

March 22, 2011

The Honorable Mayor Alan P. Krasnoff and Members of Council  
 306 Cedar Road  
 City of Chesapeake, Virginia 23322

Dear Mayor Krasnoff and Members of Council:

The proposed Capital Improvement Plan (CIP) for Fiscal Years 2012 through 2016 is presented to you for your consideration and approval in accordance with the City Charter. This Proposed CIP totals \$659.6 million for the five year period. Previous appropriations to these projects total \$152.5 million. The total cost of projects covered by the proposed plan is \$812.1 million. This capital plan includes all estimated costs of the Dominion Boulevard Project, and requires issuance of revenue bonds secured by toll revenues.

While Council approves a five year plan to enable projects to be scheduled, the Capital Improvement Budget (CIB) covers only the first year; we propose an appropriation of \$455.1 million for FY 2011-12.

In addition to projects included in the Proposed CIP, a number of projects approved in earlier years are still in progress. As of February 28, 2011, there were 130 active and fully funded projects with a budget of \$278.5 million that are not part of the proposed CIP for 2012-2016. A summary of active and proposed capital projects is as follows:

<b>Project Area</b>	<b>Previous Appropriations</b>	<b>Proposed 5-Years</b>	<b>Total Funding</b>
Community Facilities	16,656,555	11,513,418	28,169,973
Community Facilities - Drainage	25,247,611	30,000,000	55,247,611
Economic Development/Planning	81,697,541	53,288,959	134,986,500
Information Technology	15,831,541	10,442,074	26,273,615
Parks and Recreation	14,199,307	137,024	14,336,331
Public Safety	40,808,890	45,903,000	86,711,890
Transportation	85,135,341	395,640,000	480,775,341
Public Utilities	92,599,953	79,277,487	171,877,440
Education	58,781,200	33,393,200	92,174,400
<b>TOTAL ESTIMATED RESOURCES</b>	<b>430,957,939</b>	<b>659,595,162</b>	<b>1,090,553,101</b>

A summary of funding sources supporting the capital plan appears below.

<b>FUNDING Source</b>	<b>Year 1</b>	<b>Years 2-5</b>	<b>Total Plan</b>
<b>GENERAL GOVERNMENT</b>			
Funds Previously Appropriated	\$ 64,526,570	\$ -	\$ 64,526,570
Borrowing Authority - Unissued	38,034,535	22,482,605	60,517,140
General Fund Transfer	1,250,000	4,689,100	5,939,100
VDOT Reimbursement	51,405,800	50,000	51,455,800
City Capital Reserve	3,546,425	-	3,546,425
Revenue bonds backed by toll revenue	308,056,800	36,002,400	344,059,200
Redirected from other projects	91,899	605,069	696,968
Other (Proffers and Grants)	820,883	-	820,883
<b>Total General Government</b>	<b>\$ 467,732,912</b>	<b>\$ 63,829,174</b>	<b>\$ 531,562,086</b>
<b>TAX INCREMENT FINANCING</b>			
Funds Previously Appropriated	\$ 47,902,848	\$ -	\$ 47,902,848
Greenbrier TIF Fund – Unissued Borrowing	7,800,000	17,451,001	25,251,001
Greenbrier TIF Fund – Cash	2,614,917	5,523,041	8,137,958
South Norfolk TIF Fund – Unissued Borrowing	-	16,000,000	16,000,000
South Norfolk TIF Fund – Cash	500,000	-	500,000
<b>Total Tax Increment Financing</b>	<b>\$ 58,817,765</b>	<b>\$ 38,974,042</b>	<b>\$ 97,791,807</b>
<b>STORMWATER</b>			
Funds Previously Appropriated	\$ 6,161,269	\$ -	\$ 6,161,269
Stormwater Management Fee	6,000,000	24,000,000	30,000,000
<b>Total Stormwater</b>	<b>\$ 12,161,269</b>	<b>\$ 24,000,000</b>	<b>\$ 36,161,269</b>
<b>PUBLIC UTILITIES</b>			
Funds Previously Appropriated	\$ 33,901,179	\$ -	\$ 33,901,179
Public Utilities Unissued Borrowing	11,853,705	44,478,705	56,332,410
Public Utilities Renewal & Replacement Fund	3,595,000	19,350,077	22,945,077
<b>Total Public Utilities</b>	<b>\$ 49,349,884</b>	<b>\$ 63,828,782</b>	<b>\$ 113,178,666</b>
<b>EDUCATION</b>			
Funds Previously Appropriated	\$ -	\$ -	\$ -
VPSA Unissued Borrowing	9,934,800	11,208,400	21,143,200
School Capital Reserve	10,750,000	1,500,000	12,250,000
<b>Total Education</b>	<b>\$ 20,684,800</b>	<b>\$ 12,708,400</b>	<b>\$ 33,393,200</b>
<b>TOTAL ESTIMATED RESOURCES</b>	<b>\$ 608,746,630</b>	<b>\$ 203,340,398</b>	<b>\$ 812,087,028</b>

The establishment of Capital Reserves (lockboxes) 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. An increase of \$500,000 for each lockbox is recommended for FY 2011-12 to allow critical projects to move forward.

