



CHARLOTTE™

**ENGINEERING & PROPERTY
MANAGEMENT**

Changing Climate for Construction

City Council Dinner Meeting
July 24, 2017

Purpose

Inform Council of the changing climate for completing CIP projects.

Action Requested by Council

Consider approving an application to the Local Government Commission for an extension of the 2010 bond authorization.

Outline

- Overview of CIP
- Market Effects on Construction Costs
- Looking Ahead

Charlotte's Successful History Project Completion

- Generally every 2 years
- Historically strong voter support (60-70%)
- Seek opportunities to use grants and funding partners to supplement CIP funds
- 2008-2017 has been a turbulent period in the real estate and construction market



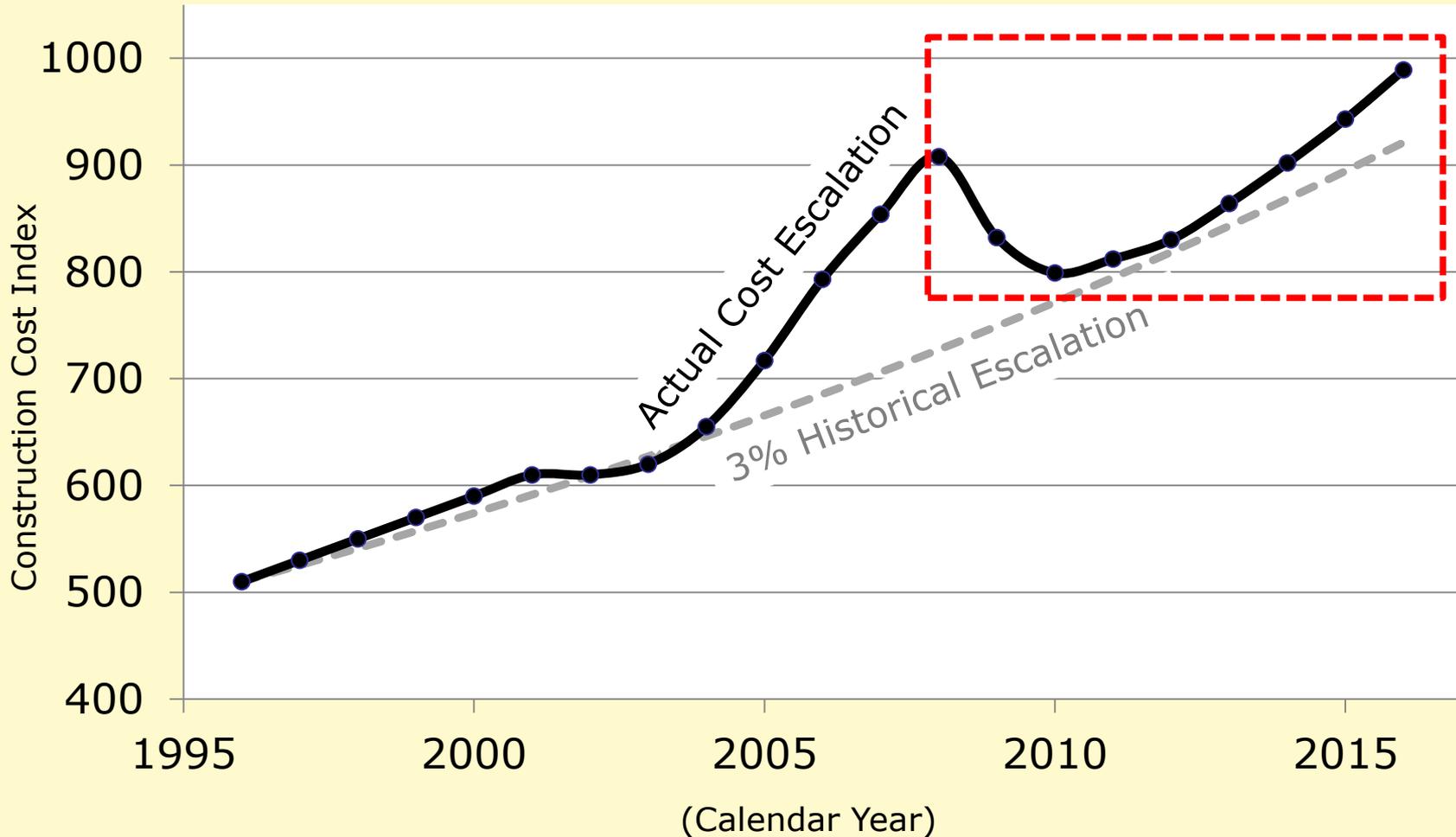
CIP Project Completion Activities

- Engineering & Property Management delivers projects:
 - Project Identification
 - Community Engagement
 - Surveying
 - Design
 - Real Estate Acquisition
 - Utility Relocation
 - Contract Development
 - Construction

