

March 20, 2012

The Honorable Mayor Alan P. Krasnoff and Members of Council
 City of Chesapeake, Virginia

Dear Mayor Krasnoff and Members of Council:

The proposed Capital Improvement Plan (CIP) for Fiscal Years 2013 through 2017 is presented to you for your consideration and approval in accordance with the City Charter. This Proposed CIP totals \$310.9 million for the five year period. Previous appropriations to these projects total \$469.4 million. The total cost of projects covered by the proposed plan is \$780.3 million. This capital plan requires a \$76.5 million appropriation to completely fund the Dominion Boulevard Project. This toll road project replaces the existing Steel Bridge and four miles of roadway along Dominion Boulevard.

While Council must take action on the entire five year plan, the Capital Improvement Budget (CIB) covers only the first year; we propose an appropriation of \$134.1 million for FY 2013. 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, 2012, there were 157 active and full funded projects with a budget of \$278.5 million that are not part of the proposed CIP for 2013-2017. A summary of all active and proposed capital projects is as follows:

Project Area	Previous Appropriations	Proposed 5-Years	Total Funding
Community Facilities	\$ 25,003,938	\$ 5,463,393	\$ 30,467,331
Economic Development	59,444,256	39,562,815	99,007,071
Education	79,466,000	12,708,400	92,174,400
Information Technology	13,907,137	17,156,800	31,063,937
Parks and Recreation	15,432,196	-	15,432,196
Public Safety	72,911,109	13,486,000	86,397,109
Public Utilities	96,988,342	86,712,334	183,700,676
Stormwater	30,474,365	32,250,000	62,724,365
Transportation	445,757,283	103,553,251	549,310,534
Total Estimated Costs	\$ 839,384,626	\$ 310,892,993	\$ 1,150,277,619

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

Funding Source	Prior Years	Year 1	Years 2-5	Total Plan
GENERAL GOVERNMENT				
Cash - General Fund Transfer	11,972,831	2,861,154	6,530,600	21,364,585
Cash - Special Revenue Funds	151,000	750,000	-	901,000
Developer Proffers	561,613	682,776	181,086	1,425,475
Equipment Lease Financing	-	4,192,455	-	4,192,455
Fund Balance - City Lockbox	-	6,558,674	-	6,558,674
General Obligation Debt	735,000	-	32,180,931	32,915,931
Redirected from Other Projects	1,162,820	3,123,099	605,069	4,890,988
VDOT Reimbursements	150,000	50,000	-	200,000
Total General Government	14,733,264	18,218,158	39,497,686	72,449,108
TAX INCREMENT FINANCING				
Cash - Greenbrier TIF	-	832,025	-	832,025
Cash - South Norfolk TIF	966,210	5,833,790	-	6,800,000
GO Debt - Greenbrier TIF	6,100,000	300,000	16,000,000	22,400,000
GO Debt - South Norfolk TIF	2,200,000	-	16,000,000	18,200,000
Total Tax Increment Financing	9,266,210	6,965,815	32,000,000	48,232,025
STORMWATER				
Cash - Stormwater Fund	4,500,000	6,450,000	25,800,000	36,750,000
Total Stormwater	4,500,000	6,450,000	25,800,000	36,750,000
ENTERPRISE FUNDS				
Cash - Chesapeake Expresswy	3,000,000	3,000,000	3,000,000	9,000,000
Fund Balance - Utility Fund	10,076,613	3,145,000	24,594,827	37,816,440
Revenue Bonds - Toll Facilities	308,056,800	76,540,600	-	384,597,400
Revenue Bonds - Utility Fund	36,140,633	19,755,583	39,216,924	95,113,140
VDOT Reimbursements	83,602,800	-	-	83,602,800
Total Enterprise Funds	440,876,846	102,441,183	66,811,751	610,129,780
EDUCATION				
Fund Balance - School LockBox	-	-	1,500,000	1,500,000
GO Debt - VPSA	-	-	11,208,400	11,208,400
Total Education	-	-	12,708,400	12,708,400
TOTAL ESTIMATED RESOURCES	469,376,320	134,075,156	176,817,837	780,269,313

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

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 to ensure the public's safety when visiting City facilities.

