

Knox County Tennessee



Proposed Five-Year Capital Improvement Plan

For Fiscal Years
2012-2016

Tim Burchett
Knox County Mayor



OFFICE OF COUNTY MAYOR TIM BURCHETT

Department of Finance • 400 Main Street, Suite 630, Knoxville, TN 37902

TO: Knox County Commission

FROM: John Troyer, Finance Director 

DATE: May 2, 2011

SUBJECT: Proposed Capital Plan for FY 2012 to FY 2016

Enclosed you will find the Mayor's proposed Capital Plan for FY 2012- FY 2016. Like the last three plans in FY 2009, FY 2010, and FY 2011, the proposed funding for new projects is limited. This is an appropriate response for these current economic times. Some projects simply do need to proceed, and are included for your consideration.

If you approve this capital plan, know that the County's debt levels will decrease in each of the five years of the plan. Our proposed general obligation bond issuance for new projects is less than the County's payment in debt principal for each year of the plan.

This plan assumes the same tax rate for debt service in each of the five years in the plan.

The largest part of the plan is for the Knox County School Board. The School Board's total request of \$68.1 million is included in this plan. Because the School Board is prohibited from issuing debt on its own, the County issues debt on behalf of the Board. The School Administration has included amounts representing payments for debt borrowed on their behalf in their planned annual budgets. The \$68.1 million for schools includes: \$26.56 million in PPU (property & plant upgrades) – these are system-wide improvements to existing facilities to make them last longer and function better; \$12.79 million in roofing and HVAC replacements; \$17.5 million for a new Southwest Elementary school facility; and \$11.25 in other projects over the five years.

Also included are \$13.1 million in road improvements. There is \$150,000 each year for library facilities improvements, and \$100,000 each year for parks facility improvements. The proposed funding for building improvements to County facilities totals over \$6.5 million for the five year period. These improvements help our existing facilities last longer and reduce future maintenance costs, and better suit current uses.

I welcome any discussion of this proposed plan, and look forward to your comments. Approving this plan will allow the County to make several improvements, while at the same time recognizing the additional restraint required in tough economic times.

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FY 2012 – FY 2016

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**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
CAPITAL IMPROVEMENT PLAN POLICY**

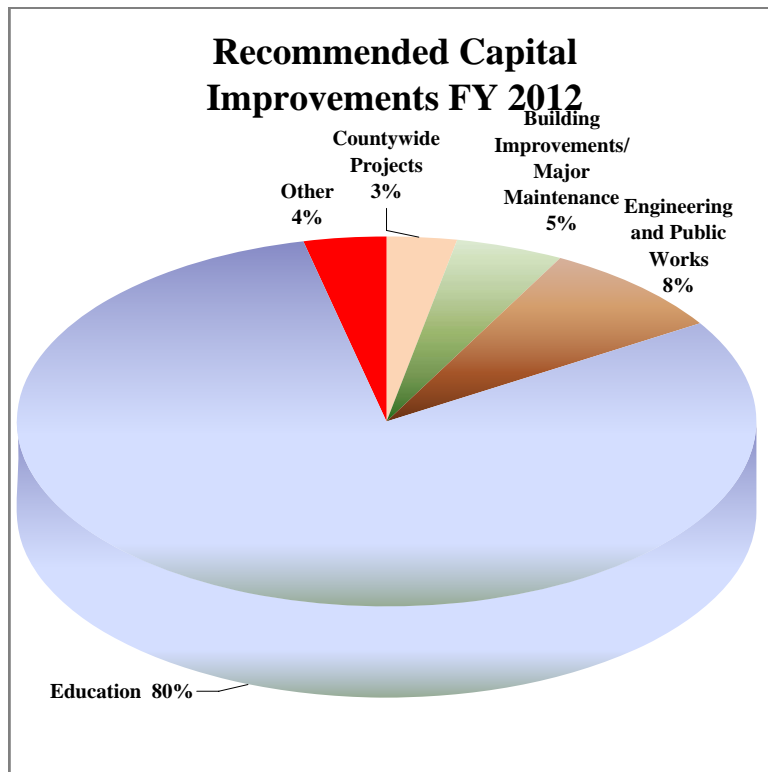
Knox County has established a set of policies that cover the process of preparing the Capital Improvement Plan. Below are the major factors involved in the process:

