CITY OF ALEXANDRIA, VIRGINIA

Approved FY 2020 – FY 2029 Capital Improvement Program Overview

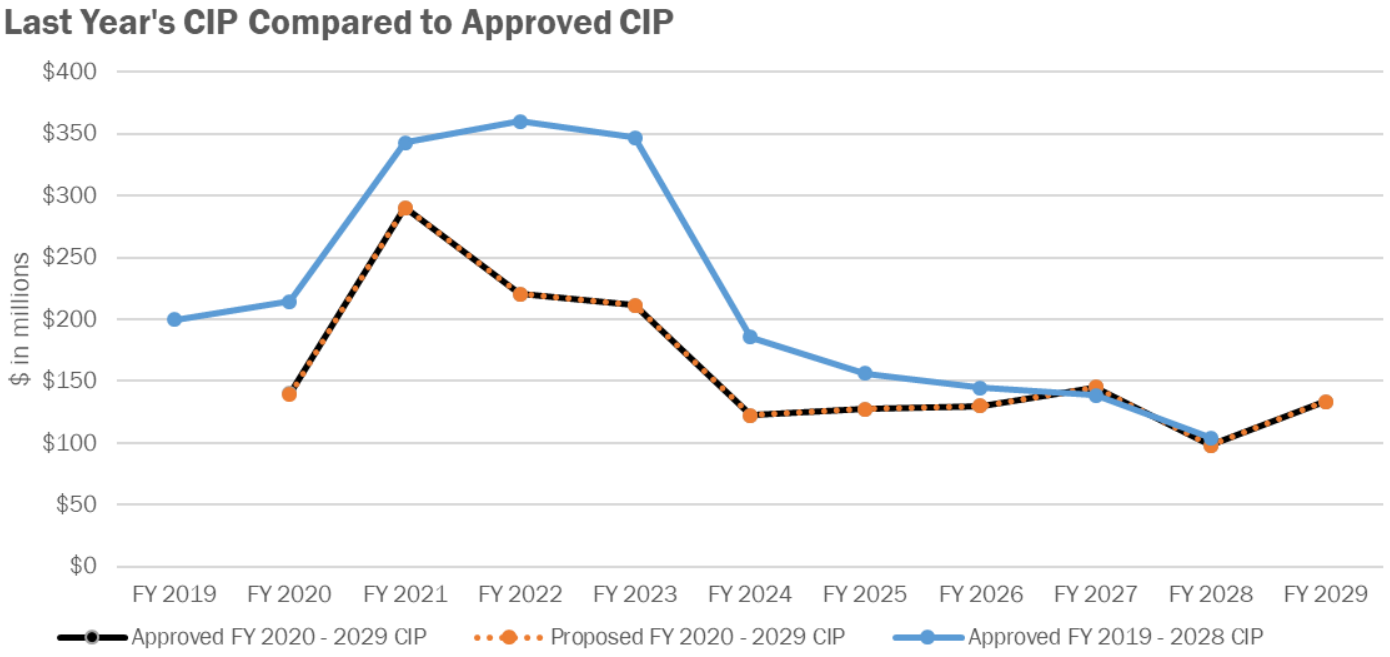
APPROVED CIP OVERVIEW

The City Council Approved FY 2020 – FY 2029 Capital Improvement Program (CIP) totals $1.618 billion, which represents a $574.3 million, or 26.2%, decrease from the Approved FY 2019 – FY 2028 CIP. The Approved CIP continues to reflect the project funding and timing recommended by the Ad-Hoc Joint City/School Facilities Investment Task Force for City and School facilities (for more information, see the Task Force Recommendations & Contingency Funding section).

The Approved 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 Approved CIP reflects the one percent increase in the restaurant meals tax (from 4% to 5%) that was approved by City Council beginning in FY 2019 and was dedicated to investments in Affordable Housing. For FY 2020 this equates to $4.8 million and over the 10-year plan, this represents a $51.4 million additional investment in Affordable Housing.

The City Council Approved FY 2020 – FY 2029 CIP represents a continued commitment and investment to numerous areas of critical City infrastructure, including increased investments in school facilities, maintenance of existing City assets and facilities, and continued substantial support of WMATA's capital improvement program. Each of these investments are discussed in greater detail on the following pages.



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Supporting the City Strategic Structure

The City Council Approved FY 2020 – FY 2029 CIP supports the City's strategic plan and structure. In the Approved FY 2020 – FY 2029 Capital Improvement Program document, each individual project provides information on the primary City Strategic Theme that the project supports. By supporting these Strategic Themes, the City ensures that capital investments are being prioritized and balances 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 Approved FY 2020 – FY 2029 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 ($1.227 billion) -** Includes general cash sources and General Obligation Bond revenues for the base CIP program.
- **Restricted City funds ($225.3 million) -** Includes both cash and General Obligation Bond revenues associated with the Sanitary Sewer Fund, Stormwater Management Fund, Transportation Improvement Program, 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 ($165.8 million)** generally include State and Federal grants (including NVTA funding), private developer capital contributions, and revenues from the City's telecommunication financial agreement with Comcast. These revenues are also restricted in their use.

The City's financing plan has a 46% cash / 54% borrowing structure in this year's approved 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 44% cash / 56% borrowing structure.

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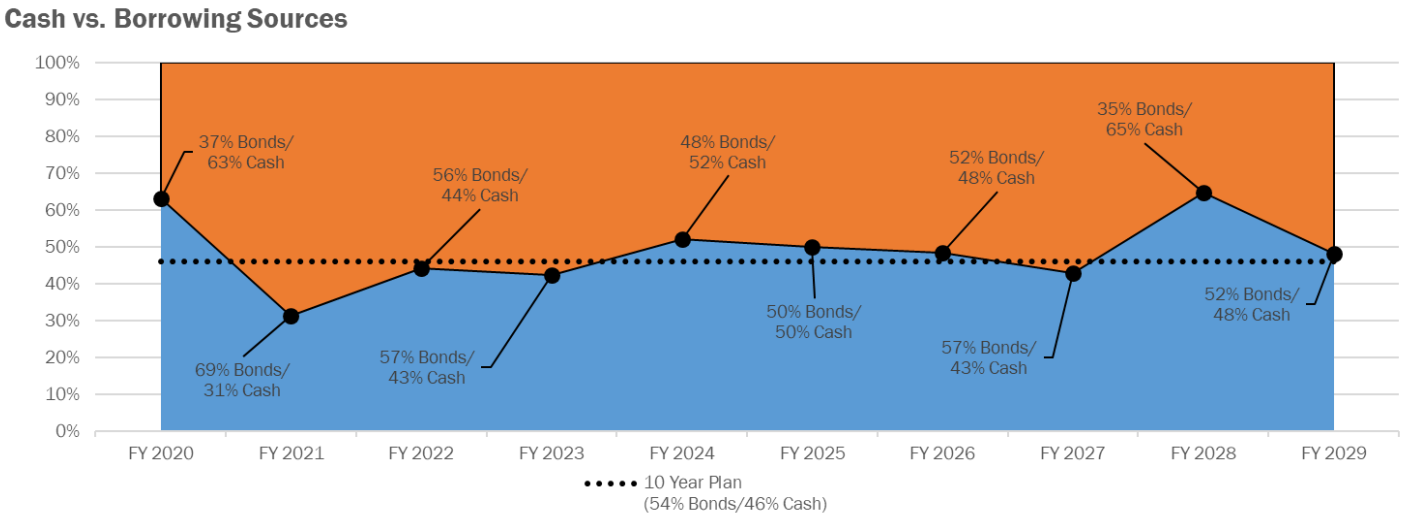

In municipal finance, there are no generally recognized specific mathematical benchmarks for cash capital funding. The bond rating agencies view of cash capital is positive, but the bond rating agencies do not set minimum threshold expectations. In general, the City considers having an overall CIP which is 25% cash capital from all cash sources as very healthy. Therefore, the City's 10-Year CIP cash capital level of 46% greatly exceeds the very healthy level of 25%. Individual years may fluctuate percentage shares based on type and level of project funding for specific years. This reflects the City's commitment to both execute a large dollar volume of CIP projects, but at the same time also keep its debt at reasonable AAA/Aaa levels.

