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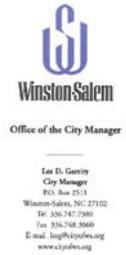
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Winston-Salem



May 27, 2021

Dear Mayor Joines and Members of the City Council:

I hereby transmit to you the proposed 2022-2027 Capital Plan for the City of Winston-Salem. The Capital Plan provides a schedule of the City's capital appropriations for the next six years. The purpose of capital planning is to fund all appropriate capital needs by matching projects with the appropriate funding source(s) at the appropriate time. The planned capital appropriations from FY 2021-22 through FY 2026-27 total \$391.8 million.

The six-year Capital Plan is a guide. As such, it is subject to change and revision in the future as the initiatives and priorities of the Mayor and City Council change. Year One of the Capital Plan (FY 2021-22) represents the budget year and is adopted with the annual operating budget. Years Two through Six are planning years.

CAPITAL PLAN OBJECTIVES

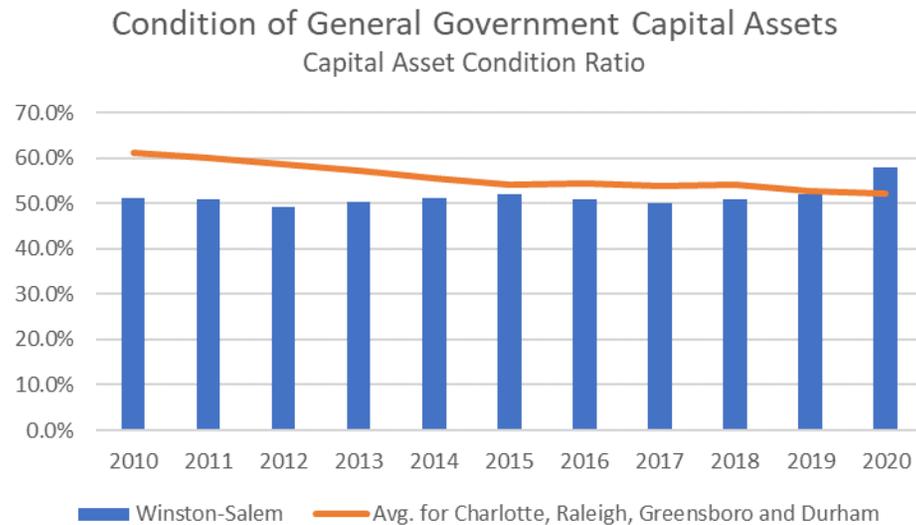
In March 2021, the Mayor and City Council held a special workshop to discuss the City's priorities and update the Strategic Plan through FY 2024-25. Out of that discussion, the Mayor and City Council reaffirmed the following six strategic focus areas that would guide City government over this period.

- Economic Vitality and Diversity
- Safe and Secure Community
- Livable Neighborhoods
- Healthy Environment
- Quality Transportation
- Service Excellence

Within these strategic focus areas, the Mayor and City Council established 15 strategic initiatives to measure the City’s progress in these areas. These initiatives have helped guide the City’s capital planning process.

The City of Winston-Salem owns approximately \$504.9 million in capital assets (excluding enterprise funds), which depreciate over time. Therefore, it is critical to re-invest in existing infrastructure to avoid a situation where rapidly aging assets would affect service quality. What is needed, therefore, is an appropriate mix of re-investment as well as new investment that supports future economic prosperity.

The North Carolina Department of State Treasurer has created a model for assessing a government’s financial condition, including the condition of capital assets. The “Capital Assets Condition Ratio” measures how well a government entity is investing in new and existing capital assets. Key to making a good analysis is the inclusion of a comparative benchmark using data from peer cities. A higher ratio suggests a government entity is investing more in its current capital assets and in new capital infrastructure for future prosperity. A value of less than 50% suggests that a government may be falling behind in capital asset investment and may incur future liabilities. Rating agencies generally consider this to be a non-sustainable situation.



For Winston-Salem, the capital assets condition ratio has met or exceeded the 50% benchmark over the last few years, which suggests the City is investing more in its capital assets. Existing assets require more re-investment including streets and sidewalks,

playgrounds, fire stations, recreation centers, general government facilities, and other infrastructure. With the completion of projects funded as part of the 2014 and 2018 bond referendums, this trend should continue.

