

CAPITAL PROJECT FINANCING OVERVIEW

CITIZENS' BOND COMMITTEE MEETING #1
AUGUST 18, 2022

WELCOME & INTRODUCTIONS

- Name
- Where You Live in Arlington
- How Many Years in Arlington



CAPITAL PROJECTS & THE CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROJECTS

Projects that repair, replace, maintain, and grow the city's infrastructure assets.

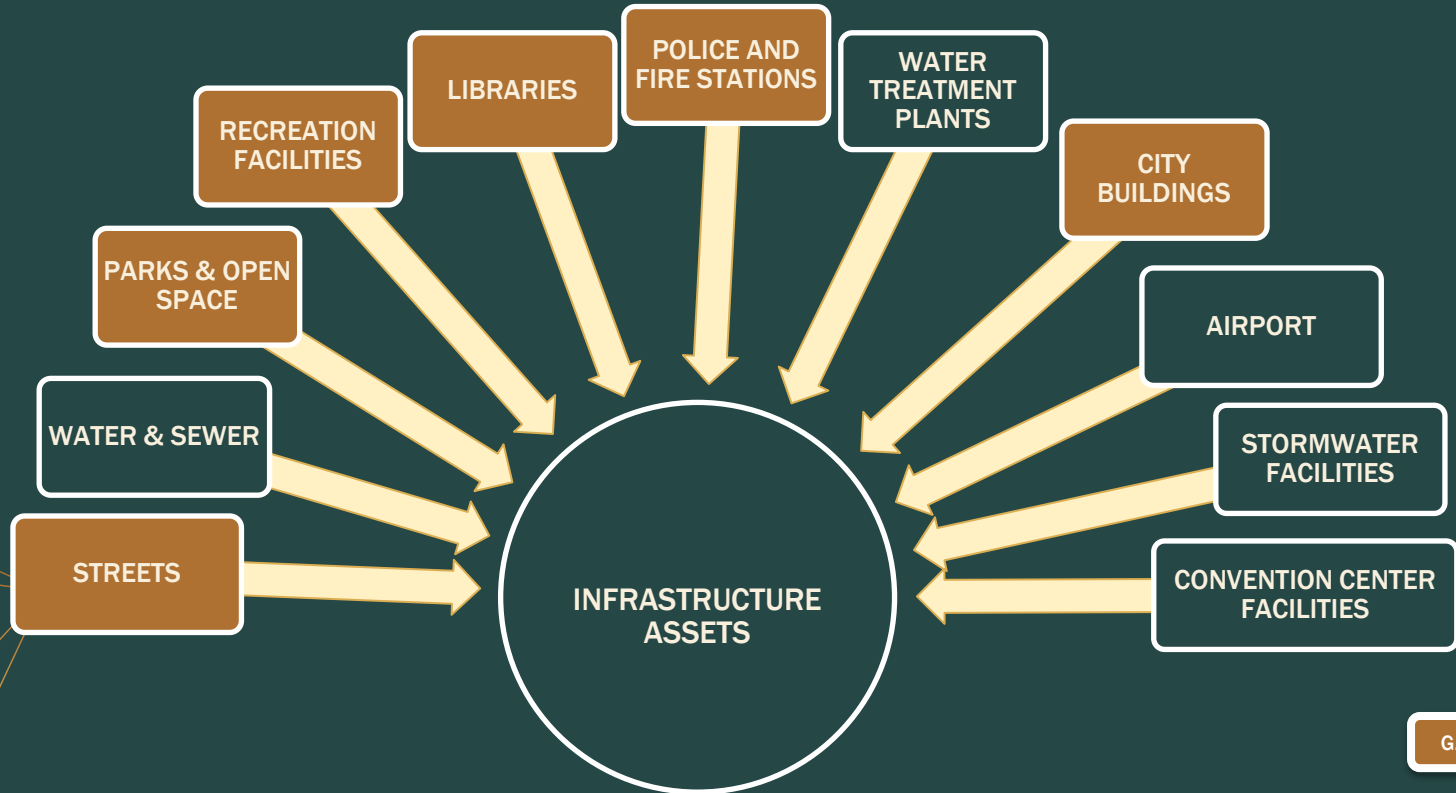
Assets maintained by the capital program should have a useful life of at least 20 years.

CAPITAL IMPROVEMENT PLAN (CIP)

A systematic approach to complete capital projects in an orderly way within fiscal constraints.

The CIP is regularly updated as projects are completed, and new needs are identified through the bond committee process.

INFRASTRUCTURE ASSETS



BOND PROGRAM PRINCIPLES

Similar to a homeowner's process for regular maintenance & investment in their property, **bond issuance** provides for systematic investment in the City assets for maintenance and growth.

CONSERVATIVE FINANCIAL PRINCIPLES GUIDE CITY DEBT ISSUANCE

- Debt terms do not exceed the useful life of the asset.
- Bonds are typically issued with a level principal structure, allowing for debt retirement at half the life of issuance, on average.

