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. 7th)

• Public Facilities and IT Infrastructure (Nov. 11th)
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

- ACPS $479.5 M
- Transportation $237.1 M
- WMATA $143.3 M
- Community Development $145.6 M
- Public Buildings $150.3 M
- Reservation of Bond Capacity/Cash Capital for City/School Facilities $87.9 M
- Recreation & Parks $86.7 M
- Stormwater Management $71.0 M
- Sanitary Sewers $65.2 M
- IT Plan $64.6 M
- Other Regional Contributions $8.9 M
- CIP Development & Implementation Staff $77.8 M
- Recreation & Parks $86.7 M
FY 2020 - FY 2029 USES
$1.2 billion (General Fund Unrestricted Only)

- ACPS $479.5 M
- Public Buildings $150.2 M
- WMATA $141.6 M
- Community Development $91.5 M
- Transportation $77.7 M
- Recreation & Parks $83.7 M
- Reservation of Bond Capacity/Cash Capital for City/School Facilities $87.9 M
- CIP Development & Implementation Staff $53.0 M
- IT Plan $52.8 M
- Other Regional Contributions $8.9 M
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

$107.0 M
14.1% of G/F

$161.7 M
16.6% of G/F

FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
FY 2025
FY 2026
FY 2027
FY 2028
FY 2029
FY 2030

Millions

Debt Service (City)
Debt Service (Schools)
G/F Cash Capital
TIP Cash Capital
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

For FY 2021 – FY 2029, project submissions have increased $470.5 million, over the Approved CIP.

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

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<tr>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
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<td>(Years 1-3)</td>
<td>(Years 4-6)</td>
<td>(Years 7-10)</td>
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- **Phase I**
  - Project is specific in scope
  - Preferred Alternative has been identified
  - Project is in final design or implementation
  - Costing is based on engineering documents or being developed

- **Phase II**
  - Service need has been identified
  - Costing is higher-level estimate (per unit cost, similar completed project)

- **Phase III**
  - Funding is aligned to identified ‘capital needs’

- Funding is aligned to specific project(s)

- 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