For fiscal years 2022-27, the Capital Plan programs primarily revenue bonds, two-thirds general obligation bonds, State gasoline tax, and capital reserves to invest in existing water, sewer, and stormwater infrastructure; recreation and parks facilities; bridge repairs; street resurfacing; and other transportation infrastructure.

UNFUNDED CAPITAL PROJECTS

While the projects funded in the six-year plan address some of the City's most critical capital needs, they represent only 41% of the total needs that have been identified in recent years. A list of remaining unfunded capital needs, totaling \$562.5 million, is included in the final section of this document.

City staff and I stand ready to further discuss the proposed six-year plan and the list of unfunded capital needs.

Sincerely,

A handwritten signature in cursive script that reads "Lee D. Garrity". The signature is written in black ink and is positioned above a horizontal line.

Lee D. Garrity
City Manager



Capital Plan 2022-2027

◆ Introduction

The City's Capital Plan is a six-year plan for the scheduling and appropriation of funds for major projects that represent significant contributions to the City's overall inventory of physical assets. The types of projects traditionally included in the Capital Plan are major, non-recurring expenditures for:

- construction, purchase, or major renovation of buildings, utility systems, streets, or other physical structures;
- purchase of land for redevelopment, right-of-way for streets and utilities, parks, and sites associated with public buildings;
- stimulation of economic development and housing (for business parks, downtown development, housing production, housing rehabilitation, and housing loans and grants).

To be considered for inclusion in the Capital Plan, the project must meet the following criteria:

- project or equipment life of greater than ten years;
- estimated cost of at least \$50,000 (\$150,000 for equipment).

The first year of the Capital Plan represents the actual capital project budget appropriations for that year. Approval of the Capital Plan, therefore, commits the City to the first year of capital projects, with conditional approval for those projects listed in the five future planning years. Each year, the Capital Plan is updated with the inclusion of the previously approved capital budget in "Prior Year Appropriations" and the addition of a planning year in order to maintain a six-year program.

◆ Capital Plan Preparation Calendar

The Capital Plan is prepared annually, typically beginning with a planning session in October for key department and division heads. At the meeting, the city manager, along with the budget and planning staffs, presents information concerning the City's environment for long-range capital planning and reviews the City's existing long-range plans and guidelines. The budget staff reviews the projects included in the previously approved Capital Plan and discusses the requirements for submitting new projects for consideration in the upcoming plan. Subsequent steps in the Capital Plan preparation process include the following:

<i>October to December</i>	Departmental preparation of project requests: Requests include information concerning project justification (objectives, who benefits, and priority), cost estimates, available resources, project timing requirements, and impact on the operating budget.
<i>January</i>	Budget and planning staff review of project requests: Review includes detailed verification of project description, justification, priorities, and cost estimates.
<i>February</i>	Budget staff draft of initial projects to be included in the upcoming Capital Plan: Draft is reviewed internally with departments, assistant managers, and the city manager.
<i>March to April</i>	Capital Plan proposal along with the annual operating budget proposal prepared for submission to the Mayor and City Council in late May.

◆ Capital Plan Overview

The Capital Plan provides a capital appropriations schedule for fiscal years 2022-27 totaling \$391.8 million. This total includes projects funded by two-thirds bonds, utility revenue bonds, state and federal grants, gasoline taxes, North Carolina Municipal Leasing Corporation proceeds, capital reserves, and other resources. The document is organized by the city's six strategic focus areas: economic vitality and diversity, safe and secure community, livable neighborhoods, healthy environment, quality transportation, and service excellence. The final section of this document provides a list of unmet capital needs totaling \$562.5 million.

◆ Expenditure Overview: 2022-2027

Economic Vitality and Diversity Projects

Focus Area Objectives:

- Recruit and Retain Employers
- Promote Downtown Revitalization
- Promote Commercial Development in Economically Disadvantaged Areas
- Enhance Skills of Workforce
- Develop and Redevelop Commercial/Industrial Parks/Sites
- Assist Small Businesses

Economic vitality and diversity projects represent \$1.8 million, or 0.5%, of the total Capital Plan for 2022-27.