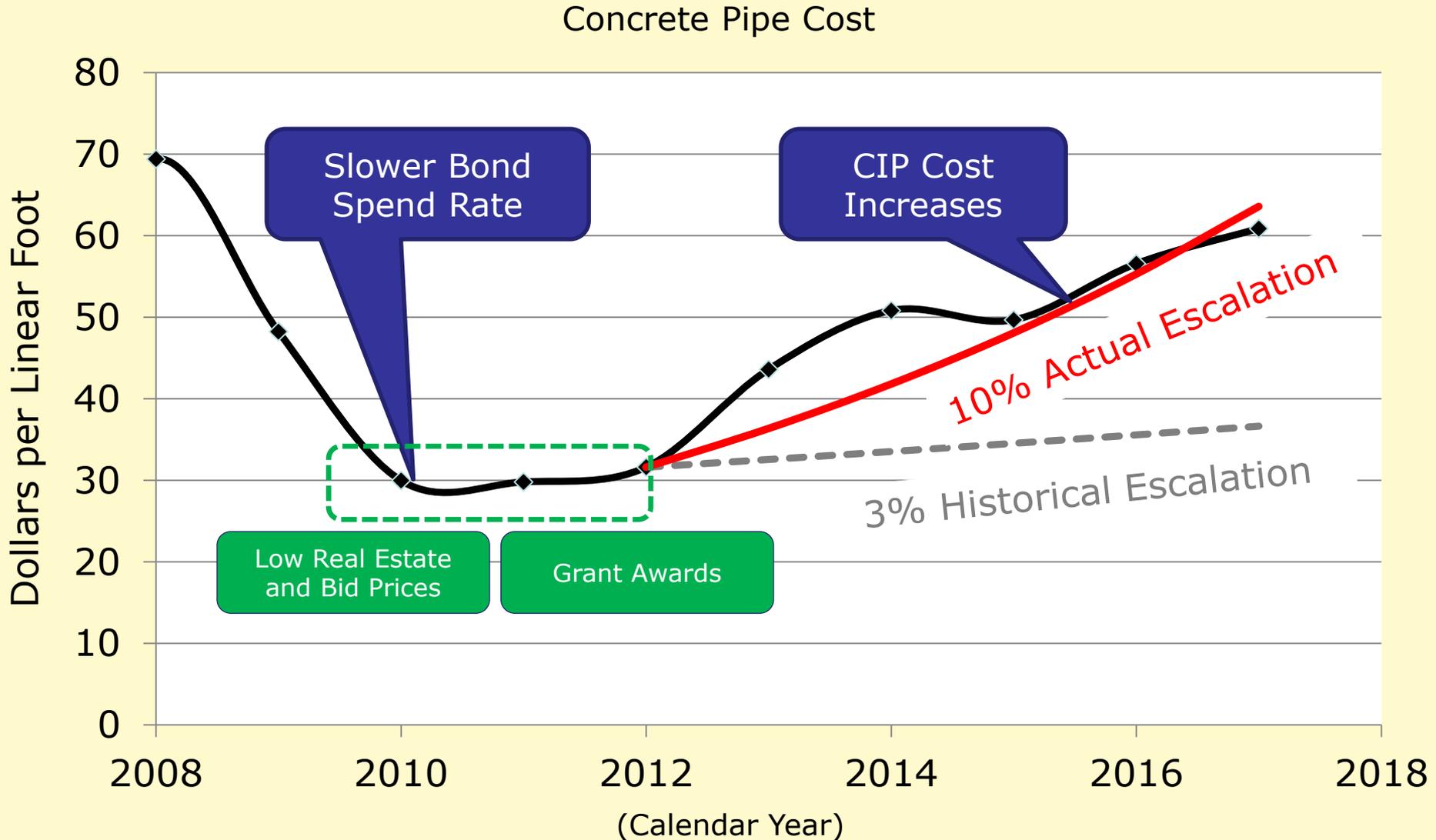


National Trend in Construction Costs

Turner Cost Index



Charlotte's Trend in Construction Costs



Extension Needed for 2010 Bonds

Bond authorizations are good for 7 years in NC.

Extending bond authorization require approval by Local Government Commission (LGC)

2010 Bond Value

- \$188.6M Authorized by Voters
- \$90.3M Utilized for CIP Projects
- \$98.3M will expire on November 2, 2017 without LGC extension.

Reasons

- 1) Excellent bid prices
- 2) \$34 M in grant funding towards projects

LGC Extension of Bond Authorization

- Lasts for 3 years
- Does not adversely impact City's AAA Bond Rating
- Not an uncommon practice for cities, counties, and school systems across NC
- Requires Council authorization to apply and a public hearing to be held.

Bond Extension Timeline

Date	Requested Actions
Tonight	Authorize staff to submit application to LGC Schedule a public hearing
August 1	LGC meets to consider application
By August 22	Publish notice of public hearing
August 28	Public hearing
September / October	LGC approval

Competitive Construction Market



CIP Projects are competing with a booming construction market.

Cost for Real Estate, Materials, and Labor are rising rapidly.



We anticipate higher construction costs than initially expected due to:

- Higher land acquisition costs
- Fewer bidders on CIP projects