MAINTENANCE AND
IMPROVEMENTS TO ASSETS



LASTING VALUE

BOND PROGRAM PROCESS



City Proposes Bond Propositions to Voters
Every 4-5 Years



Voters Consider Bond Propositions

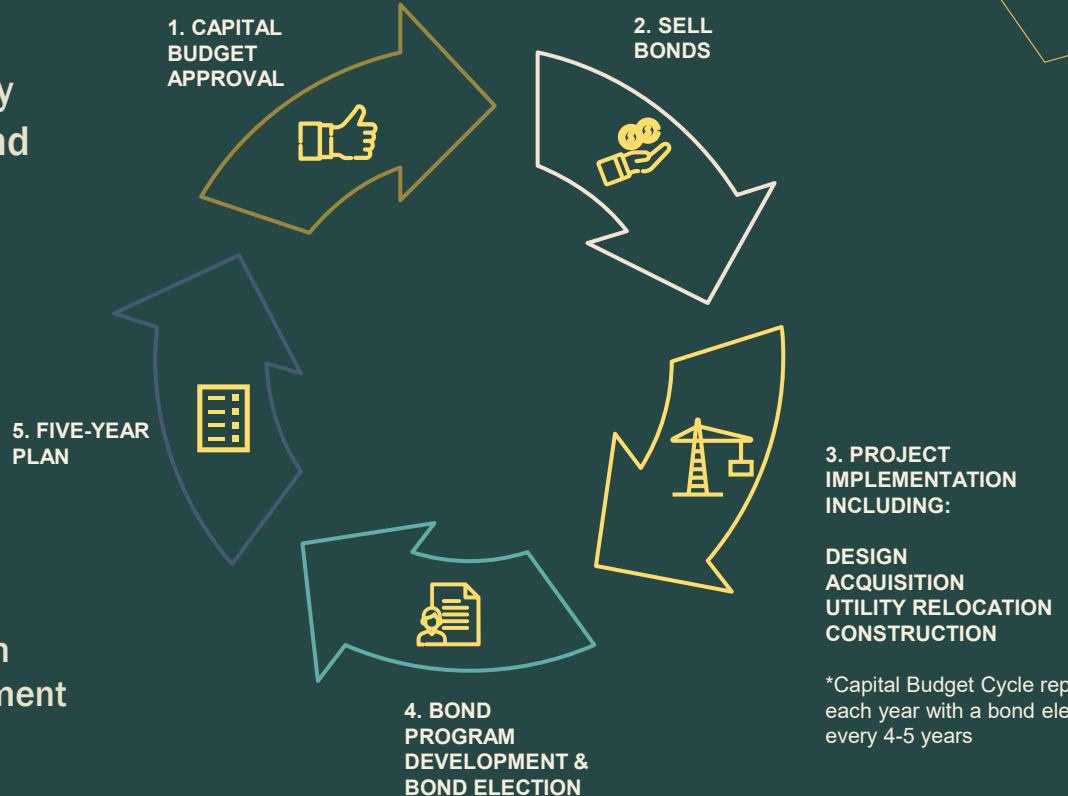


General Obligation Bonds are Sold Each Year
(only for projects covered by the approved Bond Propositions)

CAPITAL PROGRAM CYCLE

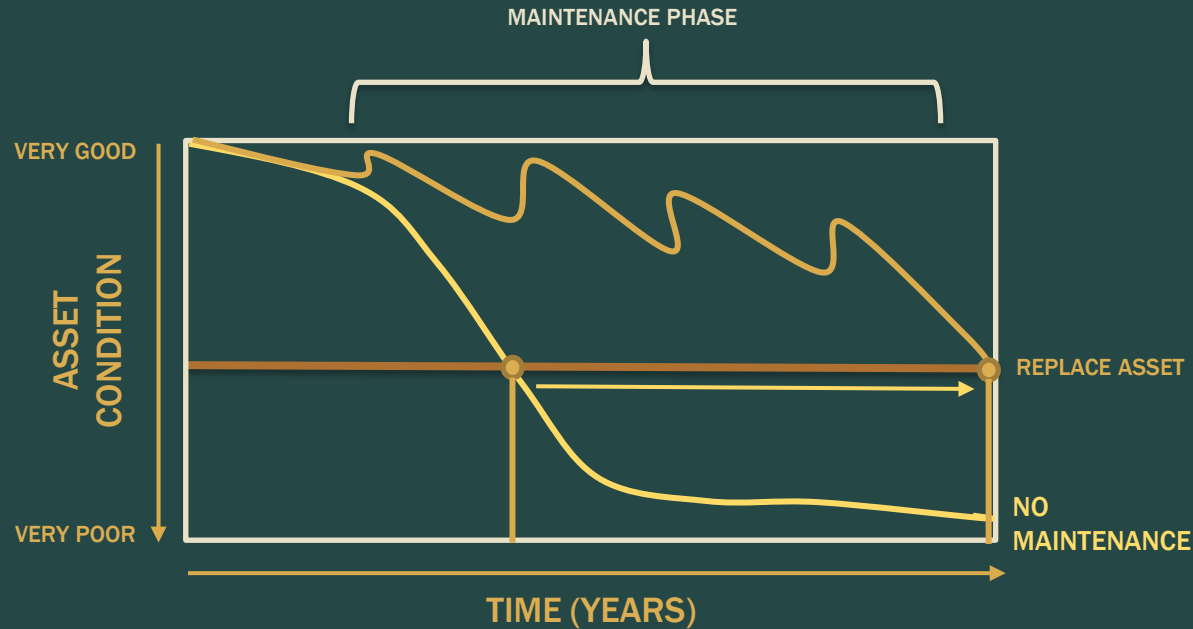
The capital program aligns with City Council priorities by maintaining and improving current infrastructure:

- Support Youth and Families
- Leverage Technology
- Invest in our Economy
- Champion Great Neighborhoods
- Enhance Regional Mobility
- Build Unity
- Sustain Core Services
 - Public Safety
 - Culture/Recreation/Education
 - Financial/Economic Development
 - Infrastructure



