

# Fall 2019 Capital Improvement Program (CIP) Worksessions

Capital Improvement Program Overview

October 30, 2019

# AGENDA

- **CIP Overview** (Tonight)
  - Overview of CIP Development Process
  - Affordability of CIP
  - Policy Issues Considered in CIP Development
- **Public Infrastructure** – Transportation, Sewers, Recreation & Parks, Waterfront Flood Mitigation (Nov. 7<sup>th</sup>)
- **Public Facilities and IT Infrastructure** (Nov. 11<sup>th</sup>)



# CIP DEVELOPMENT PROCESS

- **June 2019:** CIP Development Process kicks off
- **September 2019:** departments submitted capital project change requests
- **September 2019 – October 2019:** OMB reviews project submissions
- **September 2019 – December 2019:** Capital Improvement Program Steering Committee (CIPSC) crafts recommendations for the City Manager
- **January 2020 – February 2020:** City Manager develops recommendations and finalizes Proposed CIP

## What is CIPSC?

- Committee of most capital intensive City departments (T&ES, RPCA, DGS, ITS, DPI, and P&Z), charged with:
  - Crafting recommendations for a balanced proposed CIP
  - Identifying policy priorities and themes for the CIP
  - Presenting recommendations to the City Manager
- Committee chaired by Deputy City Manager Emily Baker

# CIP DEVELOPMENT PROCESS

- FY 2021 – FY 2020 CIP will be a major revision year (“on year”)
  - CIP follows a biennial development cycle
  - During off-year, only minor changes to project funding and schedules
- Proposed CIP will include new projects, re-estimates of project costs, and changes to project timing