- A. Construction projects and capital purchases that generally cost in the aggregate more than \$100,000 and/or have a useful life of greater than seven years will be included in the Capital Improvement Plan. Furniture, fixtures and equipment purchased for major additions or renovations will be included in the plan; all other regular maintenance and capital purchases less than \$100,000 will be included in the operating budget.
- B. The purpose of the Capital Improvement Plan is to plan, schedule, and anticipate financing for capital projects for the next five years.
- C. Department Heads and Elected Officials will prepare the project proposals and present the requests to the Finance Department. The Public Building Authority will assist with the calculation of project costs and schedules. The project proposals from the Knox County School System will be forwarded to the Finance Department once the Knox County School Board adopts its request. Operating costs associated with the project must be provided by the department or elected official and are not included in the Capital Improvement Plan.
- D. The Knox County Finance Department and County Mayor will review the project requests and make recommendations to the County Commission. The final plan recommended by the County Mayor includes the financing of the projects recommended. Financing for the capital budget will come from General Obligation Bonds and other sources. If a specific current revenue source is identified for a project, then that funding is included in the plan.
- E. Budget appropriations for projects included in the first year of the approved Capital Improvement Plan, for which financing is planned for the upcoming fiscal year, are required to be approved by the County Commission. Budgetary approval for projects planned for the subsequent years, for which the financing is planned in those future years, is generally not obtained during the first year of the Capital Improvement Plan and is subject to revision in subsequent years' Capital Improvement Plans as the expected capital needs, and anticipated availability of the related financing, may change in response to future economic conditions and other circumstances.

**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
RECOMMENDED PROJECTS SUMMARY**

Recommended

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Countywide Projects	\$ 1,056,949	\$ 776,949	\$ 776,949	\$ -	\$ -	\$ 2,610,847
Public Libraries	150,000	150,000	150,000	150,000	150,000	750,000
Parks and Recreation	100,000	100,000	100,000	100,000	100,000	500,000
Building Improvements/Major Maintenance	1,694,235	652,990	1,000,000	2,849,400	349,400	6,546,025
Engineering and Public Works						
Highways	2,879,051	2,550,000	2,550,000	2,550,000	2,550,000	13,079,051
Solid Waste	50,000	250,000	450,000	250,000	400,000	1,400,000
Stormwater Management	-	-	-	-	-	-
Total Engineering and Public Works	2,929,051	2,800,000	3,000,000	2,800,000	2,950,000	14,479,051
Knox County Schools -- School Debt	28,100,000	15,000,000	15,000,000	5,000,000	5,000,000	68,100,000
Total Projects	34,030,235	19,479,939	20,026,949	10,899,400	8,549,400	92,985,923
Major Equipment	1,006,000	276,000	426,000	276,000	276,000	2,260,000
Total Recommended Capital Improvements	\$ 35,036,235	\$ 19,755,939	\$ 20,452,949	\$ 11,175,400	\$ 8,825,400	\$ 95,245,923



**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
SOURCES AND USES OF FUNDS**

Uses of Funds

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Recommended	\$ 35,036,235	\$ 19,755,939	\$ 20,452,949	\$ 11,175,400	\$ 8,825,400	\$ 95,245,923
Adjustment for Cash Flow/Project Schedule	-	-	(2,000,000)	2,000,000	-	-
Total Uses of Funds	\$ 35,036,235	\$ 19,755,939	\$ 18,452,949	\$ 13,175,400	\$ 8,825,400	\$ 95,245,923

