



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

## PROPOSED CIP OVERVIEW

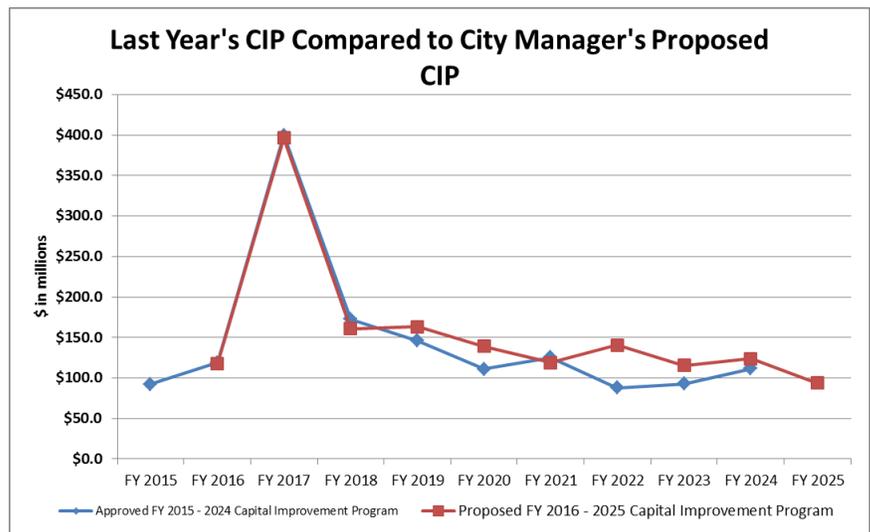
The City Manager’s Proposed FY 2016 – 2025 Capital Improvement Program (CIP) was presented to City Council on March 3, 2015 and totals \$1.571 billion. The Proposed CIP maintains the reserved 2.2 cents on the base real estate tax rate for the continuation of the City’s Transportation Improvement Program (TIP) approved by City Council beginning in FY 2012 to support capital infrastructure needs and new operating costs associated with new transportation capital projects. The City Manager’s Proposed FY 2016 – 2025 CIP is a balanced ten-year plan in that all projects have identified funding sources.

The City Manager’s Proposed FY 2016 – 2025 CIP also continues planned funding for the Potomac Yard Metrorail Station. The Proposed CIP includes a \$50 million low cost, flexible loan from the Virginia Infrastructure Transportation Bank (VTIB) to support the construction of the Potomac Yard Metrorail Station. The loan, awarded through a competitive project review process, was provided to the City at a 2.17% interest rate – this rate will reduce the amount of General Obligation Bond borrowing required for station construction, as well as reducing debt service costs. Both the VTIB loan and General Obligation Bonds will be repaid with incremental taxes, revenue from Special Tax Districts, real estate property appreciation, as well planned developer contributions associated with Potomac Yard. Additionally, Northern Virginia Transportation Authority (NVTA) funding is anticipated to be available to offset project costs. General Fund revenues will not be used or needed to fund repayment of debt issued for Potomac Yard.

The Proposed FY 2016 – 2025 Capital Improvement Program totals \$1.571 billion, which represents a \$112.1 million, or 7.7%, increase from the Approved FY 2015 - 2024 CIP. The majority of the increase includes capital funding for the following two significant infrastructure projects described below.

### Waterfront Plan Implementation

City Council approved the Waterfront Plan in January 2012, with the Landscape and Flood Mitigation Design approved by City Council in June 2014. Funding for the implementation of the Waterfront Plan (planning and design to continue through FY 2017 with implementation scheduled to begin in FY 2018) is included in the CIP for the first time. The total cost of implementation included in the ten-year plan is \$61.5 million, and will begin to address flooding concerns, bulkhead replacements, and pedestrian connectivity throughout the designated Waterfront area. These improvements are



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview



funded by developer contributions (\$5.0 million) and City funds (\$56.5 million) covered in part by incremental tax revenues created by the planned private sector redevelopment projects.

## **WMATA Capital Contributions**

The second major increase in the capital infrastructure investment funding is Washington Metropolitan Area Transportation Authority capital improvements, including funding for implementation of Metro 2025, an expansion of current proposed by WMATA. The contribution to WMATA increased by \$59.0 million over last year's CIP (from \$55.5 million to \$114.5 million). Those amounts do not include approximately \$4.0 million (annually) through the Northern Virginia Transportation Commission (NVTC) in state and gas tax funding allocated to the City. Additionally, a significant contribution from the Commonwealth of Virginia would be needed to offset a large portion of WMATA long-term capital costs. When combining all funding sources, the City's ten-year capital contribution to WMATA could exceed \$200 million. A six-year Capital Funding Agreement among the participating state and local jurisdictions is currently being negotiated.

Due to the need to fund increased WMATA costs in FY 2016 and beyond, other transportation projects were scaled back or eliminated. Most of the impacted projects were assumed to be funded by the City's Transportation Improvement Program (TIP). The TIP is now providing support in the overall funding structure to both WMATA capital and operating costs. Capital projects that were eliminated in the ten-year plan include DASH bus expansion (although some funding is planned in future years for expansion associated with increased headways that will not require additional buses) and the Mount Vernon Avenue/Russell Road Intersection Improvement project. Projects which will need to be scaled back or will need to have additional funding identified in future CIPs include Van Dorn Metrorail Station Area Improvements, Old Cameron Run Trail, and Backlick Run Multi-Use Paths. Should the proposed WMATA capital and operating subsidies be reduced by WMATA, staff will provide City Council prioritized recommendations to reprogram TIP funding utilized to support WMATA.

## **Supporting the City Long-Term Outcomes**

The City Manager's Proposed FY 2016 – 2025 CIP supports many of the City's Long-Term Outcomes and budget guidance. Some examples of the Long-Term Outcomes supported by the City Manager's Proposed CIP include:

- ✓ Ensuring all children and youth thrive and succeed
- ✓ Promoting an attractive urban environment that reflects our history and provides well-functioning infrastructure
- ✓ Increasing Transportation system mobility, connectivity, and accessibility that supports the City's economy
- ✓ Increasing the value of the real estate tax base
- ✓ Ensuring the fiscal strength of the City government
- ✓ Achieving the results the community values



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

In the Proposed FY 2016 -2025 Capital Improvement Program document, each individual project provides information on the Long-Term Outcome(s) that the project supports. By supporting these Long-Term Outcomes, the City ensures that capital investments are being prioritized and balancing the future capital infrastructure needs in the City with available resources.

## Diversity of Capital Improvement Program Funding

The funding makeup of the City's capital program is growing increasingly diverse each year. To help organize this complexity (which also brings new opportunities), the Proposed FY 2016 – 2025 CIP divides revenue sources into three different types as noted below, with the table on the next page providing more detailed information.

- **Unrestricted City funds (\$924.5 million)** - Includes general cash sources and General Obligation Bond revenues for the base CIP program.
- **Restricted City funds (\$312.5 million)** - Includes both cash and General Obligation Bond revenues associated with the Sanitary Sewer Fund, Stormwater Management Fund, Transportation Improvement Program, Potomac Yard Metrorail Station, Code Fund, and other targeted sources. Because these restricted revenues all have legal restrictions on their available uses, it is beneficial to discuss financing issues with them separately.
- **Non-City funds (\$33.6 million)** generally include State and Federal grants (including NVTVA funding), private capital contributions, and revenues from the City's telecommunication financial agreement with Comcast. These revenues are also restricted in their use.

With the new revenue sources provided by the NVTVA funding and developer contributions added in the prior year CIP, the City's financing plan has a 36% cash / 64% borrowing structure in this year's 10-year plan. In the first five years of the plan when outside funding sources are more certain, the City's financing plan has a 40% cash / 60% borrowing structure.

