



ORANGE COUNTY

NORTH CAROLINA

April 1, 2025

TO: Board of Orange County Commissioners

FROM: Travis Myren
County Manager

RE: Manager's Recommended FY2025-35 Capital Investment Plan

I am pleased to submit the County Manager's Recommended Capital Investment Plan (CIP) for FY2025-35. This CIP represents the culmination of several significant and foundational planning efforts that serve as the County's multiyear blueprint to address critical facility needs and to advance the goals and priorities of the Board of Commissioners.

Countywide Strategic Plan

The Board's Strategic Plan includes six strategic priorities:

- Environmental Protection and Climate Action
- Healthy Community
- Housing for All
- Multi-modal Transportation
- Public Education/Learning Community
- Diverse and Vibrant Economy

These priorities are reflected throughout the CIP, but the most pronounced examples include investments in sustainability and clean energy, a new behavioral health crisis diversion facility, and historic investments in school facilities. Each project page contains a header that indicates alignment with the Strategic Plan and the Climate Action Plan.

School Long Range Optimization Plan

In November 2024, over 67% of Orange County voters approved a \$300 million general obligation bond to replace and renovate aging school facilities. The need for the bond was expressed in a study of school facility conditions and educational adequacy. A consulting firm identified the total

cost of addressing all of the school capital needs at this time is over \$1 billion. The Board carefully balanced correcting those facility deficiencies with the financial responsibility that would be passed on to taxpayers to pay for those projects. Ultimately, the Board chose a combination of a \$300 million general obligation bond coupled with up to \$100 million of cash or pay-as-you-go funding over 10 years.

County Long Range Facility Plan

The FY2025-35 CIP also integrates new County projects as recommended by the County’s Long Range Facility Plan. A consulting firm recommended a total 10-year plan that totaled \$130 million. The Board again balanced needs and costs and chose a funding plan totaling \$90.1 million. The CIP recommends projects totaling \$89.1 million in County costs.

County Long Range Facility Plan Projects Recommended in FY2025-35 CIP		
Year of Construction	Project	County Cost
FY2027-28	Cedar Grove Conditioned Storage	\$2,635,200
FY2027-28	Emergency Services Headquarters	\$33,571,484
FY2028-29	510 Meadowlands Admin.	\$3,641,385
FY2028-29	Justice System Space Needs	\$16,914,576
FY2029-30	Recreation Facility	\$21,630,703
FY2030-31	Deconstruct Old Recreation Facility	\$1,095,784
FY2031-32	Southern Human Services	\$9,628,672
TOTAL		\$89,117,804

The Justice System Space Needs project was not specifically included in the County’s Long-Range Facilities Plan. Since that Plan was finalized, justice system stakeholders asked County leadership to work together to take a more comprehensive view of criminal justice system operations and to create a facilities plan that more seamlessly integrates those operations. In response to this request, a Workgroup that includes criminal justice system stakeholders has been reviewing existing facility needs and analyzing options that include a more comprehensive view of the system and how it interacts with facilities. This Workgroup may recommend a different set of projects or different sequence of improvements.

FY2025-35 Capital Investment Plan Cost and Financing Overview

The recommended FY2025-35 CIP represents a decrease of approximately \$2 million compared to the FY2024-34 Approved CIP. The first year of the Recommended CIP, FY2025-26, totals \$76.4 million in capital investments. Of this amount, \$38.5 million is recommended for County capital projects, \$3.7 million is recommended for proprietary fund spending including Solid Waste, and Sportsplex, and \$34.1 million is recommended for capital improvements to school facilities.

Financing Sources

The principal funding source for the Capital Invest Plan is County funded debt. The 10-year plan includes \$621.6 million County funded debt. Other significant sources of funds include additional pay-as-you-go funds for schools and Lottery and Article 46 sales tax proceeds (\$191.4 million over 10 years) which are also dedicated to fund school capital needs. The Plan also includes approximately \$23 million in pay-as-you-go or cash funding for County Projects to support design and architectural services and smaller projects with short useful lives.