Economic Development – Various projects in the Greenbrier TIF and the South Norfolk TIF districts are underway including Greenbrier Sidewalk/Crosswalk Improvements, Conference Center Renovations, Pedestrian Safety, and South Norfolk Library replacement.

Information Technology – On-going technology project will concentrate on upgrades to replace outdated and unsupported equipment for computer applications and communications. We also have included project to update WCTV production equipment and library networks.

Public Utilities – Public Utilities continues to upgrade pump stations, replace and repair water and sewer lines, as prescribed by the Sanitary Sewer Evaluation Studies and mandated by Department of Environmental Quality (DEQ). It also addresses unserved areas indicating a desire for services. The Proposed Capital Plan for Public Utilities is \$86.7 million which includes \$35.9 million to repair or replace sewers according to DEQ regulations.

Stormwater – We propose to continue outfall upgrades and on-going Neighborhood Drainage Improvements along with reductions in pollutants in stormwater discharges to the Chesapeake Bay and its tributaries. The proposed Capital Improvement Plan is also consistent with permits issued under the Virginia Pollutant Discharge Elimination System (VPDES) which 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.

Transportation – The capital budget plan includes the redirection of funds from several completed or nearly completed projects to address major renewals required at several bridges, overpasses, and surface roads. This proposed CIP also includes the remaining funds required to proceed with the replacement of Dominion Boulevard and the Steel Bridge. That project is contingent upon Council approval of a toll plan for financing the project.

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 (\$2.8 million in FY 2013)
- Equipment leases
- City Capital Lock Box cash balance
- Tax Increment Financing District (TIF) Cash balances

- Proffers from developers
- General Obligation Bonds supported by TIFs and Lock Boxes
- Revenue Bonds supported by Public Utility and Toll revenues
- Water/Sewer, Stormwater, and Expressway Enterprise Funds
- VDOT Funds

ECONOMIC DEVELOPMENT

- Improvements to Chesapeake Municipal Airport: the proposed budget includes \$307,000 as the City share of \$1.5 million of the design and construction of a security perimeter road.
- Dominion Boulevard Corridor – the proposed budget includes \$250,000 for a study and strategic planning to ensure appropriate development of parcels adjacent to Dominion Boulevard.
- Strategic Acquisition of Real Property in South Norfolk – the budget includes \$5 million funded from the South Norfolk TIF to be used for the strategic purchase of small parcels in and adjacent to commercial areas in order to encourage redevelopment.
- Greenbrier Commerce District Improvements – the CIP includes \$16 million to construct a parking facility in the Greenbrier Center District in order to address parking requirements associated with retail and commercial development.

INFORMATION TECHNOLOGY

- Replacement of the real estate assessment system: it is essential to replace the current obsolete mainframe real estate database. The implementation of the Computer Assisted Mass Appraisal system will allow the reassessment of large blocks of properties as of a specific date and time with greater accuracy. Replacement of the existing system will ensure that the department continues to comply with state assessment regulations.
- Replacement of WCTV Production Equipment – the proposed budget includes two projects to replace camera, sound, and production equipment in Council Chambers, the City training room, and WCTV studios. A third project is included for the replacement of field and remote production equipment. We recommend funding of all projects with lease-purchase contracts.
- Replacement of Human Services Systems – the proposed budget includes the replacement of case management software systems by the Human Services Office for public assistance. The project would also upgrade the existing system used by the Interagency Consortium.
- Technology upgrades and replacements for Libraries – the CIP includes a project to replace core technology infrastructure, replace desk top and laptop computers, and install a generator for Central Library (to maintain overall network capabilities during power outages). Funding is provided during the first two years of the CIP from library proffers.
- Upgrades to business software systems – two projects are added for the upgrades of PeopleSoft Financial and KRONOS attendance and leave systems.

