

Community Bond Advisory Committee Kick-Off Meeting



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Addison Conference Center – Acacia Room
January 30, 2019

Introductions – Committee and Staff

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Purpose and Role of the Community Bond Committee

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Purpose and Role of the Committee

- To assess and review information related to proposed future capital projects;
- To provide input in developing a final list of projects;
- To make a recommendation to Council concerning whether a bond election should be called and, if so, what projects should be included; and
- To serve as community advocates for the bond program election, if Council decides to call an election

Bond Program Development Process

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Bond Program Development Process

1. Staff provides information about proposed projects gathered from the asset management plan, capital improvement plans, master plans, and other evaluations and assessments.
2. Staff provides estimated project cost and debt capacity information.
3. Committee will score the projects according to their agreed upon criteria
4. Community Bond Advisory Committee ranks each project on a scale of 1-10; 1 being the highest
5. Committee's ranking are averaged with Staff's ranking
6. The Committee issues an advisory report to Council listing selected projects in priority order and proposed propositions
7. Council determines whether to call a bond election, and, if so, when, and the amount of the bond program

Bond Election Process and Schedule

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Bond Election Process

Inventory

- Project Inventory/Listing developed

Committee

- Bond Advisory Committee established by Council

Recommendations

- Bond Advisory Committee Provides Recommendations

Election Schedule

- Proceed According to Bond Election Schedule

Election

- Hold Election

Financing

- Consider Bond Issuance Options

Bond Election Schedule

Action

Call bond election

Publish notice of election

Post notice of election

Early voting

Election Day

Canvass election

Bond Sale

November 2019 Proposed Election Date

August 7 - 19

October 6 - 22

October 15

October 21 - Nov 1

November 5

November 8 - 18

December

Community Advisory Committee Important Dates



Identifying Long-Term Needs

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Lessons Learned from Prior Issuances

- Develop complete project scope and high level cost estimates
 - December 11th Council approved a contract with Jacobs Engineering Group for the development of street project costs
 - Cost estimates from master plans and other evaluations and assessments

- Consider availability of projects resources
 - Financial and staffing capacity
 - Consider disruption to businesses and public in timing of projects

