

March 23, 2010

The Honorable Alan P. Krasnoff
and Members of City Council
City of Chesapeake Municipal Center
Chesapeake, Virginia 23328

Dear Mayor Krasnoff and Members of City Council:

The Proposed Capital Improvement Budget for Fiscal Years 2011 through 2015 is being presented to you for your consideration and approval in accordance with the City Charter. This Proposed Capital Improvement Budget total is \$322,426,195 for the five-year period. \$88,025,804 is currently appropriated for active capital projects. I am proposing that the City's capital plan for fiscal years 2011-2015 total \$410,451,999. The funding is proposed in the following areas.

ACTIVE AND PROPOSED CAPITAL PROGRAM

| | <u>PREVIOUSLY APPROPRIATED</u> | <u>PROPOSED</u> | <u>TOTAL FUNDING</u> |
|----------------------------------|------------------------------------|---------------------------|--------------------------|
| Community Facilities | 3,000,000 | 15,075,000 | 18,075,000 |
| Community Facilities - Drainage | 2,990,268 | 29,000,000 | 31,990,268 |
| Economic Development/Planning | 22,880,779 | 80,275,788 | 103,156,567 |
| Information Technology | 817,603 | 800,000 | 1,617,603 |
| Parks and Recreation* | 0 | 0 | 0 |
| Public Safety | 3,000,000 | 45,473,000 | 48,473,000 |
| Transportation | 28,533,117 | 27,974,088 | 56,507,205 |
| Public Utilities | 24,804,037 | 83,922,819 | 108,726,856 |
| Education | <u>2,000,000</u> | <u>39,905,500</u> | <u>41,905,500</u> |
| TOTAL ESTIMATED RESOURCES | <u>88,025,804</u> | <u>322,426,195</u> | <u>410,451,999</u> |

*Several major Parks & Recreation projects such as Deep Creek Park and the Camelot Recreation Center expansion have been funded by cash balances. Additionally, new and expanded recreational facilities at Chesapeake City Park are being funded by the Greenbrier Tax Increment Financing District.

In addition to these resources, there are projects under design, development or construction which have been fully funded in prior capital plans.

"The City of Chesapeake adheres to the principles of equal employment opportunity. This policy extends to all programs and services supported by the City."

The proposed funding sources supporting the capital program are detailed as follows:

| <u>Source of Funds: FY 2011-2015</u> | <u>CIB FY 2011-15</u> <u>Resources</u> |
|---|---|
| <u>GENERAL GOVERNMENT</u> | |
| Funds Previously Appropriated | \$41,022,555 |
| Borrowing Authority - Unissued | 55,173,000 |
| General Construction Fund Balance | 250,000 |
| General Fund Transfer | 6,002,000 |
| VDOT Reimbursement | 25,197,088 |
| City Capital Reserve | 1,500,000 |
| Reserve Road/Transportation | 2,300,000 |
| Jordan Bridge Fund Balance | <u>400,000</u> |
| Total General Government | <u>\$131,844,643</u> |
| <u>TAX INCREMENT FINANCING</u> | |
| Funds Previously Appropriated | \$17,208,944 |
| Greenbrier TIF Fund - Unissued Borrowing | 51,354,521 |
| Greenbrier TIF Fund - Cash | 5,021,267 |
| SN TIF Fund – Unissued Borrowing | <u>22,400,000</u> |
| Total Tax Increment Financing | <u>\$95,984,732</u> |
| <u>STORMWATER</u> | |
| Funds Previously Appropriated | \$2,990,268 |
| Stormwater Management Fee | <u>29,000,000</u> |
| Total Stormwater | <u>\$31,990,268</u> |
| <u>PUBLIC UTILITIES</u> | |
| Funds Previously Appropriated | \$24,804,037 |
| Public Utilities Unissued Borrowing | 60,105,182 |
| Public Utilities Renewal & Replacement Fund | <u>23,817,637</u> |
| Total Public Utilities | <u>\$108,726,856</u> |

EDUCATION

| | |
|-------------------------------|---------------------|
| Funds Previously Appropriated | \$2,000,000 |
| VPSA Unissued Borrowing | 36,581,300 |
| School Proffers | 1,695,000 |
| School Capital Reserve | <u>1,629,200</u> |
| Total Education | <u>\$41,905,500</u> |

TOTAL ESTIMATED RESOURCES \$410,451,999

The establishment of Capital Reserves for both School and City needs has provided a mechanism to set aside a portion of revenues each year to meet some of the most critical capital needs. This fiscal discipline has enabled us to take the first steps to reduce the backlog. Due to impact on our revenues, we do not recommend an increase in this funding source for FY 2010-11.