In municipal finance, there are no generally recognized specific mathematical benchmarks for cash capital funding. The bond rating agencies view of cash capital is positive, but the bond rating agencies do not set minimum threshold expectations. In general we consider having an overall CIP which is 25% cash capital from all cash sources as very healthy.



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

<b>Revenues</b>	<b>Last Year FY 2015-2024</b>	<b>Proposed FY 2016-2025</b>	<b>Difference FY 2016-2015</b>
<b>Unrestricted</b>			
Cash Sources (Including G/F Transfer)	\$ 237,996,758	\$ 210,512,735	\$ (27,484,023)
G.O. Bonds	\$ 571,063,000	\$ 714,035,279	\$ 142,972,279
<i>Subtotal, Unrestricted City Revenues</i>	<i>\$ 809,059,758</i>	<i>\$ 924,548,014</i>	<i>\$ 115,488,256</i>
<b>Restricted</b>			
Potomac Yard (Cash Sources)	\$ 5,525,000	\$ 3,000,000	\$ (2,525,000)
Potomac Yard (GO Bonds)	\$ 204,000,000	\$ 154,000,000	\$ (50,000,000)
Potomac Yard (VTIB Loan)	\$ -	\$ 50,000,000	\$ 50,000,000
Sanitary Sewers (Cash Sources)	\$ 6,670,000	\$ 10,300,000	\$ 3,630,000
Sanitary Sewers (GO Bonds)	\$ 84,400,000	\$ 78,920,000	\$ (5,480,000)
Transportation Improvement Program (Cash Sources)	\$ 20,320,000	\$ 10,360,000	\$ (9,960,000)
Transportation Improvement Program (GO Bonds)	\$ -	\$ 4,150,000	\$ 4,150,000
Code Fund	\$ 1,729,000	\$ 1,750,000	\$ 21,000
<i>Subtotal, Restricted City Revenues</i>	<i>\$ 322,644,000</i>	<i>\$ 312,480,000</i>	<i>\$ (10,164,000)</i>
<b>Non-City</b>			
NVTA 70%	\$ 165,000,000	\$ 157,450,000	\$ (7,550,000)
NVTA 30%	\$ 45,097,920	\$ 41,825,000	\$ (3,272,920)
Other State and Federal Grants	\$ 31,342,080	\$ 38,483,977	\$ 7,141,897
Private Capital Contributions	\$ 79,519,895	\$ 86,953,605	\$ 7,433,710
Comcast Revenues	\$ 5,870,000	\$ 8,910,000	\$ 3,040,000
<i>Subtotal, Non-City Revenues</i>	<i>\$ 326,829,895</i>	<i>\$ 333,622,582</i>	<i>\$ 6,792,687</i>
<b>Total, All Revenue Sources</b>	<b>\$ 1,458,533,652</b>	<b>\$ 1,570,650,596</b>	<b>\$ 112,116,943</b>



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

## Project Categorization

The Proposed FY 2016 – 2025 CIP addresses three broad areas of expenditure:

- Protection of the City’s investment in existing public facilities or infrastructure (physical assets) through capital maintenance or renovations;
- Planning and construction of major new public facilities and infrastructure, including new or replacement information technology systems; and
- Alexandria City Public Schools capital infrastructure needs.

The Proposed FY 2016 – 2025 CIP is consistent with capital plans from recent years in that it places a strong emphasis on maintaining the existing core facilities and infrastructure of the City, while utilizing new funding to provide support for projects that will provide new and expanded City facilities. This focus is supported by the continued use of the same three-Category prioritization system used in the development of the Approved FY 2015 – 2024 CIP.

Similar to FY 2015, the Office of Management and Budget categorized projects into one of three categories, as well as Alexandria City Public Schools (ACPS) funding and the City’s Information Technology (IT) Plan. The distribution of funding across the different categories and IT and ACPS is shown to the right. Categories are defined as follows:

Project Category	Total FY 2016-2025
Category 1 - Asset Maintenance	\$ 361,750,494
Category 2 - Renovations/Existing Assets	\$ 55,410,229
Category 3 - New Facilities	\$ 806,031,353
Alexandria City Public Schools	\$ 296,883,279
Information Technology Plan	\$ 50,575,240
<b>Total, All Categories</b>	<b>\$ 1,570,650,595</b>

- **Category 1: Asset Maintenance** – funding streams that cover an ongoing maintenance need for an existing City asset;
- **Category 2: Renovations/Existing Assets** – specific large renovation or restoration projects that are necessary cyclically or periodically, but can be scheduled for a specific time period. These projects also pertain to existing City assets;
- **Category 3: New Facilities** – projects that result in a new or expanded facility or level of service and can be scheduled;
- **Alexandria City Public Schools (ACPS)** – represents the total of all Proposed ACPS funding; and
- **Information Technology Plan** – projects included in the ten-year plan that are Information Technology related. In future CIPs, those projects will be assigned a category rather than remain as a separate category.

Beyond basic capital maintenance issues, the Proposed FY 2016 – 2025 CIP reflects a vision for the City’s future. The FY 2016 CIP decision making process included an initial effort to integrate the capital plan with City Council’s guidance, the Strategic Plan and budget guidance, and many of these projects are considered new facilities, or Category 3 projects. Of the \$806.0 million in Category 3 projects, \$460.8 million (from both City and non-City sources) is for new and expanded transportation and transit infrastructure projects, including construction of the Potomac Yard Metrorail



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

Station (Strategic Plan Goal 1 – Economic Development) and the Beaugard Transit Corridor (Strategic Plan Goal 3 – Transportation).

Other significant Category 3 projects include:

- Funding is included for the first time in the CIP for capital infrastructure improvements associated with the Waterfront Plan Implementation (\$61.5 million)
- Major City Hall infrastructure improvements in FY 2020 – 2023 (\$51.6 million)
- Four fire station rebuilds, and construction of one new fire station in the Beaugard Corridor (paid for primarily through development contributions) in FY 2016 – 2024 (\$61.5 million)
- Chinquapin Aquatics Center improvements in FY 2017 – 2018 (\$22.4 million)

## Identified Capital Infrastructure Investments Not Funded

For all the projects that are funded in the CIP, there still remain a number of identified capital investments which are not funded in the plan due to the limits on resources within the available capital funding streams. Most notably, these involve the capital costs associated with federally mandated capital infrastructure improvements to sanitary sewer and storm sewer infrastructure, which are not fully funded in the Proposed FY 2016 -2025 CIP. These costs could reach \$200 million - \$300 million over the next two to three decades.

Additionally, while the Proposed FY 2016 -2025 CIP is only \$14.5 million less than the School Board FY 2016 – 2025 CIP adopted on February 5, 2015, there is an \$88.2 million difference when comparing the first five years of the plan. The table below shows the difference between the City Manager's Proposed CIP and the School Board Adopted CIP for FY 2016 – 2020 only.

Capital Improvement Program (CIP)	FY 16	FY 17	FY 18	FY 19	FY 20	Total FY 16-20
ACPS School Board CIP (FY 16-20)	\$47,580,824	\$58,214,000	\$34,851,000	\$76,292,000	\$26,853,000	\$243,790,824
City Manager's Proposed CIP (FY 16-20)	\$44,308,279	\$32,000,000	\$32,500,000	\$31,900,000	\$14,875,000	\$155,583,279
Difference: ACPS SB - City Manager (FY 16-20)	(\$3,272,545)	(\$26,214,000)	(\$2,351,000)	(\$44,392,000)	(\$11,978,000)	(\$88,207,545)

Adhering to budget guidance and working with limited City resources does not allow for funding all the identified needs. A listing of all unfunded capital infrastructure requests as identified through the FY 2016 budget development process can be found Appendices of the full CIP document.