Emphasis has been placed on projects that will preserve the City's investment in infrastructure through repairs and renewal of 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**

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. Funds continue to address the backlog of critical repairs of municipal parking lots and sidewalks.

Transportation – The capital budget plan includes two relatively small projects: improvements to grade crossings and the widening of Portsmouth Boulevard, along with major improvements to the Dominion Boulevard/Route 17 corridor. This proposed CIP differs from previous plans in that we have programmed the cost of Dominion Boulevard into the five year plan. The project is contingent upon Council approval of a toll plan for financing the project.

Stormwater – Existing projects such as Shorewood and Lamberts Trail areas, 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 Department of Environmental Quality (DEQ). 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.

Public Utilities – Public Utilities continues to upgrade pump stations, replace and repair water and sewer lines, as prescribed by the Sanitary Sewer Evaluation Studies mandated by DEQ and to address unserved areas indicating a desire for services. Public Utilities proposed Capital Budget for FY 2012-16 will be \$79.3 million which includes \$19.9 million to repair or replace sewers according to DEQ regulations.

Information Technology – On-going technology project will concentrate on upgrades to replace outdated and unsupported equipment for computer applications and communications.

Economic Development – Various projects in the Greenbrier TIF and the South Norfolk TIF districts are underway including Greenbrier Sidewalk/Crosswalk Improvements, Conference Center Renovations, City Park/Activity Center, and Pedestrian Safety. Additionally, funds are provided for the purchase of improved property in Western Branch and for property for a new commerce park site.

### **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 and renewal of capital assets (\$1.25 million in FY 2011-12)
- School and City Capital Lock Box cash balances
- Tax Increment Financing District (TIF) Cash balances
- Proffers from developers
- Issuance General Obligation Bonds supported by TIFs and Lock Boxes
- Water/Sewer and Stormwater Enterprise Funds
- VDOT Funds
- Issuance of Revenue Backed Toll Bonds for Dominion Boulevard/Steel Bridge

### **COMMUNITY FACILITIES and STORMWATER DRAINAGE**

- Relocation of Mosquito Control and Solid Waste Facilities at Butts Station – new funding of \$6.0 million is included for building additions or modifications to properties acquired in connection with redevelopment of the Butts Station parcel to a higher and better use of land currently utilized by City operations. The current operations center is located in the Greenbrier District adjacent to the City Park.
- Citywide Outfall Re-grading and Restoration – part of citywide efforts to periodically remove accumulated sediment and silt in order to maintain the capacity of outfall ditches and improve the quality of storm runoff.

### **TRANSPORTATION**

- Dominion Boulevard/Steel Bridge Replacement – this existing project will replace the Steel Bridge on Dominion Boulevard with a fixed-span high-rise bridge. The project also includes widening the existing roadway between Cedar Road and Great Bridge Boulevard to four lanes. The project is in final design and right-of-way acquisition stages. Funding for the project includes grants from the Virginia Department of Transportation and revenue-backed toll bonds. **It is imperative that a toll be established as part of the plan of finance for the project based on the resources available from the Commonwealth.**

### **PARKS and RECREATION**

- General Improvements to Community Centers and Parks – a comprehensive assessment of community centers and park facilities will be conducted to determine renovation and renewal needs and to develop a funding strategy for the future. For FY 2011-12, we propose using the Parks fund balance plus redirected funding from the recently completed Camelot project to fund the most critical issues.

### **PUBLIC SAFETY**

- Fire Department Logistics Support Center – this facility would replace a rented warehouse in the Cavalier Industrial Park with a suitable facility adjacent to Fire Station #10 already

approved and in the final design stage. One-half of the funding would come from developer proffers.

- Combined Fire Station #7 and Police Precinct #6 – this project will replace cramped and outdated Fire Station #7 and place a new Police Precinct #6 in the Hickory area of the City. The combined facility would include joint use facilities between the Fire Station and the Police Precinct.

