5,000,000	Pay-as-you-go	06/30/2025

EMS Base #1

- **Base:** This critical piece of public safety infrastructure is currently located on property that is not owned by Burke County Government - the lease has expired and is non-renewable. EMS base 1 serves as the administrative office for the EMS director, major, captains, and shift supervisor. The County is currently working through a real property acquisition of approximately 4.25 acres that we believe, based on call demand data, will be a more strategic location to serve the pre-hospitalization needs of our citizens as well as provide the needed modernization and space allocation to ensure long-term stability for this public safety function. This base is intended to be duly utilized as the county's back up public safety answering point (PSAP). Based on the 2020 space needs study and building assessment consultant report, this asset investment would, including necessary site work, could range between \$7-\$8MM. The County has requested State grant funding assistance in the amount of \$5MM. If received, the remainder would be financed on a pay-as-you-go basis. If the grant is not awarded, the county would evaluate an installment financing option.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
Emergency Medical Services	\$5,000,000	State/Federal Grants	12/31/2024
Emergency Medical Services	\$3,000,000	Pay-as-you-go	12/31/2024

Regional Substance Abuse Rehabilitation Center:

- **ARC:** The Appalachian Recovery Center: Collectively over the past three (3) fiscal years, Burke County Government has contracted with a professional consulting firm to develop a comprehensive evaluation of a regionally based and supported substance abuse and opioid rehabilitation facility. This multi-year project has aimed to evaluate evidence-based community building strategies that could be implemented as a matter of public policy. The County Commissioners wanted a vision supported by data that will deliver a proven strategy that warrants continued success for Burke County and the region. The vision of the Board of Commissioners is to leverage public policy to generate cumulative attention to the myriad of ways in which the physical, social, ecological, cultural, and even spiritual qualities of a person are intimately intertwined – and how the community is impacted by substance abuse disorders and the inherent lack of regional resources. Burke County has identified a county owned facility that, with appropriate investment, could serve this needed population by housing a conglomerate of non-profit rehabilitation services. The engineered cost estimated to fund an adaptive reuse of the former Burke/Catawba jail (50,000 sq ft.) is estimated to have a total cost of \$12-15MM. This is currently an un-funded top priority, and the county is working to identify grant funding opportunities – including State Medicaid expansion funds.

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
ARC	\$15,000,000	State/Federal Grants	TBD

Fonta Flora Trail Systems:

- **Boardwalk and Eagles Nest Overlook:** Burke County has remained focused on cultural capital investments to improve access to outdoor activities and improve citizens quality of life while also positioning Burke County as a regional outdoor economic development center. Two (2) upcoming projects for the continued investment into the Fonta Flora Trail systems require an investment of approximately \$2.2MM.

<u>Project</u>	<u>Cost</u>	<u>Source</u>	<u>Completion Date</u>
Boardwalk at Linville Dam	\$1,000,000	Pay-as-you-go	TBD
Eagles Nest Overlook	\$1,200,000	Pay-as-you-go	TBD

Long-Term Projects:

- Library Expansion
- Solid Waste MSW Development
- Water/Sewer Infrastructure
- EMS Base Additions

These longer-term projects are currently outside of the County's five (5) year planning and funding window; however, they have begun the prioritization process – which is fluid and subject to reprioritization on an annual basis as new funding sources and decision-making data becomes available.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

One-Time Pay-as-you-go Funding	2022-2023	2023-2024		
Capital Expansion	\$ 13,958,615	\$ 2,270,551	\$ 16,229,166	
Capital Project Funding	Pay as you go	Grant	Debt	Total
Jonas Ridge	\$ 2,300,000	\$ -	\$ -	\$ 2,300,000
East Burke	1,429,166	-	-	1,429,166
Indian Hills Pump Station	1,300,000	1,118,000	-	2,418,000
Courthouse Renovations	1,000,000	1,000,000	-	2,000,000
HRC Building	-	-	25,000,000	25,000,000
Animal Services Building	5,000,000	-	-	5,000,000
EMS Base #1	3,000,000	5,000,000	-	8,000,000
Regional Rehab Facility (ARC)	-	15,000,000	-	15,000,000
Fonta Flora Trail System	2,200,000	-	-	2,200,000
	\$ 16,229,166	\$ 22,118,000	\$ 25,000,000	\$ 63,347,166

Major Facility Projects Funding

Major facility expansions, upgrades, and renovations are not normal reoccurring parts of operations and typically require a debt structured funding source. See below for a holistic review of Burke County's debt portfolio, long-term planning strategies, and capital expansion sustainability.