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

## CIP PURPOSE & DEFINITIONS

The adoption of the CIP by the City Council is an indication of its support of both the capital projects that the City intends to pursue, and a plan for the anticipated levels of financing needed to fund these capital projects over the 10-year period.

The adoption of the 10-year CIP is neither a firm commitment to a particular project nor a limitation to a particular cost. As a basic tool for prioritizing and scheduling anticipated capital projects and capital financing, the CIP is a key element in planning and managing future debt service requirements. Only the first year of the CIP (FY 2016) represents a funding commitment for the project to proceed to the next stage, or to be implemented depending on the level of funding provided.

The City defines capital project expenditures (as opposed to an operating expenditure) as:

***An expenditure of more than \$10,000 that acquires, expands, repairs, or rehabilitates a physical asset with a useful life of at least three years and typically much longer than three years. These also include technology related expenditures.***

It does not include day-to-day maintenance expenditures such as custodial or janitorial services, minor (less than \$10,000) carpentry, minor electrical and plumbing repairs, or repair or routine replacement of fixtures or furniture.

### CIP Priorities for FY 2016 – FY 2025

In developing the Proposed FY 2016 – 2025 CIP, there were some general guidelines followed in developing the balanced 10-year plan. These guidelines included:

- Using the City Council Approved FY 2015 – 2024 CIP as the “base” for the City Manager’s Proposed FY 2016 – 2025 CIP;
- Incorporating City Council guidance into the plan including funding for implementation of the City’s Waterfront Plan;
- Working to align projects with our City’s Strategic Plan and City Manager’s budget priorities;
- Preserving and maintaining our City’s existing physical assets;
- Addressing the long-term Washington Metropolitan Area Transportation Authority (WMATA) capital request associated with Metro 2025;
- Keeping the self-funded proposed Potomac Yard Metrorail Station a priority capital project; and
- Utilizing project prioritization and rankings to inform funding decisions.

# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview



## CIP Process Improvement Team and CIP Budget Development Information

In addition to following the guidance provided by City Council, the City Manager created a “CIP Process Improvement Team” in the fall of 2012 and charged it with evaluating the existing CIP process and developing a system for linking CIP decisions with the City’s key strategic priorities.

The team worked together to evaluate the current CIP process and developed a process that will link CIP decisions with the key strategic priorities of the organization to ensure that the capital improvement process is more strategic and relevant. The team was charged with:

- Evaluating the existing capital improvement program and recommending appropriate changes; and
- Developing a way to evaluate projects consistent with the City’s Strategic Plan, enabling the City to:
  - Leverage investments to yield improved services through greater operational efficiency and effectiveness;
  - Develop criteria that will determine when a project is ready for evaluation;
  - Develop criteria by which projects will be evaluated/scored; and
  - Determine how projects relate to the Strategic Plan and FY 2016 Budget Guidance.

At the highest level of discussion, the team came to a consensus on the most important guiding principles of the CIP budget development process. Listed below is the basic framework and principles that are recommended by the CIP Process Improvement Team to guide the CIP budget development process.

- **Fair, Open and Objective Evaluation** – using a more complete evaluation tool (included in the Appendices of the Capital Improvement Program document) that informs budget decisions.
- **Quality Submissions** – standardized project submission designed to collect relevant information used in the assist in the evaluation of the projects.
- **Transparency** – allow the public and departments to better understand how funding decisions are made.
- **Linking to the Strategic Plan and City Manager’s Performance Plan** – integration of work from the City’s budget focus areas, including identification of long-term outcomes associated with the City’s capital investments.

The most important initiative implemented by the CIP Process Improvement Team was the creation of a project evaluation tool to provide objective criteria which was used in conjunction with City Council guidance to develop project prioritization. This evaluation tool was used to evaluate and rank capital project requests during the FY 2016 CIP development process. Projects rankings were used to inform decision making in conjunction with the general guidelines (noted earlier) used to develop this year’s proposed plan. The evaluation criteria, along with all the project rankings, can be found in the Appendices of the Capital Improvement Program document.

The CIP Process Improvement Team has played an important role in developing the ten-year plan since FY 2014, and will continue to recommend and implement improvements to the CIP in coming fiscal years.



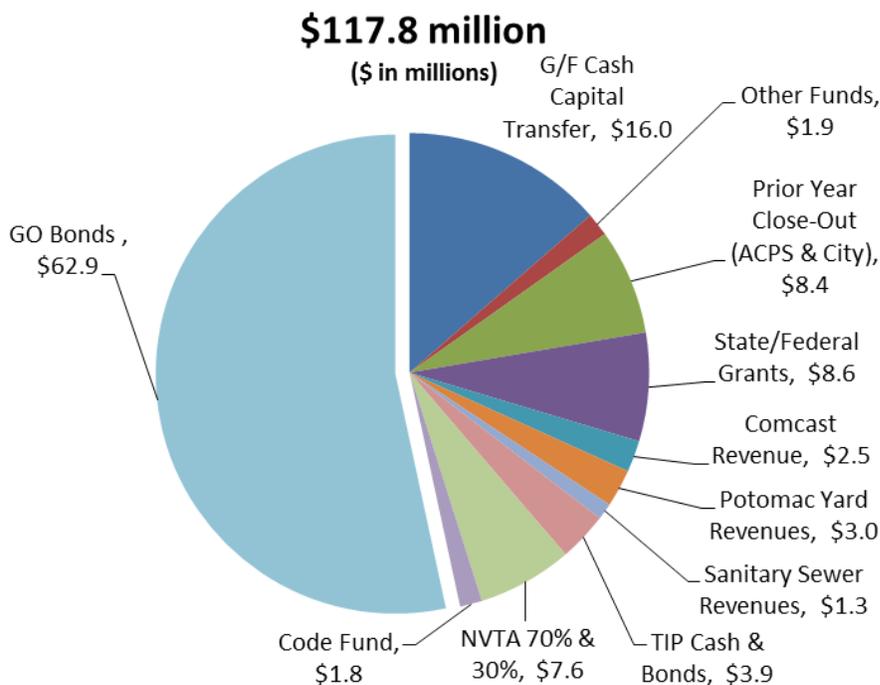
# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

## FY 2016 PROPOSED CIP SOURCES AND USES

### FY 2016 Capital Year Budget Revenues (Sources)

The total Proposed CIP for FY 2016 is \$117.8 million; a \$1.0 million decrease from FY 2016 in last year’s planned CIP. A listing of all revenues included in the FY 2016 -2025 CIP including the FY 2016 Capital Year Budget can be found on pages 59-66 of the full CIP document.

### FY 2016 Capital Year Budget Revenues



Revenue highlights of the Proposed FY 2016 Capital Year Budget expenditures include:

- FY 2016 revenues are split between borrowing (56%) and cash sources (44%). In municipal finance, there are no generally recognized specific mathematical benchmarks for cash capital funding. In general we consider having an overall CIP which is 25% cash capital from all cash sources very healthy.
- The General Fund Cash Capital Transfer amount is \$16.03 million, or 2.47% of General Fund Expenditures. In January 2015, City Council set a target of 2.5%, and a minimum of 2.0% (which would have been equal to \$12.96 million).
- Non-City revenues sources, including Comcast revenues, State/Federal grants and Northern Virginia Transportation Authority (NVTA) revenues total \$18.7 million.