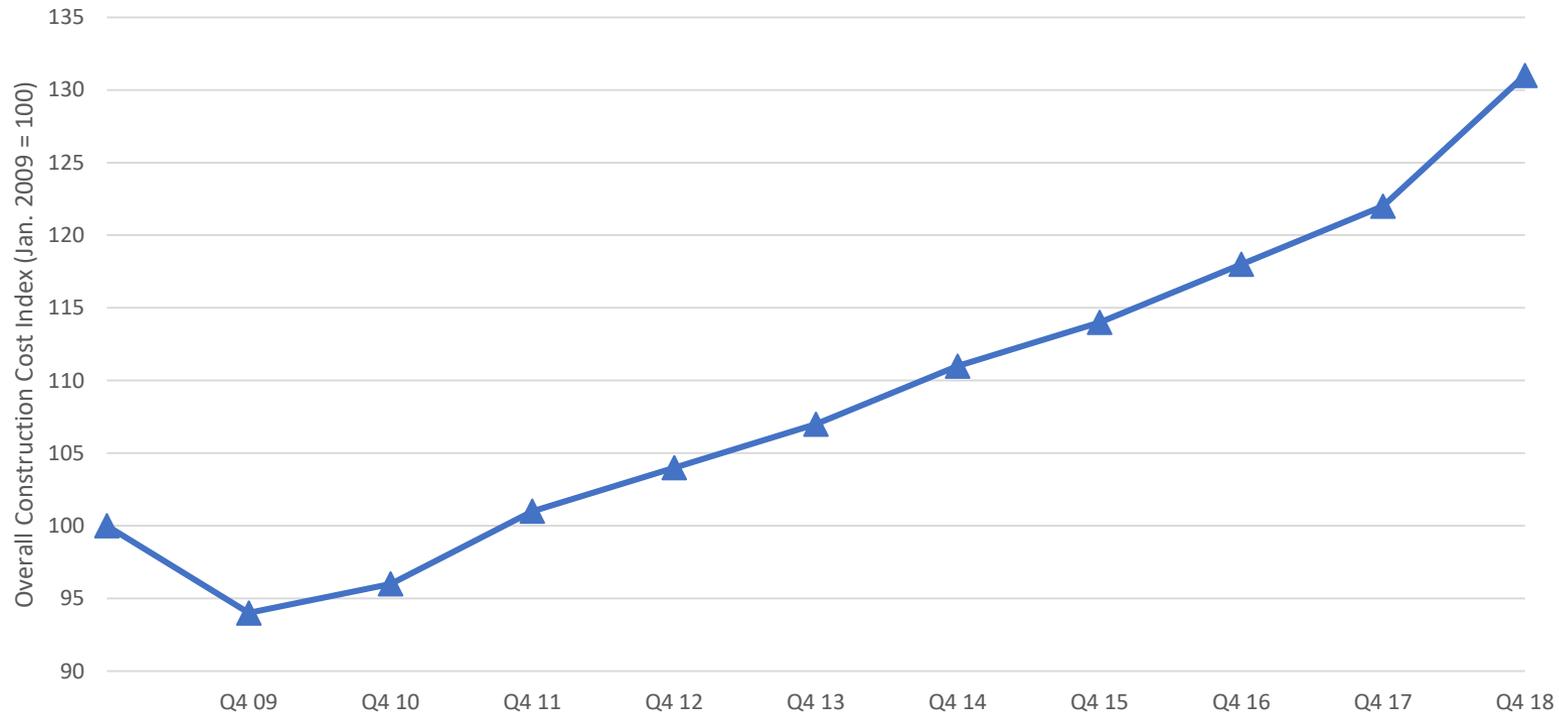
# CIP CHALLENGES

## COST DRIVERS

- Significant focus on re-estimating construction/implementation costs
  - Significant increases in construction related costs are anticipated
    - Nationwide, construction costs are being pressured by
      - Increased inflation,
      - Labor shortages,
      - Material cost increases, and
      - Fuel cost increases
    - Mortenson Construction Cost Index predicts (nationwide) a 6% to 8% increase in nonresidential building construction costs for 2018
- Increased focus on understanding changes in project scope over life of the project
  - Unforeseen circumstances, design changes driven by community involvement, etc.

# CIP CHALLENGES

## COST DRIVERS (MORTENSON CONSTRUCTION COST INDEX 2009 – 2018)



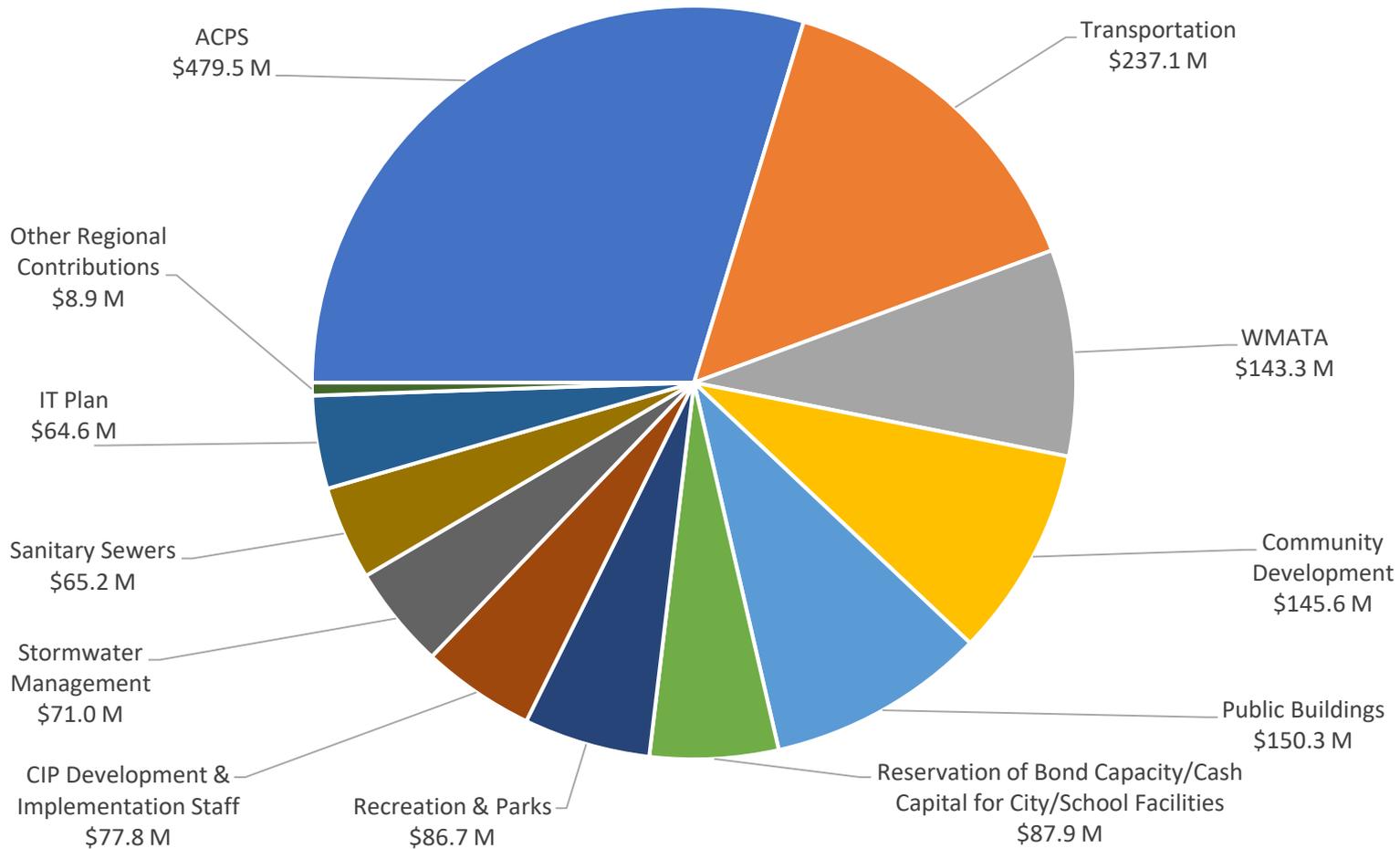
A construction cost estimated 5 years ago may have increased by as much as 18%.