Recommended Year 1 (FY2025-26) Projects

Education Capital Improvements

The FY2025-35 CIP is the first to follow the School Capital Funding Policy the Board adopted in early 2025. That policy defines capital spending categories and assigns funding sources to those categories. The policy also specifies that Major Projects and High Priority Needs projects are budgeted by project. At the same meeting, the Board adopted the Major Project Planning Policy Addendum which priorities, guidelines, and principles under which new facilities will be designed.

The FY2025-26 Recommended CIP finances High Priority Needs projects as defined by the School Long Range Optimization Study and provides cash funding to begin planning and design for major projects such as replacement school facilities and significant renovations.

- **High Priority Needs - \$6.3 million**

The CIP includes an annual allocation to address high priority facility needs. High Priority Needs include instances where a failure would impact the facility's ability to remain open, the health of major systems, the efficiency and usefulness of the facility, as well as life cycle replacements of major components with one to three years of remaining useful life.

High Priority Needs are funded using annual debt financing and lottery proceeds. For FY2025-26, the debt financed allocation is \$4.5 million and lottery proceeds of \$1.8 million. The Plan assumes that the amount of debt financing increases by 2% each year.

- **Planning Funds for Major Projects**

The primary intent of the bond funds is to fund Major Projects such as facility replacements and significant renovations as identified by the school districts and consistent with the principles of the School Long Range Optimization Plan. The \$300 million in general obligation bond proceeds are allocated between the districts at \$174.7 million to Chapel Hill-Carrboro City Schools and \$125.3 million to Orange County Schools.

In addition to the bond funds, the Board expressed support for allocating \$100 million for planning, design, and project management over the next 10 years. This work is planned using Pay-Go (or cash). The FY2025-26 CIP recommends beginning with a \$6.4 million allocation in Pay-Go funding. This equates to a tax rate impact of 1.98 cents per \$100 of property value.

After the Major Projects are completed, the supplemental pay-go will provide additional annual funding for High Priority Needs and increase the county's annual maintenance funding for the school district portfolio.

County Assets

The FY2025-35 CIP is continuing to recommend repair and critical maintenance of County facilities and infrastructure. Many of the County maintenance and repair projects throughout the 10-year plan were recommended through a Facility Condition Assessment. As a precursor to the Facility Master Plan, the County retained a consultant to perform a detailed Facilities Condition Assessment of each County-owned facility. This Assessment identified and prioritized the replacement of heating and cooling equipment, building façades and windows, electrical systems, and roofing and created a 10-year replacement schedule for each category based on existing conditions, age, and expected useful life. These investments are intended to improve resiliency, extend the life of facilities, and improve service delivery to residents.

- **Animal Services Shelter Improvements - \$818,720**

The most recent inspection of the Animal Services Shelter by the Department of Agriculture and Consumer Services, Animal Welfare Section recommended a series of improvements. This project recommends implementing those recommendations and making other improvements to the facility at a projected cost of \$818,720. The project will replace the dog-hold doors, relocate feeding areas, improve air quality and visibility, install guillotine doors to allow co-housing, add doors between rooms for improved cleaning, tint glass, improve signage, and replace exterior doors.

- **Behavioral Health Crisis Diversion Facility Construction - \$22.6 million**

The Board of Commissioners has prioritized access to behavioral health services as part of the Countywide Strategic Plan. One of the Plan's objectives is to, "Improve harm reduction, prevention, and support services for adults and children experiencing behavioral health issues, substance use disorder, and intellectual or developmental disability." The County is currently working with an architect to design the facility and will acquire the site this spring. The FY2025-26 CIP is recommending that the Board authorize construction funding in the amount of \$22.6 million.

The facility is intended to divert individuals experiencing a behavioral health crisis from hospital emergency departments and the County's Detention Center. The facility will offer two primary services. First, it will offer Behavioral Health Urgent Care services for assessment, stabilization, treatment, and aftercare planning for patients age 4 and older. The facility will also house Facility Based Crisis services for adults for longer term treatment. In addition to patients arriving through Emergency Medical Services and law enforcement, the facility will also accommodate walk-in patients, provide criminal justice stakeholders with clinical assessments, and offer the most appropriate care for justice-involved individuals in the least restrictive setting possible.