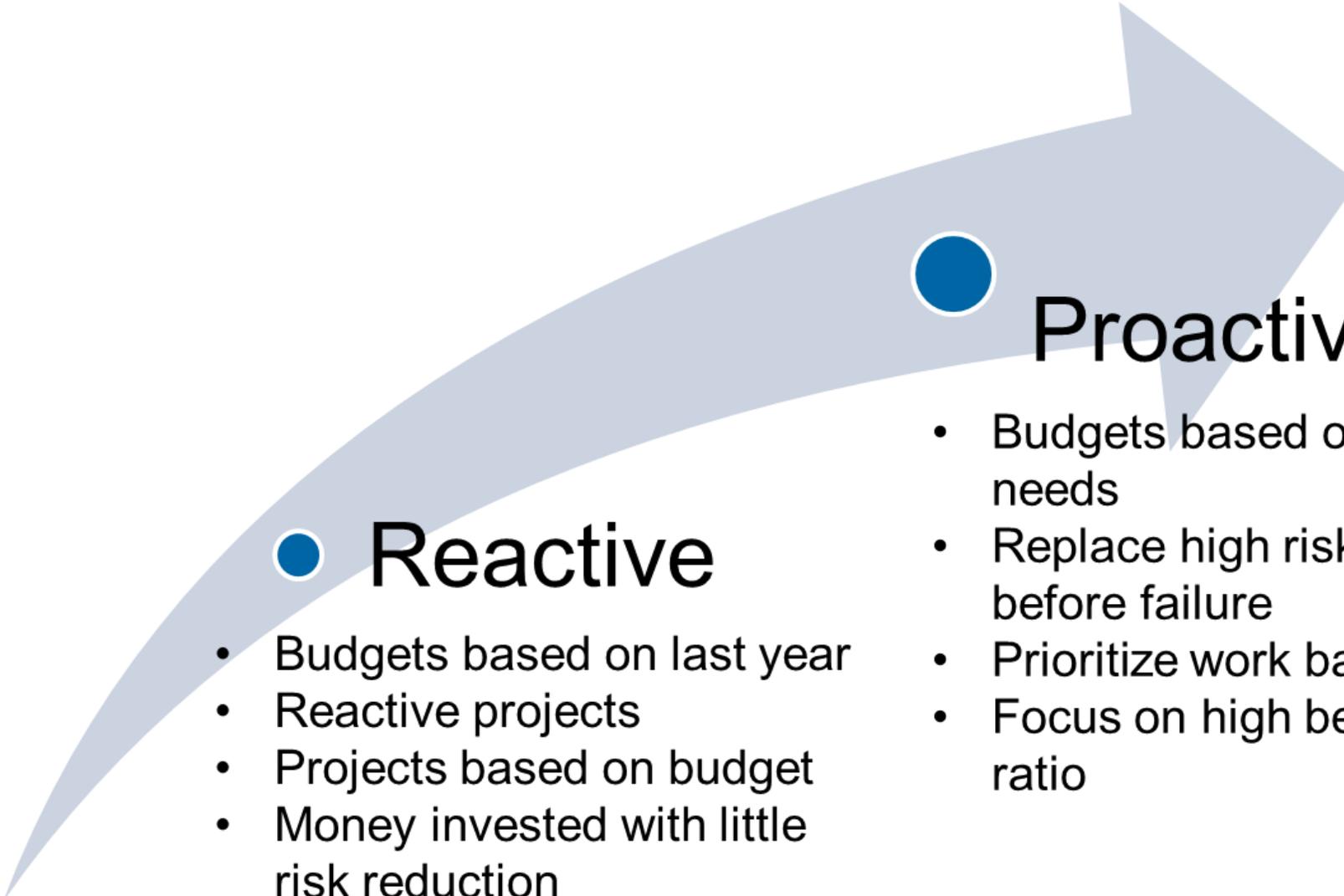
- Align debt issuances with Town's strategic plan pillars and community needs
 - Entrepreneurship and business hub
 - Gold standard in financial health, customer service, and public safety
 - Excellence in asset management and transportation systems
 - Optimization of the Addison brand

Asset Management Plan

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“To manage assets to minimize the total cost of owning, operating, and maintaining those assets, while delivering the desired service level at an acceptable level of risk.”



● Reactive

- Budgets based on last year
- Reactive projects
- Projects based on budget
- Money invested with little risk reduction