Sources of Funds

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
General Obligation Bonds-Issued for:						
County Projects	\$ 5,830,000	\$ 4,380,000	\$ 2,925,000	\$ 7,800,000	\$ 3,450,000	\$ 24,385,000
Schools Projects	8,570,000	12,805,000	15,000,000	5,000,000	5,000,000	46,375,000
Total Issued for New Projects	14,400,000	17,185,000	17,925,000	12,800,000	8,450,000	70,760,000
Funding from QSCB Loan Program (See Note Below)	19,530,000	2,195,000	-	-	-	21,725,000
Capital Outlay Notes:						
Notes Issued for Major Equipment	1,006,000	276,000	426,000	276,000	276,000	2,260,000
Other Funding						
Operating Savings (See Note Below)	100,235	99,939	101,949	99,400	99,400	500,923
Total Sources of Funds	\$ 35,036,235	\$ 19,755,939	\$ 18,452,949	\$ 13,175,400	\$ 8,825,400	\$ 95,245,923

Expected Effect on Bonded Debt

Planned Principal Payments on Bonds	\$ 35,600,000	\$ 37,700,000	\$ 38,850,000	\$ 41,000,000	\$ 41,300,000	\$ 194,450,000
Planned Bond Issuance	(14,400,000)	(17,185,000)	(17,925,000)	(12,800,000)	(8,450,000)	(70,760,000)
Net Reduction in Bond Principal Balance	\$ 21,200,000	\$ 20,515,000	\$ 20,925,000	\$ 28,200,000	\$ 32,850,000	\$ 123,690,000

Note: Savings from the General Fund will be designated to the Capital Improvement Plan until the above amounts are met.

Note: In fiscal year 2011 the County entered into a loan agreement with the State of Tennessee, whereby the County borrowed \$29,236,000 in funding that the State had obtained from the federal government as part of the American Recovery and Reinvestment Act of 2009 (ARRA), also known as stimulus funding. The proceeds are to be used for various projects, beginning in FY 2011 and continuing to FY 2013. Also included in the total is approximately \$5 million allocated to the Carter Elementary School project. That project has not been appropriated in this plan. (See page 9.)

**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
COUNTYWIDE PROJECTS**

Recommended						
Description	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
General Project Management	\$ 576,949	\$ 576,949	\$ 576,949	\$ -	\$ -	\$ 1,730,847
Debt Issuance Costs (See Note Below)	280,000	-	-	-	-	280,000
City/County Improvements and Development	200,000	200,000	200,000	-	-	600,000
Total Countywide Projects	\$ 1,056,949	\$ 776,949	\$ 776,949	\$ -	\$ -	\$ 2,610,847

Note: The costs of debt issuance are included only for FY 2012, as only FY 2012 will be appropriated based on this capital plan.

**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
PUBLIC LIBRARIES**

Recommended

Description	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Library Facilities Upgrades	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 750,000
Total Public Libraries	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 750,000

**CAPITAL IMPROVEMENT PLAN
 FY 2012 THROUGH FY 2016
 PARKS AND RECREATION**

Description	Recommended					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Parks Facilities Upgrades	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 375,000
Greenways Upgrades	25,000	25,000	25,000	25,000	25,000	125,000
Total Parks and Recreation	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000

**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
BUILDING IMPROVEMENTS/MAJOR MAINTENANCE**

Description	Recommended					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
City / County Building (CCB)	\$ 570,600	\$ 342,000	\$ 285,000	\$ 500,000	\$ 500,000	\$ 2,197,600
Less: City Contribution toward CCB	(171,865)	(103,010)	(85,000)	(150,600)	(150,600)	(661,075)
Net County Funding for CCB	398,735	238,990	200,000	349,400	349,400	1,536,525
Andrew Johnson Building	429,500	130,000	50,000	-	-	609,500
Knox Central	40,000	-	-	-	-	40,000
Family Investment Center	19,000	-	-	-	-	19,000
Jail Improvements	183,000	-	-	-	-	183,000
Dwight Kessel Garage	-	60,000	-	-	-	60,000
John Tarleton	304,000	-	-	-	-	304,000
Juvenile Justice	80,000	62,000	50,000	-	-	192,000
Juvenile Court Building Expansion	-	-	500,000	2,500,000	-	3,000,000
Health Department	70,000	-	50,000	-	-	120,000
Libraries	-	122,000	100,000	-	-	222,000
Old Courthouse	170,000	-	-	-	-	170,000
Senior Centers	-	-	50,000	-	-	50,000
Fairview Technology Center	-	40,000	-	-	-	40,000
Total Building Improvements/ Major Maintenance	\$ 1,694,235	\$ 652,990	\$ 1,000,000	\$ 2,849,400	\$ 349,400	\$ 6,546,025