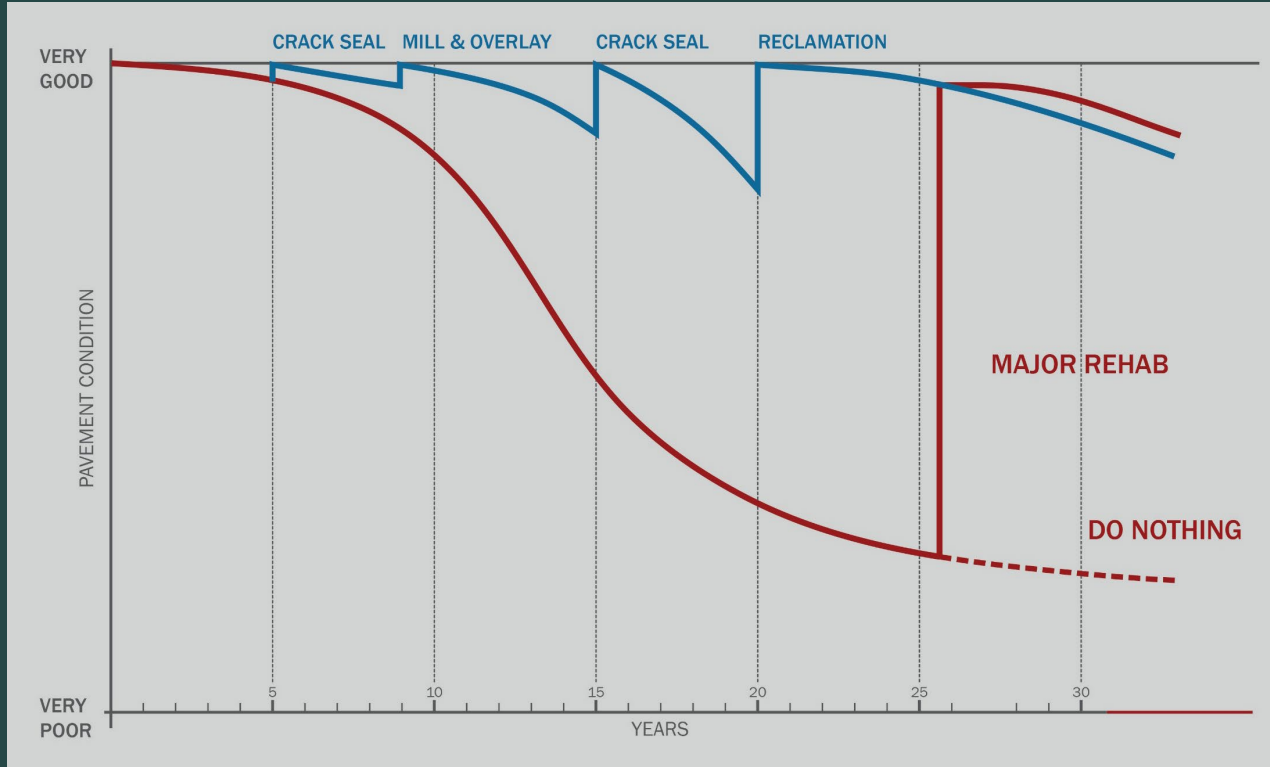
*Capital Budget Cycle repeats each year with a bond election every 4-5 years

CAPITAL ASSET LIFE CYCLE



Making systematic maintenance investments extends the useful life of an asset in a better condition than if there is no maintenance until the need for replacement

EXAMPLE: LIFE CYCLE OF A STREET





BALANCING REBUILD VS. CAPACITY IMPROVEMENT PROJECTS

REBUILD PROJECTS replace existing infrastructure that has reached the end of its useful life. These types of projects maintain the level of service provided by capital improvements.

CAPACITY IMPROVEMENT PROJECTS add new infrastructure to the City's system to increase the capacity and availability of service to Arlington residents.

The City's Bond Program and other capital funding sources must balance these two types of projects within conservative funding principles for incurring debt.



PRIORITIZING CAPITAL PROJECTS BY PROJECT TYPE

PUBLIC WORKS uses different criteria to prioritize different types of projects such as rebuilding roads, increasing capacity, and increasing safety.

ROADWAY (COLLECTOR-ARTERIAL) REBUILDS:

- OVERALL CONDITION RATING (OCI)
- CITY UTILITIES CONDITION & COORDINATION - CITY COORDINATES PROJECTS WHERE CONDITION OF WATER, SANITARY SEWER, AND DRAINAGE PIPE MAY ALSO INDICATE THE NEED TO BE REPLACED.

RESIDENTIAL REBUILDS:

- OVERALL CONDITION RATING (OCI)
- CITY UTILITIES CONDITION (RWD)
- NEIGHBORHOOD GROUPINGS / IMPACT ONCE

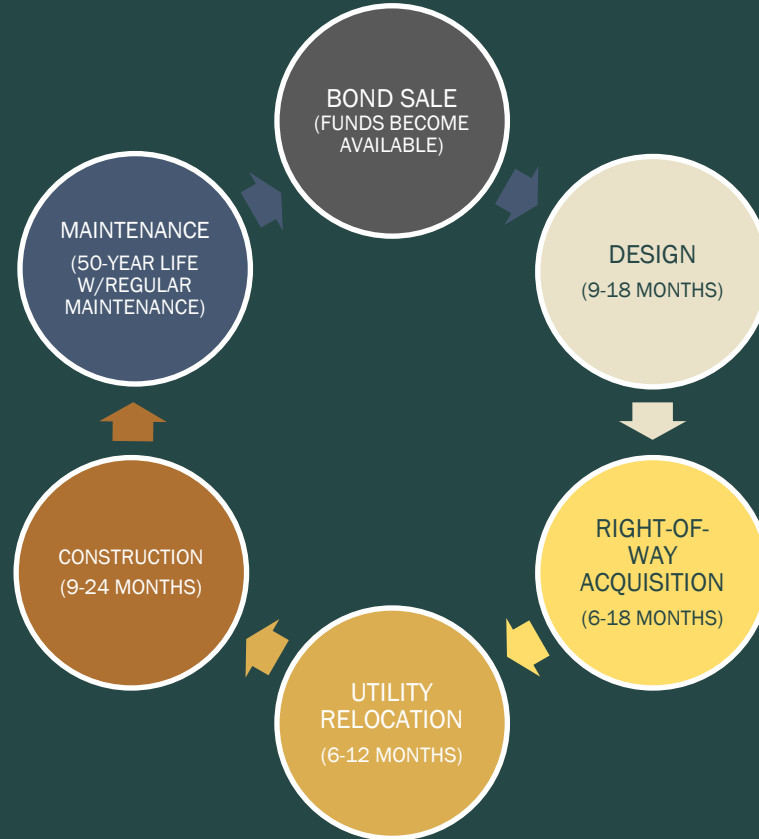
CAPACITY IMPROVEMENTS NEW CONSTRUCTION / ADDING LANES FOR CAPACITY:

- LEVEL OF SERVICE (LOS)
- CONGESTION MITIGATION
- THOROUGHFARE DEVELOPMENT PLAN
- SAFETY

INTERSECTION IMPROVEMENTS:

- LEVEL OF SERVICE (LOS)
- CONGESTION MITIGATION
- SAFETY (TRAFFIC AND PEDESTRIAN)
- SIGNAL OPERATIONS

ROADWAY PROJECT CYCLE



BOND PROGRAM PROGRESS

2014 BOND ELECTION PROJECTS

FY2015-2020



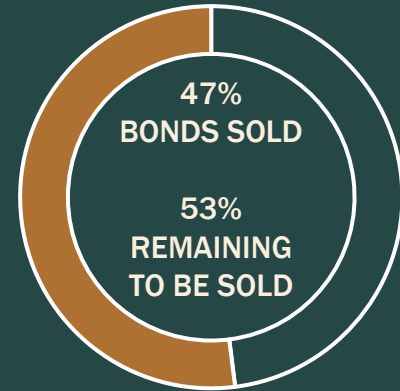
2017 BOND ELECTION PROJECT

FY2018-2022



2018 BOND ELECTION PROJECTS

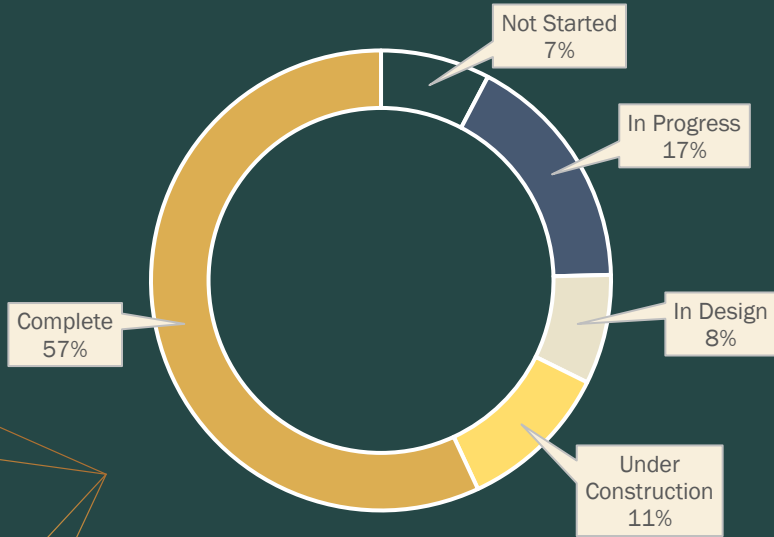
FY2019-2025



2018 Bonds are anticipated to be 100% sold by FY2025

BOND PROGRAM PROGRESS

2014 & 2018 BOND PROGRAMS APPROVED PROJECTS STATUS



| Project Status | # of Projects |
|--------------------|---------------|
| Not Started | 5 |
| In Progress | 11 |
| In Design | 5 |
| Under Construction | 7 |
| Complete | 37 |
| Total | 65 |

“In Progress” includes Annual Programs allocated evenly for each year of the program

CITY COUNCIL PRIORITIES

2023 City Council Priorities

Support Youth and Families

Leverage Technology

Invest in Our Economy

Champion Great Neighborhoods

Enhance Regional Mobility

Build Unity

PURSUE OUR VISION

A pre-eminent city, Arlington aims to create an environment that empowers everyone to live their best lives and achieve their version of the American Dream.

FULFILL OUR MISSION

The City of Arlington efficiently meets the needs of the public through innovation, active engagement, and inclusive practices. The City invites everyone to work together to help us provide high-quality, cost-effective services and strong, safe neighborhoods.

CORE SERVICES

Public Safety, Culture/Recreation/Education, Financial/Economic Development, Infrastructure.