Most often major facility projects require debt issuance that enables the cost of construction to be allocated of multiple periods. Burke County staff is working with both Moody's and S&P (bond rating agencies) to provide a much-needed update to the County's financial position, financing policies and a macro analysis of the County's economic future. The result is a potential bond rating upgrade, which will certainly prove meaningful as Burke County continues to execute on the CIP plan proposal. Bond rating provides investors with the much-needed objective perspective of the risk associated with County borrowings – thus a better rating often leads to lower interest rates and savings of taxpayer dollars. The last review from Moody's was completed in October of 2021. See below for the summary:

CAPITAL IMPROVEMENT PLAN FY 2024-2028

ISSUER COMMENT
17 June 2021

RATING
General Obligation (or GO Related) ¹
Aa2

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Burke County, NC
Annual Comment on Burke County

Issuer Profile
Burke County is located in western North Carolina. The county seat of Morganton is approximately 60 miles northwest of Charlotte. The county has a population of 89,968 and a moderate population density of 178 people per square mile. The county's median family income is \$55,817 (4th quartile) and the April 2021 unemployment rate was 4% (2nd quartile) ². The largest industry sectors that drive the local economy are manufacturing, health services, and retail trade.

Credit Overview
Burke County has a very good credit position. Its Aa2 rating is level with the US counties median of Aa2. The key credit factors include a robust financial position, small debt and pension liabilities, a considerable tax base, but a somewhat weak wealth and income profile.

Finances: The financial position of the county is very healthy. The cash balance as a percent of operating revenues (35.6%) is slightly below the US median, and remained stable between 2016 and 2020. Additionally, the fund balance as a percent of operating revenues (28.8%) is also slightly below the US median and stable.

Debt and Pensions: The debt and pension liabilities of Burke County are manageable overall and are a modest credit strength with respect to its Aa2 rating position. The net direct debt to full value (0.8%) is slightly above the US median, and remained stable from 2016 to 2020. Moreover, the Moody's-adjusted net pension liability to operating revenues (0.54x) favorably is materially below the US median.

Economy and Tax Base: The economy and tax base of Burke County are satisfactory but the factor is relatively weak in comparison to the assigned rating of Aa2. The full value (\$7.2 billion) is large but slightly below the US median, and grew materially from 2016 to 2020. Furthermore, the full value per capita (\$79,574) is below other Moody's-rated counties nationwide. Lastly, the median family income is only 72.2% of the US level.

Management and Governance: North Carolina counties have an institutional framework score ³ of "Aaa", or very strong. Property taxes, counties' main revenue source, are highly predictable and stable. Counties have moderate revenue-raising ability, given the cap; however, all rated counties maintain ample headroom under this cap. Expenditures, which are largely for personnel, are highly predictable and stable and counties have a high ability to reduce expenditures given modest fixed cost burdens and no collective bargaining units.

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Strengths

- Very strong credit position.
- Robust financial position.
- Light debt and pension burden with negligible liability.
- Fund balance and Cash balance as percentages of operating revenues are in-line to slightly above the US median and other Moody's-rated counties.
- Strong financial management.