The \$1,695,000 proffers collected FY 2008-09 are programmed in the FY 2011-15 Capital Improvement Budget designated for the modernization of Indian River High School. For FY 2009-10 the City of Chesapeake received \$1,857,798 in proffers designated for Libraries, Schools, Transportation, and Emergency Services.

Emphasis has been placed on projects that will preserve the City's investment in infrastructure by completing critical repairs and renewal projects at existing facilities and on projects, which lay a foundation to enhance and revitalize our community. This emphasis ensures that existing services can be maintained so that the high quality of life Chesapeake citizens enjoy can continue.

SUMMARY OF EXISTING PROJECTS

Transportation - Some changes to projects supported by VDOT may occur due to resource constraints facing the State. As a result, the decrease in funding sources will directly impact VDOT projects with a local funding match. While commitments for funding some critical projects appear to be in place, we await VDOT'S projects detail for FY 2010-11.

The Overweight Citation Fees has decreased over 50% from \$336,519 to \$150,000. Funds are added to the existing Repair & Maintenance Roads and Bridges project that is funded from Overweight Citation Fees. Funds are also added to the Gilmerton Bridge Repair project to maintain the bridge until it is replaced.

Stormwater - Existing projects such as Camelot Outfall Drainage Improvement, Poindexter St. Outfall Improvement, Halifax St. Outfall Improvements and on-going Neighborhood Drainage Improvements are funded in the plan. The Virginia Pollutant Discharge Elimination System (VPDES) is the permit program that regulates the quality of water being discharged through sewers, ditches, and other conveyances. Continuous

enhancements and improvements in the City's stormwater services are priority to staying within the requirements of the DES.

Public Utilities - Public Utilities continues to upgrade pump stations, replace and repair water and sewer lines, as prescribed by the Sanitary Sewer Evaluation Studies mandate by DEQ and unserved areas. Public Utilities proposed Capital Budget for FY 2011-15 will be \$83.9M which includes \$14.6M to repair or replace sewers according to DEQ regulations. Repairing and replacing drainage infrastructure with particular attention to the City's drainage issues continues to be a high priority in this year's capital budget.

Community Facilities - The on-going high priority renewal/replacement project provides critical repairs to City buildings. We are recommending funding to continue restroom renovations in various City buildings and addressing roofs and HVAC systems in poor repair. Facilities will continue to address the backlog of critical repairs of municipal parking lots and sidewalks.

Information Technology - In FY 2010-11 the on-going technology project will concentrate on upgrades to replace some outdated and unsupported equipment. These improvements are important in building the technology infrastructure to help improve our business processes and ultimately our efficiency and effectiveness.

Economic Development - Various projects in the Greenbrier TIF and the South Norfolk TIF districts are underway including Greenbrier Sidewalk/Crosswalk Improvements, Conference Center Renovations, and Pedestrian Safety. Funding has been added to allow completion of all phases of Poindexter Street improvements.

SUMMARY OF PROPOSED NEW PROJECTS

The majority of the new capital projects in year one are for critical repairs and improvements to existing City-wide infrastructure. Funding sources include:

- The established use of General Fund Resources for maintenance of capital assets. This totals \$1.3M for FY 2010-11.
- Schools Capital Lock Box cash balances.
- Water and Sewer Enterprise funds and Stormwater Enterprise Funds.
- VDOT Funds and Transportation Lock Box Funds.
- City Capital Lock Box funds backed by a three year plan for modified debt issuance to enable two larger projects critical to the City's future to move forward.

COMMUNITY FACILITIES/DRAINAGE

- **Butts Station Operation Relocation Phase I**
To begin preliminary planning and work for the relocation of the Butts Station Operation Center. Construction would depend upon a Public-Private Education Facilities and Infrastructure Act of 2002 (PPEA) at a time when economic conditions support such a partnership.
- **Jordan Bridge Memorial**
This project is being undertaken to memorialize the old Jordan Bridge, which provided a connection between the Cities of Chesapeake and Portsmouth from 1928 to 2008. The project includes remediation and re-coating of a portion of one of the tower caps from the old bridge for permanent display in the Elizabeth River Park. Other items of a historical nature will also be archived and displayed, and a video regarding the history of the bridge will be created.
- **Ahoy Acres/Holly Cove System Replacement**
The Ahoy Acres and Holly Cove area has numerous cave-ins and sinkholes showing the age and poor condition of the existing drainage system which is in great need of replacement and upgrade. The project includes the replacement and upgrade of the aging pipe system and structures within this neighborhood to provide a ten year level of protection.
- **Oakdale Area BMP & Drainage Improvements**
The project will include an updated study, construction of stormwater pipes, ditches and lakes/ BMPs to provide flood and water quality improvements. This area experiences frequent flooding due to the old and undersized drainage system. A study was completed in 1999 that recommended several large size drainage facilities to improve the conditions and prevent flooding.
- **Yadkin Road BMP & Drain Improvements, Phase III**
The project will continue improvements completed in Phase I and II, to improve drainage along Yadkin Road and will include the upgrade of existing culverts and a proposed best management practice (BMP) along the outfall. The Yadkin Road area was identified after the storms of 1999 as one of the drainage areas to study. The study was completed in 2000 and recommended widening the outfall ditch and upgrading the downstream culverts.