LIVE OUR VALUES

- Accountability
- Collaboration
- Innovation
- Inclusiveness
- Professionalism



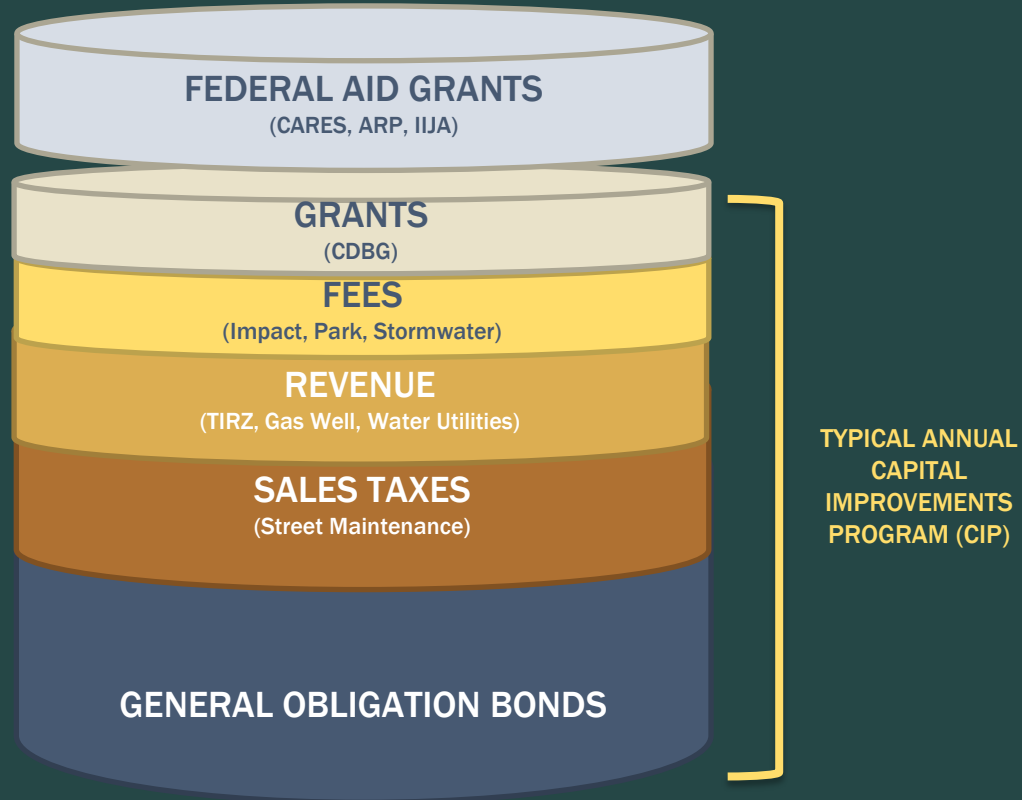
OTHER SOURCES OF FUNDING FOR CAPITAL PROJECTS

- SALES TAX
- HOTEL OCCUPANCY TAX (HOT)
- TAX INCREMENT REINVESTMENT ZONES (TIRZ)
- INNOVATION AND VENTURE CAPITAL FUND
- GAS WELL REVENUE
- IMPACT FEES
- PARK FEES
- COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
- ARPA - AMERICAN RESCUE PLAN (TEMPORARY)

All sources of funding have legal limitations on eligible uses.



LAYERING CAPITAL PROJECT FUNDING SOURCES



FACTORS DETERMINING DEBT CAPACITY



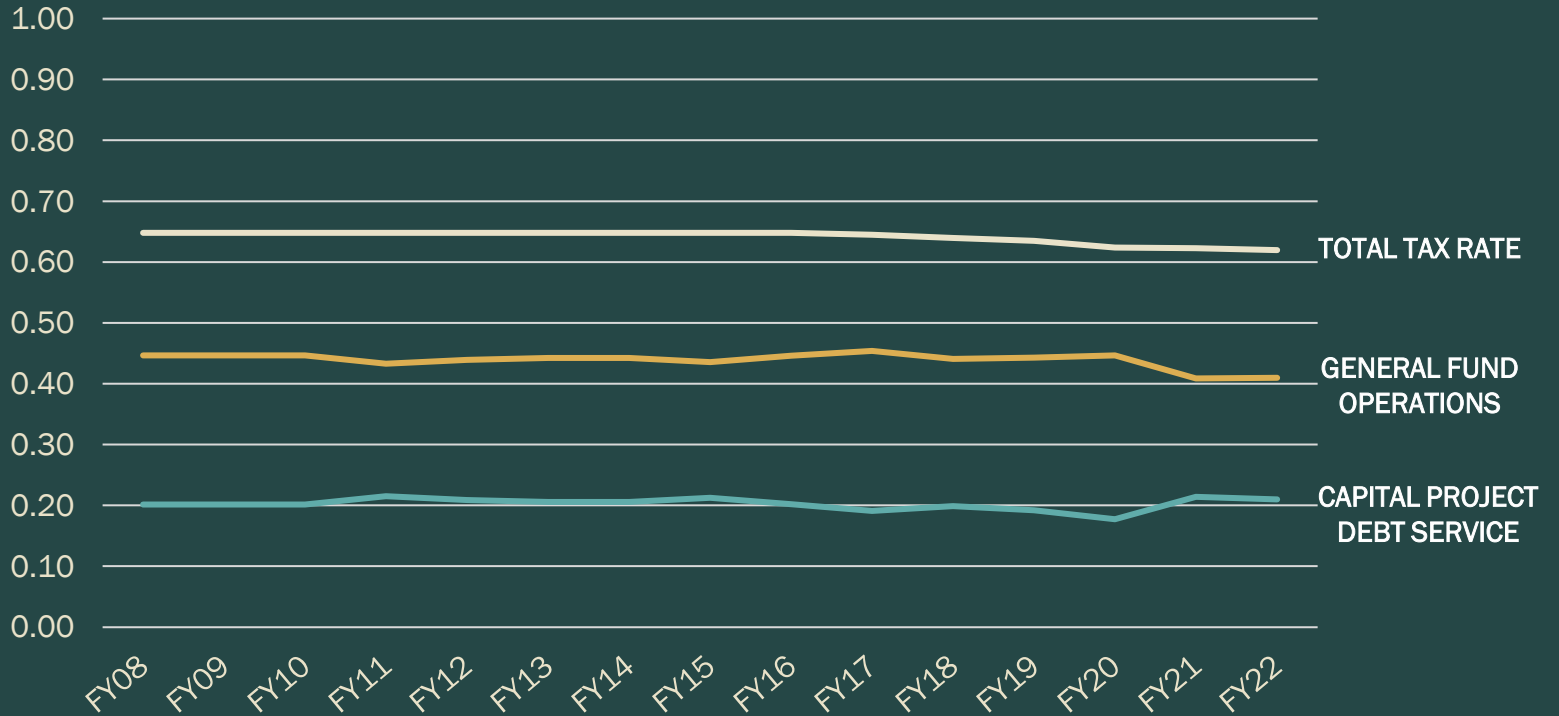


CURRENT DEBT CAPACITY

| | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|--------------|--------------|--------------|----------------------|--------------|
| PROGRAMMED EXPENDITURES | \$63,705,000 | \$24,745,000 | \$11,400,000 | \$0 | \$0 |
| ESTIMATED CAPACITY | \$63,705,000 | \$62,000,000 | \$60,000,000 | \$62,500,000 | \$65,000,000 |
| AVAILABLE REMAINING CAPACITY | \$0 | \$37,255,000 | \$48,600,000 | \$62,500,000 | \$65,000,000 |
| TOTAL CAPACITY FOR A FY24-FY27 PROGRAM | | | | \$213,255,000 | |