**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
ENGINEERING AND PUBLIC WORKS**

Recommended						
Description	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Highways						
CMAQ	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 250,000
Geometric Improvements	200,000	200,000	200,000	200,000	200,000	1,000,000
Bridge Construction	629,051	300,000	300,000	300,000	300,000	1,829,051
General Road Improvements	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
Total Highways	2,879,051	2,550,000	2,550,000	2,550,000	2,550,000	13,079,051
Solid Waste						
Karns Convenience Center Relocation	50,000	250,000	400,000	-	-	700,000
Carter Convenience Center Relocation	-	-	50,000	250,000	400,000	700,000
Total Solid Waste	50,000	250,000	450,000	250,000	400,000	1,400,000
Stormwater						
	-	-	-	-	-	-
Total Engineering and Public Works	\$ 2,929,051	\$ 2,800,000	\$ 3,000,000	\$ 2,800,000	\$ 2,950,000	\$ 14,479,051

**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
KNOX COUNTY SCHOOLS**

Recommended

Description	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Physical Plant Upgrades	\$ 3,700,000	\$ 5,000,000	\$ 7,860,000	\$ 5,000,000	\$ 5,000,000	\$ 26,560,000
Roofing and HVAC Replacements	3,155,000	3,645,000	5,990,000	-	-	12,790,000
Foundation Stabilization	-	-	750,000	-	-	750,000
Carter Campus Renovations/Additions (See note below)	-	-	-	-	-	-
New Southwest Elementary	17,055,000	445,000	-	-	-	17,500,000
Renovations to L&N--STEM High School Academy	1,800,000	-	-	-	-	1,800,000
Gresham Middle Upgrades	1,000,000	2,500,000	-	-	-	3,500,000
Chilhowee Elementary Upgrades	800,000	1,300,000	-	-	-	2,100,000
Belle Morris Elementary Upgrades	-	1,750,000	-	-	-	1,750,000
BEP Growth (Modular Classrooms)	400,000	-	400,000	-	-	800,000
Science Lab Upgrades	90,000	360,000	-	-	-	450,000
Facility Assessments	100,000	-	-	-	-	100,000
Total School Projects (See note below)	\$ 28,100,000	\$ 15,000,000	\$ 15,000,000	\$ 5,000,000	\$ 5,000,000	\$ 68,100,000

Note: The County initially had planned for a \$5 million (\$2 million in 2011 and \$3 million in 2012) renovation at Carter Elementary. The Knox County Commission has not funded this project, and alternatives to the planned renovations are being investigated. The County plans to amend the Capital Improvement Plan once a final determination is approved.

**CAPITAL IMPROVEMENT PLAN
FY 2012 THROUGH FY 2016
MAJOR EQUIPMENT**

Description	Recommended					Total
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	
Engineering and Public Works	\$ 426,000	\$ 276,000	\$ 426,000	\$ 276,000	\$ 276,000	\$ 1,680,000
Sheriff's Office/Detention Center Improvements	580,000	-	-	-	-	580,000
Total Major Equipment	\$ 1,006,000	\$ 276,000	\$ 426,000	\$ 276,000	\$ 276,000	\$ 2,260,000

**Knox County General Obligation Debt
Projected Changes in Bonded Debt Balances
Based on 2012-2016 Recommended Capital Plan**