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

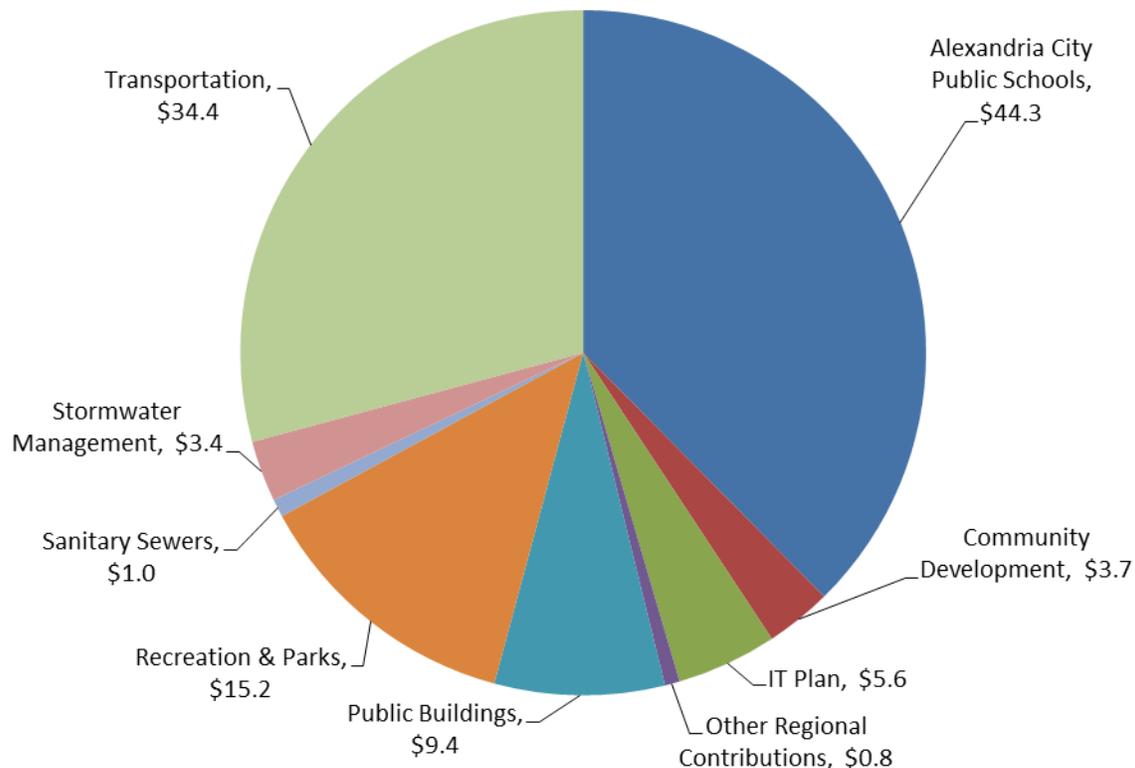
## FY 2016 Capital Year Budget Expenditures (Uses)

The total Proposed CIP expenditures for FY 2016 are \$117.8 million which represents a \$1.0 million decrease from FY 2016 in last year’s planned CIP. FY 2016 is the only year of the 10-year CIP that is formally appropriated by City Council. **A listing of all projects included in the FY 2016 -2025 CIP including the FY 2016 Capital Year Budget can be found on pages 42-47 of the full CIP document.** The pie chart and the narrative below detail only FY 2016 Capital Year Budget highlights by CIP document section.

### FY 2016 Capital Year Budget Expenditures

**\$117.8 million**

(\$ in millions)



Project highlights of the Proposed FY 2016 Capital Year Budget expenditures include:

- **Alexandria City Public Schools (\$44.3 million FY 2016 Capital Year Budget)**
  - A total of \$44.3 million in ACPS projects are funded in FY 2016. ACPS requested \$47.6 million, leaving a funding gap of \$3.3 million. The City Manager’s Proposed CIP funds ACPS at the planned level in last year’s CIP, and allows for the reprogramming of \$5.5 million in prior year funds for priority ACPS capital

# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview



infrastructure projects. This would establish the ACPS CIP for FY 2016 at \$5.5 million above the amount planned last year for ACPS capital for FY 2016.

- **Transportation (\$34.4 million FY 2016 Capital Year Budget)**

- \$9.2 million to support the WMATA Capital Improvement Program. City support for WMATA also includes the use of an additional \$4.0 million in Northern Virginia Transportation Commission (NVTC funds) which are not formally appropriated by City Council.
- \$5.6 million for Street reconstruction and resurfacing, a \$1.1 million increase over FY 2015. Resurfacing of lane miles will increase from an estimated 22 miles in FY 2014, to approximately 40 miles in FY 2015, to over 50 miles in FY 2016.
- \$4.0 million for continued funding of the Potomac Yard Metrorail Station, from NVTA 70% and Potomac Yard Special Tax District revenues.
- \$3.7 million in VDOT grants and prior year TIP proceeds to fully fund the increased costs of improvements at the King Street Metro Station.
- \$3.25 million for DASH bus replacements. When combined with \$4.55 million in FY 2015 funding that will not be expended until FY 2016, a total of 12 DASH buses will be replaced in FY 2016.

- **Recreation and Parks (\$15.2 million FY 2016 Capital Year Budget)**

- \$5.9 million in construction funding is planned for the Patrick Henry Recreation Center Renovation project, being completed in conjunction with capital improvements to the ACPS facility. Construction is not anticipated to begin until the end of FY 2016 at the earliest.
- \$5.0 million in construction funding for the Windmill Hill Park Bulkhead is budgeted in FY 2016. Construction is not anticipated to begin until the end of FY 2016 at the earliest.
- \$0.2 million is added to the FY 2016 Capital Year Budget to begin a phased implementation of improvements at Ft. Ward as identified in the Ft. Ward Management Plan.

- **Public Buildings (\$9.4 million FY 2016 Capital Year Budget)**

- \$1.0 million is provided for continued planning and design of Fire Station 203 (Cameron Mills).
- \$0.25 million is budgeted to provide upgrades to Old Town parking garage ticketing infrastructure, including automating the City's Union Street Garage.
- \$0.15 million will provide for renovations at the City's archives facility, allowing the Archives to expand into previously vacated space. An upgrade to the facilities fire suppression system is being completed in FY 2015.
- \$50,000 is budgeted to begin space planning at the Ellen Coolidge Burke Facility.

- **Information Technology Plan (\$5.6 million FY 2016 Capital Year Budget)**

- \$2.7 million is budgeted to maintain the City's network, with \$2.5 million of those costs offset by Comcast revenue earmarked for network infrastructure improvements.

# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview



- \$1.75 million will support the acquisition of a new Code Department Permitting System. The total cost of the system is \$4.45 million (\$2.7 million budgeted in prior years) and is entirely funded with fee funded Code revenues.
  
- **Sanitary Sewers and Stormwater Management (\$4.4 million FY 2016 Capital Year Budget)**
  - State grant funds in the amount of \$1.75 million are combined with \$0.5 million in City funds to begin planning and design on a Stormwater project at the Cameron Station Pond to help meet mandated stormwater improvements. Construction is not anticipated to begin until FY 2017 or FY 2018.
  
- **Community Development (\$3.7 million FY 2016 Capital Year Budget)**
  - Continued design and engineering for Waterfront Small Area Plan implementation projects is budgeted at \$1.5 million.
  
- **Other Regional Contributions (\$0.8 million FY 2016 Capital Year Budget)**
  - \$0.38 million in capital improvements for the Northern Virginia Regional Parks Authority (NVRPA) and \$0.34 million in capital improvements at the Northern Virginia Community College (NVCC) are included in the City Manager’s Proposed CIP.