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Revenues	Approved FY 2019 - FY 2028	Approved FY 2020 - FY 2029	Difference
Unrestricted			
Cash Sources (Including G/F Transfer)	$ 450,980,613	$ 424,389,577	$ (26,591,036)
G.O. Bonds	$ 752,441,847	$ 787,270,310	$ 34,828,463
Bond Premiums	$ -	$ 4,200,459	$ 4,200,459
GO Bond Interest Earnings	$ -	$ 2,500,000	$ 2,500,000
Reprogrammed Prior Year Balances	$ -	$ 525,000	$ 525,000
Use of CIP Designated Fund Balance	$ -	$ 7,981,000	$ 7,981,000
Subtotal, Unrestricted City Revenues	**$ 1,203,422,460**	**$ 1,226,866,346**	**$ 23,443,886**
Restricted			
Potomac Yard (Cash Sources)	$ 2,020,234	$ 2,825,726	$ 805,492
Sanitary Sewer (Cash Sources)	$ 17,638,652	$ 39,423,993	$ 21,785,341
Sanitary Sewer (GO Bonds) [1]	$ 310,350,000	$ 38,350,000	$ (272,000,000)
Stormwater Management (Cash Sources)	$ 32,993,552	$ 32,764,004	$ (229,548)
Stormwater Management (GO Bonds)	$ 42,018,000	$ 44,617,993	$ 2,599,993
Transportation Improvement Program (Cash Sources)	$ 15,322,703	$ 15,520,766	$ 198,063
Meals Tax Dedication for Affordable Housing	$ 50,423,148	$ 51,416,200	$ 993,052
Pension Administrative Fees	$ 550,000	$ 250,000	$ (300,000)
Use of Equipment Replacement Fund Balance	$ -	$ 100,000	$ 100,000
TBD Dedicated Revenue Source (WMATA) [2]	$ 90,000,000	$ -	$ (90,000,000)
Subtotal, Restricted City Revenues	**$ 561,316,289**	**$ 225,268,682**	**$ (336,047,607)**
Non-City			
NVTA 70%	$ 60,240,000	$ 27,328,652	$ (32,911,348)
NVTA 30%	$ 39,450,000	$ 18,363,911	$ (21,086,089)
Other State and Federal Grants	$ 115,753,121	$ 68,393,283	$ (47,359,838)
Private Capital Contributions	$ 69,015,213	$ 40,165,213	$ (28,850,000)
Comcast Revenues	$ 12,121,000	$ 11,501,000	$ (620,000)
Interjurisdictional Contributions [1]	$ 53,845,000	$ -	$ (53,845,000)
State CSO Capital Share [1]	$ 77,000,000	$ -	$ (77,000,000)
Subtotal, Non-City Revenues	**$ 427,424,334**	**$ 165,752,059**	**$ (261,672,275)**
Total, All Revenue Sources	**$ 2,192,163,083**	**$ 1,617,887,087**	**$ (574,275,996)**

Notes:

1. Combined Sewer Outfall (CSO) project transferred to AlexRenew Enterprises (a.k.a. Alexandria Sanitary Authority) who has taken the lead in planning, financing, and executing the CSO project.
2. Since the adoption of the City CIP a year ago, the Virginia General Assembly has approved a new dedicated funding stream of revenues for Northern Virginia which will help to fund a new regional $500 million per year expanded WMATA Capital Improvement Program. These funds do not flow through the City, hence the $90 million TBD Revenue line can be dropped from the City CIP.

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Project Categorization

The Approved FY 2020 – FY 2029 CIP addresses four 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;
- Planning and construction of major infrastructure related to the City's stormwater management systems; and
- Alexandria City Public Schools capital infrastructure needs.

Project Category	Total FY 2020 - 2029
Category 1 - Asset Maintenance	$ 417,718,108
Category 2 - Renovations/Existing Assets	$ 102,631,353
Category 3 - New Facilities	$ 326,528,591
Alexandria City Public Schools (Category 1, 2, & 3 Projects)	$ 448,275,955
Information Technology Plan	$ 64,457,500
Affordable Housing	$ 61,416,200
Reservation of Bond Capacity/Cash Capital for City/School Facilities	$ 119,071,167
CIP Development & Implementation Staff	$ 77,788,213
Total, All Categories	**$ 1,617,887,087**

The Approved FY 2020 – FY 2029 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 2019 – FY 2028 CIP.

Similar to FY 2019, the Office of Management and Budget (OMB) 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 Approved FY 2019 – FY 2028 CIP added three additional categories: Task Force Recommendations & Contingency Funding, CIP Development & Implementation Staff, and Affordable Housing. The distribution of funding across the different categories, IT, and ACPS is shown above. Categories are defined as follows:

- **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 approved funding for ACPS;
- **Information Technology Plan** – projects included in the ten-year plan that are Information Technology focused;

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- **Affordable Housing** – represents the funding dedicated to Affordable Housing projects by City Council through the one percent increase in the restaurant and meals tax averaging about $5 million per year, and the $1 million per year for Affordable Housing that the City committed to as part Northern Virginia's efforts to attract the Amazon HQ2 campus to the Alexandria-Arlington area.
- **Reservation of Bond Capacity/Cash Capital for City/School Facilities** – funding that remains in contingency based on the recommendations from the Ad-Hoc Joint City/School Facilities Investment Task Force. This includes outyear contingency funding for City and School facility projects reviewed by the Task Force, and funding for land acquisition for City and School facilities.
- **CIP Development & Implementation Staff** – funding for City staff that are working directly on implementing capital projects that are charged to the CIP.

Beyond basic capital maintenance issues, the Approved FY 2020 – FY 2029 CIP reflects a vision for the City's future. The FY 2020 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 $326.5 million in Category 3 projects, $127.3 million (from both City and non-City sources) is for new and expanded transportation and transit infrastructure projects, including construction of the Beauregard/West End Transit Corridor (Strategic Theme 10 – Multimodal Transportation).

Other significant Category 3 projects include:

- Funding for capital infrastructure improvements associated with the Waterfront Plan Implementation ($50.1 million);
- Funding to continue improvements to City athletic fields and conversions to synthetic turf ($20.0 million); and
- Funding to begin construction of High Capacity Transit Corridor "B"/Duke Street ($12.0 million)

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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 2020) 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 2020 – FY 2029

The Approved FY 2020 – FY 2029 CIP is largely consistent with- and follows the guidelines outlined during the development of the Approved FY 2019 – FY 2028 CIP. These guidelines included:

- Using the previously approved CIP as the “base” for the Approved FY 2020 – FY 2029 CIP;
- Incorporating City Council guidance and policy directions into the plan;
- Working to align projects with the City’s Strategic Plan and City Manager’s budget priorities;
- Preserving and maintaining the City’s existing physical assets;
- Addressing ACPS capital needs; and
- Addressing Washington Metropolitan Area Transportation Authority (WMATA) capital requests.

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Development of Approved CIP

The development of the Approved FY 2020 – FY 2029 CIP began in August 2018, with the submission of project change requests by departments. Departments were asked to justify any project changes that could not wait until the next full CIP development cycle (FY 2021). Departments were asked to limit project changes to the following circumstances:

- The project is being delayed and funding is no longer needed on the schedule originally approved;
- The project has had a change in the amount and/or timing of Non-City funding;
- The project cost has been refined and needs to be reduced; or
- A significant increase in estimated project cost has been identified.

Project change justification forms were due in mid-September 2018.

During the fall of 2018, the CIP Steering Committee began meeting to discuss and make recommendations on the development of the CIP. The committee is responsible for recommending the project composition and funding levels of the Proposed CIP to the City Manager. This committee consists of members of the City Manager's Office and the department heads of the most capital project intensive departments in the City. For the FY 2020 – FY 2029 CIP Development process, the committee included department heads from the Department of General Services; Recreation, Parks & Cultural Activities; the Department of Transportation & Environmental Services; the Department of Information Technology Services; the Department of Project Implementation; and the Department of Planning & Zoning. The Steering Committee is chaired by a Deputy City Manager and coordinated through the Office of Management and Budget (OMB).