- **Board of Elections Storage - \$381,000**

This project was originally budgeted in FY2024-25 to construct secure storage in the back of the Board of Elections office building. However, the original budget was not sufficient to start the project. Based on new cost estimates, the budget needs to increase by \$381,000 to fully fund the project.

The new storage space would replace the existing temporary storage containers and allow for appropriate temperature-controlled storage of voting equipment. The project would add secure storage space and a ramp for loading and unloading voting equipment. The location of this expansion is outside of the floodplain which will keep the equipment safe from floods.

- **Climate Change Mitigation Project - \$267,750**

The Climate Change Mitigation Project was established in FY2019-20 to fund initiatives to combat climate change. The initial program funding was tied to the amount of property tax generated by one quarter (¼) cent on the property tax rate. The Board of County Commissioners subsequently revised the allocation to 50% for a county administered competitive grant program and 50% for school-related projects. In the FY2024-25 Budget, the school allotment was redirected to Emergency Housing Assistance since the School Districts will soon have access to bond funding. As a result, the tax rate equivalent amount dropped to roughly one eighth (1/8) of a cent.

The 2025 Revaluation increased the County's total tax base by 39%, so the one eighth of a cent would generate \$404,703. The CIP recommends removing the link between the amount of grant funding and a portion of the tax rate. Rather, the CIP recommends using the FY2024-25 amount and increasing it by 2% annually moving forward. As a result, the grant program increases from \$262,500 in FY2024-25 to \$267,750 in FY2025-26. The additional revenue will be retained in the operating budget provides flexibility to fund ongoing sustainability related expenses.

- **Electric Vehicle & Infrastructure Study - \$100,000**

The Climate Action Plan includes a climate action goal of transitioning the County's fleet to electric by 2035. The CIP recommends \$100,000 to develop a comprehensive implementation strategy for this transition. The strategy document will include a thorough fleet evaluation to right-size the vehicle fleet, an implementation strategy for short-term, mid-term, and long-term purchasing options, identify any barriers to fleet conversion, create an EV charging infrastructure needs analysis, and identify repair and maintenance requirements. The study will also discuss the Green House Gas emission reductions associated with the conversion to electric vehicles.

- **Electrical Upgrades - \$175,787**

This project is used to update electrical systems including distribution panels, interior lighting, exterior lighting, transformers, and other related electrical items. As a standard practice, each replacement will follow Leadership in Energy and Environmental Design (LEED) standards by

using the most current energy-efficient materials including Energy-Star rated products and LED lighting. Recommended Year 1 funding will upgrade a distribution panel at Emergency Services Substation 1, renovate the electrical system and add exterior lighting at the Orange County Fuel Station, and add lighting at The Robert & Pearl Seymour Center. This project also allocates \$50,000 for LED upgrades planned for the Richard E. Whitted Complex in the first year.

- **Evidence Storage Building - \$3,708,500**

The Orange County Sheriff's Office is currently storing evidence in the vacant jail located at 125 Court Street. However, the existing storage space does not meet the current needs of the Sheriff's Office, and the former jail is proposed to be deconstructed as part of the County's Facility Plan. The CIP recommends \$3,708,500 for FY2025-26 to construct a new Evidence Storage building, which may be situated at the Northern Campus on US 70 West in Hillsborough. This new facility will provide a centralized space to accommodate evidence and other storage needs. It will also include at least two offices for staff members who manage and control evidence for the Sheriff's Office.

- **Facades - \$1,365,800**

The Facades Project includes the replacement of exterior doors, windows, and other exterior improvements. As standard practice, each replacement will be done with the most energy-efficient materials available at the time of the replacement. Replacements are based on the current condition and useful life. The most significant investment recommended for FY2025-26 (\$1,347,450) is to replace all exterior windows, doors, and retaining walls at the Whitted Building. The majority of this project is intended to improve energy efficiency due to the age of the building.

- **Facility Accessibility, Safety and Security Improvements - \$25,000**

This project funds a variety of facility safety and security improvements throughout the County. Funding for FY2025-26 will focus on accessibility improvements Countywide.

