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**FY 2009 – FY 2014**

**Capital Improvement Program**

**Overview**

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## FY 2009 – FY 2014 Capital Improvement Program Overview

*The City of Alexandria's Capital Improvement Program (CIP) is a comprehensive plan, which identifies capital projects related to the City's future infrastructure needs and the corresponding funding required to meet those needs.*

### *Definition of a Capital Project*

- Greater than \$10,000*
- Acquires or improves physical assets with useful life of 3 or more years*
- Not day-to-day maintenance*

The CIP addresses two broad areas of expenditure:

- Protection of the City's investment in existing physical assets; and
- Planning and construction of major new facilities and new IT systems.

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 six-year period.

The adoption of the six-year CIP is neither a firm commitment to a particular project nor a limitation to a particular cost. As a basic tool for scheduling anticipated capital projects and capital financing, the CIP is a key element in planning and managing future debt service requirements. The first year of the CIP (FY 2009) does represent a funding commitment for the project to proceed to the next stage, or to be implemented depending on the level of funding provided.

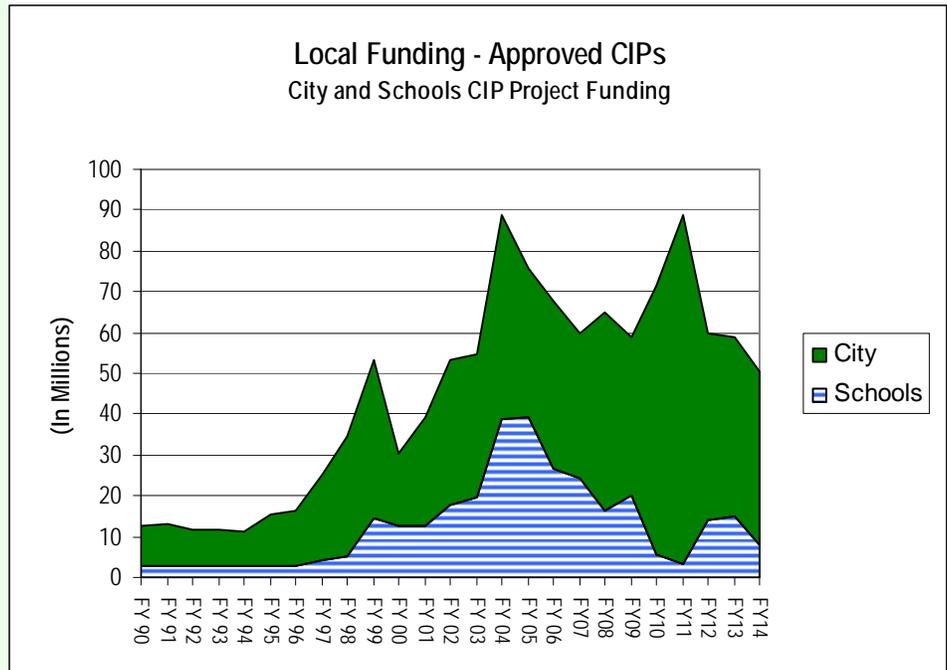
The City defines a capital project expenditure (as opposed to an operating expenditure) as an expenditure of more than \$10,000 that acquires, expands, repairs, or rehabilitates a physical asset with a useful life of at least three years. It does not include day-to-day maintenance expenditures such as custodial or janitorial services, painting, minor (less than \$10,000) carpentry, electrical and plumbing repairs, or repair or routine replacement of fixtures or furniture.

# FY 2009 – FY 2014 Capital Improvement Program Overview

*The City Manager's Proposed FY 2009-FY 2014 Capital Improvement Program totals \$388.1 million in local funding and \$478.3 million in total funding. This represents a decrease of 0.3 percent in local funding and an increase of 6.4 percent in all sources of funding.*

FY 2009 Proposed vs. FY 2008 Approved				
	FY 2008 Approved	FY 2009 Proposed	Change	
			\$	%
All Funds	449.7	478.3	\$28.6	6.4%
City Share	389.1	388.1	-\$1.0	-0.3%

The chart below shows the portion of local CIP funding dedicated to Schools capital projects versus City capital projects from FY 1990 – FY 2014



# FY 2009 – FY 2014 Capital Improvement Program Overview

## Process to Develop CIP for FY 2009 – FY 2014

*The FY 2008 – FY 2013 CIP included \$85.3 million in to-be-determined funding sources.*

The FY 2008 – FY 2013 Approved CIP included \$85.3 million in “funding to be determined”, representing funding shortfalls of \$44.9 million in FY 2009 and \$40.4 million in FY 2010.

To address this shortfall, the City Manager proposed two fall worksessions with City Council to examine various issues related to the CIP, including:

- Current CIP planning and management practices;
- CIP cash capital and debt service capacity and its impact on the long-range operating budget;
- Debt policy guidelines;
- Prioritization methods; and
- Best management practices in capital project management

*In September 2007, City Council held two worksessions to address the anticipated CIP shortfalls in FY 2009 and FY 2010.*

On September 18-19, 2007, staff proposed several options to address the shortfall, including:

- Prioritization of current CIP projects;
- Restructuring of the FY 2008 bond issuance;
- Implementation of the storm water utility fee for FY 2010;
- Increasing cash capital;
- Issuing more debt; and
- Maximizing other sources of CIP funding.

As a result of these worksessions, City staff revised project schedules and cost estimates to reflect both operational realities and funding constraints. In addition, staff has prioritized CIP projects so that only \$3.4 million in reductions to the FY 2009 CIP are necessary. Procedures for managing major capital projects are being revised to incorporate a phased review process that will more clearly identify potential costs and benefits and allow City staff to better control and manage these projects over their lifetime. City staff also examined debt capacity and plans for issuing debt to more fairly allocate the long term benefits of many capital projects to future taxpayers. The availability of new NVTAs funds for transportation projects also helped close a portion of the funding gap.

*Significant CIP shortfalls remain in FY 2010 and FY 2011.*

Despite these efforts, there is still insufficient funding to meet all the needs in FY 2009, FY 2010, and FY 2011. In addition to the \$3.4 million shortfall in FY 2009, a shortfall of \$23.2 million in FY 2010 and \$20.6 million remain. The impact on the operating budget of proposing \$47.2 more in additional cash capital or bond issuance to meet those shortfalls would be more than existing or projected revenues at current tax rates could finance.

# FY 2009 – FY 2014 Capital Improvement Program Overview

*The CIP Steering Committee reviewed and prioritized over 160 new and revised projects.*

*CIP projects were first prioritized into one of four categories.*

The specific plan and priorities for the FY 2009 - FY 2014 CIP were initially developed by the City's internal staff CIP Review Committee. This committee, comprised of four department heads, OMB staff, and two Deputy City Managers, is charged with recommending the priorities to the City Manager from among the many requested and needed projects within the City.