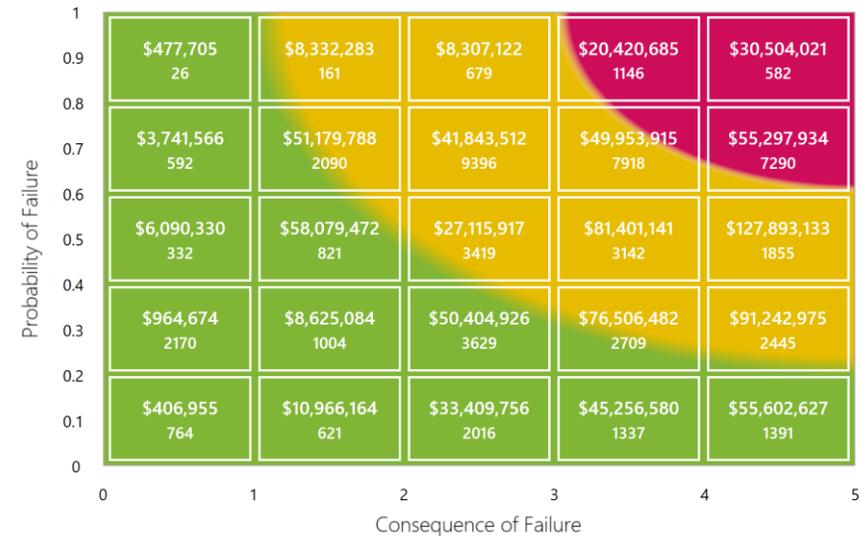
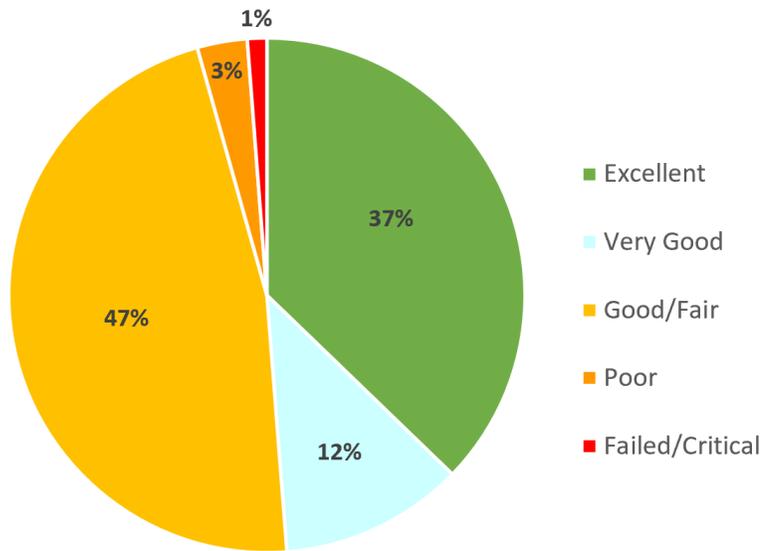
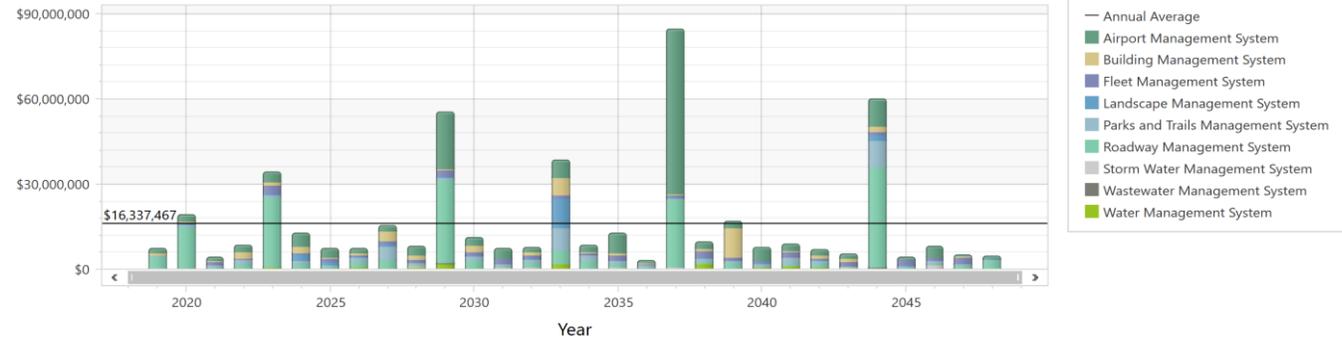
● Proactive

- Budgets based on future needs
- Replace high risk assets before failure
- Prioritize work based on risk
- Focus on high benefit to cost ratio

1. Consolidate what we know about our assets
2. Create an inventory of the assets
3. Determine the current state and future needs of the assets
4. Assess risk for each asset and prioritize those needs based on the risk
5. Develop strategies to balance cost, risk, funding, and staffing
6. Provide a logical, transparent, and defensible decision-making process

Asset Management Assessment Product

Replacement & Rehabilitation (R&R)



Asset Management Grading Scale

$$\text{Physical Health} = \frac{\text{Sum of Poor Condition Asset Replacement Cost}}{\text{Sum of Total Replacement Cost}}$$

Category	A	B	C	D	F
Physical Health	≤5%	≤10%	≤20%	≤30%	>30%

Park Management System

$$\begin{aligned} \text{Physical Health} &= \frac{\text{Sum of Poor Condition Asset Replacement Cost}}{\text{Sum of Total Replacement Cost}} \\ &= \frac{\$122,450}{\$36,030,303} \\ &= 0.003 \text{ or } 0.3\% \\ &= A \end{aligned}$$