*Ex. A project estimated at \$1 million in 2014, may cost \$1.18 million today.*



# FY 2020 - FY 2029 USES

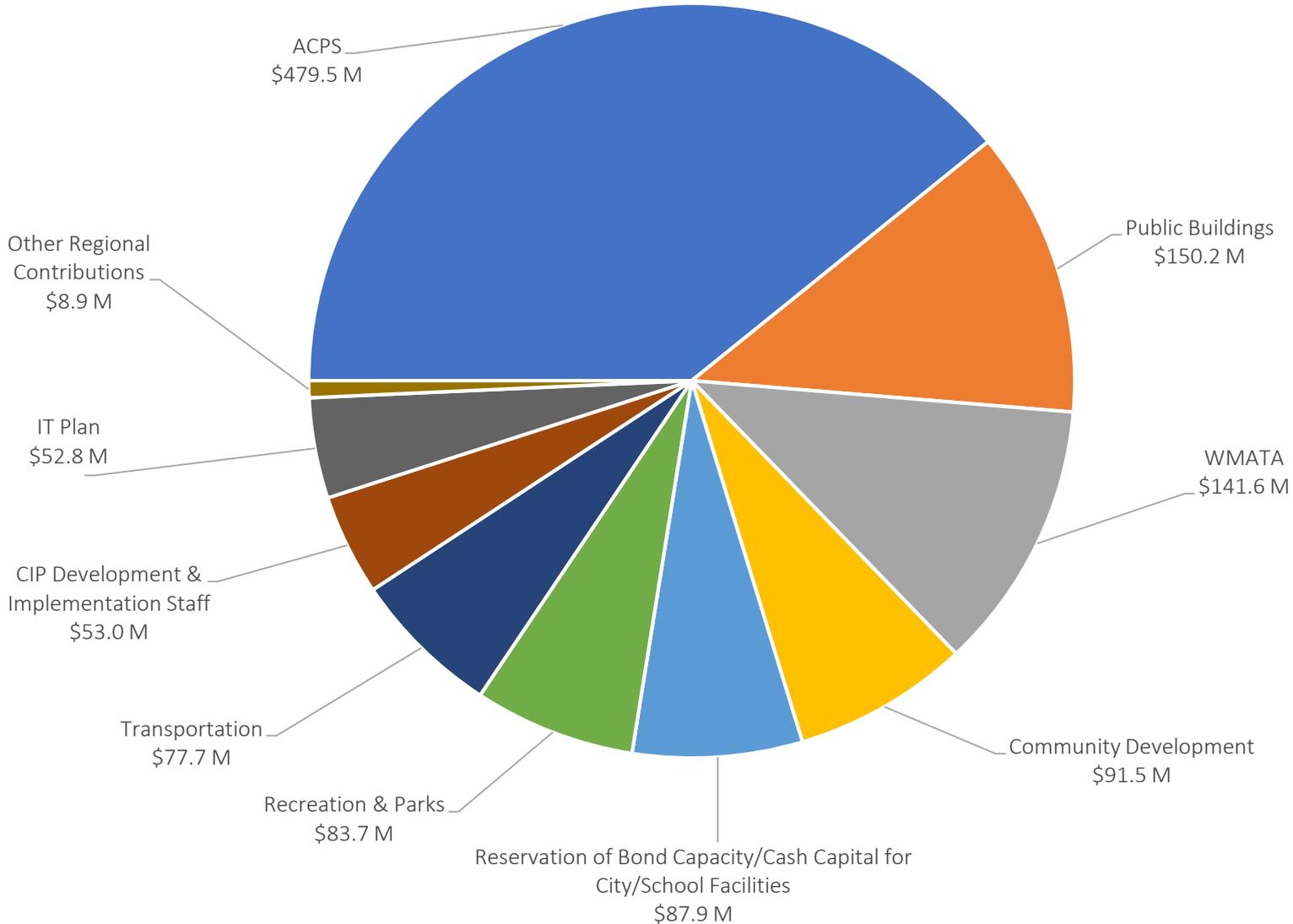
\$1.6 BILLION





# FY 2020 - FY 2029 Uses

\$1.2 BILLION (GENERAL FUND UNRESTRICTED ONLY)





# CIP CHALLENGES

## AFFORDABILITY OF CAPITAL PROGRAM

- Support of City and School capital programs are causing significant expenditure pressure on City's General Fund budget
  - In **FY 2009**, G/F supported debt service and direct cash funding of projects represented **6.0%** of general fund expenditures
  - In **FY 2020**, G/F supported debt service and direct cash funding of projects represented **14.1%** of general fund expenditures
  - In **FY 2030**, G/F supported debt service and direct cash funding of projects represented **16.6%** of general fund expenditures