The CIP Review Committee assessed over 160 new and revised project requests for the FY 2009 - FY 2014 Capital Improvement Program. Various revisions were made to the project schedules and cost estimates to reflect both operational realities and funding constraints. Projects were then categorized into the following categories:

- Recurring Repair, Refurbishment, Rehabilitation, Renovation, and Reconstruction (Recurring Infrastructure 5R);
- Major Infrastructure Reconstruction Work;
- On-going Improvement Programs; and
- New Projects

The matrix below illustrates the criteria used in categorizing each project and provides examples of each type of project.

	<b>Annual or Cyclical Project Timelines</b>	<b>Finite Project Timelines</b>
<b>Existing Facilities or Infrastructure</b>	Recurring Infrastructure R5 (i.e. Fire Station CFMP)	Major "Infrastructure Reconstruction" Work (i.e. Warwick Pool)
<b>Expanded Facilities or Infrastructure</b>	On-Going Improvement Program (i.e. ADA Improvements)	New Projects (i.e. New Fire Station - Eisenhower Valley)

## FY 2009 – FY 2014 Capital Improvement Program Overview

*Projects were then ranked into three Tiers or separately evaluated by the City Manager.*

In addition, the Committee ranked the projects into three prioritization tiers. These tiers corresponded with the ratings below (essential, very desirable, or desirable). In some cases, projects were divided into parts that were separately ranked.

### Essential (Tier 1):

- Previously committed and/or ongoing;
- Addresses issues of health or safety of citizens;
- Addresses issues of legal responsibility by the City;
- Avoids even greater future costs;
- Requested or required by the City Council;
- Result of City-wide citizen input;
- State or federal funds can be used with minimal match from the City.

### Very Desirable (Tier 2):

- Previously committed but not essential to continue;
- Addresses quality of life issues such as space or beautification;
- A new addition to an ongoing project;
- May be income producing;
- A neighborhood or interest-group priority;
- State or federal funds available but requires a substantial City match.

### Desirable (Tier 3):

- Addresses any of the above issues but is not an immediate priority;
- Cost of the project is too high to justify;
- Requires a major maintenance effort once complete.

*The City Manager ranked certain baseline projects outside of the "Tier" process as mandatory or as projects of City-wide impact requiring funding.*

The list below provides examples of "baseline" projects. These include:

- New Police Facility
- All-City Sports Facility
- Sanitary Sewer projects
- New Fire Station 210 (Eisenhower Valley)
- Dash Bus Replacement
- Regional contributions

# FY 2009 – FY 2014 Capital Improvement Program Overview

*The CIP Steering Committee ranked project categories and prioritization tiers.*

Project categories and tiers were then ranked in the following order:

- Baseline Projects approved for funding by CMO
- Recurring 5R Work – Tier I
- Information Technology Projects – Tier I
- Major Infrastructure Reconstruction Work – Tier I
- On-going Improvement Programs – Tier I
- Recurring 5R Work – Tier II
- New Projects – Tier I
- Information Technology Projects – Tier II
- Major Infrastructure Reconstruction Work – Tier II
- On-going Improvement Programs – Tier II
- Required 5R Work – Tier III
- New Projects – Tier II
- Major Infrastructure Reconstruction Work – Tier III
- On-going Improvement Programs – Tier III
- New Projects – Tier III
- Information Technology Projects – Tier III

In general, priority was given to CIP projects focusing on maintaining existing infrastructure and facilities. With the exception of FY 2010, all recurring infrastructure projects were funded, while new projects were given lower priority. The table below shows which categories and prioritization tiers were funded for each of the fiscal years.

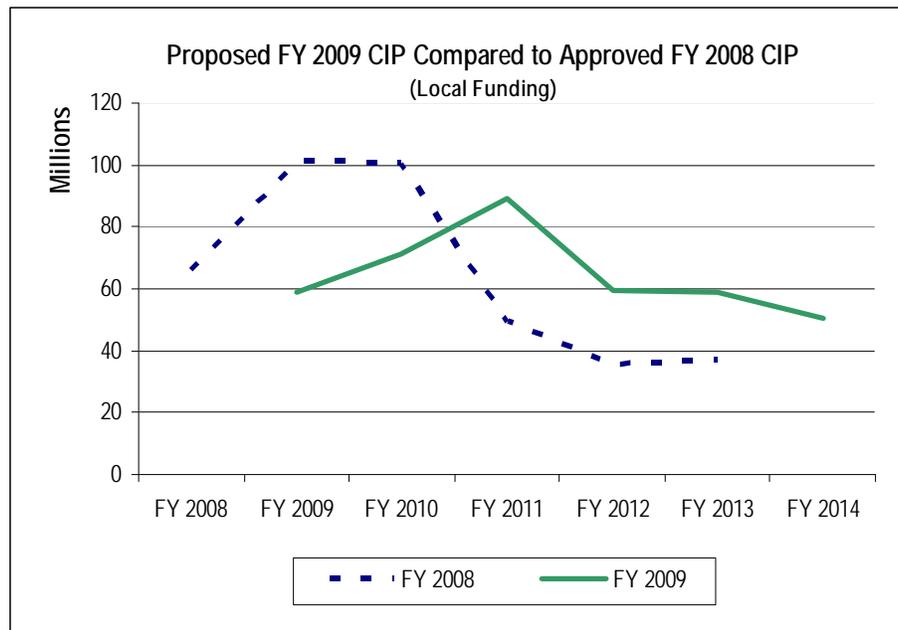
Category	FY 2009	FY 2010	FY 2011	FY 2012- FY 2014
<b>Recurring Infrastructure (5R)</b>				
Tier I	Funded	Funded	Funded	Funded
Tier II	Funded	Funded	Funded	Funded
Tier III	Funded	Not Funded	Funded	Funded
<b>Major Infra. Reconstruction</b>				
Tier I	Funded	Funded	Not Funded	Funded
Tier II	Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded
<b>On-going Improvement</b>				
Tier I	Funded	Funded	Not Funded	Funded
Tier II	Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded
<b>New Projects</b>				
Tier I	Funded	Not Funded	Not Funded	Funded
Tier II	Not Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded

## FY 2009 – FY 2014 Capital Improvement Program Overview

*The realities of the City's financial situation, as well as the need to meet the budget guidelines established by City Council were critical to final decisions on recommended CIP projects.*

Based on the results of the CIP Steering Committee prioritization process, recommendations were developed and meetings were held with the City Manager so that he could review, adjust, and then finalize the CIP project recommendations contained in this report.