- **Fire Alarm and Fire Suppression System Replacements - \$511,740**

This project replaces fire alarm systems, fire suppression systems, fire door repairs and replacements, and emergency exit lighting. Replacements are based on the current condition and useful life of each system. For FY2025-26, funding is requested to upgrade the fire alarm system at Animal Services and the Whitted Building as well as to replace fire doors in other county facilities.

- **Heating, Ventilation, and Cooling (HVAC) Projects - \$427,224**

This project is a combination of Heating, Ventilation, and Air Conditioning System replacements and the controls used to regulate and manage those systems. The replacements and repairs are prioritized based on the current age, maintenance history, and facilities served.

The largest component of this project request (\$373,824) is to upgrade and replace portions of HVAC system that serves the Justice Center. Each replacement is evaluated to use the most energy-efficient systems including potential conversion to geothermal systems.

- **Interior Finish Replacements - \$152,000**

The Interior Finish Replacement Project is used to replace facility finishes including carpet, tiles, flooring, and interior replacement needs. The FY2025-26 CIP recommends enclosing the administrative check-in area at the DSS Building (Hillsborough Commons) and installing window coverings in the Great Hall of the Seymour Center. These replacements focus on the use of recycled materials, sustainable materials, and low to no volatile organic compound products.

- **Lake Orange Dam Rehabilitation - \$970,000**

Lake Orange is a Class II public water supply reservoir owned by Orange County. The lake's primary uses are to serve as a public water supply and to maintain minimum flows in the Eno River as defined in the Eno River Water Management Plan.

The County retained professional services in early 2022 to review and prioritize repairs of the dam, intake tower, erosion control barrier, emergency spillway, and concrete spillway channel. The FY2025-26 CIP recommends \$970,000 to accommodate cost escalation on previously funded phases based on an updated engineering estimate. Staff will continue to seek federal and/or private infrastructure grants to reduce the cost of this project.

- **Parking Lot Improvements - \$191,029**

This project is a combination of parking lot repairs, resealing, and repaving across multiple county facilities. This includes evaluating each parking lot for safety and sufficiency as well as the addition of green spaces. The FY2025-26 funding would resurface the parking lot at the Board of Elections and the parking lot and driveway at the Emergency Services Facility on Meadowlands Drive. Repavement, repairs, and other improvements are guided by a Parking Lot Assessment study.

- **Piedmont Food Processing Center - \$120,000**

The FY2024-25 CIP included funding to replace the heating, ventilating, and cooling equipment at the Piedmont Food Processing Center (PFPC). For FY2025-26, this project would fund system controls for that equipment to manage the system better. This project would be funded using Article 46 sales tax proceeds.

- **Plumbing Repairs - \$8,900**

The Plumbing Repair project is a combination of major plumbing repairs across multiple County facilities and includes backflow preventers, hot water heaters, sinks, toilets, water fountains, and other plumbing-related items. In FY2025-26, funding is recommended to replace the water fountains at the Gateway Center where Tax Administration and the Register of Deeds are located. Each replacement is focused on water-saving devices such as

aerators and dual handles as well as the capability to refill water bottles to encourage the use of reusable containers.

- **Register of Deeds Automation - \$80,000**

The Register of Deeds Automation project is funded using automation fees that are specifically designated by State Statute to improve technology capabilities in the Register of Deeds Office. Each year, the County budgets \$80,000 which is allowed to accumulate over time to make significant technology investments.

- **Roofing - \$221,710**

The roofing project is used to maintain and replace roofing on County facilities. These replacements and repairs are prioritized based on a Roof Asset Management Plan. The funding recommended in FY2025-26 replaces roofing at the County Fuel Station and Efland Cheeks Community Center and also provides \$55,000 for the annual roof inspection and repair program.

- **Electric Vehicle Charging Station for County Fleet - \$362,448**

The Climate Action Plan recommends that the County transition its vehicle fleet to an electric platform. The FY2025-26 funding of \$362,488 includes \$276,488 to install 16 electric vehicle charging stations for nine county departments and \$86,000 to complete staff EV chargers originally budgeted in FY2024-25. The current plan is to install level II charging stations for Asset Management Services (2), Cooperative Extension (1), Department of Environment, Ag, Parks, and Recreation (2), Department of Social Services (2), Department of Health (2), Housing Department (2), Planning Department (3), Tax Administration (1), and Transportation (1).

