

**Open Work Session
Capital Improvement Budget and Program
December 19, 2017**

Mr. Wayne Strausburg, Director of Administration, came before Council. Mr. Strausburg said he is not too sure how far Council wanted to go with this today, so he is going to provide Council with just an overview of the Capital Improvement Program (CIP). He said, to begin with, he is sure Council noticed they revised the format of the CIP. He said they did that in an attempt to make it a bit more user-friendly, and to provide Council with more detail. He said they believe the new format makes it easier to see the funding sources for each project, and it eliminates a lot of cross-referencing that had to be done in the past, so hopefully Council has found these changes to be helpful.

Mr. Strausburg said he is going to start with the projects they recommend for funding from the General Fund. He said those projects in the budget year, which is 2019, total \$20,014,791. He said, of that total, \$10,937,223 in debt will be retired this year, so the comparison between what will be retired and what they are going to borrow is going to result in a modest reduction of the total outstanding indebtedness. He said they are proposing \$7,260,291 in pay-go funding, and this compares to \$7,012,492 last year, so it is quite similar. He said, finally, they recommend they utilize \$2,250,000 in prior year bond proceeds that covered projects that are now closed, so they wish to reprogram that money rather than leave it lying idle. He said the General Fund major spending falls into three broad categories, which are the Board of Education Priority Projects for \$7,365,000, a new Public Safety Building for \$5,189,500, and Airport Improvements for \$3,050,000. He said those three projects account for 78 percent of the proposed General Fund spending. He said other General Fund projects include Circuit Court \$1,280,000, Corrections \$841,291, Public Works \$500,000, the Nursing Home \$450,000, Roads \$325,000, Parks, Recreation and Tourism \$213,000, Health Department \$201,000, the Extension Service Building \$125,000, the Public Library Main Branch \$25,000, and contingency of \$200,000. He said, in addition to County General Fund sources, \$20,302,775 will come from Federal, State, and other grants to support additional capital investments in the County. He said, when added to the County General Fund Project, this brings the total capital investment in the County to \$40,793,850. He said total investment by department is shown on Page 1 of the CIP itself, along with a breakdown of the various funding sources. He said, with that, he would be happy to answer any questions Council may have.

Mr. Dodd said he was looking at the Public Safety Building where they have \$5,189,500 for two years. He asked if they have a location yet, to which Mr. Strausburg responded, they do not, and they are in that process right now. He said one of the things they have done is engaged an architect, Crosby and Associates, from Cambridge. He said they specialize in public safety buildings, and they are waiting to see what the footprint of this building would look like, and get comfortable with what that footprint would look like, before they actually zero in on a site, because the footprint actually is going to impact the size and configuration of the site. He said there are various sites they have looked at initially, but they have not zeroed in on any particular site at this point in time. Mr. Dodd asked if there is any thought of renovating a current structure, to which Mr. Strausburg responded, the problem with that would be they do not know how to renovate the current structure and house the officers at the same time. Mr. Dodd clarified, he is not talking about the current Sheriff's office, but he is asking if they have looked at a building that is already standing, and then renovating that, or are they talking about building from the foundation up. Mr. Strausburg responded, at this point in time, they would be looking to build from ground-up, but he could answer that question better once he sees what the building design and footprint would look like, to see whether or not there is a vacant building in the County that could be repurposed, so he cannot really answer that at this point in time, but that would be doing their due