The result of the efforts of the CIP Review Committee and subsequent City Manager review and decision-making, and Council review and adoption is a proposed six-year \$388.1 million total CIP, representing a 0.3 percent decrease as compared to the Approved FY 2008-FY 2013 CIP of \$389.1 million. The chart below illustrates the difference in funding for the FY 2009 – FY 2014 Proposed CIP compared to the FY 2008 – FY 2013 CIP.

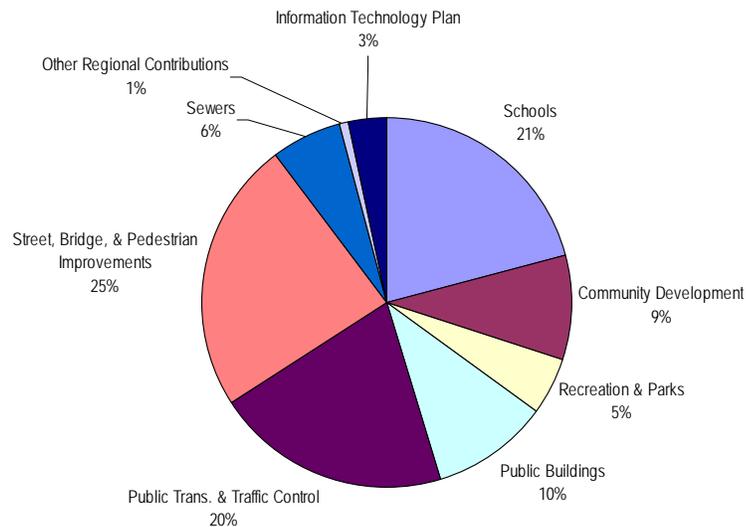


# FY 2009 – FY 2014 Capital Improvement Program Overview

*The Proposed FY 2009 capital budget includes \$95.3 million in total funding and \$58.8 million in local funding.*

The total CIP request for FY 2009 is for \$95.3 million, which includes \$36.5 million in grants and other special revenues. The locally funded CIP is for \$58.8 million, a \$42.3 million (41.8%) decrease over what was previously planned for FY 2009 in last year's approved CIP.

FY 2009 All Funds Capital Budget By CIP Project Category



A summary of the FY 2009 major capital budget highlights follows:

Schools:

- \$19.9 million for Alexandria City Public Schools, including \$8.3 million for systems replacement and modernization at John Adams Elementary School.

Community Development:

- \$1.23 for the next phase of a coordinated wayfinding system; and
- \$2.6 million for stream and channel maintenance.

## FY 2009 – FY 2014 Capital Improvement Program Overview

### *Highlights of the FY 2009 Capital Budget*

#### Recreation and Parks:

- \$2.04 million in additional funds for land acquisition (open space);
- \$1.0 million for other park improvements; and
- \$0.9 million for the installation of athletic fields.

#### Public Buildings:

- \$8.2 million for the renovation of public safety facilities, including \$3.0 million for the next phase of design work of the New Police Facility and \$3.0 million for the Public Safety Center Slab Replacement project;
- \$1.1 million for the renovation and reconstructions of other City facilities;
- \$0.5 million for the preservation of historic facilities; and
- \$78,750 for routine maintenance at the Mental Health residential facilities.

#### Public Transportation and Traffic Control:

- \$8.1 million for the City's contribution to WMATA "Metro Matters" and likely "Beyond Metro Matters" CIP.
- \$3.9 million for the replacement and expansion of DASH buses. These costs are offset with NVTAs and State Urban funds.
- \$2.5 million for a funding contingent for studies and planning relating to potentially constructing a new Metrorail station at Potomac Yard. These costs are funded by NVTAs funds.
- \$2.9 million for has been budgeted to fund the Safe, Accountable, Flexible, and Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU) transportation projects that were earmarked by the federal government for the City of Alexandria. These projects will be fully funded with federal revenues and are planned to be matched with revenues from the State earmarked for these City transportation projects.

#### Street, Bridge, and Pedestrian Improvements:

- \$10.8 million for the widening of Eisenhower Avenue. These projects costs are funded by State Urban funds.
- \$5.2 million for improvements at the intersection of King and Beauregard Streets. These projects costs are funded by State Urban funds.
- \$2.6 million for the repaving of Washington and King Streets. These costs are funded by the State revenue sharing program and NVTAs funds.
- \$1.0 million for bridge repairs City-wide.
- \$0.9 million for traffic calming.

## FY 2009 – FY 2014 Capital Improvement Program Overview

### *Highlights of the FY 2009 Capital Budget*

#### Sewers:

- \$4.6 million for sanitary sewer projects funded entirely with sanitary sewer system revenues, including \$0.7 million for infiltration and inflow remediation in the Holmes Run sewershed and \$1.0 million in the Taylor Run Sewer; and
- \$1.2 million for storm sewer projects.

#### Other Regional Contributions:

- \$0.35 million for the City's capital contribution to the Northern Virginia Regional Park Authority.
- \$146,502 for the City's annual capital contribution to Peamansend Creek Regional Jail.
- \$132,343 for the City's capital contribution to the Northern Virginia Community College.

#### Information Technology:

- \$3.2 million for Information Technology Plan projects, including upgrades or replacement of software and hardware.

## FY 2009 – FY 2014 Capital Improvement Program Overview

*The City Manager's Proposed FY 2009 – FY 2014 CIP includes \$478.3 million in all sources of funding and \$388.1 million in local funding.*

The City Manager's Proposed FY 2009-FY 2014 Capital Improvement Program totals \$388.1 million in local funding and \$478.3 million in total funding. This represents a decrease of 0.3 percent in local funding and an increase of 6.4 percent increase in total funding.

The FY 2009 - FY 2014 Capital Improvement Program focuses on repairing, refurbishing, renovating, rehabilitating, and reconstructing existing physical assets. In addition, the proposed CIP calls for new capital projects that will save future operating costs. The chart on page 2-15 illustrates CIP spending (both City and Special Revenue sources) according to project category for each year in the six-year plan.

### Schools:

- A total of \$65.3 million over six years (FY 2009 – FY 2014) has been proposed in this CIP for the capital needs of the Alexandria City Public School System (ACPS) for Schools projects.

### Community Development:

- A total of \$10.3 million over six years (FY 2009 – FY 2014) is planned for stream and channel maintenance. \$3.7 million of this amount will address long-term flood clean-up and prevention issues, identified by T&ES after the flood events of June/July 2006.
- \$3.1 million over two years (FY 2013-FY2014) is planned for the next cycle of City Marina dredging.
- \$1.2 million is budgeted in FY 2009 for the next phase in the implementation of the coordinated wayfinding sign program.