The CIP Steering Committee met throughout the fall of 2018 to craft a balanced CIP recommendation for the City Manager and to outline major policy issues facing the CIP. The CIP Steering Committee largely incorporated the funding recommendations of the Joint City/School Facilities Investment Task Force into their CIP recommendation. The committee presented its recommendations to the City Manager in December 2019. Subsequently, the City Manager worked with OMB to finalize the project composition and funding levels recommended in the Proposed FY 2020 – FY 2029 CIP for presentation to City Council on February 19, 2019.

City Council and City staff held a series of budget worksessions in February, March, April and May to provide additional detail on the proposed budgets. Council had the opportunity to make changes to the Operating Budget and CIP through two Add/Delete meetings and then approved the operating budget and CIP on May 1st.

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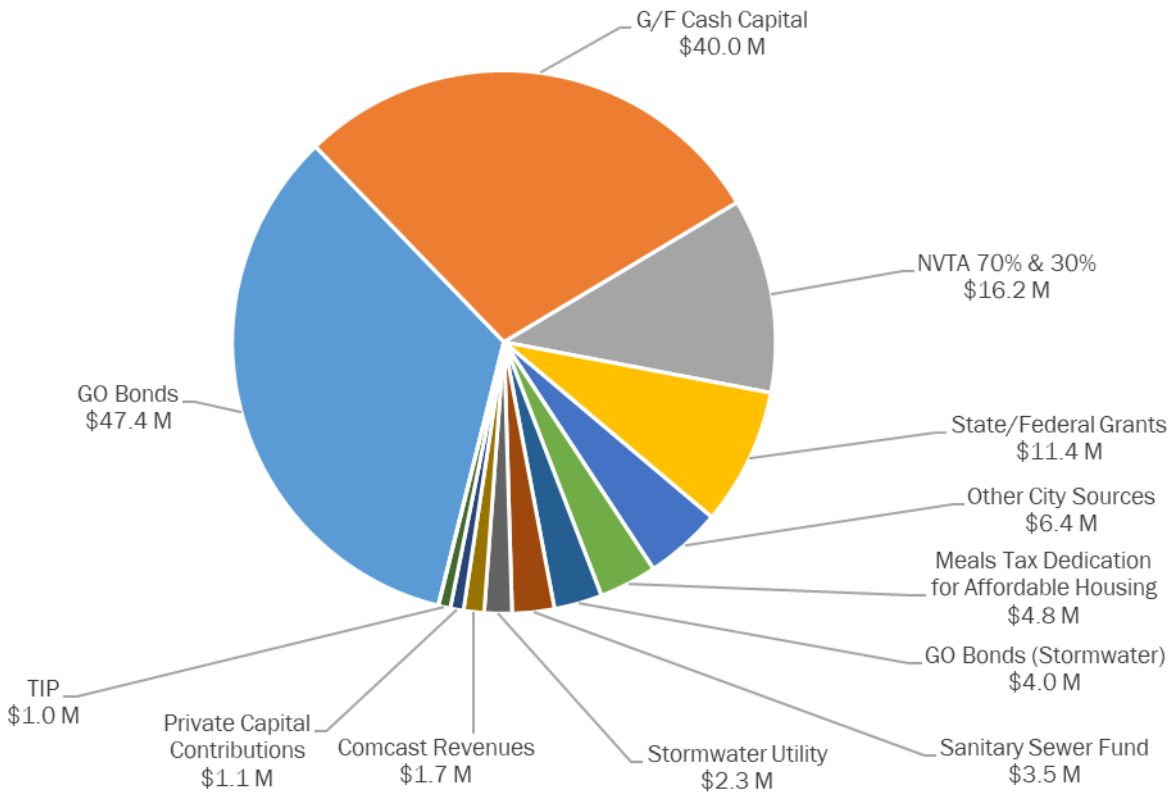
FY 2020 APPROVED CIP SOURCES AND USES

FY 2020 Capital Year Budget Revenues (Sources)

The total approved single year CIP for FY 2020 is $140.0 million; a $74.2 million decrease from FY 2020 in last year's approved single year CIP, which is largely attributable to the transfer of the CSO project to AlexRenew and the changes in the City's contribution to WMATA's CIP that resulted from the dedicated revenue stream created by the Virginia General Assembly in 2018. **A listing of all revenues included in the FY 2020 – FY 2029 CIP including the FY 2020 Capital Year Budget can be found in the Summary Funding Tables section of the Full CIP Document.**

FY 2020 Capital Year Budget Revenues
$140.0 million



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Revenue highlights of the Approved FY 2020 Capital Year Budget expenditures include:

- FY 2020 revenues are split between borrowing (36.7%) and cash sources (63.3%). In municipal finance, there are no generally recognized specific mathematical benchmarks for cash capital funding. In general having an overall CIP which is 25% cash capital from all cash sources over time is considered very healthy.
- The General Fund Cash Capital Transfer amount is $40.0 million, or 5.3% 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 $15.2 million).
- The Approved CIP continues to reflect the one percent increase in the restaurant and meals tax that was approved by City Council beginning in FY 2019 and was dedicated to investments in Affordable Housing. This dedication totals $4.8 million in FY 2020.
- The Approved FY 2020 CIP includes revenues from the recently implemented Stormwater Utility fee (the first billing occurred in January 2018). The Approved CIP includes $2.3 in revenue from the Stormwater Utility fee in FY 2020 and $4.0 million in GO Bonds, backed by Stormwater Utility fee revenue.
- Non-City revenues sources, including Comcast revenues, State/Federal grants and Northern Virginia Transportation Authority (NVTA) revenues total $30.5 million.

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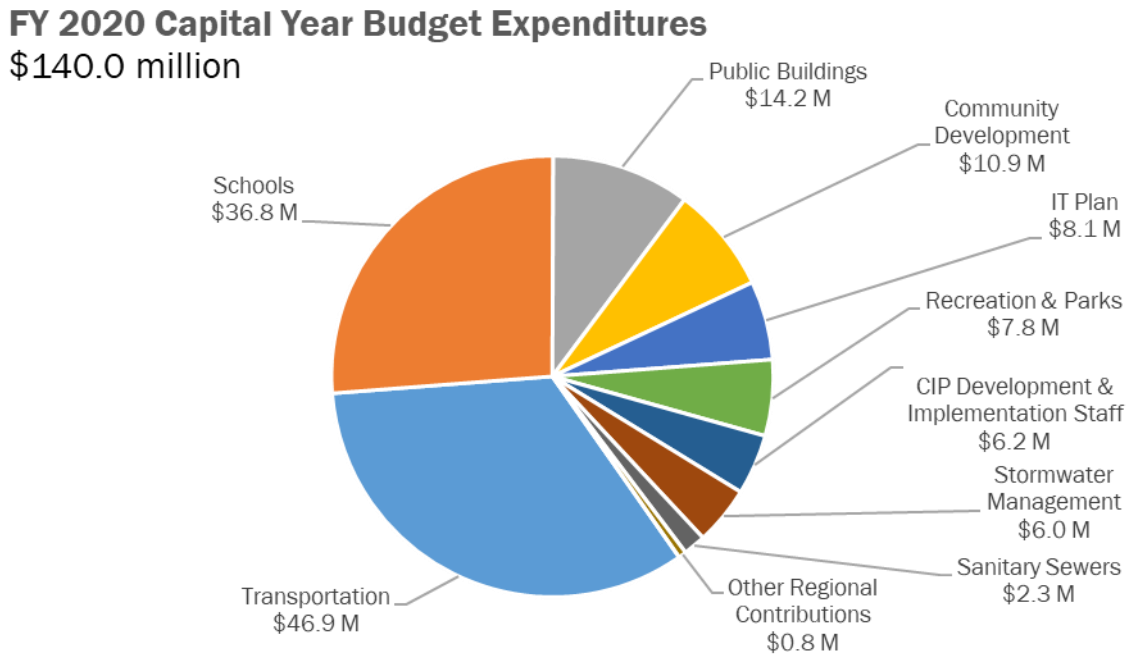
FY 2020 Capital Year Budget Expenditures (Uses)

The total Approved CIP expenditures for FY 2020 are $140.0 million which represents a $74.2 million decrease from FY 2020 in last year's approved CIP, which is largely attributable to the transfer of the CSO project to AlexRenew and the changes in the City's contribution to WMATA's CIP that resulted from the dedicated revenue stream created by the Virginia General Assembly in 2018. FY 2020 is the only year of the 10-year CIP that is formally appropriated at this time as part of the budget by City Council. **A listing of all projects included in the FY 2020 – FY 2029 CIP including the FY 2020 Capital Year Budget can be found in the Summary Expenditure Tables section of the full CIP document.** The chart below and the narrative below detail only FY 2020 Capital Year Budget highlights by CIP document section.