Category	A	B	C	D	F
Physical Health	≤5%	≤10%	≤20%	≤30%	>30%

Asset Management System Grades

Good news - overall, the condition of our assets is good

Excellent, Very Good – 49%

Good/Fair – 47%

Poor, Failed/Critical – 4%

Management System	Physical Health Score	Management System	Physical Health Score
Buildings	C	Sidewalks	A
Parks & Trails	A	Traffic Signals	B
Landscape	B	Traffic Signs	B
Water	A	Street Lights	A
Wastewater	A	Fleet	B
Pavement	C	Airport	B
Vehicular Bridges	A	Stormwater	A
Curb Ramps	C		

Project Selection Process

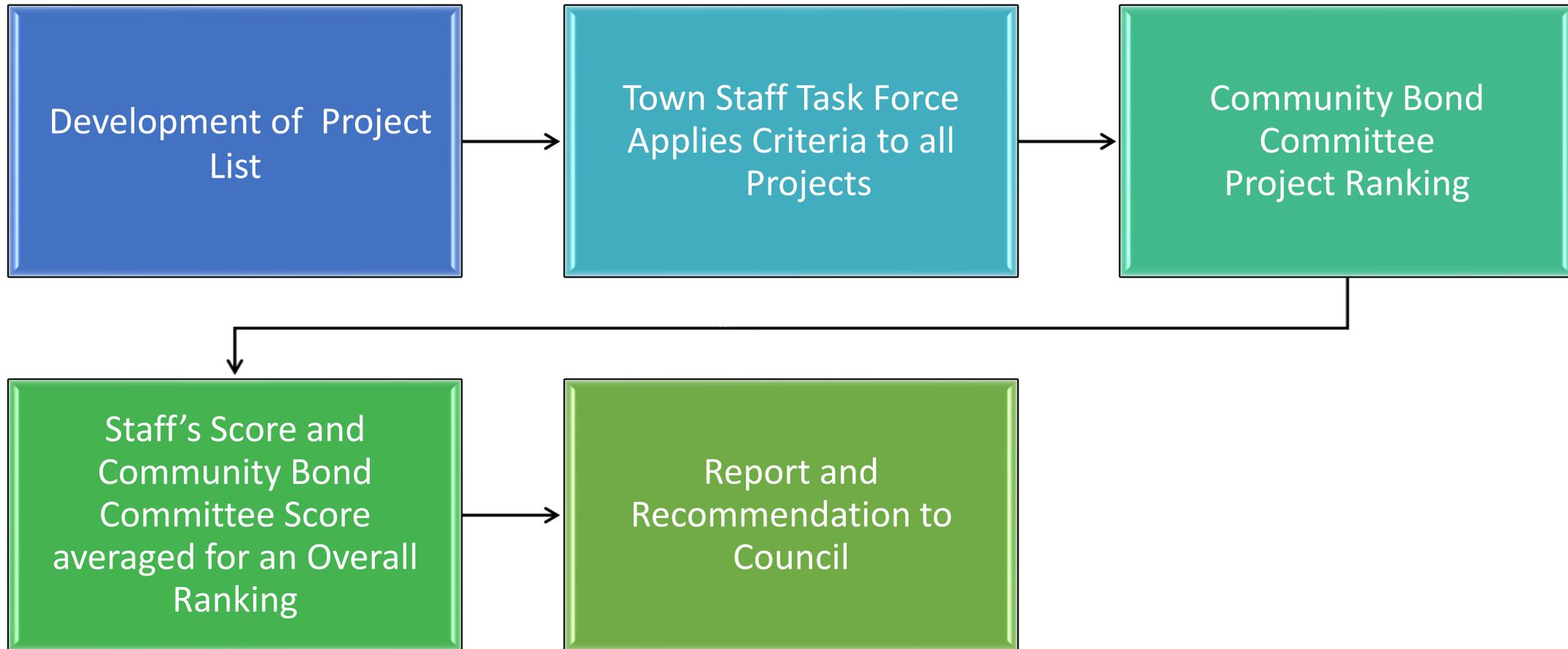
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Project Overview and Selection Process

- Staff developed a list of projects using Asset Management Plan, Capital Improvement Plans, Master Plans, and other evaluations and assessments
- Establish criteria to uniformly evaluate projects
- Apply the criteria to each project and award 10 points for each criteria that is met
 - Maximum possible points – 100
 - Score from 1 – 10, 1 being the highest priority and 10 being the lowest priority
 - Apply to each projects
- Other projects the committee may bring forward