diligence. Mr. Dodd asked how he came up with that number of \$10,379,000, to which Mr. Strausburg responded, it goes back two years when they initially met and, at that point in time, they looked at the City of Salisbury's building. He said they sized it for the County's force, they took the costs for that building, brought them up to date for current construction costs, and by extension said it is probably going to cost this amount, and, again, at this point in time, it is an estimate, it is a planning number, and he cannot give a hard number. Mr. Dodd said usually when he throws out estimates, he just rounds it off, to which Mr. Strausburg responded, there was well thought out projection at that point in time, but, again, that is based on the City of Salisbury's building, which may be completely different than the building that would be designed for the County force. He said it is a planning number. Mr. Dodd then asked if they are planning on housing anybody else in that building, to which Mr. Strausburg responded, emergency services. Mr. Dodd asked if that would include the 911 Center as well, to which Mr. Strausburg responded, that would become their primary site, and the existing site they occupy would be their backup site. Mr. Dodd asked if they would be doing dispatching for the Sheriff's Office, to which Mr. Strausburg responded, yes, in all likelihood. Mr. Kilmer asked if there is any consideration of using land the County already has to house this, or is it acquiring new land, to which Mr. Strausburg responded, he does not know if the County has land that is located appropriately and is serviced by utilities. He said one of the things the Sheriff has suggested is that he really wants and needs very quick access to both Route 50 and Route 13, and that makes sense. Mr. Dodd asked if the Sheriff has a location in mind, to which Mr. Strausburg responded, he does have a location in mind. He said the Executive staff has driven the appropriate parts of the County, understanding they need public water and sewer, and there are other sites that are of interest. He said, again, he cannot zero in on a site specifically until he knows what the footprint looks like.

Mr. Cannon said he appreciates the new format, and he thinks it is good because there was so much cross-referencing, and it got complicated, to which Mr. Strausburg responded, it was a difficult report to work with, and they recognized that and felt they would want to take that step forward. He said he will give credit where credit is due, and it is really patterned after the Board of Education's CIP, which they think is an excellent document.

Mr. Cannon asked about the reference made to old money, and if that is money that was previously bonded and just has not been spent yet, to which Mr. Strausburg responded, yes, that is money that is just lying idle, and it does not make sense for the money to lie idle when investment rates are so low. He said, if they are borrowing it at 2.5 percent and they are getting about 1 percent on their investments, it makes sense to take that money and spend it, as opposed to borrowing.

Mr. Joe Holloway said Mr. Strausburg had talked about investing in the airport. He said it is \$70 million, and of course that is through 2023, but he noticed in 2019 it is \$8 million, and then goes up to \$52 million in 2020. He asked how much of that is Federal or State money, to which Mr. Strausburg responded, what they are investing out of the General Fund in 2019 and 2020 is a little bit over \$5 million. He said he anticipated this question, and Federal money in 2020 is \$36.45 million, and State money is \$3.75 million. Mr. Joe Holloway then asked if they are going to pump another \$12 million into the airport, to which Mr. Strausburg responded, again, this is planning, and what he would suggest is that they have a really comprehensive Work Session on the airport, because the new airport manager is quite good, as Council knows, has a lot of very exciting plans, and there are a lot of moving parts there, and he thinks Council really needs to understand how that fits together, what the funding sources are going to be, and what the benefits of that investment are going to be in the immediate, and the long-term. He said they are big numbers, but, again, the County's portion of it is \$5 million. Mr. Joe Holloway asked what the County's portion is in 2019, because it says \$8.8 million, so what is the County's portion,

to which Mr. Strausburg responded, it is \$5 million over two years. He said it is \$3 million this year and \$2 million next year. He said the point was made earlier that they look at the airport, and they look at how the assets there have been allowed to deteriorate, and the only way they can bring those assets up to speed is to source funding, because the airport does not generate funding that will support that kind of investment in and of itself. Mr. Joe Holloway said Mr. Strausburg just said that, and he knows things need fixing, and things need repairing, but is the investment going to be worth it, to which Mr. Strausburg responded, he thinks that is a discussion they need to have. He said Ms. Dawn Veatch has convinced the Executive staff and the Airport Board, but he thinks Council certainly needs to understand that, and to be comfortable with that, because it is a big commitment, and he understands that.