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

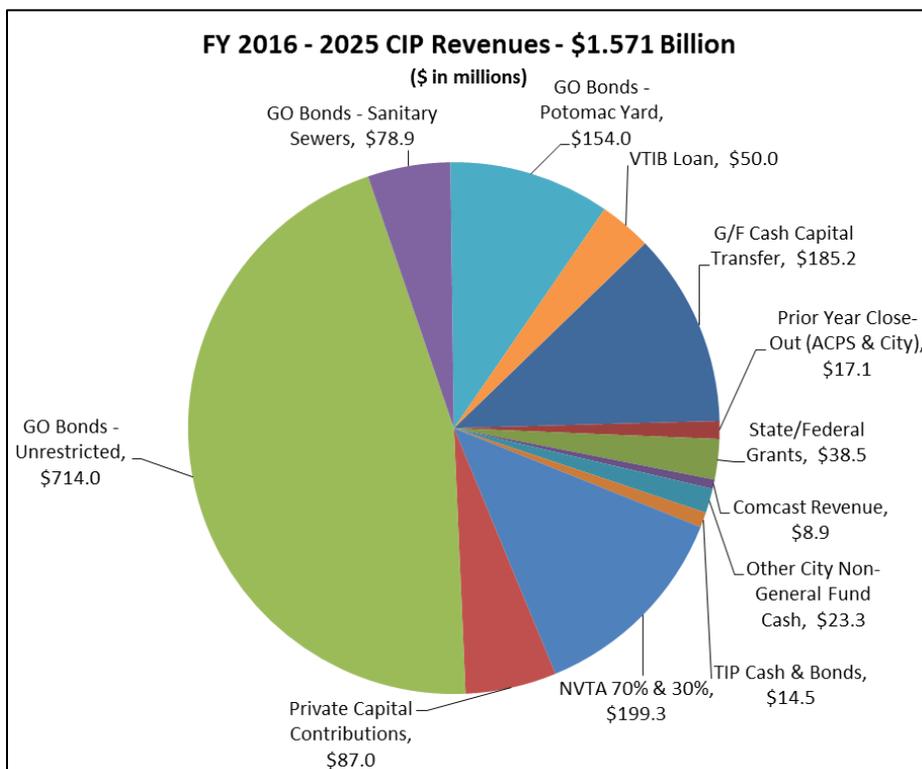
## FY 2016 – 2025 PROPOSED CIP SOURCES AND USES

### FY 2016 – 2025 Capital Improvement Program – Ten-Year Sources and Uses Overview

The total Proposed CIP for FY 2016 – 2025 is \$1.571 billion; a \$112.1 million increase over last year’s approved CIP. This represents 7.7% increase over last year’s plan, with the inclusion of implementation of the Waterfront Plan (\$61.5 million) and an additional \$59.2 million over last year’s approved plan for WMATA including funding for Metro 2025. **A listing of all funding sources included in the FY 2016 - 2025 CIP can be found on pages 59-66 of the full CIP document.** The narrative below provides only highlights of the 10-year plan revenues and expenditures.

#### FY 2016 – 2025 CIP Revenue (Sources) highlights include:

- Budgeting \$50.0 million in FY 2017 for a low cost loan awarded to the City from the Virginia Transportation infrastructure Bank (VTIB) for the Potomac Yard Metrorail Station project. The loan comes with a very favorable interest rate of 2.17%, and a flexible payment schedule.
- Continued use of Northern Virginia Transportation Authority (NVTA) for both regional (Potomac Yard Metrorail Station, Transit Corridor “C” – Beauregard) and local (DASH bus replacements). A total of \$199.3 million is budgeted from NVTA sources in the FY 2016 – 2025 Proposed CIP.
- The General Fund Cash Capital Transfer stays largely at the City Council approved target of 2.5% of General Fund expenditures annually. The percentage as relates to total General Fund expenditures in FY 2016 is 2.47% and increases to 2.5% in FY 2017 through FY 2025.
- Private development contributions supporting capital infrastructure projects throughout the City totals \$87.0 million.

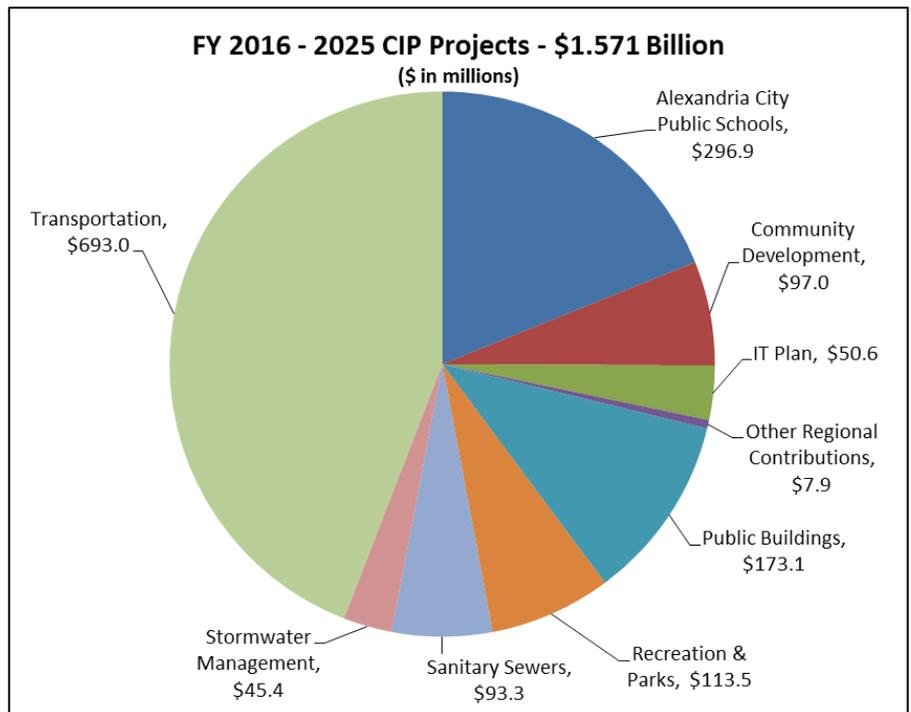




# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

**FY 2016 – 2025 CIP Project (Uses) highlights include:**

- Continuation of the Potomac Yard Metrorail Station project, with \$274.0 million budgeted in FY 2016 – 2017 (total estimated project costs including prior year funding are \$285.9 million).
- Funding for Alexandria City Public Schools total \$296.9 million over the life of the 10-year plan.
- Sanitary Sewer and Stormwater funding totals \$138.8 million, and begins to address long-term capital infrastructure needs related to federally mandated improvements. These improvements could total up to \$400 million over the next two to three decades.
- Funding to begin implementation of the Waterfront Plan totals \$61.5 million in the ten-year plan. In prior year CIPs, only funding for planning and design was budgeted. The FY 2016 – 2025 CIP is the first CIP to provide a funding plan for the infrastructure improvements needed to implement the Waterfront Plan.
- WMATA capital funding increases \$59.0 million, from \$55.5 million in last year’s plan to \$114.5 million. This amount does not include \$42.5 million over the ten-year plan from NVTC proceeds from state and gas tax funding which the City will use to offset the increased costs, and also do not include a substantial investment annually made directly to WMATA from the Commonwealth of Virginia. Total costs of the ten-year plan when factoring in all funding sources could total close to \$200 million.