Project Process Decision Hierarchy



Project Evaluation and Scoring – Staff and Community Bond Advisory Committee

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Staff Criteria for Evaluation and Scoring

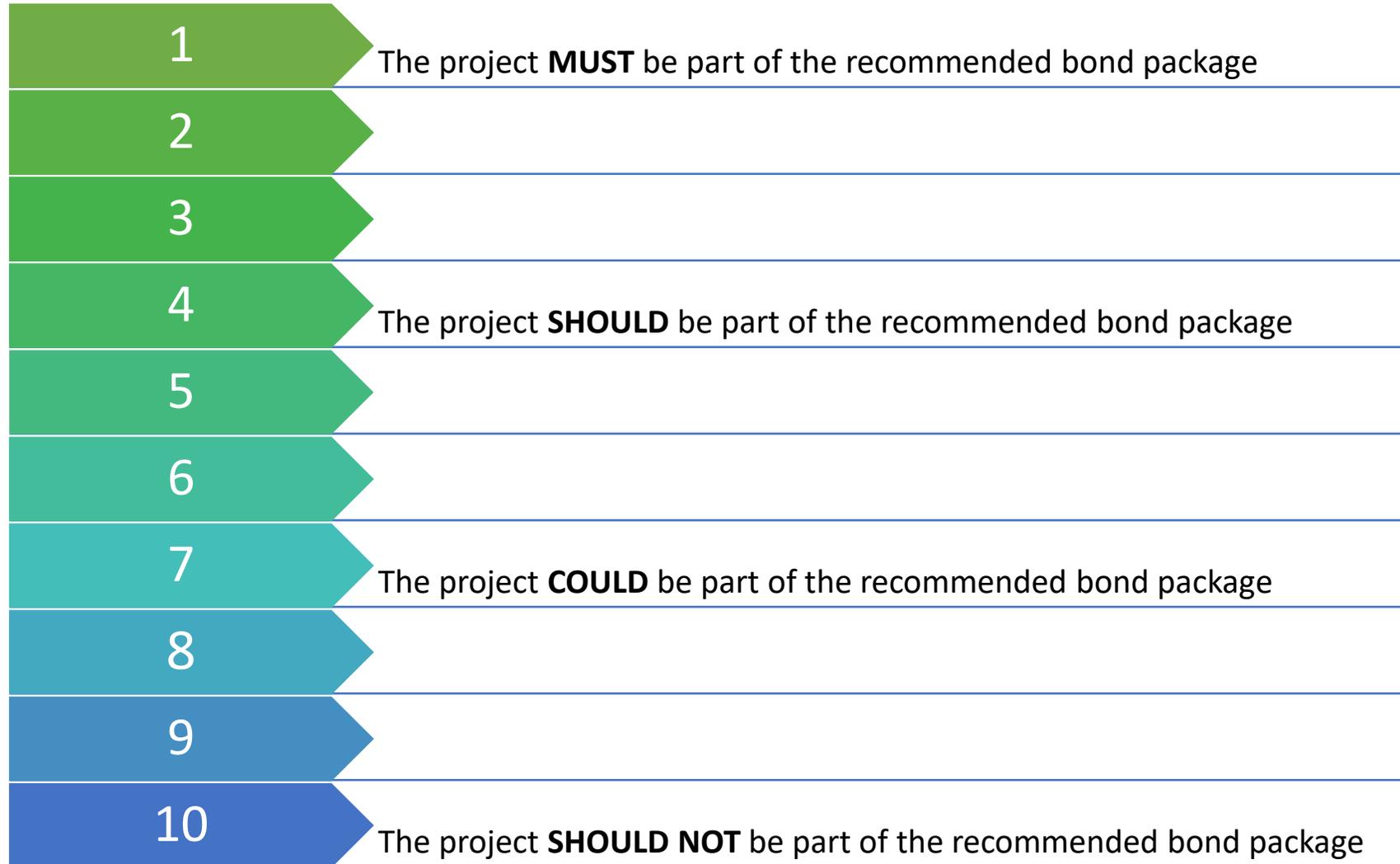
10 Criteria – 10 points each, total of 100 points

1. Does the project align with Council's strategic pillars and milestones?
2. Is the project mandated by any local, state, or Federal laws?
3. Does the project reduce operating costs or minimize cost increases?
4. Is it listed in the Asset Management Plan?
5. Does the project have matching funds from other agencies?
6. Does the project contribute to the Town's overall economic vitality and bring in additional revenue?
7. Is it part of an existing Capital Improvement Plan?
8. Is it listed in an existing Master Plan?
9. Was the project part of a previous bond program and now needs more funding?
10. Does the project involve multiple departments?