HISTORIC TAX RATE

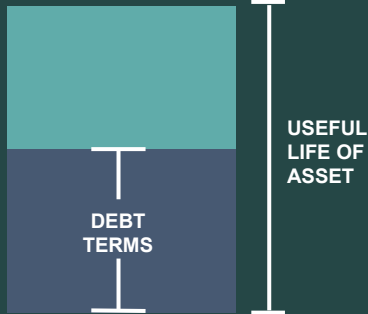


WE ARE ABLE TO MAINTAIN STRATEGIC INVESTMENT IN OUR COMMUNITY WITH A CONSERVATIVE LEVEL OF DEBT.

FINANCIAL PRINCIPLES AND TRANSPARENCY

DEBT TERMS

DEBT TERMS DO NOT EXCEED THE EXPECTED LIFE OF THE ASSET



DEBT EXPENDITURES / (GENERAL FUND EXPENDITURES + DEBT SERVICE EXPENDITURES) = <20%

TOTAL AD VALOREM TAX BASE

TOTAL DEBT

TOTAL DEBT/TOTAL AD VALOREM TAX BASE: <2%



TOTAL DEBT PER CAPITA

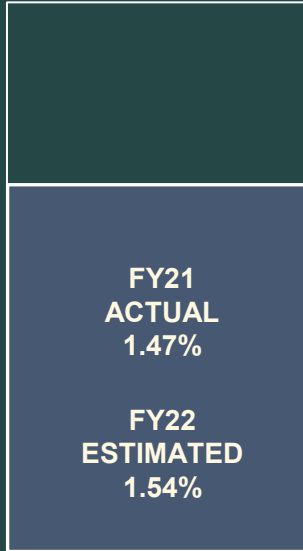
GENERAL OBLIGATION BOND RATINGS

| MOODY'S | S&P | FITCH |
|---------|------|-------|
| Aaa | AAA | AAA |
| Aa1 | AA | AA |
| A | A | A |
| Baa | BBB | BBB |
| Ba | BBB- | BB |
| B | BB+ | B |
| Caa | BB | CCC |

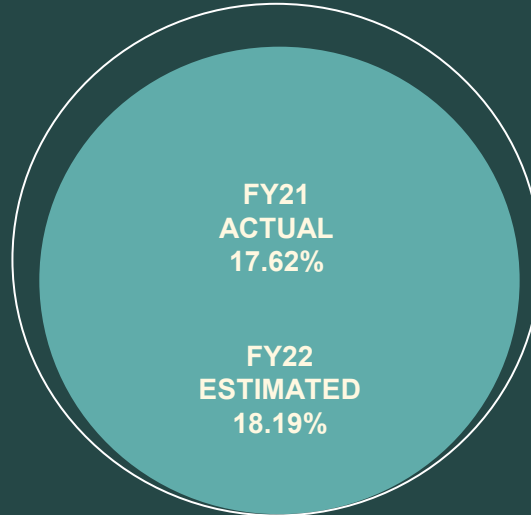
KEY FINANCIAL POLICIES

TREASURY PERFORMANCE MEASURES (YEAR'S END)

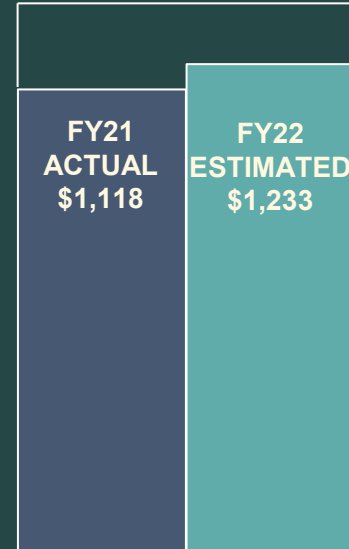
NET DEBT TO ASSESSED VALUATION
FINANCIAL POLICY TARGET <2%