## FY 2009 – FY 2014 Capital Improvement Program Overview

### *Highlights of the FY 2009 –FY 2014 Capital Improvement Program*

#### Recreation and Parks:

- Funding for open space land acquisition over six years of \$13.9 million reflects revenue estimated for FY 2009 given recently released 2008 real estate assessments and the estimated value of one percent of total revenue generated from real estate taxes. In the out-years, FY 2010 remains level ,FY 2011 is increased by 3 percent, and FY 2012 - FY 2014 have been increased by an average of 6 percent per year based on estimated future year assessment increases. The actual amount will vary based upon actual assessment for each coming year.
- A total of \$20.2 million is planned to design and construct the expansion of the Chinquapin Recreation Center. The funding schedule, however, has been revised and is now planned over three years (FY 2012-FY 2014). It should be noted that \$20.0 million is a “ placeholder” as a program has not yet been developed for the use of the renovated and expanded space.
- A total of \$4.7 million over two years (\$1.8 million in FY 2010 and \$2.9 million in FY 2010). In addition, \$5.0 million is planned to be funded by private fund raising, for the design and construction of an All-City sports complex.
- A total \$4.3 million over six years (FY 2009 – FY 2014) is planned for the design and installation of artificial turf fields City-wide.

#### Public Buildings:

- \$76.1 million over four years (FY 2009-FY 2012) is planned for the construction of the new Police facility headquarters office on Wheeler Avenue. Total funding for this project has been increased by \$11.6 million to reflect increases in construction costs and summary programming results. This increase also includes \$4.0 million for furniture, fixtures, and equipment (FF&E) items that were not part of the original base construction budget. In addition, \$16.1 million for IT related equipment (including E-911 and Computer Aided Dispatch equipment) and installation at the new APD Facility has been now included as part of this project budget. Many of these IT costs would have to be funded independent of the need for a new police facility.
- \$9.9 million over three years (FY 2012-FY 2014) is planned for the renovation and expansion of Fire Station 203 (Cameron Mills).
- \$9.3 million over three years (FY 2010-FY 2012) is planned for the constructions of a new fire station in Eisenhower Valley.

## FY 2009 – FY 2014 Capital Improvement Program Overview

### *Highlights of the FY 2009 –FY 2014 Capital Improvement Program*

#### Public Buildings (Continued):

- \$5.5 million over three years (FY 2009-FY 2011) is planned for the Public Safety Center Slab Replacement project.
- \$2.04 million over six years has been budgeted for the preservation of historic facilities to begin to address capital facility maintenance requirements at the City's historic buildings and sites managed by the Office of Historic Alexandria (OHA).
- \$2.8 million over six years (FY 2008 - FY 2013) has been planned for capital repairs, maintenance and improvements at facilities managed by the Office of the Sheriff, particularly the Detention Center.
- \$1.0 million is planned over two years (FY 2011-FY 2012) for the potential development of a City office complex at the intersection of King and Beauregard Streets to be known as the Laslo N. Tauber campus.

#### Public Transportation and Traffic Control:

- \$45.7 million has been planned over six years (FY 2009-FY 2014) to meet the City's capital obligations for Metrobus and Metrorail as part of the Washington Metropolitan Area Transit Authority's (WMATA) "Metro Matters" and potential "Beyond Metro Matters" Capital Improvement Program (CIP).
- \$23.2 million over six years (FY 2009-2014) has been planned for the replacement and addition of DASH buses over this period. These buses will be primarily funded State Urban Funds and NVTA revenues.
- \$15.0 million over six years (FY 2009 – FY 2014) has been planned for an annual funding contingent for studies and planning relating to potentially constructing a new Metrorail station at Potomac Yard. *Including funding in the CIP does not mean the station would be constructed, but does mean that the feasibility of a station would be studied in detail.*

#### Street, Bridge, and Pedestrian Improvements:

- \$36.9 million is planned over six years (FY 2008 – FY 2013) for street improvements, including \$6.7 million for the reconstruction of Madison and Montgomery and Edsall Roads; \$3.2 million for traffic calming, and \$2.1 million for the redesign and reconstruction of the most deteriorated alleys City-wide as part of the Alley Rehabilitation Program.
- \$3.8 million is planned over six years (FY 2008 – FY 2013) for bridge repairs City-wide.

## FY 2009 – FY 2014 Capital Improvement Program Overview

### *Highlights of the FY 2009 –FY 2014 Capital Improvement Program*

#### Sewers:

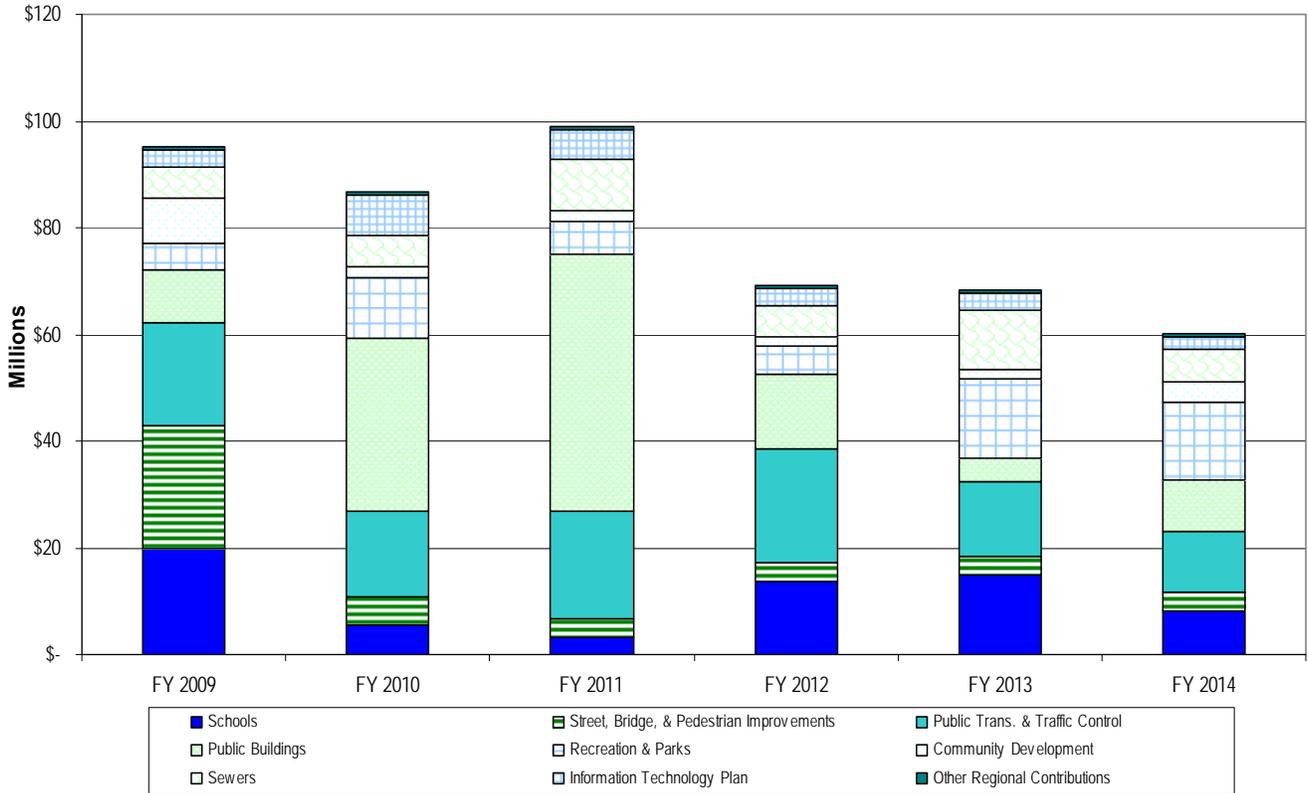
- A total of \$44.0 million over six years (FY 2009 - FY 2014) is planned for City-wide sanitary and storm sewer projects, including \$17.3 million for the Holmes Run Infiltration and Inflow project and \$3.1 million to address unforeseen conditions and cost increases in existing sanitary sewer projects and for sanitary sewer projects to be determined in the future. Sanitary sewer projects will be financed by the revenues collected through the Sanitary Sewer Enterprise Fund (sanitary sewer connection and use fees).