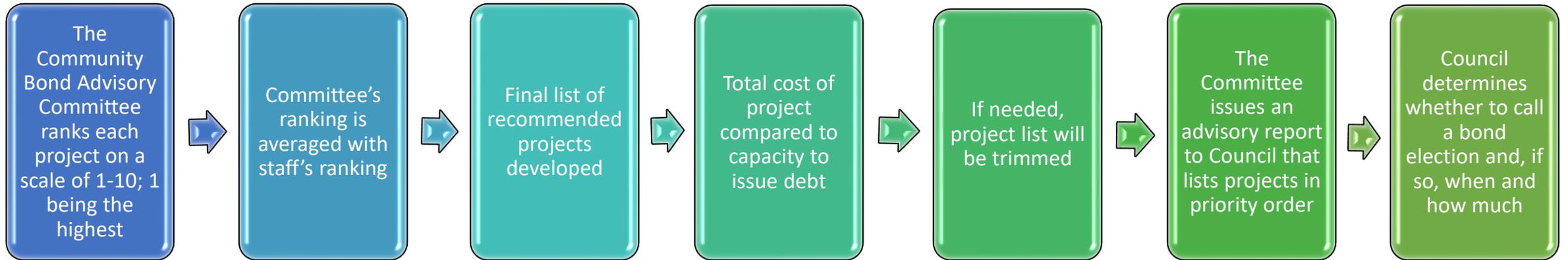
Proposed Bond Committee Evaluation Score

1 = Highest Priority
10 = Lowest Priority

Ranking Equation
Weighted Scale
1 = 100
10 = 10



Committee and Staff Project Rankings Process



Basics of Municipal Debt

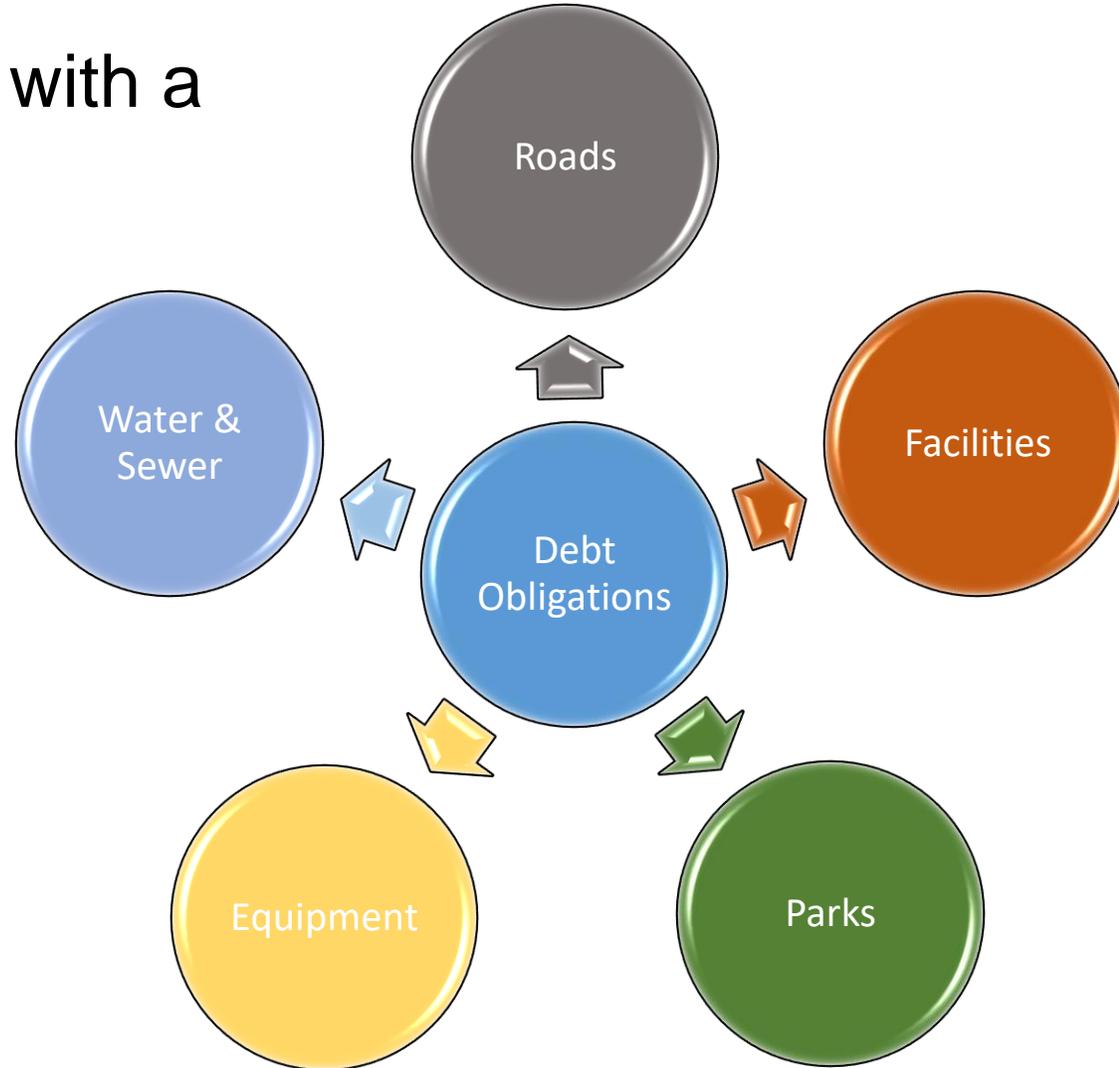
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Why Use Municipal Debt?