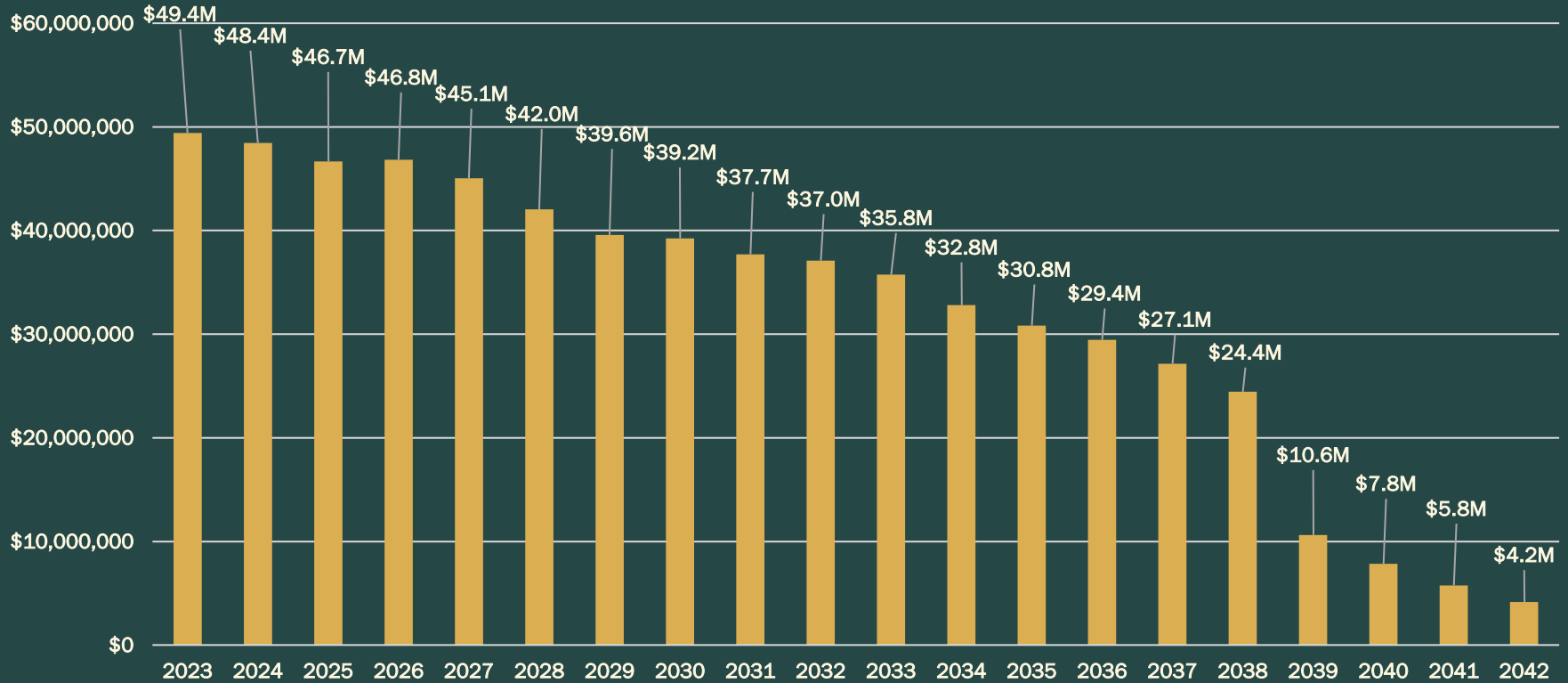
DEBT SERVICE EXPENDITURES TO TOTAL EXPENDITURES
FINANCIAL POLICY TARGET <20%



NET TAX-SUPPORTED DEBT PER CAPITA
FINANCIAL POLICY TARGET <\$1,350



PRINCIPAL REDUCTION OVER TIME



CBC CHARGE AND RESPONSIBILITIES

COMMITTEE CHARGE

To recommend a prioritized list of approximately \$213.3 million in capital projects to City Council

PROCESS TO DATE

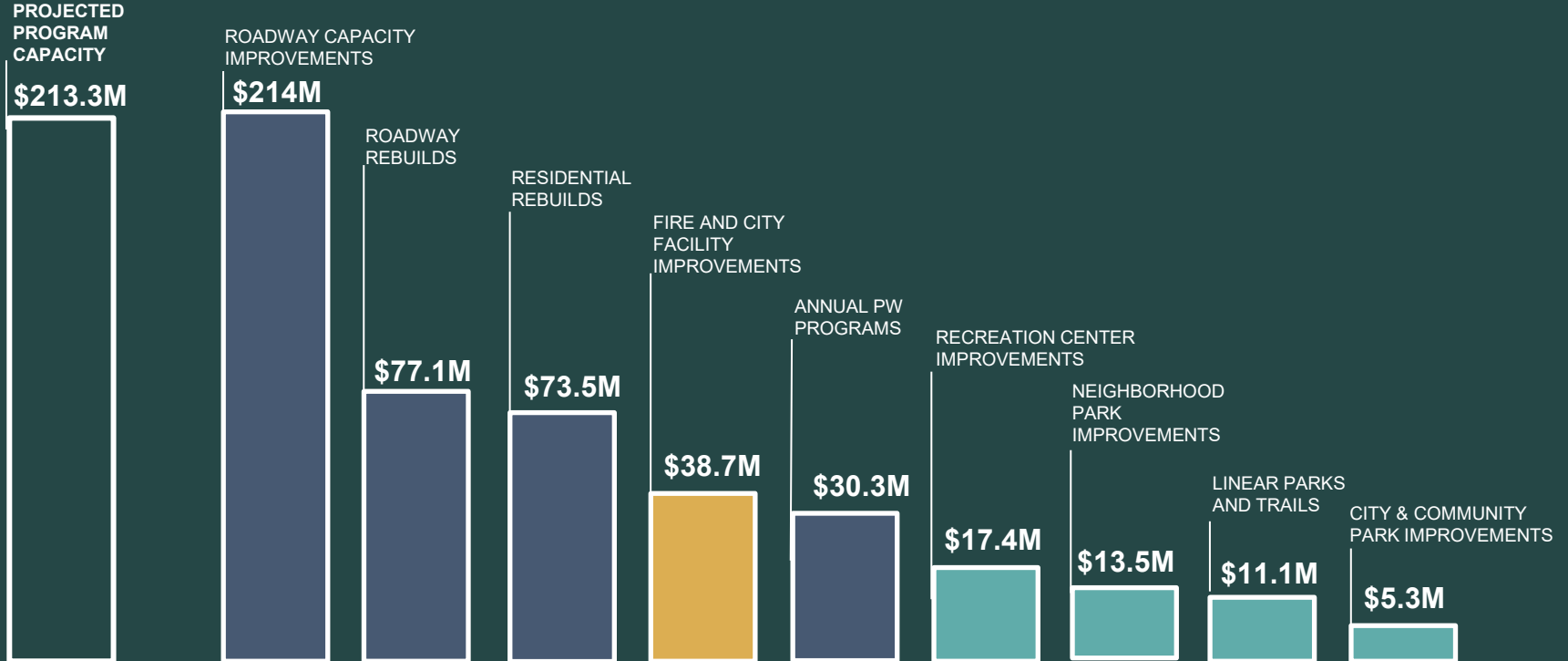
In order to prepare a project list for this Committee, several steps have been taken to begin the Bond Program Process, including:

- **Briefing City Council on Bond Program Development Process**
- **Establishing the Debt Capacity available for a May 2023 Bond Election**
- **Departments built prioritized lists of highest priority projects**
- **City Manager's Office reviewed project request list from departments and reduced total list from \$1 billion to \$489 million for Committee's consideration**



PRELIMINARY BOND PROJECT INFORMATION

MAJOR PROJECTS UNDER CONSIDERATION





TIMELINE

COMMITTEE SCHEDULE

AUGUST

Thursday, August 18, 6 PM
Bond Election and Project Prioritization Process Overview

Thursday, August 25, 6 PM
Parks and Recreation Proposed Projects

SEPTEMBER

Thursday, September 1, 6 PM
Public Works Proposed Projects

Thursday, September 8, 6 PM
City Facility Proposed Projects

Friday, September 9, 1 PM
Tour of Project Locations and Facilities

Monday, September 12, 6:30 PM
Public Meeting

Thursday, September 15, 6 PM
Project Prioritization

Thursday, September 22, 6 PM
Project Prioritization, contd.

DECEMBER

Tuesday, December 13
CBC Presents Recommendations to Council at Work Session

JANUARY

Tuesday, January 10 & 24
Council discusses Recommendations

FEBRUARY

Tuesday, February 21
Council finalizes Recommendations

OCTOBER

Thursday, October 6, 6 PM
Final Recommendations

NOVEMBER

Monday, November 14, 6:30 PM
Public Meeting

MARCH

Tuesday, March 7
Council calls Election for May 6

MAY

Tuesday, May 6
Election Day

AUGUST

August 18
Committee will be oriented to bond financing principles and the committee's charge

August 25
Committee will hear project specifics from the Parks department and have an opportunity to ask questions

SEPTEMBER

September 1 & 8
Committee will hear project specifics from the Public Works and Asset Management departments and have an opportunity to ask questions

September 12
Public Meeting to introduce potential projects, foster community discussion and receive input

September 15 & 22
Prioritization – Work on ranking and eliminating projects to approach the \$213.3M target

OCTOBER

October 6
Final Recommendations are determined by the CBC

NOVEMBER

November 14
Public Meeting to present final recommendations

DECEMBER - FEBRUARY

December 13
Council reviews bond project list put forth by committee

January 10 & 24
Council discusses Recommendations

February 21
Council finalizes Recommendations

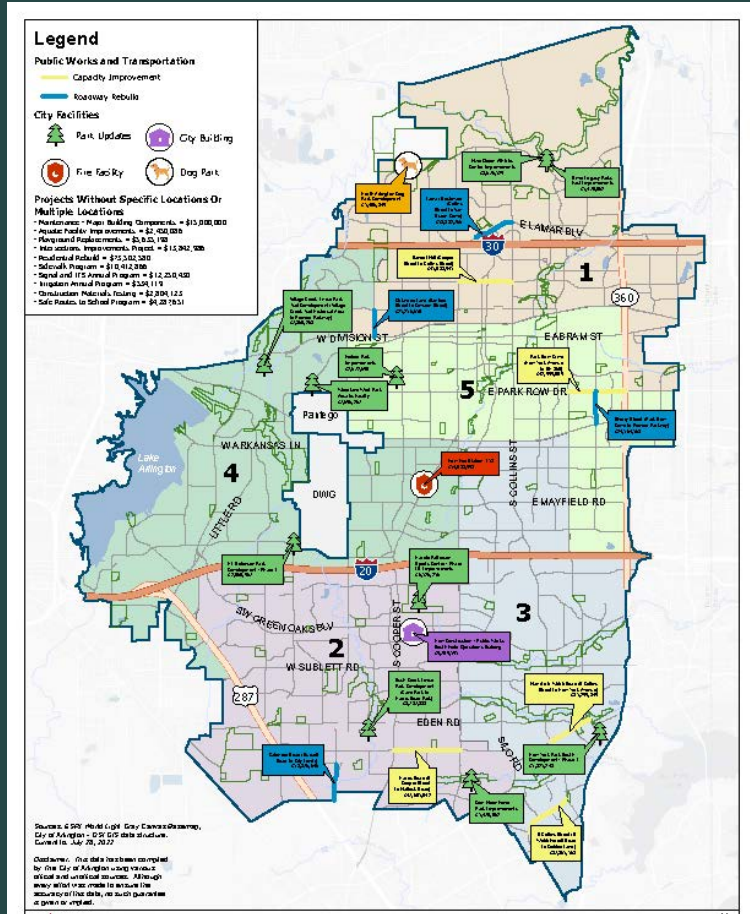
COMMITTEE PROCESS & COMMUNICATION



COMMITTEE BINDER & RESOURCES

- Each Committee Member will have a binder with all meeting and resource information
- New materials for each meeting will be provided at your seat to be added to your binder
- **Resource materials include:**
 - Committee Schedule
 - Committee Member List
 - City Council Priorities
 - Bond Terminology and Financial Principles
 - 2014 & 2018 Bond Project Maps
 - Comprehensive Planning Overview
 - Thoroughfare Development Plan Map

PROJECT LIST & MAP



NEXT STEPS



QUESTIONS & DISCUSSION