Projects in this focus area include Convention Center Capital Renovations (\$1.5 million) and parking deck renovations (\$290,000).

The Capital Plan includes funding to address capital maintenance needs at The Benton. Under the City's agreement with HVMG, the City will continue to provide \$250,000 per year for capital needs at the convention center (\$1.5 million over the next six years).

Safe and Secure Community Projects

Focus Area Objectives:

- Expand Community Policing
- Reduce Crime and Fear of Crime
- Enhance Fire Prevention Programs
- Improve Public Safety Service Quality

Safe and secure community projects total \$19.7 million, or 5.0%, of the total Capital Plan for 2022-27.

Investments in safe and secure community over the six-year period include regular replacement of fire apparatus (\$17.7 million), repaving of driveways and apparatus pads at fire stations (\$485,000), kitchen renovation at Fire Station 17 (\$200,000), and public safety facility renewal projects for regular "wear-and-tear" maintenance (\$1.3 million).

Livable Neighborhoods Projects

Focus Area Objectives:

- Improve Character and Condition of Neighborhoods
- Expand Housing Assistance Programs
- Support Public Art/Community Appearance
- Preserve Historic Resources
- Support Inclusion of Community Populations

Livable neighborhoods projects represent \$21.1 million, or 5.4%, of the total Capital Plan for 2022-27.

The five-year Consolidated Housing and Community Development Plan accounts for the total planned appropriations (\$11.1 million) in the areas of housing assistance and community development.

Major projects associated with parks and recreation programming include: greenway, playground safety, and tennis court resurfacing; playground equipment renovations; swimming pool repairs; lighting renovations; field irrigation system replacement; greenway drainage improvements; maintenance and repairs at Salem Lake; improvements at Granville Park; and recreation facilities renewal projects for regular "wear-and-tear" maintenance (\$10.0 million).

Healthy Environment Projects

Focus Area Objectives:

- Protect Land and Reduce Sprawl
- Enhance Air Quality
- Support Green Initiatives
- Manage Water Quality and Quantity
- Develop Comprehensive Solid Waste Management Strategies
- Expand Open Space and Recreation Facilities
- Expand Access to Healthy Food Options

Healthy environment projects represent the largest investment, \$267.6 million or 68.3%, of the total Capital Plan for 2022-27.

Healthy environment projects include major capital investments in solid waste disposal, water/wastewater treatment, water distribution/wastewater collection, and stormwater management. The solid waste disposal capital projects focus on the Hanes Mill Road Landfill and include improvements to the gas collection and extraction system, and construction of a mechanically stabilized earthen retaining wall to extend the life of the landfill (\$16.4 million).

Water and sewer system projects (\$237.3 million) include upgrades to water and wastewater treatment facilities and reinvestments in the 100-year-old water distribution and wastewater collection system. Major projects include collection system improvement program (\$78.0 million), water distribution system improvements (\$60.0 million), upgrades to the R.W. Neilson Water Treatment Plant (\$40.0 million), and nutrient removal upgrades (\$20.0 million). The City-County Utility Commission will approve each project-related contract as the projects are scheduled for implementation.

Stormwater projects include public stormwater infrastructure renovations (\$7.5 million), city yard remediation (\$3.1 million), basin study updates (\$1.8 million), and drainage improvements on private property (\$1.5 million).

Quality Transportation Projects

Focus Area Objectives:

- Improve Integrated Road Network
- Expand Bike/Sidewalk/Greenway Network
- Enhance Public Transit

Quality transportation projects total \$69.4 million, or 17.7%, of the total Capital Plan for 2022-27.

Quality transportation projects are categorized as streets and sidewalks projects and mass transit projects. These projects invest in Winston-Salem's transportation system over the next six years. The streets and sidewalks section of the Capital Plan includes bridge repair and replacements, additional sidewalk construction and repairs, street resurfacing, lighting improvements, traffic calming, and traffic safety projects (\$35.7 million).

The six-year Capital Plan provides for investments in future greenways using an allocation of the \$5 motor vehicle privilege tax designated for non-vehicular transportation (\$878,100).