# LARGE DRIVERS OF BORROWING

BASED ON APPROVED FY 2020 – FY 2029 CIP

- FY 2020 – FY 2029
  - ACPS Capital Program (\$380.9 M)
  - WMATA Capital Contributions (\$139.3 M)
  - Waterfront Flood Mitigation (\$50.1 M)
  - City Hall Renovation (\$30.8 M)
  - Street Reconstruction & Resurfacing (\$30.4 M)
  - Witter/Wheeler Campus (\$29.5 M)
  - Fire Department Vehicles & Apparatus (\$20.0 M)
  - Capital Facility Maintenance Programs (\$13.0 M)
  - Fire Station 207 Duke Street (\$13.0 M)
  - Fire Station 205 Cameron Street (\$11.0 M)



# LARGE DRIVERS OF BORROWING

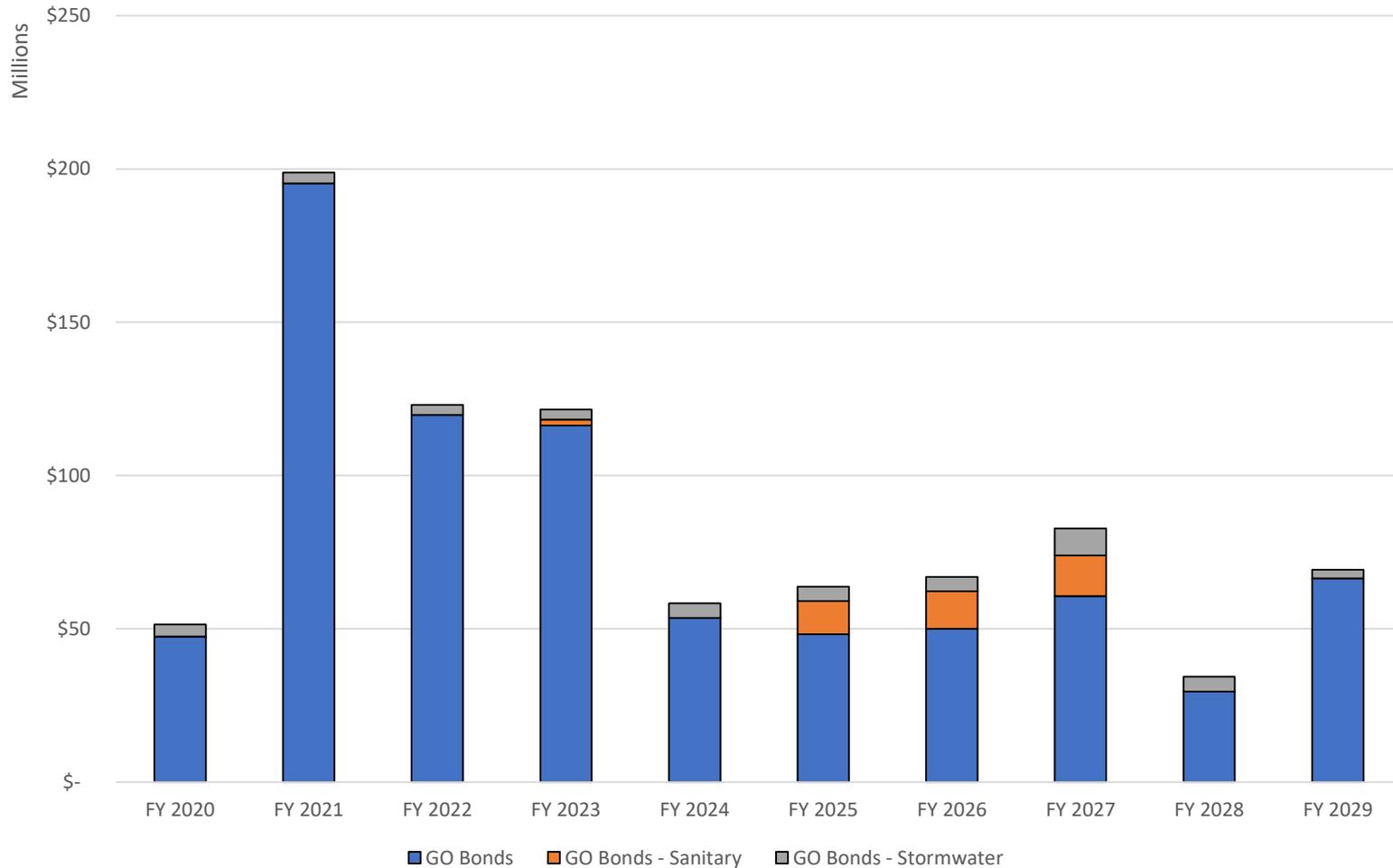
BASED ON APPROVED FY 2020 – FY 2029 CIP

- FY 2021
  - ACPS High School Project (\$103.7 M)
  - Waterfront Flood Mitigation (\$50.1 M)
  - WMATA Capital Contributions (\$14.0 M)
  - Street Reconstruction & Resurfacing (\$4.9 M)
  - Capital Facility Maintenance Programs (\$3.4 M)
  - City Hall Renovation Planning (\$2.4 M)