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview



## DEBT RATIOS, CASH CAPITAL, & DEBT SERVICE

The Proposed FY 2016 – 2025 Capital Improvement Program assumes a substantial amount of borrowing (\$997 million) to fund the capital infrastructure needs identified throughout this document. Included in that amount are \$154.0 million in bonds for the Potomac Yard Metrorail Station backed by Potomac Yard Special Tax District Revenues, \$50.0 million from a Virginia Transportation Infrastructure Bank loan for Potomac Yard (at a 2.17% interest rate) also backed by Potomac Yard Special Tax District Revenues, and \$78.9 million in bonds for Sanitary Sewer projects backed by the Sewer Line Maintenance Fee and Sewer Line Connection Fees.

A total of \$714 million in bonds are planned over the ten years for other City projects, including Alexandria City Public Schools capital infrastructure needs (borrowing comprises \$253 million of future ACPS capital costs in the ten-year plan, primarily associated with school capacity and modernization projects). While the ten-year CIP includes additional borrowing, the plan also assumes the re-payment of \$579.9 million in principal payments on prior year and planned bond issuances. The debt service on these bonds is paid back through the City's General Fund. Based on prior reviews by, and discussions with Moody's and Standard & Poor's bond rating agencies, this amount of debt is consistent with debt ratios that support the City's hard-earned AAA/Aaa bond ratings. Additional borrowing will impact the annual operating budget through increased debt service payments.

### City Council Approved Debt Ratios

City Council passed a set of debt-related financial policies on June 9, 1987. During FY 1998, the Budget and Fiscal Affairs Advisory Committee (BFAAC), a City Council appointed citizen committee, analyzed these debt-related financial policies, and examined the City's financial condition in comparison to other jurisdictions with superior credit ratings (other double-triple A rated jurisdictions). The BFAAC and the City Manager recommended that City Council reaffirm the updated debt-related financial policies, incorporating BFAAC's recommended updates to the policies to establish a consistent set of appropriate relationships between debt targets and limits.

City Council reaffirmed its commitment to sound financial management and adopted the updated debt-related financial policies on December 9, 1997. City Council amended the policies on October 26, 1999, to allow priority consideration for an increase in the assignment of fund balance for capital project funding. On June 24, 2008, City Council adopted the City Manager's recommendation, endorsed by BFAAC, to revise the target and limit upward, reflecting the ratio of debt as a percentage of total personal income.

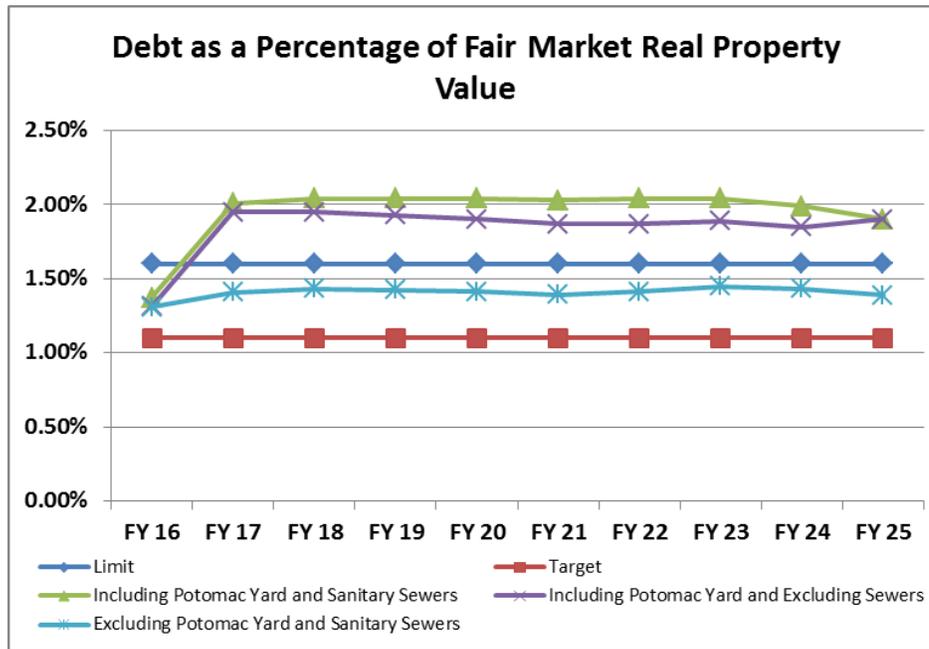
**Each year of the 10-year plan stays within these limits except as planned to account for Potomac Yard Metrorail Station borrowing.** Revisions to the debt ratios guideline will be proposed during 2015 as a result of the projected debt issuance for the planned Potomac Yard Metrorail Station. Both City Council and the bond ratings agencies have been informed for a number of years that limits would be exceeded to accommodate this project in the 10-year plan. While the Metrorail Station borrowing is significant, the resulting economic development and increase to total City assessed property values currently project a return on investment that make this a high-priority project for the City.



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

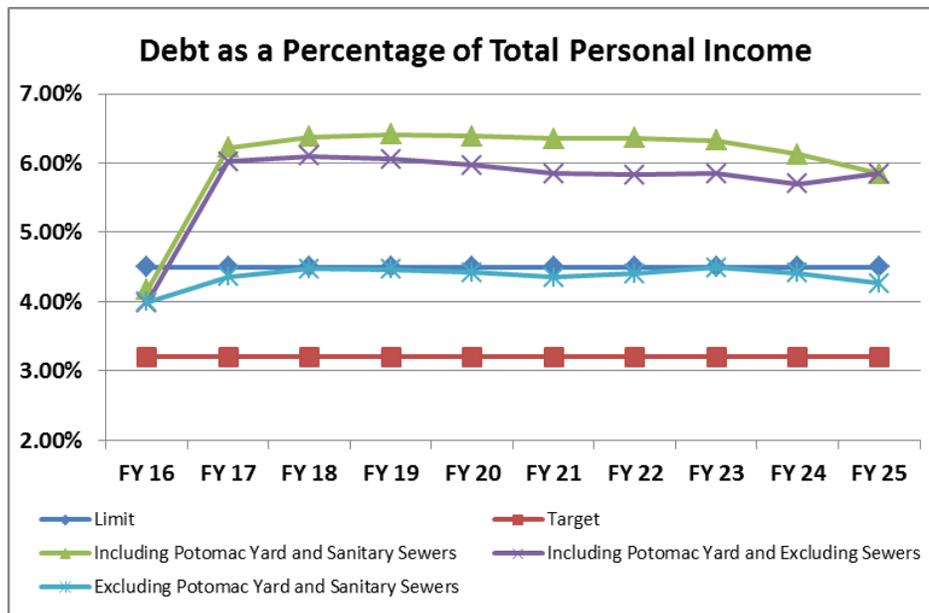
## City Council Approved Debt Limits

**Debt as a Percentage of Fair Market Real Property Value**  
 Target = 1.1 percent; Limit = 1.6 percent; FY 2016 = 1.31 percent



This ratio indicates the relationship between the City’s debt and the full value of real property in the City as assessed annually at fair market value. It is an important indicator of the City’s ability to repay debt because real property taxes are the primary source of the City’s revenues used to repay debt. A small ratio is an indication that the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations. The City is in compliance with this debt ratio for all 10 years of the plan excluding Potomac Yard Metrorail Station debt.