The six-year capital plan for the Winston-Salem Transit Authority (WSTA) includes the replacement of fixed route and Trans-AID buses, transit equipment replacement, bus facilities program, transit facility renovations, vehicle maintenance, passenger amenities, and security enhancements (\$32.8 million). The Federal Transit Administration provides most of the funding for these projects. Fixed route and Trans-AID bus replacements are included in the Capital Plan to show WSTA's projected replacement schedule; however, some replacements are currently unfunded.

Service Excellence

Focus Area Objectives:

- Ensure Service Delivery Efficiency and Effectiveness
- Enhance Employee Professional Development and Training
- Maintain City's Financial Strength
- Expand Policy and Oversight and Reporting Mechanisms

Service excellence projects total \$12.2 million, or 3.1%, of the total Capital Plan for 2022-27.

Projects include general government facility renewal projects for regular "wear-and-tear" maintenance (\$5.1 million), security fencing and controlled access at City Yard (\$250,000), a salt dome conveyor system (150,000), information systems infrastructure improvements (\$4.5 million), telephone maintenance and system upgrade planning (\$810,000), communication network expansion (\$900,000), security camera infrastructure (\$225,000), and solar PV system installation (\$255,000).

◆ Funding Source Overview: 2022-2027

Bonds

Bond financing accounts for 18.4% of the total resources in the 2022-27 Capital Plan.

Two-Thirds Bonds

The Mayor and City Council have statutory authority to issue bonds without a referendum in amounts up to two-thirds of the net retired principal debt in the previous year. These bonds are referred to as "two-thirds" bonds. The six-year Capital Plan includes \$28.0 million in two-thirds bond projects, including renovations to the City's infrastructure and major maintenance of City facilities.

The following presents a breakdown of two-thirds bond funding by strategic focus area.

Livable Neighborhoods	35.7%
Quality Transportation	36.6%
Service Excellence	20.6%
Safe and Secure Community	7.1%

A complete list of the projects to be funded from two-thirds bonds can be found on page 18.

Revenue Bonds

The Mayor and City Council may authorize the issuance of revenue bonds for those enterprise funds that will generate their own revenues. No debt limitations are applied and voter approval is not required because property taxes are not pledged to retire revenue bonds. The six-year Capital Plan includes \$44.3 million in revenue bonds to finance water and sewer capital projects.

Intergovernmental Resources

Intergovernmental resources represent 20.4% of the total resources in the Capital Plan.

Intergovernmental resources totaling \$80.0 million include: \$27.9 million in Federal Transit Administration funds for fixed route and Trans-AID bus replacements and other transit-related capital projects; \$9.2 million in Community Development Block Grant funds, HOME Trust funds, and program income for housing development; \$6.8 million from the North Carolina gasoline tax (i.e., Powell Bill funds) for street resurfacing; \$16.1 million from the North Carolina Department of Transportation for bridge and Trans-AID vehicle replacements, and \$20.0 million of state revolving loan funds for water and sewer improvements.

Reserves

Reserves account for 53.6% of the total resources in the Capital Plan.

The Capital Plan includes appropriations of \$210.1 million from various reserves and project balances to fund projects in livable neighborhoods, healthy environment, and quality transportation.

In the livable neighborhoods area, the Capital Plan includes appropriations from housing finance assistance fund balance to provide for single-family housing production and homeowner assistance (\$1.9 million).

In the healthy environment focus area, capital reserves are appropriated to fund improvements for solid waste disposal, the water and sewer system, and stormwater management. The plan appropriates \$16.4 million in solid waste disposal fund reserves for projects at Hanes Mill Road Landfill. \$173.1 million in water and sewer fund balance is appropriated to provide for major maintenance of water and wastewater treatment facilities and water distribution and wastewater collection system improvements. The Capital Plan also appropriates \$13.9 million in stormwater management fund balance to pay for public drainage system improvements and drainage improvements on private properties that meet the criteria of the City's "70/30" policy.

The Capital Plan includes \$4.9 million from Winston-Salem Transit Authority reserves to provide the local match for federal transit capital funds. This amount includes the use of reserves to match future grants for fixed route and Trans-AID bus replacements.