TRANSPORTATION

- **Elbow Road Safety Improvements**
This project will install advanced warning signs and flashing beacons along Elbow Road from Centerville Turnpike to the Virginia Beach City line. These improvements are necessary to alert motorists to narrow roadway conditions and curves along this portion of Elbow Road. The project has been approved by VDOT for inclusion in the State's Hazard Elimination Program.
- **Elbow Road, Phase I**
This project includes relocation of existing roadside ditches, creation of a gravel shoulder, and roadway widening to provide standard 12 foot lanes. Phase I improvements will focus on the easternmost and westernmost curves between Centerville Turnpike and the Virginia Beach City line. The existing roadway has one of the highest accident rates in the City, and is characterized by narrow travel lanes, little to no shoulder, and poor geometry. The improvements will provide safer roadway conditions for motorists. Funding is recommended from the Transportation Lock Box.
- **Bruce Road/Taylor Road Right Turn Lane**
Project includes extension of the existing right turn lane on westbound Bruce Road at Taylor Road. The existing westbound right turn lane on Bruce Road is inadequate to handle current traffic volumes. The extension is necessary to provide adequate capacity for turning movements. Funding is recommended from the Transportation Lock Box.
- **Military Hwy S. at Baugher Avenue**
This project will install an eastbound left turn lane on Military Hwy S. at Baugher Avenue. A dedicated left turn lane is necessary to reduce rear-end accidents at this location. Project has been approved by VDOT as part of the State's Hazard Elimination Program.
- **Military Hwy S. at State Street**
This project will install left turn lanes on Military Hwy S. at State Street. Dedicated left turn lanes are necessary to reduce rear-end accidents at this location. Project has been approved by VDOT as part of the State's Hazard Elimination Program.

PUBLIC UTILITIES

- **Maintenance & Operations Equipment Replacement**
Replace aging and non-replaced yard equipment at the Maintenance & Operations facility to optimize field operations.

- **Pressure Transducer**
Installation and purchase of pressure transducers for potable water system. This will provide a water distribution system data that will identify potential deficiencies and allow better system control.
- **Sewer System Repairs, Phase II**
Funding for minor unanticipated sewer line and manhole replacements. To replace sewer lines not currently identified that may occur as the result of problems experienced with leaks, cave-ins, or other operational issues.
- **Water System Renewal, Phase II**
Funding for minor unanticipated water line replacements. To replace small waterlines, antiquated appurtenances not currently identified that may occur as the result of problems experienced with leaks or other operational issues.

EDUCATION

The School Board has proposed a \$41.9M project to modernize and expand Indian River High School. Of this amount, \$5.3M will be cash funded from School Capital Reserve resources and proffers. The remaining \$36.6M will be funded through VPSA debt backed by the School Lock Box. The following is a schedule of projects that will be funded in FY 2010-11.

- **Modernization: Indian River High School**
Design and construct a modernization project for Indian River High School to make an addition and increase classroom space to 1750 student spaces. There is a need to provide a modern educational facility with appropriate instructional and administrative spaces.

CONCLUSION

The proposed capital improvement budget represents the ongoing direction of the City's commitment of resources to protect, maintain, and upgrade when necessary the critical infrastructure throughout the City. This proposed Capital Plan is \$27.3M less than the previous year's approved Capital Improvement Budget. This reflects our strategy to limit projects to those which provide maintenance of infrastructure or which are critical to core services to our citizens and to our economic vitality. This strategy ensures that maximum resources are available to sustain critical operations and limits debt levels so that debt ratios do not increase when measured against revenues or real estate values.

Some of the projects have been delayed and moved to the out years of the Plan pending annual evaluation. Additional projects were added to Stormwater Management and Public Utilities, which are fee supported enterprise funds. No new projects were added to the Greenbrier and South Norfolk Tax Increment Financing Districts to allow current projects to be moved forward and appropriately evaluated.

I look forward to working with you to review and finalize the City's Capital Improvement Budget so that Chesapeake will continue to be a premier location to live, work, and play. As always, should you have any questions or comments, please do not hesitate to let us know. We, as public servants, are proud to serve you and the citizens of our great City.

Sincerely,

A handwritten signature in black ink, appearing to read 'Will Harrell', with a large, sweeping flourish extending to the right.

William E. Harrell
City Manager

WEH:pme