# APPROVED FY 2020 - 2029 CIP

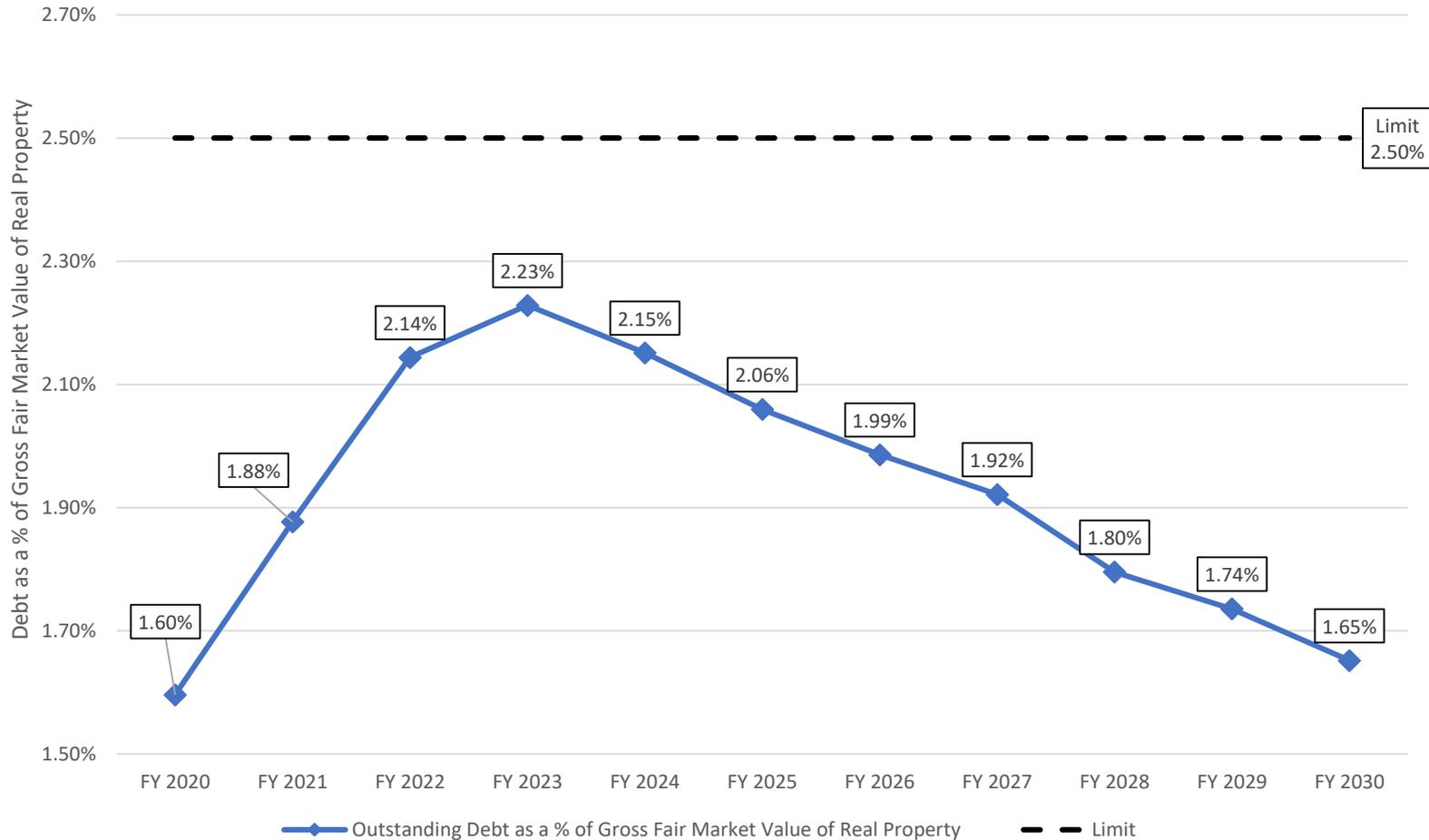
## PLANNED 10-YEAR BORROWING - \$870.2 M