Project highlights of the Approved FY 2020 Capital Year Budget expenditures include:

- **Alexandria City Public Schools ($36.8 million FY 2020 Capital Year Budget)**
  - The Approved FY 2020 – FY 2029 CIP includes funding for 100% of the School Board's 10-year $478.2 million request. For FY 2020 the Approved CIP reflects funding for all ACPS identified capacity and non-capacity needs, with the exception of the transportation facility project that ACPS requested to accelerate from FY 2023 to FY 2020. The City Manager is recommending funding this facility project in FY 2022 to better align with the just initiated planning and eventual redevelopment of City and ACPS facilities on the Witter/Wheeler Campus. Both the City's approved 10-year CIP and the School Board's approved 10-year CIP continue to reflect the recommendations of the Ad Hoc Joint City/Schools Joint Facilities Task Force.
  - For FY 2020, the Approved CIP also includes an additional $0.5 million above the School Board Approved FY 2020 – FY 2029 CIP to support accelerated repairs to the roof at the Mt. Vernon Community School.

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- The FY 2020 Approved Capital Budget also includes an addition $0.7 million investment in textbooks for APCS. This funding was moved from the ACPS Operating Budget Transfer to the ACPS Capital Budget Transfer as part of the City Council Add/Delete process. It is expected that textbooks will become a regular annual ACPS CIP line item starting with the FY 2021 to FY 2030 CIP.

- **Transportation ($46.9 million FY 2020 Capital Year Budget)**
  - $16.7 million to support the WMATA Capital Improvement Program. This includes the use of $7.0 M in prior year funds dedicated to WMATA's capital program. This funding level reflects the impact of legislation passed by the Virginia General Assembly in 2018 to provide a dedicated funding stream for WMATA's capital improvement needs.
  - $5.5 million for Street Reconstruction and Resurfacing. This includes an additional $0.2 million of City funds to replace unrealized state revenue sharing funds in FY 2020. Resurfacing of lane miles will increase from an estimated 22 miles resurfaced in FY 2014, to over 55 miles resurfaced in FY 2020.
  - $3.5 million for Dash Bus Clean Diesel Fleet Replacements

- **Recreation and Parks ($7.8 million FY 2020 Capital Year Budget)**
  - $2.0 million for improvements to athletic fields and installation of synthetic turf at City park facilities
  - $0.8 million for repairs identified by the facilities condition assessment conducted at Chinquapin Recreation Center
  - $0.3 million for the renovation and maintenance of trees planted along City Streets, in parks, and on school grounds and other public properties

- **Public Buildings ($14.2 million FY 2020 Capital Year Budget)**
  - $11.5 million for identified maintenance and repair projects, as part of the City's Capital Facilities Maintenance Programs (CFMPs)
  - $2.0 million for critical upgrades and renovations to the Alexandria Courthouse
  - $0.5 million to conduct high priority repairs to City Hall

- **Information Technology Plan ($8.1 million FY 2020 Capital Year Budget)**
  - $2.9 million in investments in Public Safety Systems, including $1.6 million to continue critical upgrades to the City's Public Safety Radio system, and implementation of an Electronics Citation system.
  - $0.7 million to invest in the City's court records system (AJIS)
  - $3.4 million is budgeted to maintain the City's IT infrastructure, with $1.7 million of those costs offset by Comcast revenue earmarked for network infrastructure improvements.

- **Sanitary Sewers ($2.3 million for FY 2020 Capital Year Budget)**
  - FY 2020 funding maintains the portions of the Sanitary Sewer system under the City's responsibility, along with supporting AlexRenew's efforts to construct the mitigation projects. In 2018, the City entered into an agreement with Alexandria Renew Enterprises (AlexRenew) to transfer ownership of

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the Combined Sewer Outfalls (CSOs), along with responsibility for constructing and financing infrastructure to mitigate CSO overflows. This results in the removal of $391.9 million in planned projects over the 10-year plan.

- **Stormwater Management ($6.0 million FY 2020 Capital Year Budget)**
  - $0.5 million to continue Stream & Channel Maintenance projects
  - $2.2 million to begin stream restoration projects at Strawberry Run and Taylor Run

- **Community Development ($10.9 million FY 2020 Capital Year Budget)**
  - $5.8 million for investments in Affordable Housing. This includes $4.8 million in funding from the restaurant and meals tax dedication approved by City Council in 2018, along with an additional $1 million committed to Affordable Housing by the City as part of the region's efforts to attract the Amazon HQ2 campus to Northern Virginia.
  - $0.9 million to begin accelerating the conversion of City streetlamps to energy-efficient LED lighting and completion over a 2-year period.

- **Other Regional Contributions ($0.8 million FY 2020 Capital Year Budget)**
  - $0.42 million in capital improvements for the Northern Virginia Regional Parks Authority (NVRPA) and $0.36 million in capital improvements at the Northern Virginia Community College (NVCC) are included in the Approved CIP.

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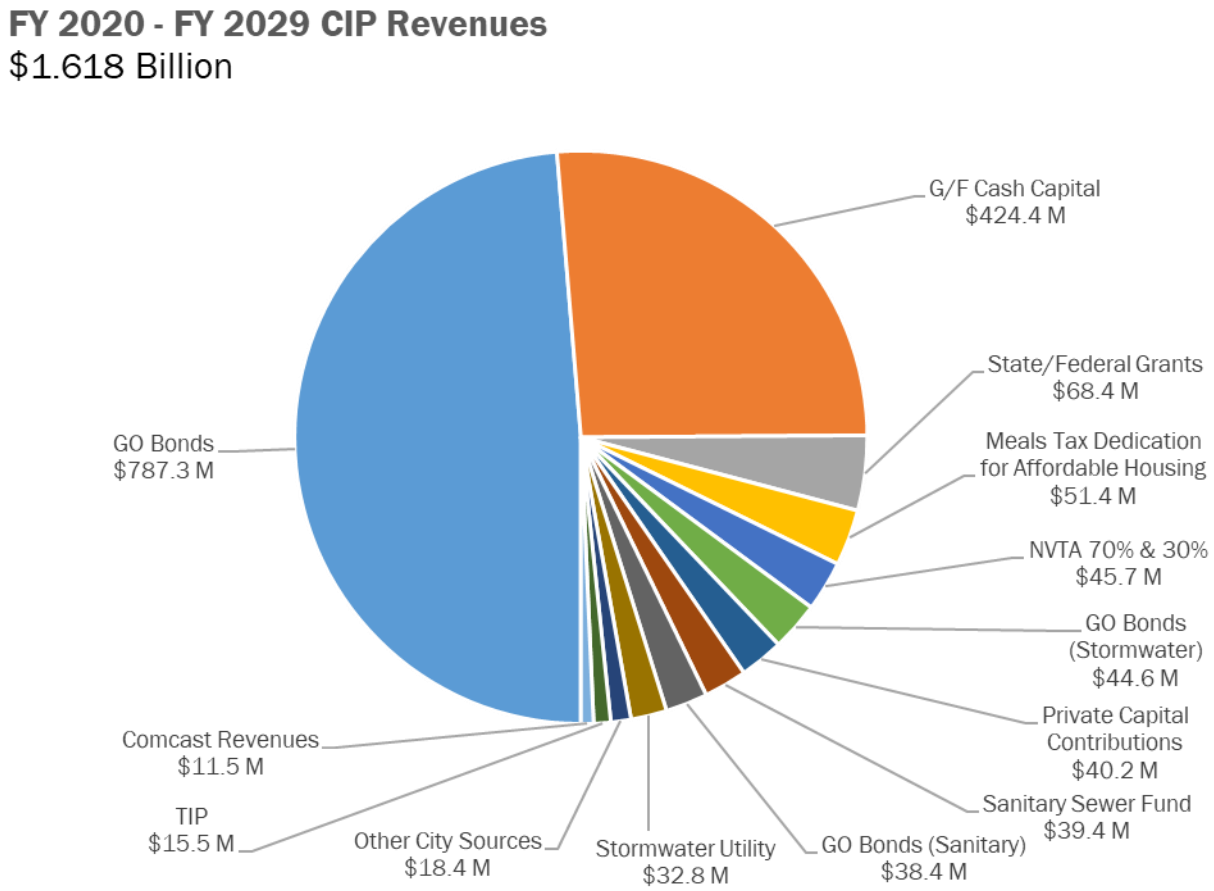
FY 2020 – FY 2029 APPROVED CIP SOURCES AND USES