The installation schedule for future years is guided by the vehicle replacement schedule to ensure all electric vehicles have access to charging stations.

- **Vehicle Replacements - \$3,567,530**

The FY2025-26 request for vehicle replacements is consistent with the spending level approved in FY2024-25. Funding of \$3,567,530 is recommended to replace 23 vehicles. The Sheriff’s Office is also recommended to receive a lump sum of just under \$600,000 to replace vehicles as the Sheriff determines. The Sheriff’s allocation is included in the \$3.5 million total. Sixteen of the replacements, or approximately 70%, are scheduled to be replaced with Electric Vehicles (EV).

Department	Replacement Vehicles
Asset Management Services	2 EV Pickups
Cooperative Extension	1 EV Passenger Van
DEAPR	1 EV Pickup 1 EV SUV 1 Heavy Duty Pickup

Social Services	2 EV Sedans
Emergency Services	2 Heavy Duty Pickups 1 SUV 3 Ambulances
Planning and Inspections	3 EV SUV's
Health Department	2 EV Pickups
Housing Department	2 EV Vans
Tax Administration	1 EV SUV
Transportation	1 EV Passenger Van
TOTAL	23 Replacements

Public Safety

The FY2025-35 Recommended CIP includes investments that will support the County's public safety functions to modernize information technology systems and continue to reliably and efficiently respond to emergencies. Vehicles for the Sheriff's Office and Emergency Services are included in the *Vehicle Replacement* project.

- **Communication System Improvements - \$300,000**

The radio replacement initiative began in 2004 with over \$5 million invested to guarantee a reliable and up-to-date radio system for first responders. This project replaces and upgrades portable radios used by Emergency Services, the Sheriff's Office, and the Health Department, ensuring compliance with the state-mandated upgrade to Time Division Multiple Access (TDMA) standards.

The CIP recommends \$300,000 in FY2025-26 to replace 15 portable and 15 mobile radios for the Sheriff's Office. These radios require replacement due to their age or condition. Future radio replacements will be included in the Emergency Services Renewal & Replacement project to maintain operational sustainability.

- **Emergency Services Renewal and Replacement - \$598,955**

The Emergency Services Renewal and Replacement Fund is used to replace mission critical Emergency Medical Services (EMS) equipment such as stair chairs, public alert and warning equipment, Lucas CPR devices, EMS treatment bags, electrocardiograms (EKG's), and personal protective equipment. The department has developed a long-range recurring replacement schedule to forecast specific future needs which is represented in subsequent years of the CIP. The FY2025-26 recommendation also includes the replacement of 13 portable radios (800 MHz) and batteries, consistent with the transfer from an independent CIP project to an integrated part of the department's operational responsibilities.

Information Technology

Significant information technology and communication improvements are financed through the Capital Investment Plan. These projects maintain and expand the capabilities of the County's information technology infrastructure, employ new technologies to better meet the needs of

County residents, protect and secure critical data and systems, and improve internal operating efficiencies.

- **Information Technology Governance Council Initiatives - \$145,000**

The Information Technology Governance Council project is one of the methods through which new technology is funded for County departments. The Recommended CIP includes \$145,000 to fund three projects:

- An update to the County’s website to comply with the 2024 update to the Americans with Disabilities Act (ADA) final rules. The deadline for completing this work is April 24, 2026.
- A multilingual Chat Bot using Short Message Service (SMS) to be used on Website Chat, Facebook Chat, Twitter Chat, and WhatsApp Chat.
- A contract management module for the County’s financial system to better track contract end dates and certificates of insurance and automate the contract management process.

Future years in the CIP indicate a funding level of \$250,000. This would represent the maximum amount of investment in any given year. The actual amount will be driven by the projects that are recommended each year. As applications transition from the traditional on-premises model to cloud base, subscription services, fewer new applications will qualify for CIP funding.