Year Ending June 30,	Knox County General Obligation Debt				Knox County Schools Portion-General Obligation Debt				Total Knox County Debt			
	Total Planned Bond Proceeds	Expected Bond Principal Payments	Increase (Decrease) in Outstanding Debt	Outstanding Debt, End of Year	Total Planned Bond Proceeds	Expected Bond Principal Payments	Increase (Decrease) in Outstanding Debt	Outstanding Debt, End of Year	Total Planned Bond Proceeds	Expected Bond Principal Payments	Increase (Decrease) in Outstanding Debt	Outstanding Debt, End of Year
2010 (Audited)				\$ 363,953,720				\$ 250,017,215				\$ 613,970,935
2011 (Actual)	\$ 58,235,000	\$ 17,427,615	\$ 40,807,385	\$ 404,761,105	\$ 50,676,000	\$ 14,267,852	\$ 36,408,148	\$ 286,425,363	\$ 108,911,000	\$ 31,695,467	\$ 77,215,533	\$ 691,186,468
2012	5,830,000	17,243,683	(11,413,683)	393,347,422	8,570,000	18,372,019	(9,802,019)	276,623,344	14,400,000	35,615,702	(21,215,702)	669,970,766
2013	4,380,000	18,271,372	(13,891,372)	379,456,050	12,805,000	19,427,909	(6,622,909)	270,000,435	17,185,000	37,699,281	(20,514,281)	649,456,485
2014	2,925,000	19,171,592	(16,246,592)	363,209,458	15,000,000	19,677,689	(4,677,689)	265,322,746	17,925,000	38,849,281	(20,924,281)	628,532,204
2015	7,800,000	18,220,462	(10,420,462)	352,788,996	5,000,000	22,768,819	(17,768,819)	247,553,927	12,800,000	40,989,281	(28,189,281)	600,342,923
2016	3,450,000	19,185,369	(15,735,369)	337,053,627	5,000,000	22,078,912	(17,078,912)	230,475,015	8,450,000	41,264,281	(32,814,281)	567,528,642
Total	\$ 82,620,000	\$ 109,520,093	\$ (26,900,093)	\$ 337,053,627	\$ 97,051,000	\$ 116,593,200	\$ (19,542,200)	\$ 230,475,015	\$ 179,671,000	\$ 226,113,293	\$ (46,442,293)	\$ 567,528,642

Debt issued during FY 2011 consisted of the following:

Build America Bonds issued in accordance with the adopted FY 2011 Capital Improvement Plan	17,000,000
Refunding bonds issued to refund already existing debt other than bonds:	
Bonds issued to refund bond anticipation note (See note 1)	30,115,000
Bonds issued to refund capital leases for energy management equipment (See note 2)	32,560,000
Debt issued under the federal Qualified School Construction Bond (QSCB) program (See note 3)	<u>29,236,000</u>
	<u>108,911,000</u>

Note 1: The County's adopted FY 2008 Capital Improvement Plan included bond funding of \$30 million for approved projects. The county deferred issuance of the bonds, and issued a Bond Anticipation Note (BAN) of \$30 million in FY 2009. The existing BAN obligation was refunded by proceeds of the issuance of long-term bonds payable.

Note 2: The County had entered into three capital lease arrangements to provide funds for energy management projects in the Knox County Schools and for various County facilities. These capital lease arrangements were shown in the County's Comprehensive Annual Financial Report as long-term obligations. In FY 2011 the three leases were paid in full from the proceeds of long-term refunding bonds issued.

Note 3: The American Recovery and Reinvestment Act of 2009 (ARRA), also known as stimulus funding, included provisions for funding of certain public school projects under the Qualified School Construction Bond program (QSCB). The County issued \$29,236,000 under this program in FY 2011, which is to be expended in full within three years (i.e., during FY 2013). This debt will be applied to school projects during FY 2011 through FY 2013. The debt, which bears no interest, was issued during FY 2011 as the authorization to issue debt under the ARRA program expired December 31, 2010.