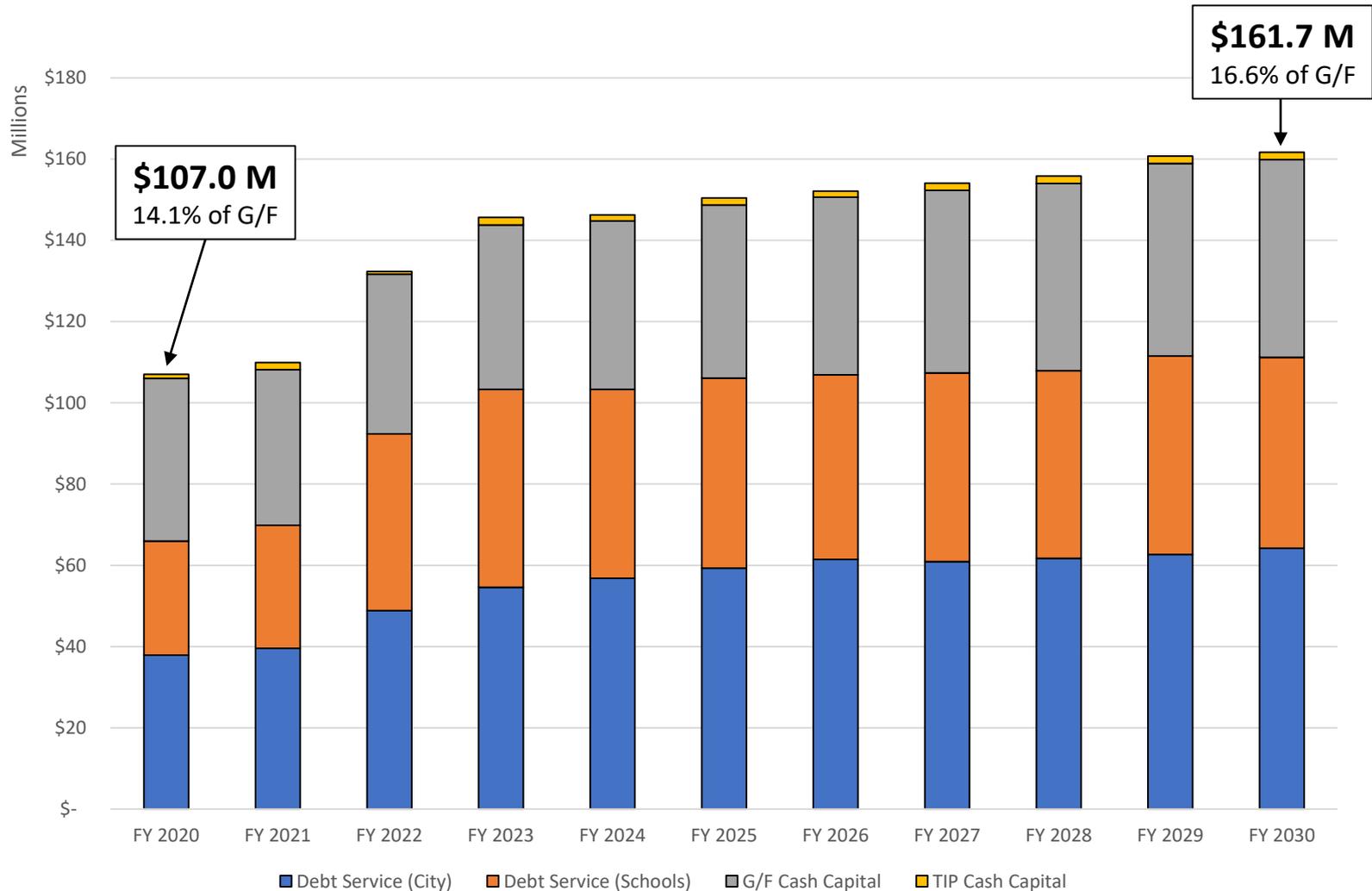
# DEBT CAPACITY

## OUTSTANDING DEBT AS A % OF GROSS FAIR MARKET VALUE OF REAL PROPERTY



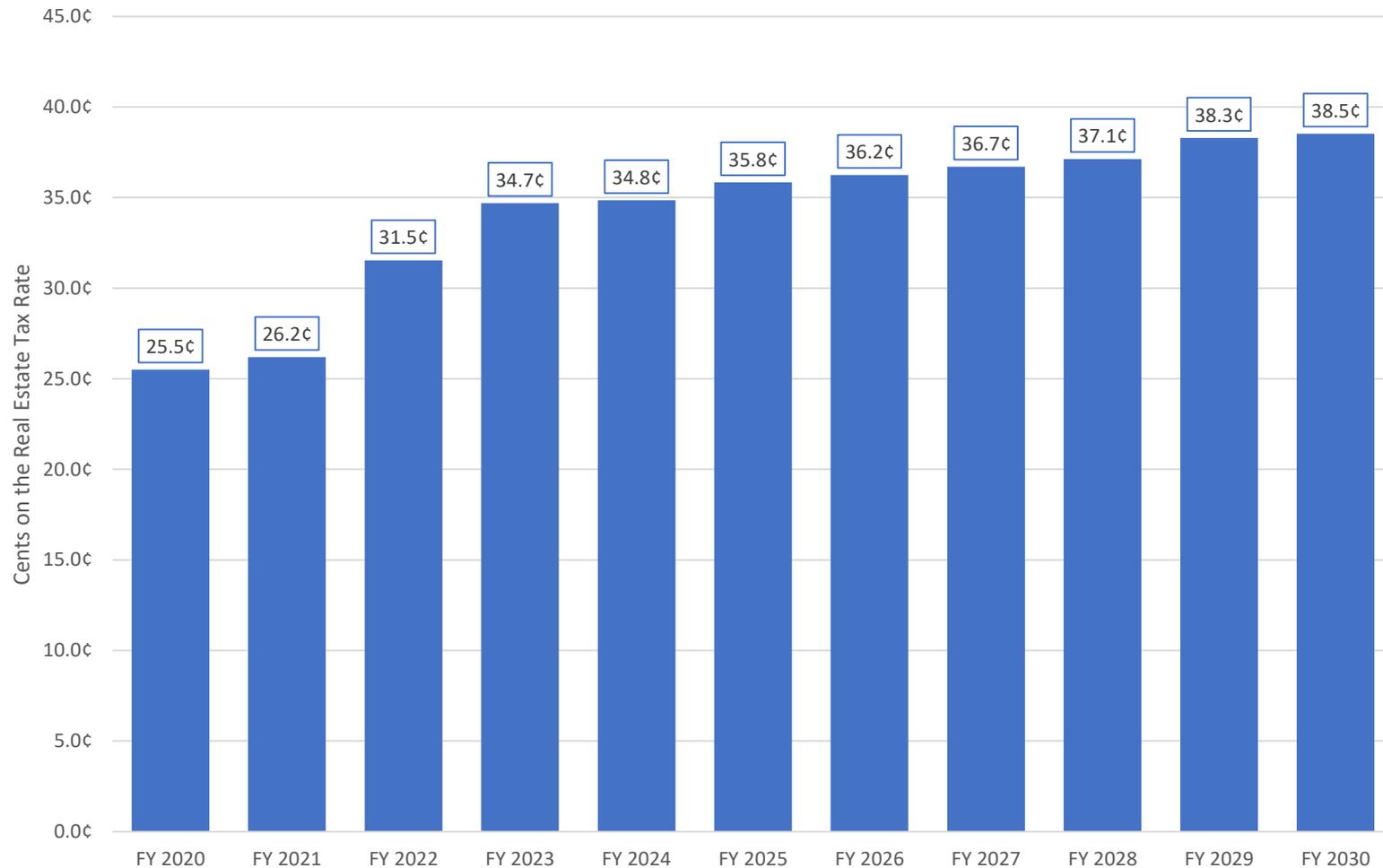
Note: Excludes Sanitary Sewer and Stormwater Management related debt, which is funded by dedicated revenue sources.

# GENERAL FUND SUPPORT OF CAPITAL PROGRAM





# GENERAL FUND SUPPORT OF CAPITAL PROGRAM AS CENTS ON THE REAL ESTATE TAX RATE





# HOW TO FUND CAPITAL PROGRAM

- Additional \$54.7 million needed by FY 2030 to support City and School capital programs
  - 35% of this increase is related to increases in School capital debt service
- Limited tax base growth will not be sufficient to fund increase