Other

Other resources account for \$29.5 million, or 7.5%, of the total resources in the Capital Plan.

Motor Vehicle Privilege Tax

In August 2005, the North Carolina General Assembly adopted local legislation that permitted the City to increase the motor vehicle privilege tax from \$10 up to \$20, in \$5 increments. In February 2006, the Mayor and City Council authorized the levy of the first \$5 of the new motor vehicle privilege tax. According to the legislation, one-third of the proceeds from the new tax must be used for traffic management functions such as traffic calming, one-third must be used for public transit such as bus and streetcar systems, and one-third must be used for non-vehicular transportation functions such as sidewalks and greenways. The Capital Plan includes \$3.5 million in proceeds from the first \$5 for the purposes noted above, except non-capital transit expenditures. The Mayor and City Council have not adopted the second \$5 increment. A complete list of the projects to be funded from this tax can be found on page 20.

The motor vehicle privilege tax accounts for 0.9% of the total resources in the Capital Plan.

North Carolina Municipal Leasing Corporation

The Capital Plan finances \$26.0 million in capital needs through the North Carolina Municipal Leasing Corporation (NCMLC). This funding will be used for the regular replacement of fire apparatus, communication network expansion, information technology infrastructure improvements, public safety surveillance infrastructure, telephone maintenance and system upgrade planning, and facility improvements at The Benton.

Financing these capital needs through the NCMLC accounts for 6.6% of the total resources in the Capital Plan.

◆ Impact on the Operating Budget: 2022-2027

Several projects in the Capital Plan would have a quantifiable impact on the City's operating budget once they are completed. A summary is provided below:

Economic Vitality and Diversity

- Parking Deck Renovations (\$413,100 in parking fund support over the six-year period of 5-year lease payments, offset by retiring lease payments)
- Convention Center Capital Renovations (\$1.0 million in general fund support over the six-year period per the agreement with HVMG)

Safe and Secure Community

- Fire Apparatus Replacement (\$14.2 million in general fund support over the six-year period for 5-year lease payments, offset by retiring lease payments)

Service Excellence

- Communication Network Expansion (\$994,500 in information systems fund support over the six-year period of 5-year lease payments, offset by retiring lease payments)
- Information Technology Infrastructure Improvements (\$4.0 million in information systems fund support over the six-year period for 5-year lease payments, offset by retiring lease payments)
- Security Camera Infrastructure (\$172,140 in information systems fund support over the six-year period for 5-year lease payments, offset by retiring lease payments)
- Telephone Maintenance and System Upgrade Planning (\$905,250 in information systems fund support over the six-year period for 5-year lease payments, offset by retiring lease payments)

The impact to the parking fund budget over the next six years totals \$413,100 for an average annualized impact of approximately \$68,850. The impact to the general fund budget over the next six years totals \$15.2 million, for an average annualized impact of \$2.5 million. The impact to the information systems fund budget over the next six years totals \$6.5 million, for an average annualized impact of approximately \$1.1 million.

A more detailed description of each project's operating impact can be found in the following strategic focus area sections, which include a description and financial summary for each project.

◆ **Unfunded Capital Needs**

Over the last several years, the City staff has compiled a list of unmet capital needs through feedback from the Mayor and City Council, departments, and citizens. This list was updated again in September 2017, for review by the Citizens' Capital Needs Committee. Formed by the Mayor and City Council, the Committee was charged with reviewing these unmet capital needs and making recommendations for projects to be included in a potential bond referendum. In December 2017, the Mayor and City Council formally received the report of the Citizens' Capital Needs Committee.

Beginning in January 2018, the Mayor and City Council held a series of meetings to review the City's unfunded capital needs. During the review process, the Mayor and City Council considered what projects would be appropriate for a potential bond referendum, what the city could afford to address, and the possible impact on the tax rate. In November 2018, voters approved a bond referendum totaling \$122 million to address needs in the following areas: economic development, housing, public safety facilities, recreation and parks, and streets and sidewalks.

The list of unfunded capital needs, which total \$562.5 million, does not include projects funded from the voter-approved general obligation bonds.



Winston-Salem