**Debt as a Percentage of Total Personal Income**  
 Target = 3.2 percent; Limit = 4.5 percent; FY 2016 = 3.99 percent



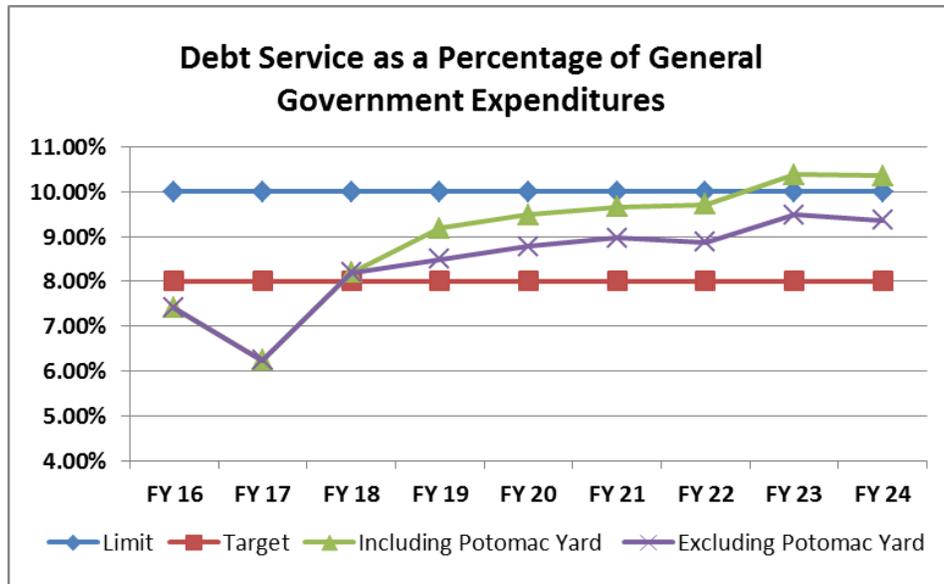
This percentage is a measure of the capacity of citizens to finance tax-supported debt. A lower percentage means that taxes required to repay debt represent a smaller portion of the average citizen’s income. While the City is in compliance with this debt ratio for all 10 years of the plan excluding Potomac Yard Metrorail Station debt, it is very close to the limit in FY 2017, 2018 and FY 2023. City staff will continue to monitor this ratio to determine the most appropriate assumptions regarding the annual rate of growth in total personal income.

# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview



## City Council Approved Debt Limits (Continued)

**Debt Service as a Percentage of General Government Expenditures**  
 Target = 8.0 percent; Limit = 10.0 percent; FY 2016 = 7.41 percent



This ratio is a measure of the City’s ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City’s operating budget. The City is in compliance with this debt ratio for all 10 years of the plan excluding Potomac Yard Metrorail Station debt.

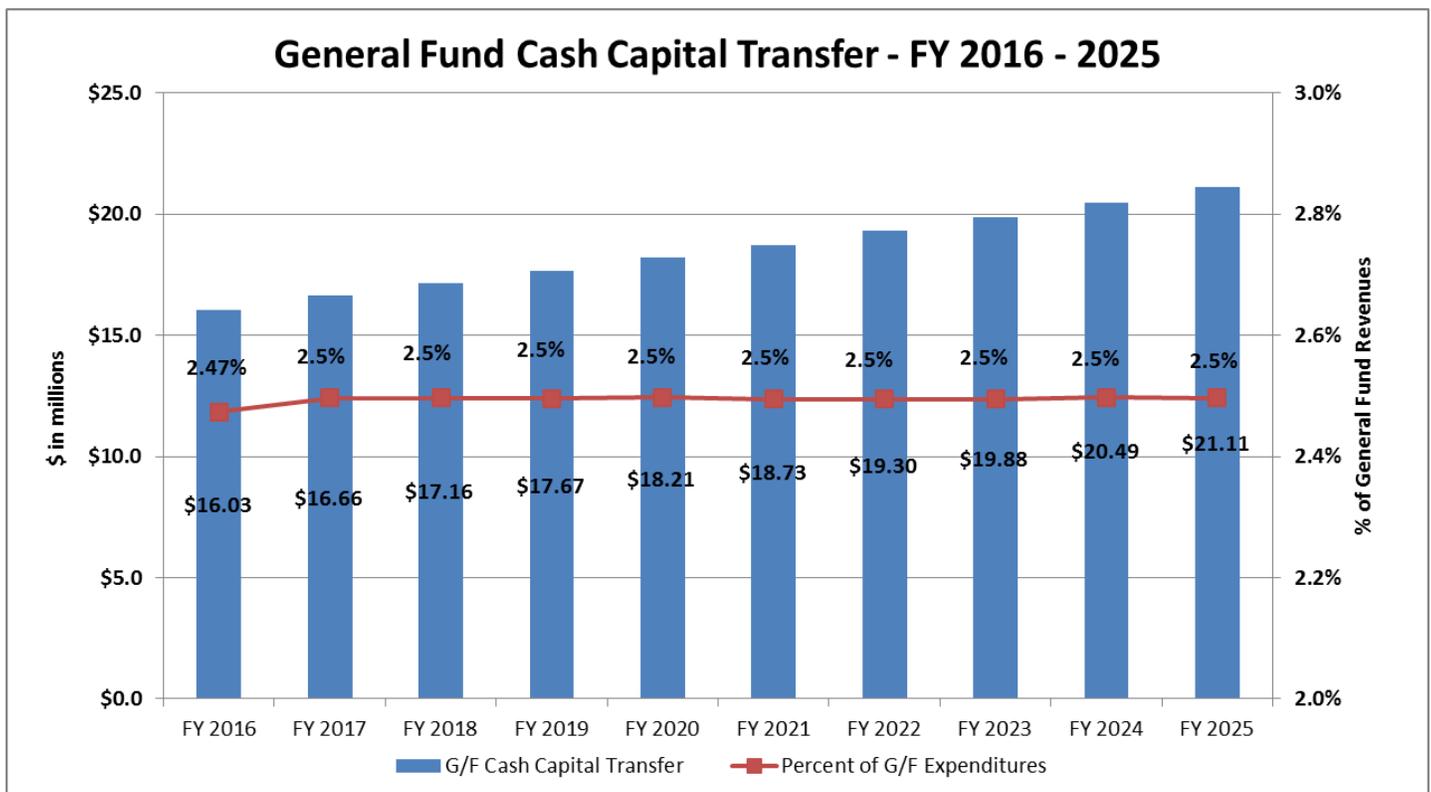


# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

## General Fund Cash Capital Transfer

As part of FY 2016 budget guidance, City Council provided City staff with a General Fund Cash Capital Transfer target of 2.5% and a “floor” of 2.0% of General Fund expenditures to support the CIP. Providing a minimum and a target ensures that cash capital will be maintained at an acceptable level, while maintaining flexibility in setting budget priorities between the annual General Fund Operating Budget and annual cash capital transfer from the General Fund to the CIP.

This cash capital policy will provide City staff the flexibility to develop sustainable and affordable General Fund support to the CIP through debt service paid on General Obligation Bonds and a recurring cash capital transfer supporting City Council capital infrastructure priorities in the ten-year CIP. Furthermore, this policy will tie the cash capital closely to the General Fund, and allow cash capital to grow or decrease proportionally with the General Fund, while still providing the necessary resources to maintain the City's capital infrastructure. The chart below details the planned level of the General Fund Cash Capital Transfer in each year of the CIP along with the percentage of estimated General Fund expenditures comprised by the General Fund Cash Capital Transfer. It is important to note that the General Fund Cash Capital Transfer is only a small portion of all cash sources used to finance the ten-year plan.