- To finance projects, capital assets, or make improvements to existing assets over their useful lives with a variety of repayment options
- So future beneficiaries pay their “fair share” for public improvements/service - debt is repaid overtime by citizens who are using the debt-financed asset
- To finance larger projects on a more timely basis as compared to ‘**pay as you go**’ funding
- To help minimize the volatility of the property tax and/or user rates as compared to ‘**pay as you go**’ funding
- To take advantage of tax-exempt, low-cost, long-term financing

What are the Uses for Municipal Debt?

Infrastructure improvements with a long life expectancy



Financial Capacity to Issue Debt

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Financial Capacity to Issue Debt

- Long-term financial plan – 10-year planning horizon
 - High level
 - Assumptions used – 4.1% growth, debt repayment schedule
- Bonds committed but not issued – General Obligation (GO) bonds
 - Midway - \$13 million
 - Vitruvian - \$16 million
 - Arts and Acquisitions - \$3 million
- Upcoming Issuances, not yet sold – Certificates of Obligation (CO)
 - Midway - \$25 million
 - Addison Grove - \$3.25 million

Addison's Tax Rate Components

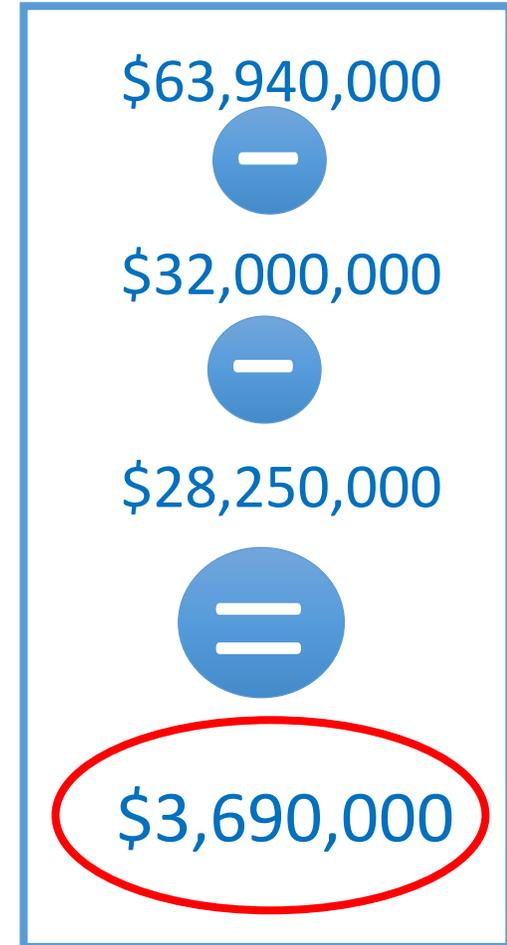
- Addison's Fiscal Year 2019 total tax rate is \$0.55000 per \$100 of Taxable Assessed Valuation ("TAV").
- Addison's municipal Tax Rate is divided into four components:
 - **Interest and Sinking (I&S)** can only be used to pay the Town's annual bonded debt payments - **\$0.142648**
 - **Maintenance and Operations (M&O)** used for operating expenses of the Town, such as compensation and benefits, parks, streets, facilities, and other on-going operating costs - **\$0.377435**
 - **Economic Development Fund** - **\$0.023716**
 - **Infrastructure Investment Fund** - **\$0.006201**

Tax-Supported Debt – 10-Year Capacity at Current I&S Rate

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Estimated 10-Year debt capacity

- Committed, unused General Obligation Bonds and Certificates of Obligation