FY 2020 – FY 2029 Capital Improvement Program – Ten-Year Sources and Uses Overview

The total Approved CIP for FY 2020 – FY 2029 is $1.618 billion, a $574.3 million decrease from last year's approved CIP. This represents 26.2% decrease over last year's plan, which is largely attributable to the transfer of the CSO project to AlexRenew and the changes in the City's contribution to WMATA's CIP that resulted from the dedicated revenue stream created by the Virginia General Assembly in 2018. **A listing of all funding sources included in the FY 2020 – FY 2029 CIP can be found in the Summary Funding Tables section of the full CIP document.** The narrative below provides only highlights of the 10-year plan revenues and expenditures.



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FY 2020 – FY 2029 CIP Revenue (Sources) highlights include:

- Continued use of Northern Virginia Transportation Authority (NVTA) for both regional (Transit Corridor "C" – West End Transitway) and local (DASH bus replacements) projects. A total of $45.7 million is budgeted from NVTA sources in the FY 2020 – FY 2029 Approved CIP.
- The legislation passed by the Virginia General Assembly in 2018 to provide dedicated capital funding to WMATA, reduced the City's annual contribution to WMATA, however it also reduced the amount of transportation-specific funding sources available to the City for capital projects. The state legislation included redirecting portions of revenue sources set aside for NVTA to the WMATA dedicated funding; this resulted in the loss of approximately $2.2 million per year in NVTA 30% funds available to the City.
- The General Fund Cash Capital Transfer is above the City Council approved target of 2.5% of General Fund expenditures annually, averaging 4.9% over the ten-year plan. The percentage as it relates to total General Fund expenditures in FY 2020 is 5.3%.
- The Approved CIP reflects the one percent dedication of the restaurant meals tax to investments in Affordable Housing. This dedication, along with additional committed funds, totals $61.4 million over the 10-year plan.
- Private development contributions supporting capital infrastructure projects throughout the City totals $40.2 million.
- Stormwater Utility Fees will provide an estimated $32.8 million in funding for the Approved CIP and an additional $44.6 in utility fee backed GO Bonds.
- State and federal grant sources provide $68.4 million over the 10-year plan to support investments in the City's transportation infrastructure, including improvements to streets, bridges, and intersections ($14.4 million), pedestrian and bicycling facilities ($11.3 million), public transit ($29.0 million), and the City's Smart Mobility Program ($13.7 million).

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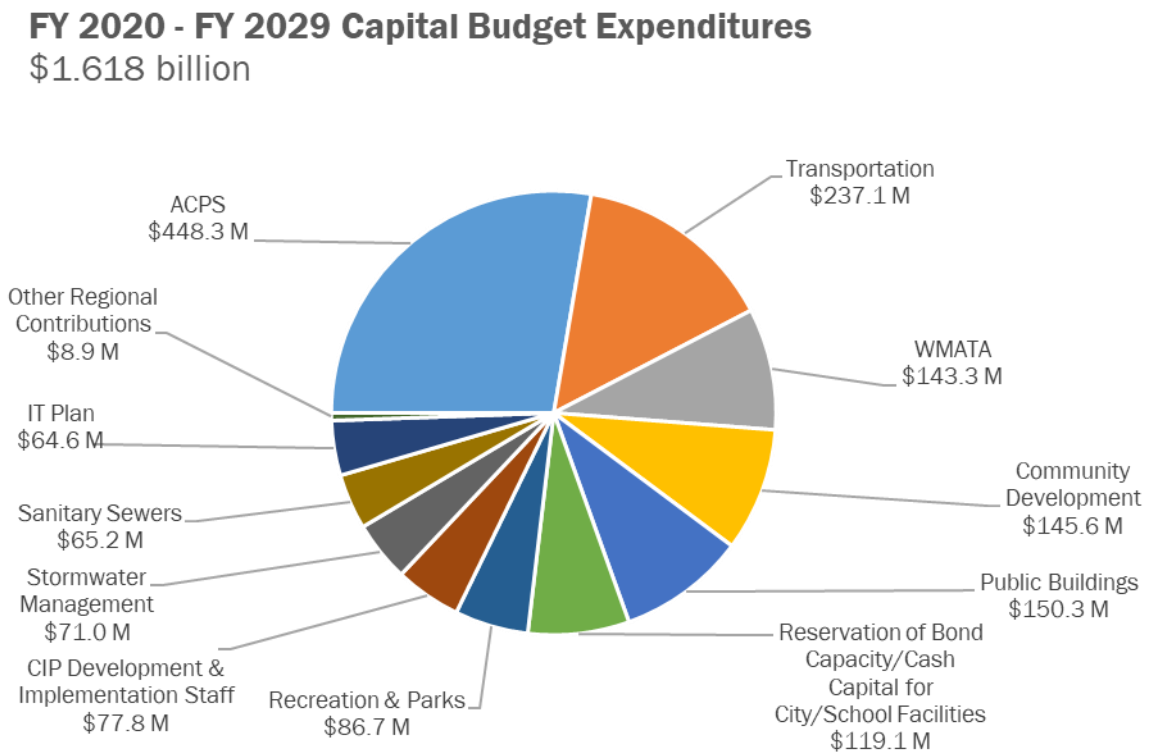
FY 2020 – FY 2029 CIP Project (Uses) highlights include:



- The School Board's Approved FY 2020 – FY 2029 CIP is fully funded in the City Council's Approved CIP. This includes $448.3 million directly allocated to Alexandria City Public Schools over the life of the 10-year plan and $31.2 million held in a bond reserve/cash capital CIP account for school projects, including the School's Transportation Facility in FY 2022.
- The Approved CIP includes $126.6 million to fund the City's Capital Facility Maintenance Programs (CFMPs) and other major renovations (i.e. City Hall).
- Stormwater funding totals $71.0 million to begin to address long-term capital infrastructure needs related to state and federally mandated improvements.
- Funding to begin implementation of the Waterfront Plan and to construct flood mitigation infrastructure has been consolidated and moved to FY 2021, totaling $50.1 million, which will allow the City the flexibility to pursue a progressive design-build delivery method for the project. Although funding authorization has been consolidated to a single year, to allow a contract award, actual cash flow will occur over a multi-year period.
- Funding to begin construction of the Transit Corridor "C" – West End Transitway totals $12.2 million in the ten year plan.
- Funding to continue the City's Street Reconstruction and Repaving program totals $51.1 million over the ten year plan.
- DASH Bus Fleet Replacements total $20.9 million over the ten-year plan.
- WMATA capital funding totaling $143.3 million. This capital support includes the City's local match required as part of the recently enacted State dedicated funding. This amount does not include the planned use of NVTC proceeds from State and gas tax funding which the City will use to offset some of the capital costs.

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DEBT RATIOS, CASH CAPITAL, & DEBT SERVICE

The Approved FY 2020 – FY 2029 Capital Improvement Program assumes borrowing in the amount of $897.6 million to fund the capital infrastructure needs identified throughout this document. Included in that amount are $38.5 million in bonds for the Sanitary Sewer projects backed by Sanitary Sewer connection and maintenance fees, and $44.6 million in bonds for Stormwater Management projects backed by the Stormwater Utility. A total of $787.3 million in bonds are planned over the ten years for other City projects, including Alexandria City Public Schools capital infrastructure needs (borrowing comprises $380.9 million of future ACPS capital costs in the ten-year plan, primarily associated with school capacity projects).