- Contractors paying higher wages to retain labor
- Bids containing a price premium on cost uncertainty

Industry predictions for construction cost escalations expected to be 8-10% per year over the next two years.

Next Steps

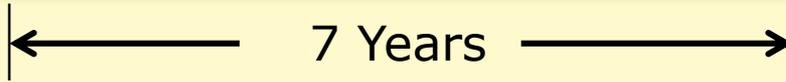
- 1) Adjustments to CIP to reconcile projects expected to be over current budget estimates.
 - No changes in project prioritization or schedule
 - Any changes to project budgets will require Council approval
- 2) Accelerate delivery schedule for all CIP projects



CHARLOTTE

**RESOURCE
SLIDES
BELOW**

Bond Utilization, Generally



1st Bond Authorization



Projects



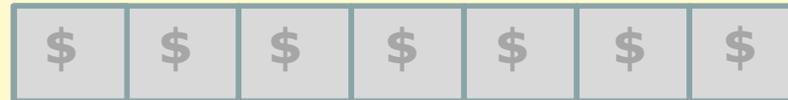
2nd Bond Authorization



Projects



3rd Bond Authorization



Projects



- Bond authorizations last 7 years
- Bonds sold at time needed for project cash flow
- Oldest bond authorization used first



Recent Bond Authorization Extensions in NC

Issuer	Purpose	Extended To
Cary	Wastewater	5/3/2015
Greensboro	Fire Station	11/7/2016
	Economic Development	11/7/2016
	Library	11/7/2016
	Parks & Recreation	11/7/2016
Carteret County	Schools	11/8/2015
Durham County	Schools	11/6/2017
	Community College	11/6/2017
Gaston County	Schools	11/6/2017
Guilford County	Schools	5/6/2018
	Community College	5/6/2018
	Jail	5/6/2018
Lincoln County	Schools	5/6/2018
Mecklenburg County	Schools	11/6/2017
	Recreation	11/4/2018
Wake County	Library	10/9/2017