Challenges

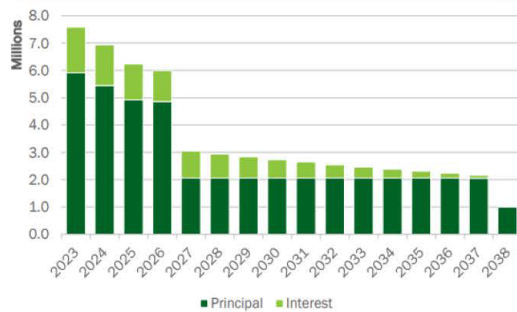
- Weak socioeconomic profile, relative to the assigned rating of Aa2.
- Should consider formal financing and debt management policies.
- Median family income is only \$55,817 (4th quartile) of the US level.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

Existing Debt Load as of June 30, 2022

BURKE COUNTY, NORTH CAROLINA				
DEBT ROLLFORWARD ANALYSIS				
FOR THE YEAR ENDED JUNE 30, 2022				
<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt	\$ 475,000	\$ -	\$ (240,000)	\$ 235,000
Notes from Direct Borrowings	50,240,000	-	(5,755,000)	44,485,000
Premium on Debt Issues	3,265,653	-	(211,485)	3,054,168
Other Post-Employment Benefits	20,753,016	-	(2,841,831)	17,911,185
Net Pension Liability	12,732,408	-	(7,039,142)	5,693,266
Net Pension Liability (LEOSSA)	3,235,862	202,966	-	3,438,828
Compensated Absences	2,120,984	1,928,692	(1,775,354)	2,274,322
Total Governmental Activities	\$ 92,822,923			\$ 77,091,769
<u>Business-Type Activities</u>				
Notes from Direct Borrowings	\$ 1,185,318	\$ -	\$ (68,772)	\$ 1,116,546
Landfill Closure & Postclosure	5,333,851	218,688	-	5,552,539
Net Pension Liability	454,964	-	(325,780)	129,184
Other Post-Employment Benefits	741,562	-	(130,322)	611,240
Compensated Absences	62,204	47,783	(41,357)	68,630
Total Business-Type Activities	\$ 7,777,899			\$ 7,478,139

Tax Supported Debt Service



Tax Supported Debt Service

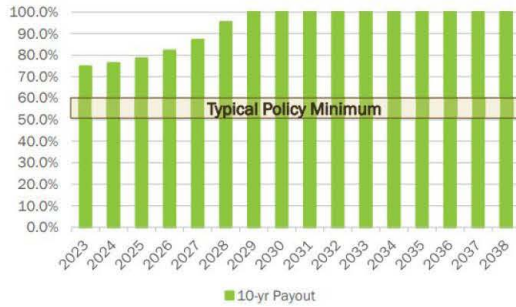
FY	Principal	Interest	Total	10-yr Payout
Total	44,720,000	11,358,227	56,078,227	
2023	5,905,000	1,677,565	7,582,565	74.8%
2024	5,440,000	1,495,715	6,935,715	76.3%
2025	4,920,000	1,312,862	6,232,862	78.5%
2026	4,855,000	1,141,298	5,996,298	82.1%
2027	2,055,000	987,688	3,042,688	87.1%
2028	2,055,000	884,938	2,939,938	95.4%
2029	2,055,000	782,188	2,837,188	100.0%
2030	2,055,000	679,438	2,734,438	100.0%
2031	2,055,000	597,788	2,652,788	100.0%
2032	2,055,000	495,038	2,550,038	100.0%
2033	2,055,000	402,838	2,457,838	100.0%
2034	2,055,000	328,138	2,383,138	100.0%
2035	2,055,000	253,438	2,308,438	100.0%
2036	2,055,000	177,488	2,232,488	100.0%
2037	2,050,000	106,813	2,156,813	100.0%
2038	1,000,000	35,000	1,035,000	100.0%

Par Outstanding – Estimated as of 6/30/2022

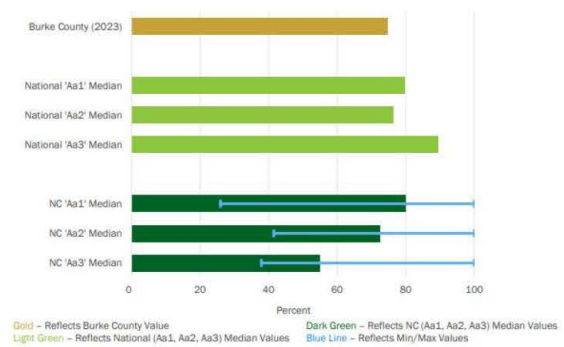
Type	Par Amount
General Obligation Bonds	\$235,000
IPCs / LOBs / COPs	\$44,485,000
Total	\$44,720,000