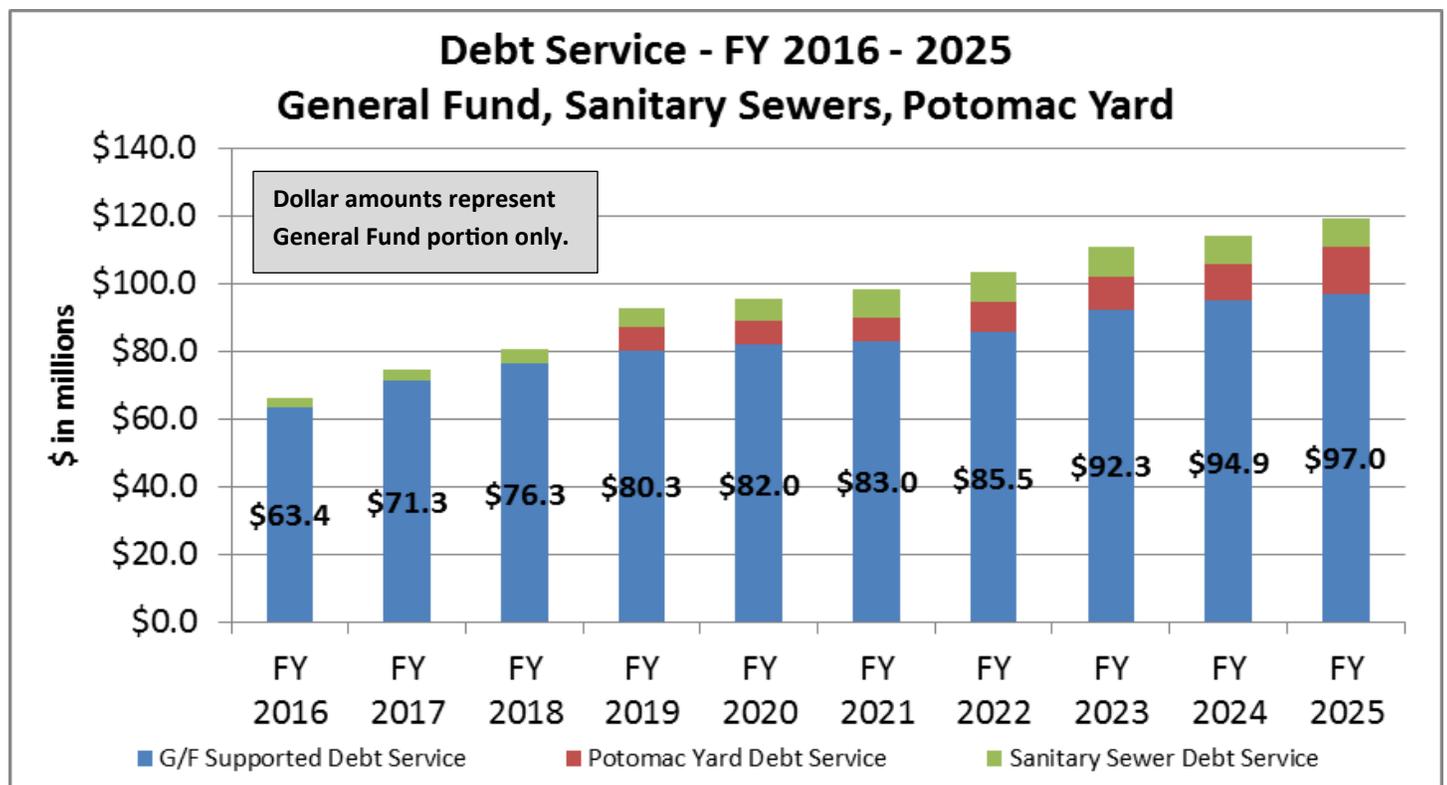


# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

## Debt Service

While the City stays within the fiscally prudent self-imposed debt guidelines for General Fund supported project which excludes borrowing for the Potomac Yard Metrorail Station, debt service payments will continue to grow in order to fund the debt service on previously issued and planned debt issuances. As debt service continues to grow (as evidenced in the chart below), and City revenues continue to experience minimal to moderate growth, the affordability of the current 10-year plan must be examined in the coming fiscal years. The chart below provides details on the projected debt service payments for both existing debt (issued through FY 2015) and planned debt (FY 2016 through FY 2025).

Debt service is broken down into three categories – General Debt Service, Sanitary Sewer Debt Service, and Potomac Yard Debt Service (which includes debt service on the VTIB loan). In FY 2016, \$66.0 million is budgeted for debt service payments, an increase of \$1.6 million over last year’s debt service payments. Of the \$66.0 million total, \$2.6 million will be paid from the Sanitary Sewer Fund. Potomac Yard debt service does not begin until at least FY 2019.



Debt Service	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
G/F Supported Debt Service	\$63.4	\$71.3	\$76.3	\$80.3	\$82.0	\$83.0	\$85.5	\$92.3	\$94.9	\$97.0
Potomac Yard Debt Service	\$0.0	\$0.0	\$0.0	\$7.0	\$7.0	\$7.0	\$8.9	\$9.6	\$10.9	\$13.8
Sanitary Sewer Debt Service	\$2.6	\$3.1	\$4.1	\$5.3	\$6.6	\$8.1	\$9.1	\$8.9	\$8.5	\$8.3
<b>Total Debt Service</b>	<b>\$66.0</b>	<b>\$74.4</b>	<b>\$80.4</b>	<b>\$92.6</b>	<b>\$95.7</b>	<b>\$98.2</b>	<b>\$103.5</b>	<b>\$110.8</b>	<b>\$114.3</b>	<b>\$119.1</b>
Total/Change Over Prior Year	\$1.6	\$8.4	\$6.0	\$5.2	\$3.0	\$2.5	\$3.4	\$6.6	\$2.2	\$1.9
Total/Percent % Over Prior Year	2.4%	12.8%	8.1%	6.4%	3.5%	2.9%	3.8%	7.0%	2.1%	1.9%



# Proposed FY 2016 – FY 2025 Capital Improvement Program Overview

## ADDITIONAL OPERATING IMPACT

In addition to the General Fund impacts of both the Cash Capital transfer and debt service payments, the CIP also has operating impacts based on the actual projects implemented. These costs can be as simple as additional operating funding to maintain a new park, to additional staffing required to operate a new Computer Aided Dispatch System, to utility costs associated with opening a new City facility. The chart to the right provides a summary of all the additional operating impacts that were included as part of the FY 2016 operating budget. In all cases, these were projects previously funded by City Council. In cases like the Fire Station 210 (Eisenhower Valley)/Impound Lot project, the majority of additional operating costs (new positions to staff the new station) have already been included in prior year budgets.

Project	Funding	
	Source	FY 2016
Voice Over Internet Protocol (VoIP)	General Fund	\$ 30,000
HIPAA & Related Health Information Technologies	General Fund	\$ 20,500
Braddock Area Plan Interim Park	General Fund	\$ 15,000
Computer Aided Dispatch (CAD) System Replacement	General Fund	\$ 527,109
*Fire Station 210 (Eisenhower Valley)	General Fund	\$ 199,050
Old Town Parking Garage Ticketing Modernization - Savings from Automating Union St Garage	General Fund	\$ (113,000)
Street Reconstruction & Resurfacing of Major Roads - Savings due to increased Resurfacing funding in CIP.	General Fund	\$ (404,207)
<b>Total, FY 2016 Operating Impact</b>		<b>\$ 274,452</b>

\*Fire Station 210 will be completed in FY 2015 and no longer appears in the CIP.

As part of the Approved FY 2016 – 2025 CIP, an additional operating analysis was performed for each project and impacts are noted on each individual project page of the Capital Improvement Program document. While not all impacts will be charged against the General Fund, the estimated impact to the General Fund (with Stormwater costs included) could be as much as \$11.2 million in additional General Fund resources needed in FY 2025. **In some cases, these additional increases noted may be offset with new revenues or transitioning from shifting priorities or changing business practices within the City. Additional operating impacts are updated annually, and are refined as the project moves closer to the current capital year budget.** The chart below indicates the additional operating impact by fiscal year.