While the ten-year CIP includes additional borrowing, the plan also assumes the re-payment of $707.3 million in principal payments on prior year and planned bond issuances. Of this $707.3 million in principal payments, $51.2 million will be paid through Sanitary Sewer fees, Stormwater Utility fees, and the Potomac Yard generated tax revenues. The debt service on the remaining bonds is paid back through the City's General Fund. This amount of debt planned 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.

As part of the FY 2018 – FY 2027 CIP, City Council approved modifications to the City's Adopted Debt Ratios, endorsed by BFAAC, that (1) accommodate the City's current capital needs, (2) give the City the flexibility to meet future/unanticipated capital needs, and (3) maintain a fiscally moderate position for the City that is in line with regional comparators and what bond rating agencies would view as acceptable. The changes outlined as follows will continue to support the City's status as an AAA/Aaa bond rated jurisdiction.

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Debt Ratio	Previous Ratios			City Council Changes Adopted as Part of Approved FY 2018 - FY 2027 CIP		
	Target	Limit	Exemptions	Target	Limit	Exemptions
Debt as a Percentage of Fair Market Real Property Value	1.10%	1.60%	Sanitary Sewer Debt	Set by CIP	2.50%	Sanitary Sewer & Stormwater Debt
Debt as a Percentage of Total Personal Income	3.20%	4.50%	Sanitary Sewer Debt	DELETED AS A MEASURE		
Debt Service as a Percentage of General Government Expenditures	8.00%	10.00%	Sanitary Sewer Debt	Set by CIP	12.00%	Sanitary Sewer & Stormwater Debt
10-Year Debt Payout Ratio	NOT A PRIOR MEASURE			65.00%	50.00%	Debt Issuances Specific to Assets with a 20+ year Useful Life

Staff recommended changes to the Debt as a Percentage of Real Property Value and Debt Service as a Percentage of General Government Expenditures policies after comparing the City's current policy and forecasted capital needs to the adopted policies and actual practices of relevant comparator jurisdictions. The ratios' limits were adjusted to a level that was sufficient to address anticipated future needs, provide additional capacity for unanticipated needs, remain compatible with each other, and avoid another adjustment in the near future, while being considered reasonable by the rating agencies. The methodology for selection of the proposed rate included review by the City's financial advisors.

The establishment of a 10-Year Debt Payout Ratio target of 50% formalizes the City's current practice of structuring debt with level principal payments. Highly-rated jurisdictions such as the City of Alexandria often structure debt using level principal payments.

Each year of the 10-year plan stays within these approved limits for the Debt as a Percentage of Fair Market Real Property Value, Debt Service as a Percentage of General Government Expenditures, and the 10-Year Debt Payout ratios.

Planned FY 2020 Borrowing

The Approved FY 2020 Capital Budget identifies the use of $51.4 million in borrowing to support critical investments in City facilities, School Facilities, and transportation and environmental infrastructure. Based on staff's analysis of the projected cash flow of existing on-going projects and the planned projects scheduled to begin in FY 2020, and because of on hand available bond balances, the City will not schedule issuing the bonds contemplated to fund FY 2020 capital projects until FY 2021. As such, the debt ratio projections on the following pages and the debt service expenditures included in the Approved Operating Budget reflect this planned borrowing schedule.

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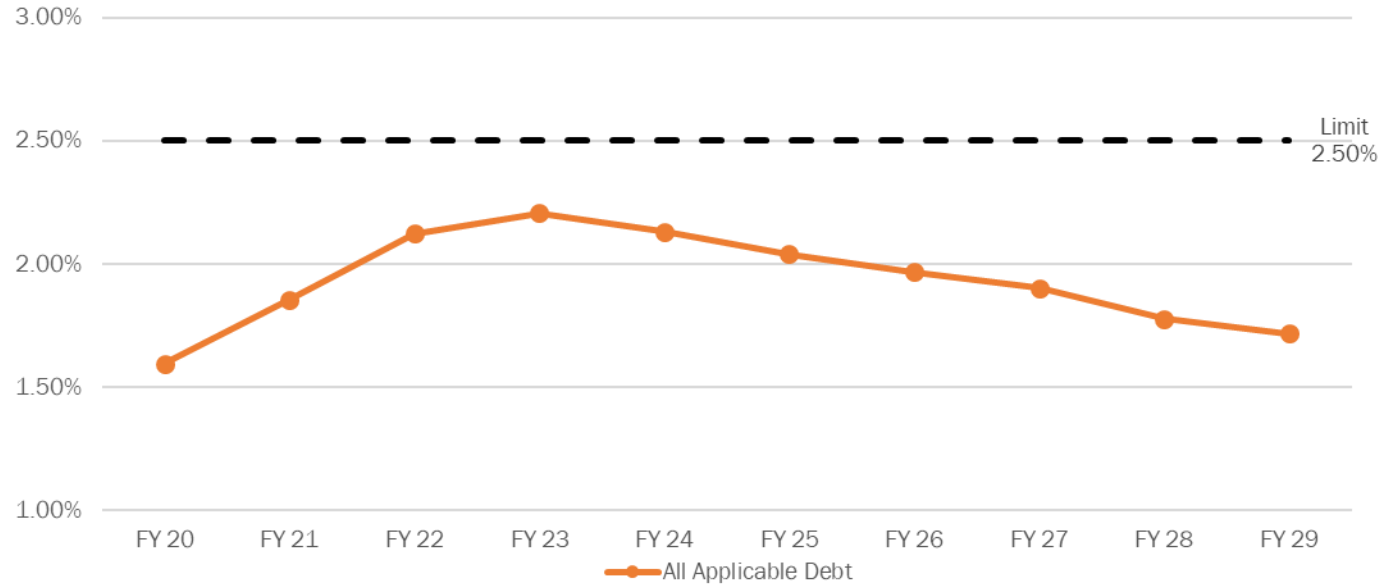
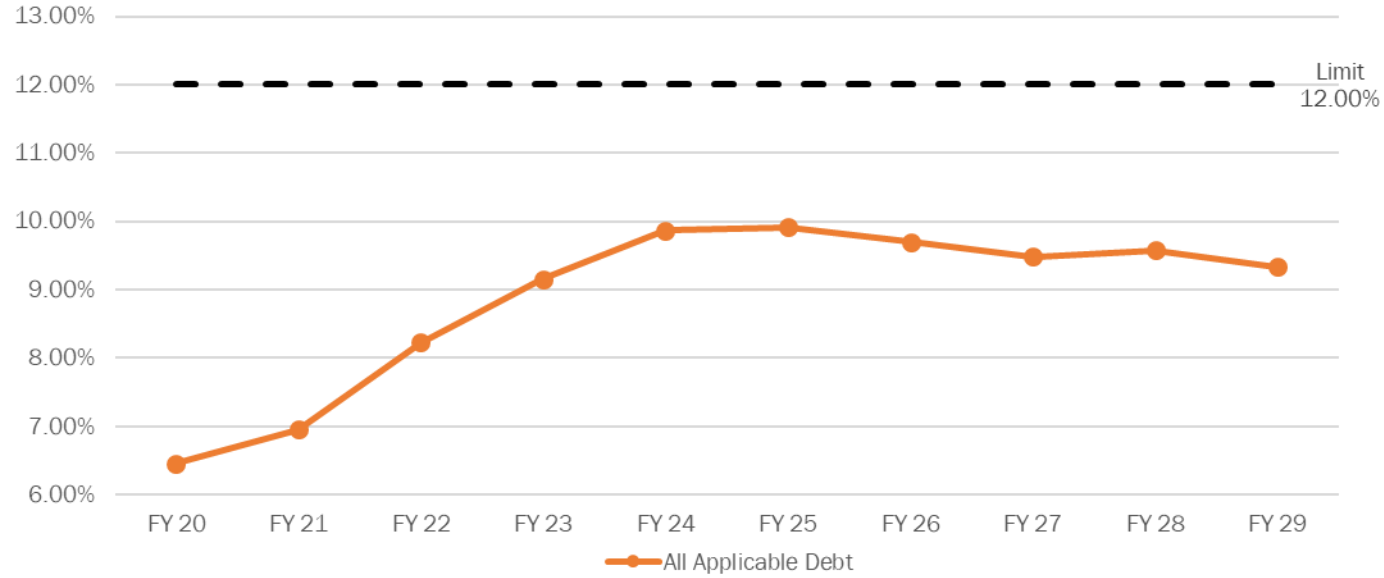
Debt as a Percentage of Fair Market Real Property Value
Limit = 2.50 percent; FY 2020 = 1.60 percent



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 will be in compliance with this debt ratio for all 10 years of the plan.