CAPITAL IMPROVEMENT PLAN FY 2024-2028

10-Year Payout Ratio



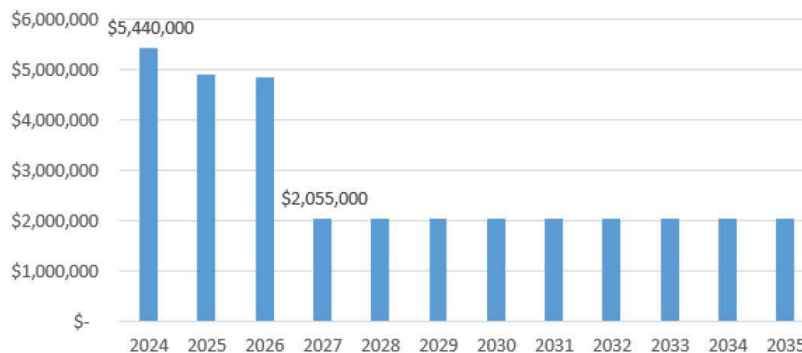
10-year Payout Ratio Peer Comparative



- The County's debt capacity is represented by the total amount of outstanding long-term debt and is a key indicator used by banks and bond raters to assess future borrowing ability.
- The County's general fund debt funding requirement for FY 22-23 is approximately 7.7% of the general fund expenditures.

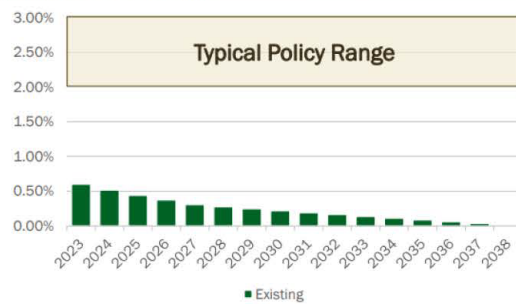
Annual Debt Service is 7.7% of Annual Expenditures

Annual Debt Service Budget

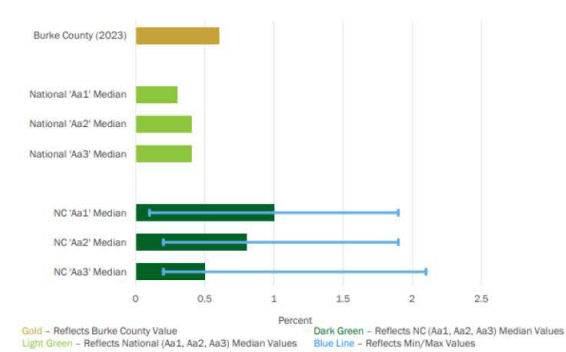


CAPITAL IMPROVEMENT PLAN FY 2024-2028

Debt to Assessed Value



Debt to Assessed Value Peer Comparative



Bond Rating

- The County is currently rated Aa2 by Moody's – which is the third best rating that a County can have.
- Management is currently working on several key recommendations that could improve that rating over time. The key limiter according to Moody's is median family income.
- 11 Counties in North Carolina have a bond rating higher than Burke County.
- Included in the Charlotte MSA:

• Charlotte, NC:	Aaa/AAA/AAA
• Mecklenburg County, NC	Aaa/AAA/AAA
• Huntersville, NC	Aaa/AAA/nr
• Union County, NC	Aaa/AA+/AA+
• Cabarrus County, NC	Aa1/AA+/AA+
• Indian Trail, NC	Aa1/AA+/nr
• Matthews, NC	Aa1/AA+/nr
• York County, SC	Aa1/AA+/nr
• Burke County, NC	Aa2/AA-/nr
• Gaston County, NC	Aa2/AA/nr
• Gastonia, NC	Aa2/AA-/AA
• Mint Hill, NC	Aa2/ nr /nr
• Mooresville, NC	Aa2/AA/nr
• Mount Holly, NC	Aa2/AA/nr
• Rowan County, NC	Aa2/AA-/AA+
• Kannapolis, NC	Aa3/AA-/nr
• Lincoln County, NC	Aa3/AA+/AA+
• Rock Hill, SC	Aa3/AA-/nr