- **Information Technology Infrastructure - \$988,000**

The FY2025-26 CIP recommends \$988,000 in Information Technology infrastructure investments. This project would fund \$530,000 in infrastructure components related to server upgrades, data storage, network improvements, wireless expansion and replacements, and cybersecurity improvements/prevention/mitigation. Of this total funding in Year 1, \$438,000 will be used to replace an estimated 219 laptops that are over six years old and \$20,000 will be used for Audio Visual upgrades in County conference rooms.

Parks, Open Space, and Trail Development

The Board has historically funded projects for parks, open space, farmland preservation, and trail development. These projects are intended to preserve natural areas of the County and promote nature activities for County residents. Funding recommendations in this category are generally guided by the Parks and Recreation 2030 Master Plan, Lands Legacy Action Plans as well as the individual park plans. The FY2025-26 CIP recommends funding for the following projects:

- **Implementation of Neuse River Rules for Nutrient Management - \$175,000**

The State-mandated Falls Lake Nutrient Management Rules call for each jurisdiction in the upper Neuse River Basin to reduce total nitrogen levels by 77% and total phosphorus levels by 40% over a period of several years to improve water quality. Compliance with these rules would be costly to each of the local governments located in the basin. However, the Upper

Neuse River Basin Association secured approval of an alternative implementation approach that would be less expensive while still protecting water quality. Specific efforts include a mix of storm water controls or wetlands improvements, conservation acquisitions and practices, and other methods.

The FY2025-26 project continues the effort to reduce total nitrogen levels in Falls Lake Reservoir. This project began in FY2022 and will be an annual effort until Phase II of the Falls Lake rules are promulgated. Efforts continue by the Upper Neuse River Basin Association jurisdictions to revisit the nutrient modeling. Changing the model may also change the mandated nutrient reductions, but at this time, the reductions as noted above remain in place.

- **Parks and Recreation Facility Renovations and Repairs - \$210,000**

The FY2025-26 funding request addresses annual and ongoing safety, lighting, park infrastructure, signage, preventive maintenance and tree/landscape improvements in the County's seven parks. Using this project, the department continues a transition from fossil fuel powered equipment to electric to reduce GHG emissions as recommended in the Climate Action Plan. This project provides ongoing funding for park needs and initiatives identified in the 2030 Parks & Recreation Master Plan. Funding is assigned based on a biennial schedule of repairs and renovations planned for in advance. Each year, the list of scheduled projects is reviewed and prioritized.

Long Range Projects

The FY2025-35 Plan includes several projects that are not captured in Year 1.

- **Affordable Housing**

The FY2025-35 CIP contains a total of \$15 million in staggered funding over the 10-year planning horizon. Consistent with an objective contained in the Strategic Plan, this is intended to provide a predictable source of subsidy for affordable housing developers.

- **Additional Community Center Space Needs**

The FY2025-35 CIP projects an expansion of the Community Center in the Rogers Eubanks neighborhood with design scheduled to begin in FY2027-28. With a total cost of nearly \$2.9 million, the project anticipates a funding partnership with the Towns of Chapel Hill and Carrboro consistent with the original cost sharing agreement.

- **Emergency Radio System Build Out**

Emergency Services has continued to evaluate the most effective and efficient approach to improving emergency radio coverage using the most current technology. A new concept for tower construction has been established, and an implementation plan is proposed to be funded at \$32 million starting in FY2027-28. The County's share of this project is expected to

be \$24 million after partnership funding from the Towns based on the number of public safety radios utilized by each jurisdiction.

- **Justice System Space Needs**

The County has engaged with current occupants of the Justice Center/Courthouse on the space needs of the stakeholders. Some funding is reserved in the plan for this purpose (\$16.9 million), but the desire expressed by the stakeholders would consolidate all court related functions into a single facility. The scope and cost of that option would well exceed the existing reservation.

- **Emergency Services Substations**

The Plan includes two Emergency Services Substations. The first is budgeted in FY2026-27 at \$3.6 million as a cooperative project with the Town of Chapel Hill. The second is budgeted beginning in FY2029-30 with a combined design and construction budget of \$4.4 million. The concept for this substation is to serve as a hub to be both an EMS station and a facility to house community risk reduction services such as community paramedicine, post overdose response, and mobile crisis.