Debt Service as a Percentage of General Government Expenditures
Limit = 12.0 percent; FY 2020 = 6.45 percent



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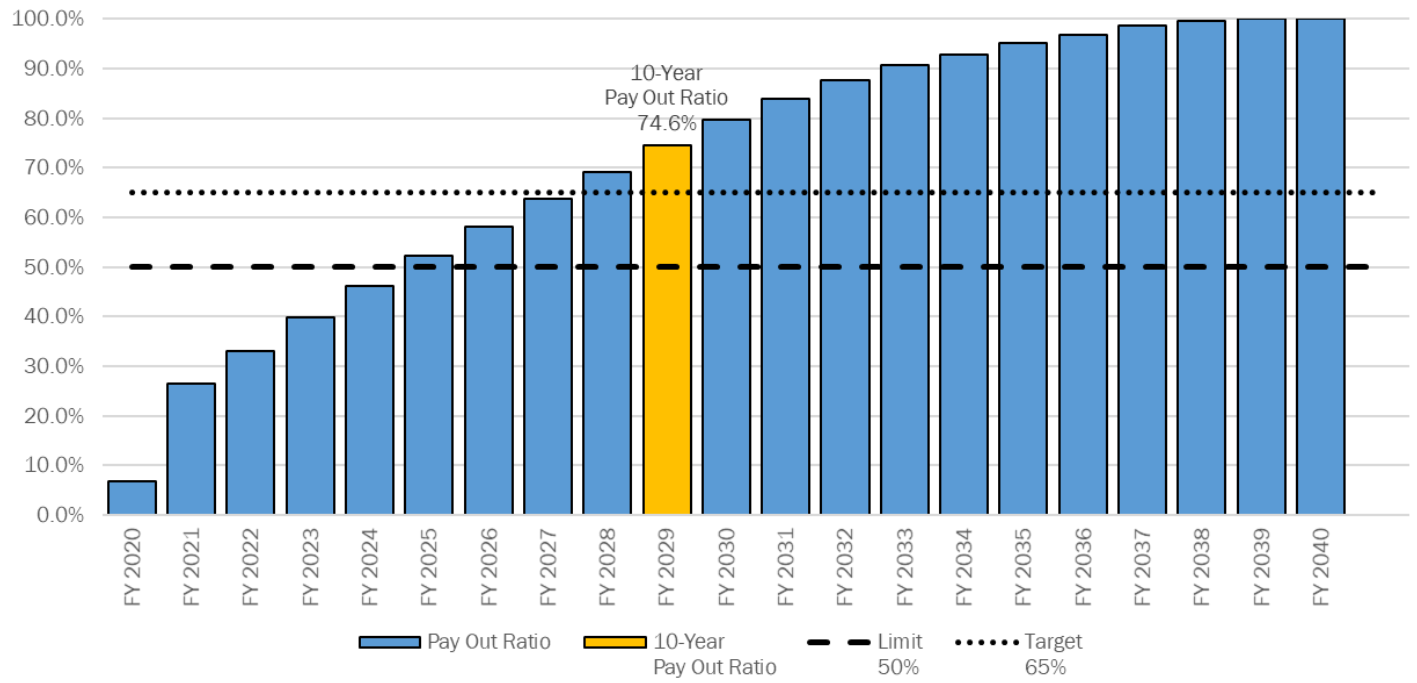
This ratio is a measure of the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget. The City will be in compliance with this debt ratio for all 10 years.

10-Year Debt Payout Ratio
Limit = 50.0 percent; Target = 65.0 percent; FY 2020 = 74.6 percent



This ratio compares how much debt is structured to be paid off in a given period of time. A more aggressive repayment structure results in a higher ratio. The speed of the repayment of outstanding debt is one of the areas in which local governments are evaluated by the bond rating agencies. A payout ratio at or greater than 50 percent is typically viewed favorably and as best practice for municipal debt management.

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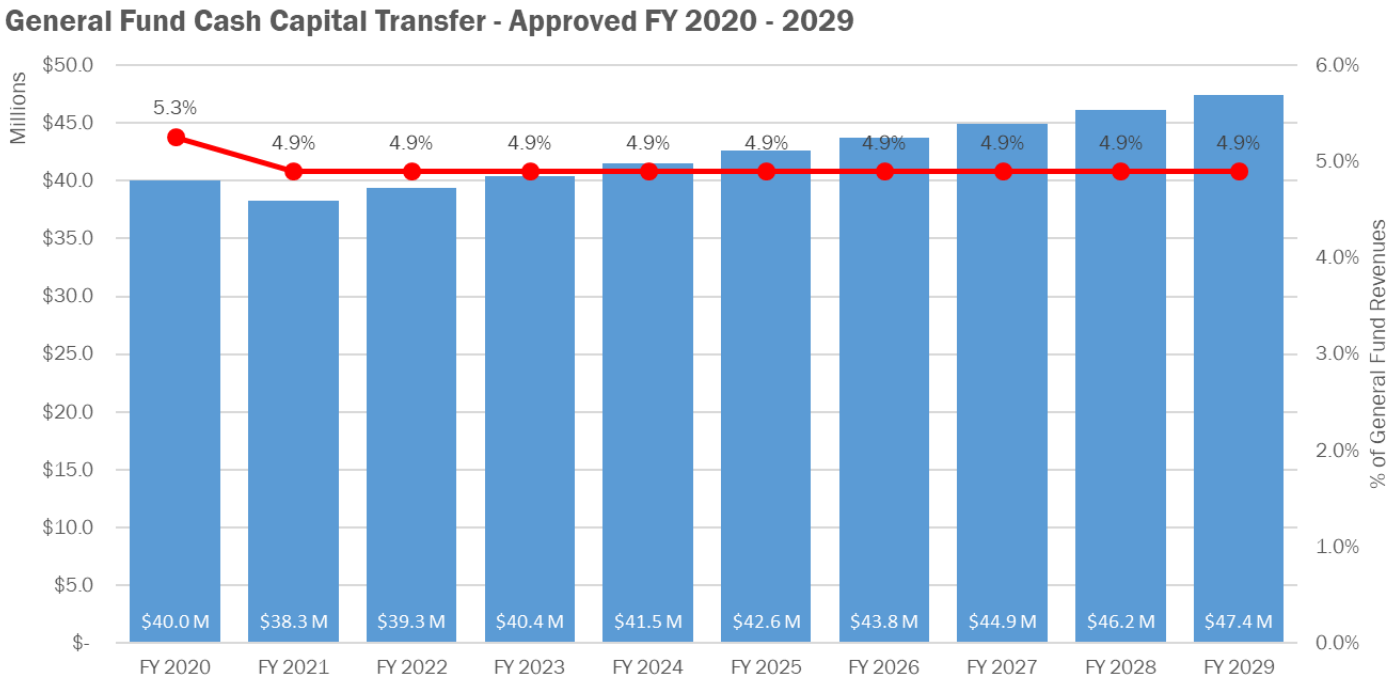
General Fund Cash Capital Transfer

City Council adopted, in January 2015, 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 helps ensure that cash capital will be maintained at a healthy 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 provides 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 ties 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 adopted 10-year CIP reflects a cash capital transfer equal to 4.9% of General Fund expenditures which is nearly double the adopted target level of 2.5%

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. The General Fund Cash Capital Transfer represents 56.8% of all cash sources used to finance the ten-year plan.