CAPITAL IMPROVEMENT PLAN FY 2024-2028

Debt Affordability

Burke County's capital improvement plan policy formally adopts several key debt management policy benchmarks that have been adopted by the Board of Commissioners. Included in those are debt ratios that the County Manager and Finance Director are required to regularly measure and manage inside key parameters. These benchmarks help promote strong affordability. Several key data indicators included in the policy are:

- 10-year payout
- Debt Service as a percentage of total expenditures
- Debt to assessed value
- Minimum fund balance policy

Over the next five (5) years, Burke County, in order to execute this CIP plan proposal, anticipates strategic debt issuances. Both short-term and long-term, major and non-major projects are equally evaluated for the advantages of financing versus pay-as-you-go (*of the net costs after grant opportunities are explored*).

Conclusion

Burke County's capital improvement plan has two parts – a capital budget and a capital improvement plan policy (Appendix A). The capital budget is a future focused tool that very surgically anticipates aligning available known resources with anticipated uses. I am very pleased with the evolutionary nature of the County's first formal CIP plan, which begins with the adoption of the 2023-2024 annual budget and is compiled based on data from the 2020 facilities assessment study and with policy direction of the Burke County Board of Commissioners. The assessment identified priority and our staff, with the policy vision of the Board, have developed an achievable plan that leverages existing resources, does not anticipate or require a tax rate increase, and accomplishes the components of the plan over time. Within the next five (5) years, Burke County Government will have solid infrastructure across County Government for decades to come. The space will be modern, sustainable, maintain adequate space uniformity, and be energy efficient.

The capital improvement plan policy is a plan for capital expenditures that extend typically five years beyond the capital budget.

The County's capital improvement plan was developed to achieve:

- Synchronization of future capital and operating budgets
- Systematically evaluate competing demands for resources and aligns with funding options
- Recognize and highlight current and future capital needs that will require future resources and prevent unexpected capital crises
- Promote accurate and achievable long-term strategic planning

A capital improvement plan is a dynamic community planning and fiscal management tool used to coordinate the location, timing, and financing of capital improvements over a multi-year period. It is critically important and one of the major responsibilities for a government entity. The CIP is a working document and should be reviewed and updated annually to reflect changing community needs, priorities, and funding opportunities to ensure that the infrastructure exists to advance strategic and long-term goals and objectives.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

What is a Capital Improvement Plan?

The capital improvement plan (CIP) outlines the County's plans for achieving the goals, objectives, and service delivery levels desired by the Board of County Commissioners. The purpose of this plan is to forecast and match projected revenues and major capital needs over a five (5) year period. Capital planning is an important management tool that strengthens the linkages between community infrastructure needs and the financial capacity of the County.

The County defines CIP capital expenditures as any expenditure of major value that recurs irregularly, results in the acquisition of a fixed asset, and has a useful life of greater than one year. Typically, the County defines major value as an expenditure that exceeds \$50,000.

The capital improvement plan is simply that – a plan. As such, projects are subject to change based on new or shifting service needs, special financing opportunities, emergency needs, or other directives or priorities established by the Board of Commissioners. Because priorities can change, projects included in outward planning years are not guaranteed for funding. The County CIP plan is to be updated annually to ensure that it addresses new and changing priorities within the County's strategic plan.

Introduction Information: The introduction sections consist primarily of the Managers Message – an executive summary of the CIP from the County Manager to the Board of Commissioners. It discusses the major factors impacting the CIP and provides a summary of projects that are on the horizon as well as funding sources.