#### Information Technology:

- The Approved FY 2009-FY 2014 CIP continues the City's commitment to building and maintaining an essential information technology infrastructure. The plan will enhance information technology services and build on existing City hardware, networks, and software that have been implemented over the past decade. The Approved FY 2009-FY 2014 Information Technology (IT) Plan component of the CIP is \$24.9 million, which represents an increase of \$2.1 million, or 9.2 percent, as compared to the FY 2008-FY 2013 approved six-year plan. The largest single new elements are \$3.65 million in FY 2010 to fund the replacement of public safety radios, and \$4.0 million in FY 2010 and FY 2011 to replace the existing financial management, human resource, and purchasing systems with a unified single system.

# FY 2009 – FY 2014 Capital Improvement Program Overview

## CIP USES: FY 2009 - FY 2014



## FY 2009 – FY 2014 Capital Improvement Program Overview

*A total of \$47.2 million in proposed CIP projects remain unfunded.*

*The City Manager's Proposed CIP could not fund \$3.4 million in proposed CIP reductions in FY 2009.*

*For more detail on unfunded projects, please refer to Table 5 in the "Summary Expenditure Tables" located on pages 4-17 to 4-23.*

Even after rescheduling many projects to a later time, there is insufficient funding to meet all the capital needs in FY 2009, FY 2010, and FY 2011.

A total of \$47.2 million over three years (\$3.4 million in FY 2009; \$23.2 million in FY 2010; and \$20.6 million in FY 2011) remains unfunded due to CIP funding constraints in those years. In FY 2009, the following projects remain unfunded:

- \$1.85 in capital projects at Alexandria City Public Schools (ACPS). For more detail, refer to pages 6-3 through 6-12 of this document)
- \$120,000 for the residential sign program;
- \$10,000 for Mt. Vernon Avenue light fixtures;
- \$100,000 for Streetscape Improvements;
- \$200,000 for the design of Patrick Henry Recreation Center reconstruction;
- \$250,000 for a Miracle Field
- \$150,000 for Boothe Court
- \$13,000 for handicap accessibility projects at City facilities;
- \$94,500 for bus shelters
- \$100,000 for safe routes to schools
- \$78,750 for miscellaneous undergrounding; and
- \$466,500 in information technology projects.

In FY 2010, \$23.2 million in the following project categories were not funded:

- New Projects – Tier 1
- Information Technology Projects – Tier II
- Major Infrastructure Reconstruction Work – Tier II
- On-going Improvement Programs – Tier II
- Recurring Infrastructure Work – Tier III
- New Projects – Tier II
- Major Infrastructure Reconstruction Work – Tier III
- On-going Improvement Programs – Tier III
- New Projects – Tier III
- Information Technology Projects – Tier III

In FY 2011, \$20.6 million in the following projects categories were not funded:

- Major Infrastructure Reconstruction Work
- On-going Improvement Programs
- New Projects

## FY 2009 – FY 2014 Capital Improvement Program Overview

*The FY 2009 – FY 2014 CIP will be primarily financed with General Obligation Bonds, Cash Capital, Grants and Other Special Revenue, and Bond Interest Earnings.*

The City will continue to use pay-as-you-go cash capital financing over the next six years to maintain compliance with its debt-related financial policies and, to the extent possible, as dictated by the economy and resulting pressure on the operating budget. The chart on the following page shows the breakdown of funding sources (both City and Special Revenue sources) for each year of the six-year plan.

Funding the total capital program for the City and the Schools will be provided through a mix of sources including:

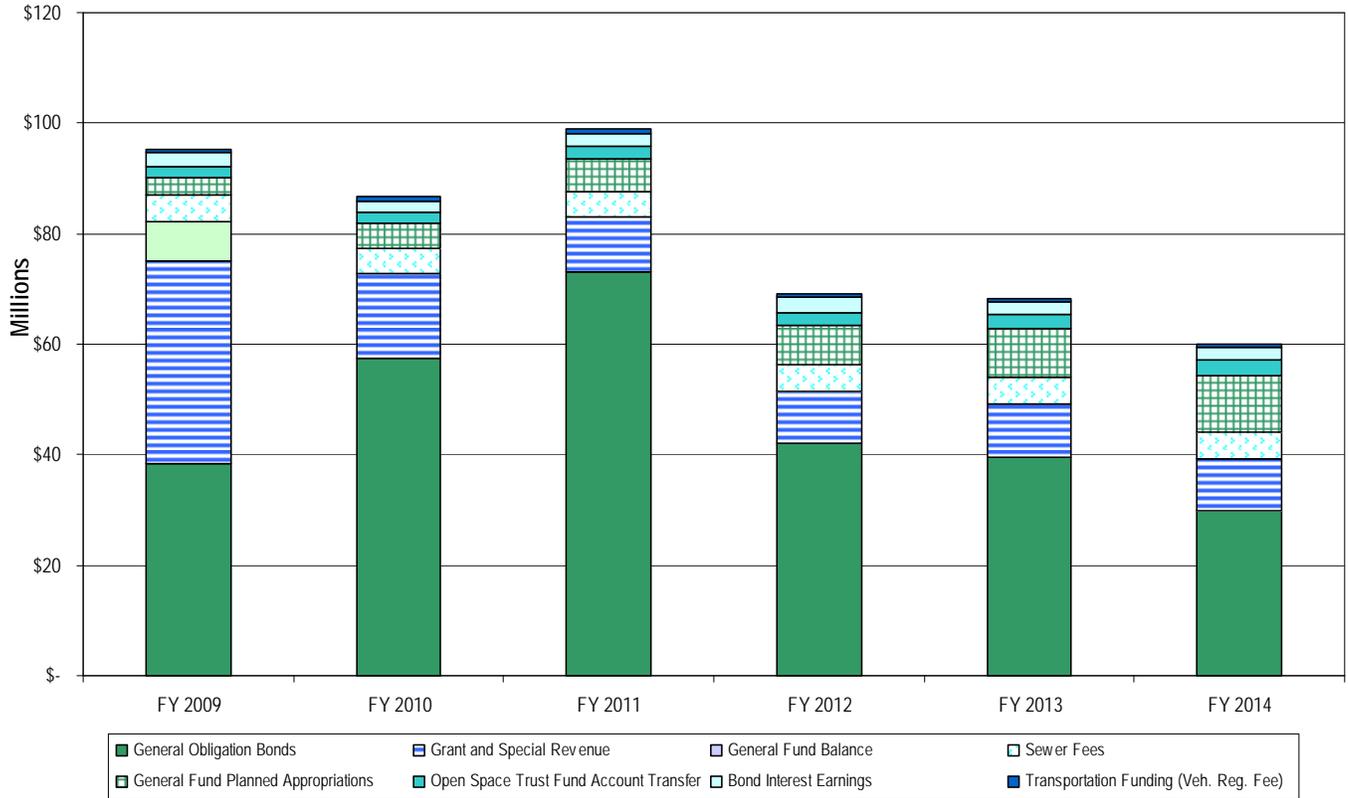
- \$280.1 million in general obligation bond borrowing;
- \$90.2 million in grants and other special revenue;
- \$53.9 million in cash capital appropriations (includes open space cash capital);
- 28.4 million in cash capital from sanitary sewer fees
- \$14.1 million in bond interest earnings,
- \$4.2 million in revenue raised from the decal fee; and
- \$7.4 million in general fund balance for capital projects.

The FY 2009-FY 2014 capital funding plan reflects the planned issuance of

- \$38.4 million in general obligation bonds in FY 2009;
- \$57.4 million in FY 2010;
- \$72.9 million in FY 2011;
- \$42.0 million in FY 2012;
- \$39.6 million in FY 2013; and
- \$29.7 million in FY 2014.

# FY 2009 – FY 2014 Capital Improvement Program Overview

## CIP SOURCES: FY 2009-FY 2014



## FY 2009 – FY 2014 Capital Improvement Program Overview

*Over the six-year period, the City will receive \$72.2 million in special revenue related to transportation.*

Of the \$90.2 million to come from grants and other special revenue sources, \$72.2 million is dedicated to funding capital projects related to transportation.

This includes:

- \$32.0 million in State Urban Funds;
- \$31.0 million in NVTA revenue;
- \$6.0 million from the State revenue sharing program; and
- \$2.9 for SAFTEA-LU funded projects.

Tables detailing the capital program funding plan appear in the section entitled "Summary Funding Totals" in this document.

# FY 2009 – FY 2014 Capital Improvement Program Overview

*Annual impact on the operating budget significantly impacts amount of debt the City can issue.*

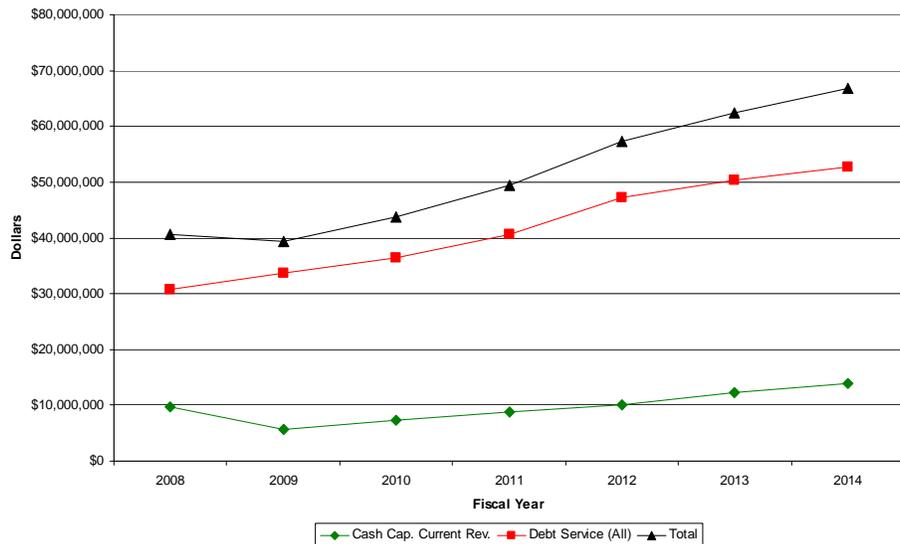
*Debt service payments increase each year of the CIP, peaking at \$51.2 million in FY 2014.*

This proposed capital program, while accommodating many needs, does not address all of the requests from City agencies and the community. As referenced earlier, a total of \$47.2 million over three years remains unfunded. The impact on the operating budget of proposing additional cash capital or bond issuance to fund this \$47.2 million is more than existing or projected revenues at current tax rates could finance.

The increasing amount of debt outstanding will not endanger the City's hard-earned AAA/Aaa bond ratings, but will impact the annual operating budget.

As illustrated by the chart below, the annual repayment on the principal and interest due on our general obligation bonds will increase from \$30.6 million in FY 2008 to \$33.4 million in FY 2009, and increase each year until peaking at \$51.2 million in FY 2014.