 - Vitruvian \$10 million General Obligation (GOs) and \$6 million Certificates of Obligation (Cos)
 - Midway Road \$13 million GOs
 - Arts & Events Land Acquisition \$3 million GOs
 - \$25 million COs for Midway Road
 - \$3.25 for COs for Addison Grove economic development incentive
- Remaining Tax-Supported Capacity
 - Underlying assumptions:
 - Based on the Town's existing Interest & Sinking tax rate of \$0.142648 and Town Officials' tax base growth projections; Debt is assumed to be sold over a 10 year period
 - Each additional \$0.01 of debt service tax rate equals approximately \$9.1 million of additional capacity (the inverse applies as well)



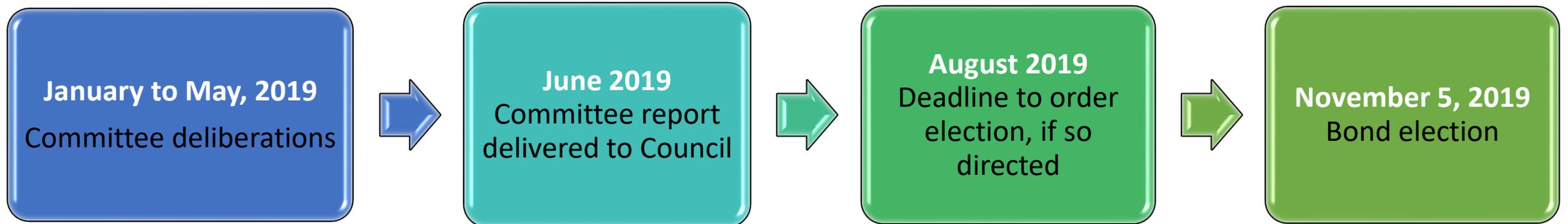
Final Report to Council

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Community Advisory Committee Report

- Does the Committee recommend that a bond election be held?
- If so, the Community Bond Committee's report will need to be delivered to Council in June to meet the schedule below



Proposed Contents of Committee's Report

- Executive Summary
- Process
- Project lists
 - Recommended
 - Non-recommended
- Ranking process
- Final ranking results
- Proposed propositions
- Recommendation to Council
 - Should a bond election be held?
 - If so, what projects should be included?
 - What are the recommended propositions?

Future Meeting Dates and Topics

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Upcoming Meetings Dates and Topics

- Twice a month from February to May
 - February 11th – General Services
 - February 25th – Infrastructure
 - March 11th – Parks and IT
 - April 4th – Project ranking
 - April 11th – Financial considerations and debt capacity
 - April 25th – Final review of project, finalization of project list, structure of propositions
 - May 9th – Draft report to Council
 - May 23rd – Finalize report to Council
- Present report to Council – June 11th

Election Chair, Vice Chair, and Secretary

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Questions / Discussion

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