CIP Project Information: This section includes a brief summary of the County's capital improvement projects approved in the fiscal year budget. For each capital expenditure, the plan includes a description of the project, justification of expenditure and how it addresses a County strategic goal. If applicable, the plan also addresses ongoing operational costs.

Development of The CIP Plan: The CIP plan is to be updated annually during the annual budget process and is to compete against other priorities of the strategic plan. Department Heads submit their capital planning documents in early February – which are then initially reviewed by the County budget office.

Once the projects are evaluated, the budget office recommends the selection and timing of capital projects through future fiscal years to the County Manager. First-year projects are incorporated into the County Manager's recommended annual operating budget. In some cases, plans are made to include the project in a separate capital project ordinance, to be approved by the Board of Commissioners when the operating budget is approved.

Operating Budget Impacts

Departmental budgets may be impacted by capital projects once they are completed and require maintenance/upkeep. Examples of these impacts include additional or reduced utilities, fuel costs, or staffing changes, which may not be realized until after projects are completed. When available, the impacts of capital projects on the annual operating budget are estimated and included. For many projects, the operating costs are captured in the department's annual operating budget and no additional operating costs are listed. Most projects will not have an operating impact in the initial funding year, since this is typically the construction/installation phase and operating budgets are not impacted.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

Appendix A

Burke County Capital Improvement Plan Policy

I. PREPARATION OF THE CAPITAL IMPROVEMENT PLAN (CIP):

- A. The purpose of the capital improvement plan (CIP) is to forecast and match projected revenues and major capital needs over a five (5)-year period. Long-range capital planning is an important management tool, which strengthens the linkages between community infrastructure needs and the financial capacity of the County.
- B. All proposals for capital investment shall go through the capital planning process.
- C. Definition of appropriate capital items for inclusion on the CIP:
 - 1. Definition of a CIP capital expenditure – Expenditure of major value that recurs irregularly, results in the acquisition of a fixed asset, and has a useful life greater than one (1) year.
 - 2. As a rule of thumb, items to be included in the CIP include those which:
 - (a) Involve the acquisition, renovation, and/or construction of a single fixed asset greater than \$50,000 – excluding vehicle or equipment purchases other than major public safety rolling stock– which are included.
 - (b) Involve any land purchases not associated with or included in another CIP project.
- D. Difference between departmental capital outlay items (in operating budget) and capital project outlay items (in CIP):
 - 1. Departmental capital items shall not be submitted as part of the CIP. Departmental capital items include:
 - (a) Equipment/tools, furniture, office equipment such as computers, minor remodeling, or other construction projects below \$50,000 (such items should be outlined in the “Capital Outlay” section of the operating budget request).
 - (b) all vehicles/rolling stock/machinery below \$50,000 other than public safety.
 - 2. However, any upcoming, or first year costs associated with a CIP request shall be entered in the department’s operating budget request to ensure that first year CIP costs are noted and included in the Manager’s Recommended Budget.
- E. Inclusion of expenditures for maintenance and/or staffing in the CIP:
 - 1. All operating, maintenance, and personnel budget expenditures associated with the purchase of a CIP item shall be included and noted in the annual operating budget. However, for reporting and future expenditure forecasting purposes, the estimated additional expenditures on operating, maintenance, and personnel shall be included on all CIP requests.

II. DEVELOPMENT PROCESS:

- A. Departments are responsible for identifying, documenting, and justifying CIP requests. Departments are also responsible for obtaining project cost estimates and identifying appropriate revenue sources for the project (the Finance Dept. shall assist in identifying costs and appropriate revenue sources).
- B. The County Manager, in conjunction with the Finance Director and Budget staff, shall be responsible for coordinating the CIP process and submission of the CIP to the Board of Commissioners.