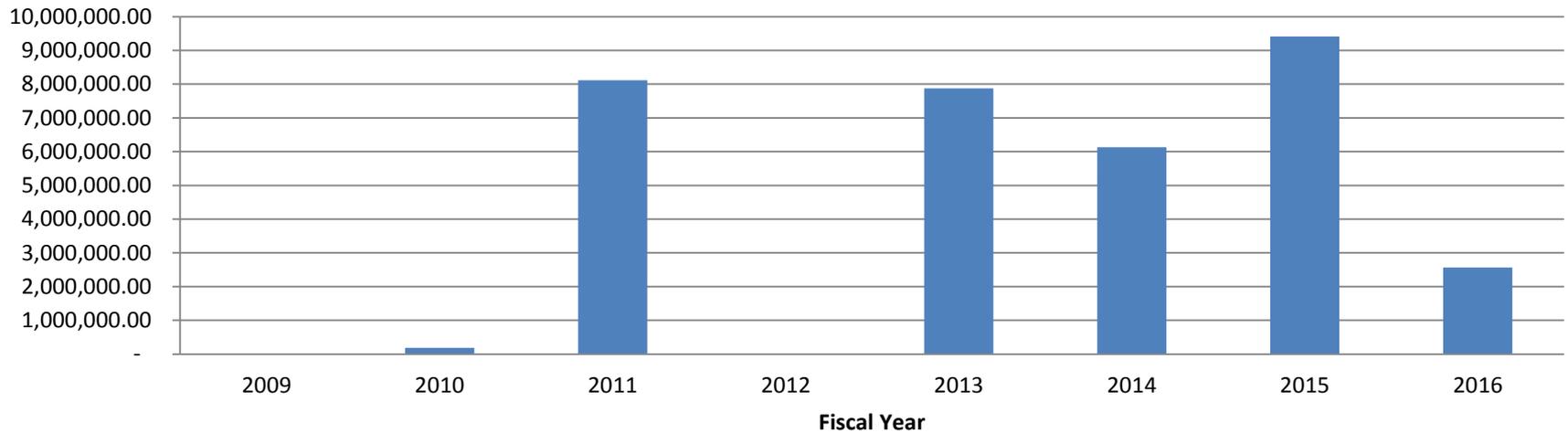


2006-2016 Bond Referenda

(in \$ millions)	2006	2008	2010	2014	2016
Transportation	85.2	170.2	156.6	111.0	158.4
Neighborhoods	25.0	47.0	32.0	20.0	45.0
Housing	10.0	10.0	15.0	15.0	15.0
Total	120.2	227.2	203.6	146.0	218.4