- **Lake Orange Dam – Phase 2**

Phase 2 of the Lake Orange Dam project is scheduled to begin in FY2029-30 at a total budgeted cost of approximately \$3.8 million. This phase will address the complete replacement of the existing emergency spillway weir and existing concrete spillway channel.

- **Parks Projects**

The Plan currently includes several large park projects in future years. The expansion of Soccer.com is projected to begin in FY2027-28 at a total cost of approximately \$4 million, and the development of Millhouse Road Park is anticipated to begin in FY2029-30 at a total cost of over \$3.4 million.

Long Range Financial Projections

Debt Modeling

Although the Board only appropriates funding for projects in the first year of the Plan, the CIP is a long-range planning tool that projects future needs and the financial capacity required to meet those needs. This is done using a debt modeling tool that projects future debt service requirements and monitors compliance with the County's ability to pay debt service. The ability to pay is expressed as a percentage of general fund revenue that is consumed by debt service each year.

- **Debt Service Projected Tax Rate Impact**

Projected debt service ultimately requires a tax rate equivalent to pay the annual installments on borrowing. The Recommended ten-year CIP includes the full \$300 million in tax supported debt associated with the school bond and approximately \$90 million in County facilities. Implementation of this plan will very likely require increases to the tax

rate to fund growing debt service. The table below illustrates an incremental approach to funding the Plan based on the recommended project sequencing and timing.

Fiscal Year	Incremental Tax
2026-27	1.78
2027-28	1.77
2028-29	2.91
2029-30	1.59
2030-31	0.19
2031-32	
2032-33	1.04
2033-34	0.73
2034-35	
Total	10.01

Other tax rate approaches could be used. For example, the Board could choose an up-front increase that generates the revenue necessary to fund the growth in debt service through FY2034-35. That increase would be 7.68 cents if implemented in FY2026-27. Alternatively, the Board could choose an incremental tranche-based approach where fewer but larger increments are used. For example, a 4-cent increase in FY2026-27, an additional 4 cents in FY2029-30, and a final 1.40 cents in FY2032-33 would also finance the growth in debt service.

- **Debt Capacity Target**

County policy has established a debt service capacity target of 15% of general fund revenues. Based on prior borrowing approved by the Board, this target is achieved in FY2025-26 at 11.19%. However, as money is borrowed for new school and County projects, the debt to general fund revenue ratio exceeds 15% starting in FY2028-29 and may reach as high as 19.13% in FY2033-34 based on the incremental tax increase approach detailed above.

Fiscal Year	DS to GF Revenue %
2026-27	12.86%
2027-28	14.05%
2028-29	16.44%
2029-30	17.77%
2030-31	17.86%
2031-32	17.75%
2032-33	18.63%
2033-34	19.13%
2034-35	18.13%

Both the projected tax rate impact and the debt to general fund revenue ratio are subject to change. Both are sensitive to factors such as tax base growth and project timing. As the tax base grows, each one cent on the tax rate generates more revenue. In addition, if project implementation lags the projected implementation date, the taxes required to pay for that debt would also be postponed.

Gratitude and Appreciation

The FY2025-35 Recommended CIP is the culmination of long-term planning, creative thinking, and problem solving by numerous County staff. The County's Budget Office, led by Kirk Vaughn and supported by Christy Dodson, provided exemplary support, advice, and attention to detail. In addition to the work of the Budget Office, this document includes valuable contributions from Alan Dorman, Director of Asset Management Services, Angel Barnes, Capital Projects Manager, and Gary Donaldson, Chief Financial Officer. This year's planning process was further enhanced by the input of the County's Sustainability Manager, Amy Eckberg, and the Strategic Planning Manager, Kelly Guadalupe. They were integral in advising on aligning the Plan with Climate Action Plan and Countywide Strategic Plan objectives.

We look forward to working with you over the next several weeks to improve upon the Manager's Recommended Capital Investment Plan. Please contact me if you have any questions.