**CIP Impact on Operating Budget**



# FY 2009 – FY 2014 Capital Improvement Program Overview

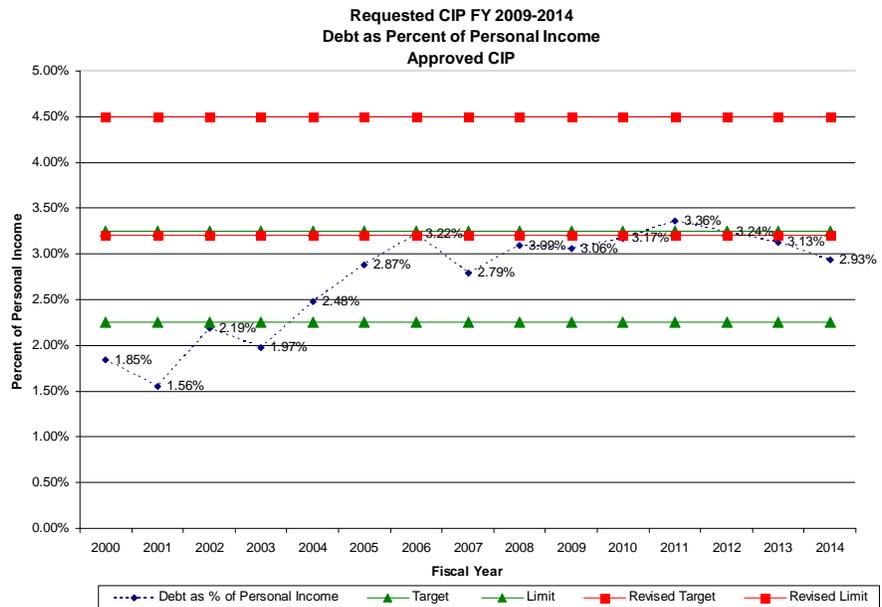
*The City will remain in compliance with adopted debt ratio limits.*

*The City Manager is recommending a revision of the debt policy guidelines (Debt as a percent of Personal Income).*

As shown in the “Summary Funding Tables” section of the document and in the figures below, the City will remain in compliance with most of our adopted debt ratio limits. The only exception is the Debt per capita as a percent of personal income.

Debt per capita as a percent of per capita income will remain below the City’s current debt per capita ceiling of 3.25% of per capita income in all but one year, FY 2011, when it is estimated to be 3.36 percent.<sup>1</sup> This is not a material deviation from the current guideline limits. In addition, this is not the primary debt ratio the bond rating agencies focus on.<sup>2</sup>

Based on comparison with other AAA/Aaa rated jurisdictions and recommendations by the Budget and Fiscal Affairs Advisory Committee (BFAAC), the City Manager is recommending that the debt per capita as a percent of per capita income guidelines be adjusted upward to a 3.2 percent target and 4.5 percent limit. This revisions would resynchronize this guideline with that for debt as a percent of the fair market value of real property. These two indicators have diverged since they were last reviewed and adopted by City Council in December 1997.



<sup>1</sup>This measure assures that new debt related to the sanitary sewer system incurred in FY 2007 or thereafter will not be counted in this calculation because the system will be self supporting. However, during all years, it includes \$15 million in taxable debt issued in June 2006 for affordable housing purposes.

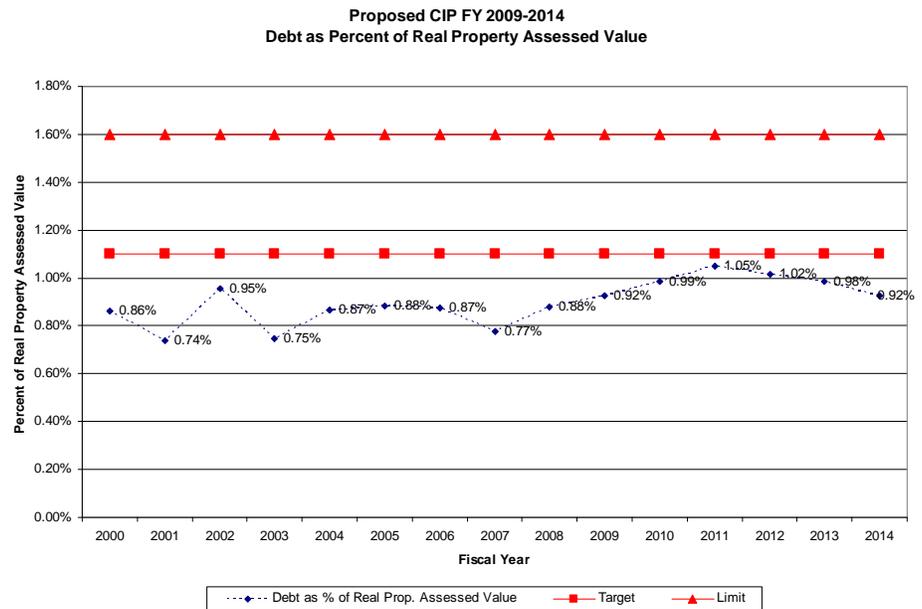
<sup>2</sup>In fact, both bond rating agencies rated the bonds at the end of 2006 AAA/Aaa.

# FY 2009 – FY 2014 Capital Improvement Program Overview

Under this funding plan, the City's debt as a percentage of the fair market value of real property increases but stays below both the 1.1 percent target and the 1.6 percent limit during the entire FY 2008 to FY 2013 time period

The City will remain consistent with its adopted debt policy ratios for Debt as a Percentage of Fair Market Real Property Value, as shown in the following graph. This is the most important debt ratio considered by the bond rating agencies.

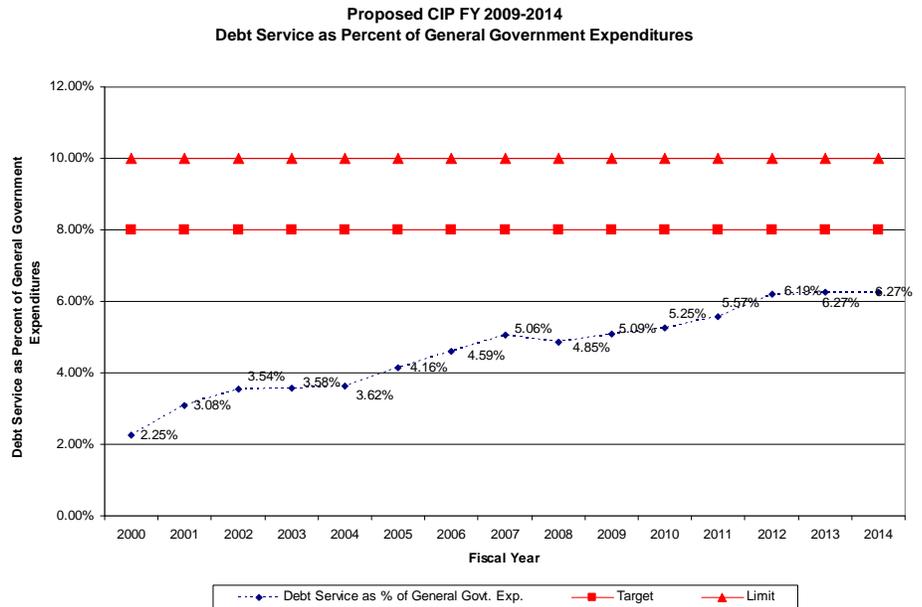
*Debt as a percent of fair market value increases slightly, but stays below target.*



The City's projected debt to tax base ratio peaks in FY 2011 at 1.05% and then steadily decreases over the next three years. This is below the 1.1% target and 65% of the City's set 1.6% policy limit. Most of this debt level is well below that of most of the other AAA/Aaa jurisdictions in Virginia and Maryland.