PUBLIC UTILITIES

Improvements to sewer lines, mains, and pump stations in accordance DEQ mandates and to address failing facilities:

- 18th Street Sewer from D Street to Seaboard (South Norfolk).
- Coordinate with HRSD for replacement of sewer facilities along Bainbridge Boulevard.
- Chesapeake Avenue – Poindexter Street between Guerriere St. and Ohio St.

- Crestwood Subdivision – three projects replacing pump stations and sewer mains
- Elbyrne Drive Water and Sewer
- Liberty Street Sewer (500 Block to Collingswood)
- Manhole Rehabilitation
- Melton Street Sewer Renewal
- Orville Avenue Alleyway Sewer (Bainbridge to Seaboard)
- Raleigh Place Sewer (pump station 7)
- Service Area Gravity Sewer (pump station 3)
- Westwood and Redstart Avenue Sewer

Improvements to Water Lines, Mains, and Treatment Plants:

- Battlefield Boulevard Water Main
- Deep Creek Loop 2
- Elbyrne Drive Water and Sewer
- Money Point Crossing
- River Bank Filtration Study – Northwest River Plant

STORMWATER DRAINAGE

- Citywide System Rehabilitation – this project includes the replacement and upgrade of aging pipe system and structures within neighborhoods developed before 1980. Improvements will provide a ten year level of protection.

TRANSPORTATION

- Bridge and overpass projects– provide necessary structural support in order to avoid weight restrictions and to extend the service life of the existing bridge structure:
 - Centerville Bridge
 - Sunray Overpass rehabilitation
 - Triple Decker Overpass rehabilitation
- US Route 17 south of Cedar Road – this project widens the existing roadway Cedar Road and the junction of U.S. 17 South/George Washington Highway (2.2 miles).
- South Norfolk Railroad Crossings – this project constructs cul-de-sacs and removes the existing railroad infrastructure at the crossings of Railroad Avenue and Narrow Street.

CLOSING PROJECTS AND REDIRECTION

We propose removing or inactivating two projects in the current Capital Improvement Plan:

South Norfolk Infrastructure Improvements – this project was established for improvements related to the now abandoned Belharbour Project which did not move forward because of market conditions. The project included \$5,658,583 of funding from unissued general obligation bond. In place of this project we propose the strategic purchase of real property under new projects

above (see Economic Development above). We are also exploring recommendations of the Urban Land Institute for future consideration by Council.

Greenbrier Municipal District/Activity Center – this project included the construction of an activity center adjacent to City Park, a project that is no longer active. We recommend that \$28.9 million of debt funded project be reallocated as follows:

- Transfer \$6.4 million to improvements at City Park
- Transfer \$16.0 million to Greenbrier Commerce District Improvements

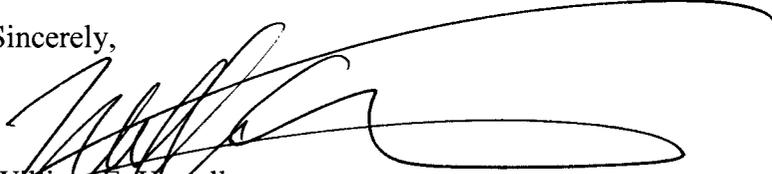
We recommend that the remainder of the \$28.9 million of unissued bond authority (\$6,476,547) be cancelled.

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 \$353 million less than the previous year's approved Capital Improvement Budget primarily because of \$344 million of funding during FY 2012 for Dominion Boulevard. Without the Dominion project, the capital improvement plan for the next five years actually declines by \$36.2 million. 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.

In the coming weeks, the City management will work with you to review and finalize the City's Capital Improvement Budget. While I am moving on to other professional challenges, I am optimistic that a firm foundation for this budget has been established, and will be built upon under the leadership of Interim City Manager Amar Dwarkanath.

Sincerely,



William E. Harrell
City Manager