CAPITAL IMPROVEMENT PLAN FY 2024-2028

Appendix A

- C. The Finance Director shall evaluate and recommend a ranking of proposed projects to the Manager.
- D. Board review, recommendation, and adoption of CIP:
 - 1. The County Manager's Recommended CIP shall be submitted to the Board for their review and recommendation during the beginning stages of the annual budget process. NOTE: Governing Body recommendation of the CIP does not authorize money for any of the projects in the plan, but the recommendation by the Governing Body shall provide the County Manager direction to proceed with formulating the annual CIP and inclusion of first year CIP items in the County Manager's Recommended Budget.
 - 2. A Capital Projects Ordinance will be adopted by the County Commissioners with the County's Operating Budget establishing necessary project fund structures for CIP expenditures at the beginning of the fiscal year.

III. EVALUATION OF PROJECT MERIT:

- A. Proposed CIP items will be evaluated and ranked according to merit by requesting departments.
- B. Projects should generally be foreseen ahead of the time of need (preferably 2+ years) to allow time for planning long-term financing strategies or financing methods.

IV. FUNDING SOURCES:

- A. Debt will be considered for capital projects under the following circumstances:
 - 1. The capital item is a long-living (useful life greater than one (1) year) asset.
 - 2. The asset has a useful life expectancy that equals or exceeds the length of the debt financing period.
- B. The following types or combination of financing may be considered under the following circumstances:
 - 1. Debt methods:
 - (a) General Obligation Bonds (G.O. Bonds) – The capital item is used for a public facility or equipment that is a public good and that has no revenue-producing capability (e.g. municipal buildings or structures). Generally, G.O. Bonds are only used for major General Fund projects and require a referendum.
 - (b) 2/3 General Obligation Bonds – Without voter approval, G.O. Bonds may be issued annually on 2/3 of net G.O. debt reduction (principal retirement) in the prior year.
 - (c) Revenue Bonds – The capital item is used for a non-public good in which a revenue stream is associated with the capital item (e.g. solid waste).
 - (d) Property Secured Debt – The capital item can be secured as collateral itself. Includes lease or installment purchase transactions and certificates of participation (COPS) or limited obligation bonds (LOBS).
 - 2. Non-debt methods (Also referred to as Pay-as-you-go, or Pay-Go)
 - (a) Current revenues – The capital item can be acquired through existing revenues.
 - (b) Capital reserves – The capital item can be funded from designated taxes or revenue streams that are set aside in a separate fund.
 - (c) Fund Balance – The capital item can be funded with unassigned operating fund balances.
 - (d) Grants – Funding of the capital item was secured upon application of a governmental grant.
 - (e) Gifts – The capital item may be purchased or acquired with restricted or non-restricted donations by citizens or corporations.

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C. Debt Limits

1. The County shall not exceed N.C.G.S. 159-55(c). Net debt as a percentage of the estimated market value of taxable property shall not exceed [2.5%]. Net debt is defined as any and all debt that is tax-supported.
2. The ratio of tax-supported debt service expenditures as a percent of total governmental fund expenditures shall not exceed [15.0%] with a minimum aggregate ten-year tax-supported principal payout ratio of [50%].
3. The County Finance Director shall review other key debt ratios, see below, and inform the Board of Commissioners of any debt issuance/restructuring effects:
 - (a) 10-year payout
 - (b) Debt Service as a percentage of total expenditures
 - (c) Debt to assessed value
4. "In the event that the County anticipates exceeding the policy requirements stated above, Staff may request an exception from the Board stating the reason and length of time for the exception."

D. Over or Underestimated Projects

1. In the case of a capital project that is under or overestimated, projects will be evaluated on a case-by-case basis.

Financing Position:

Development of a capital improvement plan requires the alignment of an identified project need with a specific funding source. Burke County has three primary funding sources for capital improvement projects:

- 1.) Pay-as-you-go – operational in nature – less than \$50,000, approved in budget process. Other major projects may, from time-to-time, be pay-as-you-go depending on available liquidity.
- 2.) Capital reserve fund – funded through operational re-engineering savings to fund future projects.
- 3.) Debt financing – Bank or public borrowing – requires L.G.C. and local Board approval. Paid back over useful life of the asset.

"The County will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts."

"The County will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval and maintain a balanced CIP with identified funding sources for proposed project expenses."