Mr. Cannon said, in reference to the page about project by funding source enterprise funds, and asked if that means the \$470,000 in fiscal year 2019 is for a runway extension, and is that something that the airport itself is actually contributing to, to which Mr. Strausburg responded, the runway extension funding will basically come from the Federal and State Government. He said the County would contribute very little to that project. He said those are the kinds of investments that the Federal and State Aviation Administrations participate in. He said there may be a lag in their timing with funding, and they will have to deal with that from a cash flow standpoint. He said one of the things they have not done over time is they have not been as aggressive with lobbying the Federal Aviation Administration, and the State Administration for funding at the airport, and they intend to be a lot more aggressive with that, because there is money there. He said they have to convince those administrations that the money is well invested, but he thinks they can do that, just like they have to convince Council that their portion of the money invested is well spent. Mr. Cannon said the reason he asked that was because on Page 4 it says projects by funding source, and then below it says Enterprise Funds. He asked if those moneys there are coming from that particular enterprise itself, to which Mr. Strausburg responded, yes, it is coming from the enterprise itself, and that is not County General Fund money. He said, typically, at the airport, that would be the County match portion for Federal and State grants, which typically runs about 10 percent. Mr. Dodd asked how many runways do they have out there, and did they not just extend one last year, to which Mr. Strausburg responded, it was longer ago than that, and they have two runways. He said, with the extension of runway 1432, at the point in time, that was put forward to the FAA, and it was put forward that the runway would be extended further than, in fact, it was. He said the FAA did not see the justification for that extension at the time. He said Piedmont's regional jet fleet changeover is the trigger that has now provided them with the ability to go back to the FAA, and say they now need that further extension, and the reason they need that extension is for the RJs to be able to take off with a full fuel load. He said they can operate, but they can operate at less than full capacity with the runway they have, so that triggers the extension. Mr. Dodd then asked, once they are extended, will they open themselves up for larger carriers, to which Mr. Strausburg responded, they will open themselves up for a lot of different aeronautic operations, not just passenger service and freight operations, because then they can bring in larger jets with larger payloads, because they have the runway length to both land and get those jets back up. Mr. Dodd said he was trying to figure out some of these rehabs. He asked where the ARFF crew is stationed, and do they have their own building, to which Mr. Strausburg responded, there is a hangar they are utilizing right now, and they put a modular building behind the hangar that houses the crew right now. He said that is not a good permanent solution, and, in the long run, that is pretty valuable ramp space, and is probably not the best place to have the ARFF crew. He said the ARFF crew should probably be relocated. He said an analogy would be that ramp space along the terminal across those hangars is the most valuable retail frontage, and that is where they want their profit-generating activities, to the extent they can be placed there. He said they do not want operational facilities in that prime ramp space. Mr. Dodd asked if they are going to be in one of the hangars that is going to be renovated, or will they have a totally separate building, to which

Mr. Strausburg responded, it would be a new multipurpose building, but it would be designed for ARFF. He said they have never had a building at the airport that was specifically designed for ARFF. He said it was practical at the point in time that was devised, but it is no longer pragmatic, and the aeronautic industry has changed over time, so, in the long run, it does not work when casted out.

Mr. Kilmer asked about the plans for cabins at Cedar Hill and moving forward with Pirate's Wharf. He asked Mr. Strausburg to talk about the details there. Mr. Strausburg said Mrs. Pam Oland can probably talk about that, if she is prepared to do so. Mr. Kilmer said he has had people ask him questions, such as where the cabins will be located, to which Mr. Strausburg responded, they are not that far along. He said, at this point in time, it is conceptual. He said his primary concern with Pirate's Wharf is to stabilize the shoreline. Mr. Kilmer clarified, the cabins would be at Cedar Hill, to which Mr. Strausburg responded, correct. He said, in terms of giving Council a discrete plan right now, they are not that far along. Mr. Kilmer clarified, it is just money to move forward with the planning at Pirate's Wharf, and then go from there, a placeholder for Cedar Hill, and then they will develop plans about what will happen there and talk about it down the road, to which Strausburg responded, yes. Mr. Strausburg said he is sure Council will want to talk to Parks, Recreation and Tourism about their various projects, and, at that point in time, he is sure Mrs. Oland and Mr. Steve Miller can provide Council with more details than he can right now.