Funds Reallocated Through Project Savings

Reallocation – all projects



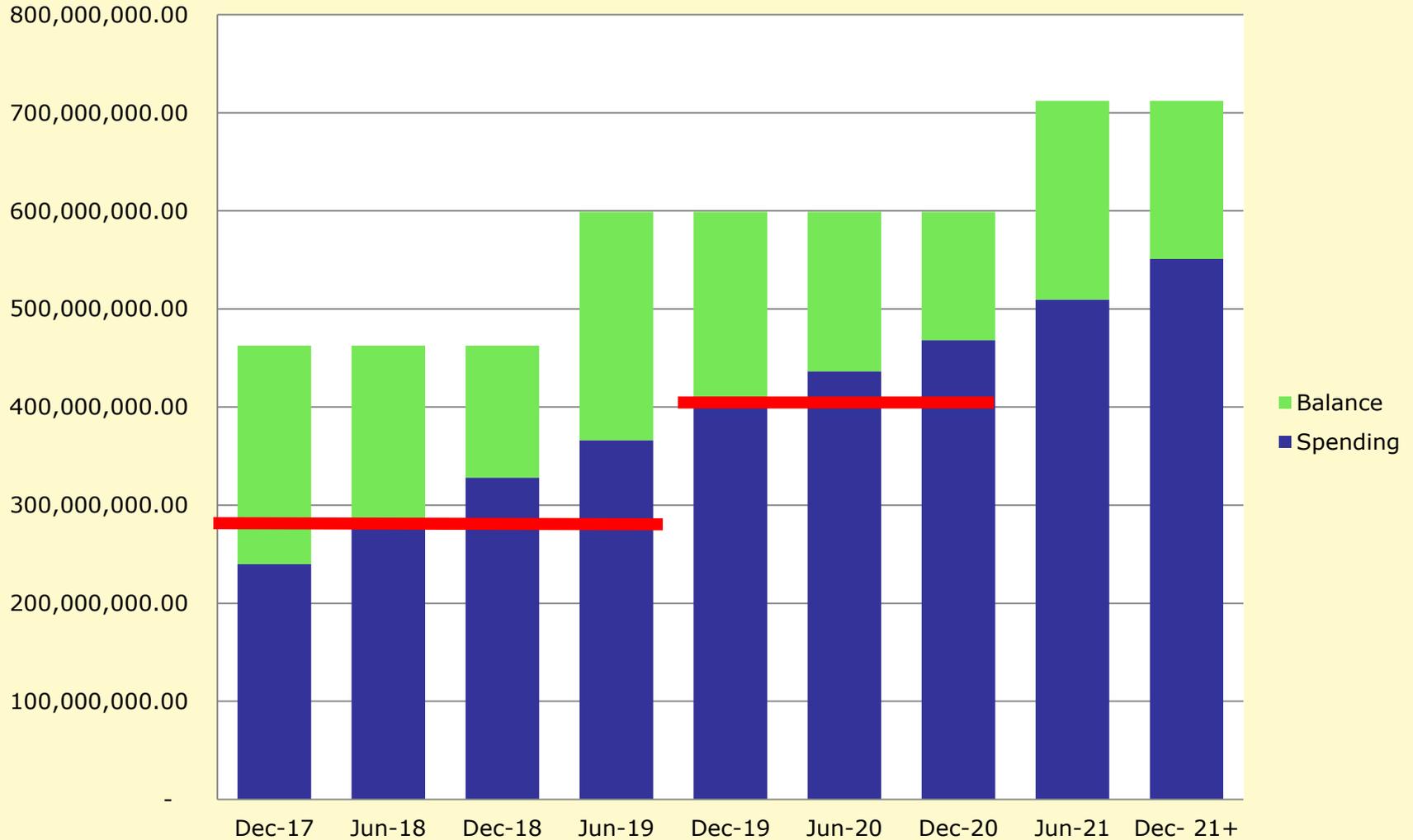
Savings Reallocated by Bond Year - All Projects

Fiscal Year	Total Savings Reallocated
2009	-
2010	185,545.00
2011	8,118,374.75
2012	-
2013	7,877,525.17
2014	6,132,509.74
2015	9,416,592.77
2016	2,567,483.96
Total	\$34,298,031.39

Total savings reallocated in EPM **street bond** projects



Street Bonds Projected Spending vs Unexpended Balance



2010 CIP Transportation Projects

2010 Named* Projects	Status
Ballantyne Commons / Elm	Complete
Brevard / 8 th	Complete
Idlewild Widening	Complete
Scaleybark / South	Complete
Johnston Oehler Farm-to-Market Conversion	Landscaping
McKee / Providence	Utility Relocation
Beatties Ford Widening	Bid
North Tryon Redevelopment	Bid
Oakdale Farm-to-Market Conversion	Bid
Arrowood / Nations Ford	Bid

* Does not include projects implemented through recurring programs

Currently Funded

- Joint Communications Center
- Central Division CMPD Station
- South Division CMPD Station
- Fire Station near Clanton & I-77
- The LINK

FY19 funding

- NE Equipment Maintenance Shop
- University City CMPD Division Station
- Independence CMPD Division Station
- Fire Station near Colony & Selwyn

Construction Cost Over Time