# FY 2009 – FY 2014 Capital Improvement Program Overview

Although the City will remain below its debt policy ratio for debt service to general governmental expenditures, as the figure below shows, the impact of debt service on the operating budget is increasing at a significant rate. It is the year-to-year debt service payments; and the impact those projects has on the real estate tax rate, that present a challenge to the City as it looks for ways to finance needed capital improvements in those years.



## FY 2009 – FY 2014 Capital Improvement Program Overview

*The City Manager is implementing a five phase capital review process to improve the management of major capital projects.*

Following the CIP worksession with City Council, the CIP Steering Committee formed two workgroups to develop proposals to implement the recommended best management practices. The City Manager reviewed these proposals and is recommending their implementation.

The first best management practice to be implemented is the capital project phase review process. This process includes the following five phases:

- Identification of Need or Problem,
- Development of Initial Requirements/Initial Study,
- Alternatives Analysis, Design,
- Invitation to Bid Issuance, and
- Construction Contract.

To begin implementation, the following 14 projects were identified to be part of this new review process:

- New Police Facility
- Fire Station 203 Expansion
- New Fire Station (Eisenhower Valley)
- Public Safety Center Slab
- Emergency Operations Center
- Holmes Run Infiltration & Inflow
- Taylor Run Infiltration & Inflow
- Madison/Montgomery
- Chinquapin Recreation Center
- Athletic Fields
- Patrick Henry Recreation Center
- All-City Sports Facility
- Windmill Hill
- Coordinated Sign and Wayfinding Program

In addition, certain Information Technology projects such as the acquisition of a new City phone system and the replacement of the financial/human resource/purchasing systems will also be subject to a similar review process.

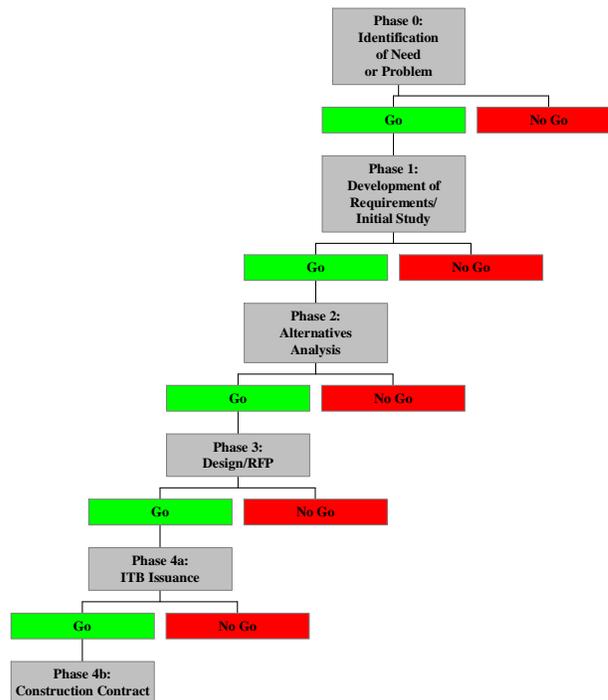
# FY 2009 – FY 2014 Capital Improvement Program Overview

*Departments are required to submit project information for approval before it can proceed to the next phase.*

When a project is ready to proceed to the next phase, Departments are required to submit the information listed below to City Manager's Office.

- Project Scope/Concept
- Cost Estimate
- Financing Estimate
- Schedule
- Customer Service Level Impact
- Quantity
- Efficiency
- Quality
- Criticality or Risk of not doing project
- Operating Budget Impact Management Team
- Public/Stakeholder Input
- SUP/Other Formal Approval Required

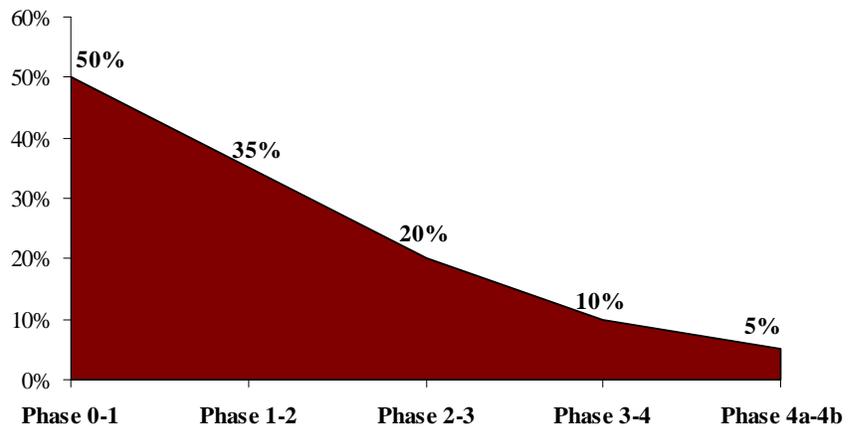
The City Manager's Office then decides whether or not the project should move forward. The chart below illustrates this process.



# FY 2009 – FY 2014 Capital Improvement Program Overview

As a project proceeds through each phase of this process, the accuracy of information required (specifically the cost and financing estimates) becomes greater. In Phases 0-1, cost estimates appearing in the budget may vary by +/- 50 percent. However, when a project reaches Phase 4a, the variance allowable decreases to +/- 10 percent. The chart below illustrates the level of accuracy expected as a projects move through each of the phases.

*Cost estimates increase in accuracy as project moves through phase review process.*



*Capital project performance measures will be used to keep projects on-budget and on-schedule.*

Capital project performance measures have been developed for each of the projects in the phase review process. All projects will be measured on whether they are on-time and on-budget. The measures below illustrates how these measures appear in the budget document.

Capital Performance Measures
On-time (within projected time period)
On-budget (within projected range of costs)
Quality measures to be determined

In addition, managing departments have developed or will develop measures assessing the quality of the project (i.e. customer satisfaction). These quality measures vary by project.

Departments have also provided the customer service level impact for projects in the phase review process. In addition, the operating impact is provided for all projects. This information can be found under the project descriptions located in the Capital Details Summary.