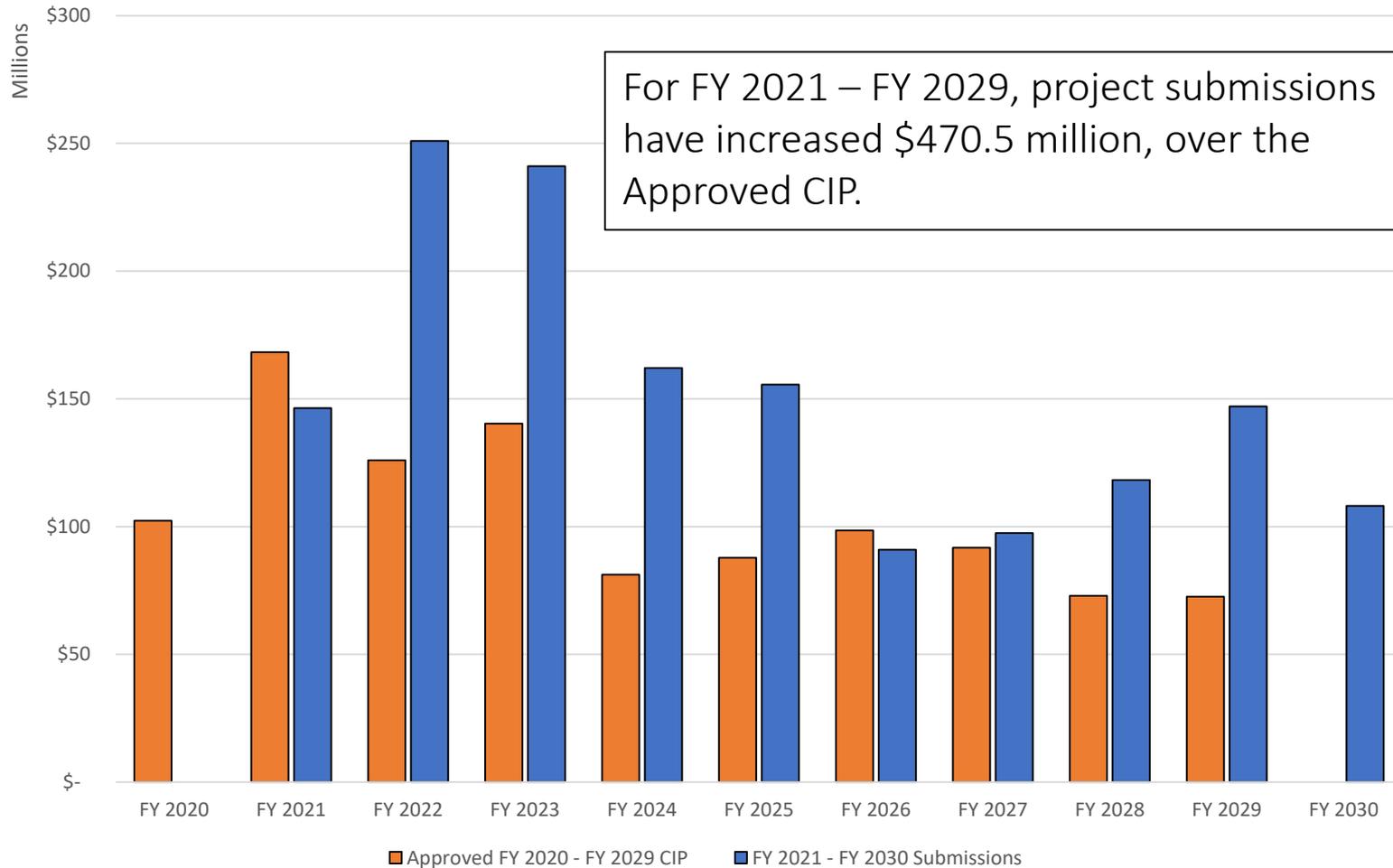
## Alternatives

- Reductions in City and School programs/capital investments
- Increasing the existing Real Estate tax rate
- Establishing a separate dedicated Real Estate tax rate for school capital
- Consideration of increasing other taxes, which may require state enabling legislation



# IDENTIFIED CITY CAPITAL NEEDS

## SUMMARY OF FY 2021 – FY 2030 PROJECT SUBMISSIONS

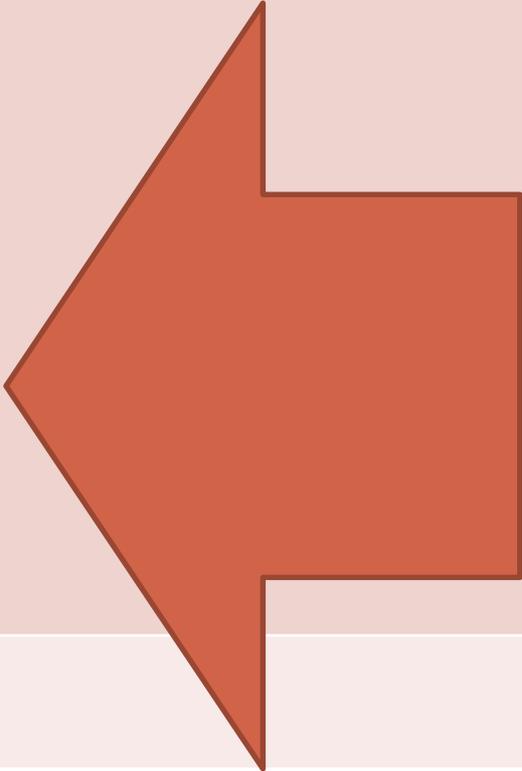


*Note: Excludes Schools, Other Regional Contributions, and CIP Contingency Funds*

## GUIDING PRINCIPLES FOR PRIORITIZATION

- Proposed CIP will not be able to fund all project requests, but will strive to accomplish the following:
  - Address identified Health & Safety Issues
  - Meet capacity needs and maintenance needs of Schools
  - Meet our required contributions to WMATA capital investment
  - Protect City's existing assets (State of Good Repair)
  - Invest in service expansions that have an economic development impact
- Within these broad categories, urgency and readiness of projects will also be considered in determining funding levels

# PROJECT PHASING

<b>Phase I</b> (Years 1-3)	<b>Phase II</b> (Years 4-6)	<b>Phase III</b> (Years 7-10)
<ul style="list-style-type: none"> <li>• Project is specific in scope</li> <li>• Preferred Alternative has been Identified</li> <li>• Project is in final design or implementation</li> <li>• Costing is based on engineering documents or being developed</li> </ul>		<ul style="list-style-type: none"> <li>• Service need has been identified</li> <li>• Costing is higher-level estimate (per unit cost, similar completed project)</li> </ul>
<i>Funding is aligned to specific project(s)</i>		<i>Funding is aligned to identified 'capital needs'</i>

- As project progresses in CIP, level of planning, specificity of costing, input from City Council & residents increases
- Projects should not progress, unless criteria/thresholds are met

## NEXT STEPS

- The next two worksessions will discuss State of Good Repair by CIP section, and highlight major projects underway or proposed
- During these worksessions, consider the following:
  - The capital projects discussed, relative to the overall affordability of the CIP
  - Alignment of these projects with City Council's priorities



# QUESTIONS/DISCUSSION