Mr. Cannon asked what the funding source is in reference to where it says "to be determined," to which Mr. Strausburg responded, it means they will go look for grants, if they are available, or they will look for low interest loans, if they are available. He said the project does not happen if they cannot find a funding source. Mr. Cannon said he likes Mr. Strausburg's idea where they will do Work Sessions and break it down. He said they will do the airport as one work session, and maybe Recreation and Parks as a Work Session, or maybe together along with another area, but he thinks that is a good idea, rather than trying to take this whole thing as one big huge project. Mr. Strausburg said there are so many details involved in this document, and in this plan, that they really need to segment it so Council can really get the details, and understand and be comfortable with the investment they are proposing. Mr. Cannon said, in the Capital Project Funding, it talks about new money in 2020 of about \$8 million. He said, in light of the Power Point the Executive Office had the other night, they were talking about their debt obligation as to where they are getting to that 12 percent window. He asked how Mr. Strausburg thinks the 8 percent scheduled for fiscal year 2020 is going to be realistic if they are this close already to the debt window, to which Mr. Strausburg responded, he will have to go back and look at the debt schedule, but he thinks they are retiring significant amounts starting in 2020, so he thinks they will retire more than the \$8 million that they propose borrowing. He said, again, they think that it is a responsible tactic to keep their borrowing in line, at this point in time, with what they are retiring, because they are so close to that P&I (principal and interest) limit. He said they are far away from the Charter limit on total debt, but keeping the principal and interest at 12 percent is very important, and one of the things they have to bear in mind is that they are in an interest rate environment, and they are probably going to be seeing rates ticking up, so he thinks they need to be very careful with that.

Mr. Cannon asked, with the large plans on Wor-Wic for the new academic building, do they have a feel for how the State is going to be with these major contributions, to which Mr. Strausburg responded, he does not, and, honestly, he thinks Dr. Hoy coming in is obviously going to be important. He said when they met with Dr. Hoy to review his CIP, he did not feel that was anything the State was going to take on anytime soon, but that may change. He said the State's fiscal house is something he really cannot talk about. Mr. Cannon said 2022 is a long way out. Mr. Kilmer said that was going to be his question, that this is not planned for the coming fiscal year. He said he knows there has been an idea that this is more

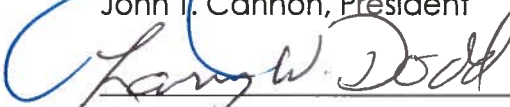
of a long-term thing, and not necessarily an immediate thing, so it is possible that this could be pushed back, if there is not a need for it. Mr. Strausburg said it is entirely dependent on State participation. He said, again, for the public's benefit, this is a planning document, and even the 2019 numbers that they call their budget year are still subject to their borrowing, subject to the economic and fiscal fortune, so the budget year is the year that they have the most detail within the year they are most comfortable with in terms of affordability. He said they still have to approve the budget that takes effect on July 1, in terms of pay-go, and they still have to go to the bond market to see what the interest rate environment with the borrowing environment is at the point in time they go to market, probably looking at October or November of next year. He said, again, this is not hard-lined until certain next steps take place.

Mr. Dodd asked if the nearly \$28,000 starting in 2021 for the Wor-Wic building is really just a guesstimate, and if there has really been no discussion with the Feds or the State on this, to which Mr. Strausburg responded, that question is best posed to Dr. Hoy. Mr. Dodd asked if Dr. Hoy gave them those figures, to which Mr. Strausburg responded, Dr. Hoy gave them those figures, but he felt that it is nothing that is imminent, given the State's fiscal situation. He said, as he thinks everybody knows, the proposed change in the Federal tax code is going to have implications on the State's budget, so until that unfolds, they will have to see, and that may change, and it may change a lot of things fiscally.


Mr. Cannon thanked Mr. Strausburg, saying it was a lot of work, and he really likes the changes they have made, because it certainly has made it an easier read. Mr. Strausburg said he also did not like the old report, so he is happy to see it changed as well. There was no further discussion.



John T. Cannon, President



Larry W. Dodd, Vice President, District 3



Ernest F. Davis, District 1



Marc Kilmer, District 2



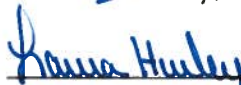
John B. Hall, District 4



Joe Holloway, District 5



Matt Holloway, At-Large



Laura Hurley, Council Administrator