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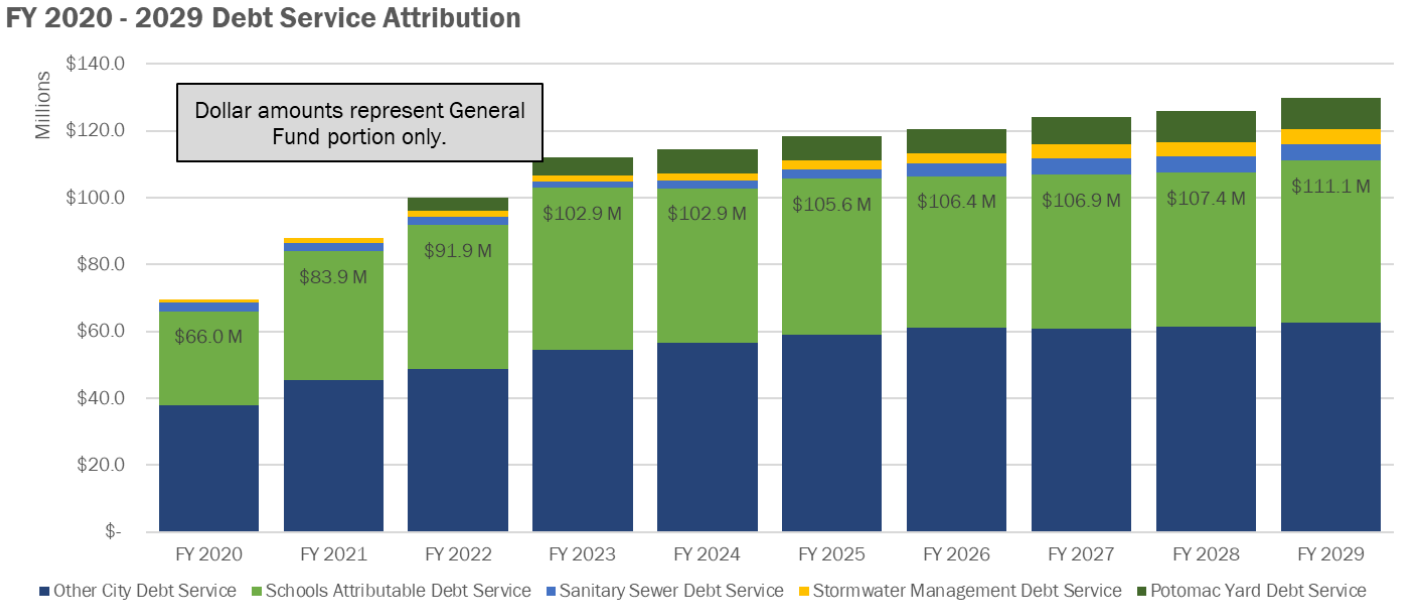
Debt Service

While the City stays within fiscally prudent debt guidelines for General Fund supported projects, 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 City will be facing a tax rate versus a capital/operating funding set of decisions. The chart below provides details on the projected debt service payments for both existing debt (issued through FY 2019) and planned debt (FY 2020 through FY 2029).

Debt service is broken down into five categories – Other City Debt Service, Schools Attributable Debt Service, Sanitary Sewer Debt Service, Stormwater Management Debt Service, and Potomac Yard Debt Service (which is paid for by Potomac Yard generated tax and developer revenues). In FY 2020, $69.4 million is estimated for debt service payments, a decrease of $2.8 million from last year's budgeted debt service payments. Of the $69.4 million total, $3.4 million will be paid from the Sanitary Sewer Fund and the Stormwater Utility enterprise funds.



Debt Service ($ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund Supported Debt Service	$66.0	$83.9	$91.9	$102.9	$102.9	$105.6	$106.4	$106.9	$107.4	$111.1
Potomac Yard Debt Service*	$0.0	$0.0	$4.0	$5.5	$7.2	$7.2	$7.2	$8.3	$9.2	$9.4
Sanitary Sewer Debt Service	$2.6	$2.7	$2.5	$2.0	$2.2	$2.9	$3.8	$5.0	$4.8	$4.9
Stormwater Management Debt Service	$0.8	$1.2	$1.6	$1.8	$2.3	$2.7	$3.2	$4.0	$4.3	$4.5
Total Debt Service	**$69.4**	**$87.8**	**$100.0**	**$112.2**	**$114.5**	**$118.4**	**$120.5**	**$124.2**	**$125.9**	**$129.9**
Total $ Change Over Prior Year	-$2.8	$18.4	$12.2	$12.2	$2.3	$3.9	$2.1	$3.7	$1.7	$4.0
Total % Change Over Prior Year	-4.1%	26.5%	13.9%	12.2%	2.0%	3.4%	1.8%	3.1%	1.4%	3.2%

*Potomac Yard Debt Service schedule is subject to change, based on cash flow needs of the project.

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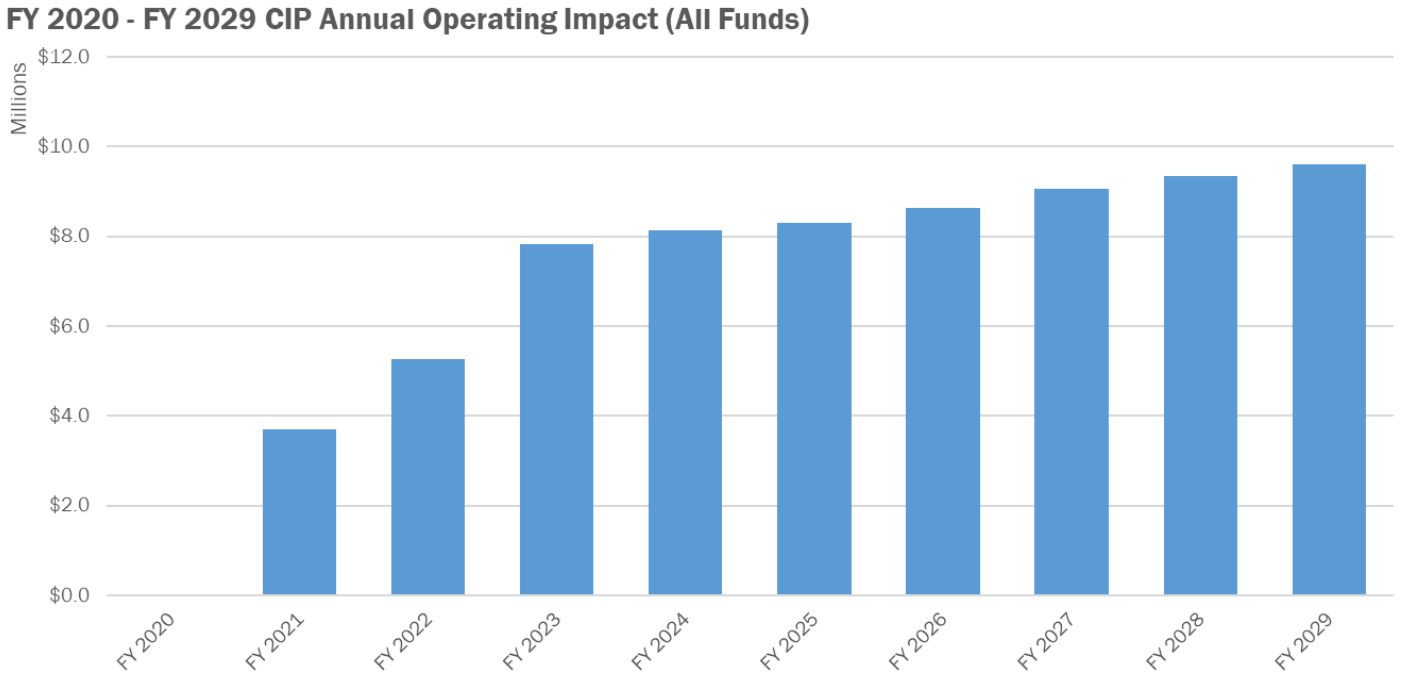
ADDITIONAL OPERATING IMPACT

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.

As part of the Approved FY 2020 – FY 2029 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 operating impact could be as much as $9.6 million in additional resources needed in FY 2029 as a result of City capital projects (excluding the operating impacts of ACPS capital projects). The chart below indicates a significant increase in operating impacts between FY 2020 and FY 2023. This is predominantly attributed to the anticipated operating costs of the completed Transit Corridor "C" – West End Transitway, and the increase in the City's WMATA operating subsidy due to the opening of the Potomac Yard Metrorail Station.

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.