### **PUBLIC UTILITIES**

- Bainbridge Boulevard Elevated Storage Tank Renovation – periodic cleaning, painting, and repairing of water towers is necessary in order to extend the useful life of the asset. The Bainbridge tank is due for renovations.
- Sewer Management Operations & Maintenance – In order to comply with Virginia Department of Environmental Quality Consent Order, it is necessary to improve sewer capabilities in order to prevent sewer overflows. Upgrades are slated for force main and gravity piping systems and sewer pump stations.
- Meter Reading Software – the current meter reading system is obsolete and vendor support will end in the future. The meter reading software is critical to accurate and timely customer billing. Replacement is expected to occur after FY 2015-16.
- Waters Road Water Main – This project completes a loop between Cedar Road and Johnstown Road and will improve system reliability, water pressures, and fire flow to the area.

### **INFORMATION TECHNOLOGY**

- Disaster Recovery Backup Radio System – A disaster recovery VHF backup system is essential to provide continuity of the public safety radio communications systems in the event of failure of the 800MHz primary system.
- Enterprise Kronos © Upgrade – This upgrade permits schools and city functions to move to newer software releases and avoid support issues with the vendor. Upgrading to new releases is essential because vendor maintenance expires as upgrades are released.
- Project 25 Radio System – This project will provide standard integrated voice and data simulcast radio communications for emergency response personnel. The 7/800 MHz system will provide data exchange paths for computer-aided dispatch (CAD), automated vehicle location (AVL), and other narrow-band applications.
- FCC Narrow-banding Compliance – By January 2013, the City must comply with FCC regulations. It is necessary to reconfigure the existing 25 KHz system to a 12.5 KHz narrowband.

### **ECONOMIC DEVELOPMENT**

- Acquisition of obsolete movie theater adjacent to Chesapeake Center – part of economic development incentives approved by City Council for the redevelopment of vacant department store into multiplex theater with stadium seating. This initiative is a key component in strengthening the retail sector along Portsmouth Boulevard.

We have also proposed the development of a Market-Driven Redevelopment Action Plan for South Norfolk. A provision of \$250,000 was included in the South Norfolk Operating Budget to work with the community to develop the plan. Similar plans have helped other communities develop critical strategies that have successfully led to private sector investments that in turn improve the economic and social fabric of the community.

## **EDUCATION**

The projects included in the Proposed CIP are based on the prioritization of improvements provided by the School District. Upon further review of the project prioritization, School officials may defer some projects in order to address others.

- Partial HVAC System Replacements – project includes replacement of HVAC systems that are at the end of their useful lives. The project includes system replacements at Truitt Intermediate, Hickory Elementary, Great Bridge MS, Hugo Owens MS, Hickory MS, Cedar Road Elementary, and Camelot Elementary Schools.
- Chiller Replacement at Hickory High School (complete system) – the HVAC chiller has reached the end of its useful life and requires replacement.
- HVAC Replacement at Oscar Smith High School (complete system) – the HVAC system has reached the end of its useful life and requires replacement.
- HVAC Replacement at Southwestern Elementary School – the HVAC system has reached the end of its useful life and requires replacement.
- Boiler Replacements – for Butts Road Primary, Indian River MS, and Western Branch MS – the boiler systems have reached the end of their useful lives and require replacement.
- Roof Replacements – at Southwestern Elementary, Butts Road Primary, Sparrow Road Intermediate, Deep Creek SECEP, Western Branch Intermediate (partial), Warehouse and Supply Bldg, and School Plant Bldg
- Structural Reinforcement at ESC 4-Room Annex – this project would address structural deficiencies of the historic 4-room school house.
- Repaving – Deep Creek Elementary – the parking lots, bus loops, and other paved surfaces have reached the end of their useful life. Resurfacing is necessary in order to avoid further degradation of the surfaces.
- Deep Creek SECEP Building – this project would renovate one of the oldest school facilities in the City. The building is used by a regional program serving severely disabled students.

## **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 Budget is \$334 million more than the previous year's approved Capital Improvement Budget. The inclusion of the Dominion Boulevard project totals \$393.8 million over the five year period. The Dominion Boulevard project is critical for economic development, emergency response, and quality of life for citizens who daily travel this corridor. Without the Dominion project, the capital budget actually declines by \$23.8 million. This reflects our strategy to limit projects to those which provide maintenance of infrastructure or which are critical to core services for 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.

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,

*William E. Harrell*  
*by ubf*

William E. Harrell  
City Manager