

March 19, 2013

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 2014 through 2018 is presented to you for your consideration and approval in accordance with the City Charter. The five year capital plan requires funding of \$187.5 million. While Council must take action on the entire five year plan, only the first year of the plan requires appropriation (\$41.08 million). Since many capital projects require funding over multiple years, Council will need to appropriate additional funds in future years in order to complete all phases of the CIP.

Several projects included in the CIP have already received appropriations totaling \$59.8 million during the current or previous year. These appropriations will continue until the related projects are completed. Further, several projects will require a total of \$25.7 of funding beyond the five year planning period in order to complete those projects. The total cost of all projects in the CIP is \$273 million spanning a funding period of more than five years.

In addition to projects included in the Proposed CIP, a number of projects that were approved in earlier years remain in progress. As of February 28, 2013, there were 197 active and fully funded projects with

a budget of \$891 million that are not part of the proposed CIP for 2014-2018. A summary of all active and proposed capital projects is noted in the table here. Slightly more than 50% of the funding was spent or under contract.

Fully Funded Projects	Number of Projects	Previous Appropriations	Obligations to-Date	Remaining Project Cost
Community Facilities	14	\$ 14,217,123	\$ 4,701,145	\$ 9,515,978
Economic Development	20	50,542,537	24,094,003	26,448,534
Education	16	79,466,000	50,405,220	29,060,780
Information Technology	16	21,726,153	9,956,045	11,770,108
Parks and Recreation	12	14,712,279	12,652,943	2,059,336
Public Safety	15	70,828,578	34,262,113	36,566,465
Public Utilities	35	88,407,856	45,080,811	43,327,045
Stormwater	29	30,244,511	13,807,466	16,437,045
Transportation	40	520,945,000	298,396,158	222,548,842
Total Appropriations for Fully Funded Projects	197	\$ 891,090,037	\$ 493,355,904	\$ 397,734,133

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

Funding Source	Prior Years	Year 1	Years 2-5	Total Plan
<i>All amounts are in thousands (000)</i>				
GENERAL GOVERNMENT				
Cash - General Fund Transfer	\$ 9,268	\$ 2,319	\$ 5,535	\$ 17,122
Developer Proffers	1,564	-	181	1,745
Fund Balance - City Lockbox	987	3,661	1,376	6,024
General Obligation Debt	9,700	3,300	25,500	38,500
Redirected from Other Projects	252	6,685	-	6,937
Total General Government	\$ 21,771	\$ 15,965	\$ 32,592	\$ 70,328
TAX INCREMENT FINANCING				
Cash - South Norfolk TIF	\$ -	\$ 2,500	\$ 1,749	\$ 4,249
GO Debt - Greenbrier TIF	6,400	-	16,000	22,400
GO Debt - South Norfolk TIF	-	-	12,300	12,300
Total Tax Increment Financing	6,400	2,500	30,049	38,949
STORMWATER				
Cash - Stormwater Fund	\$ 8,070	\$ 5,850	\$ 23,400	\$ 37,320
ENTERPRISE FUNDS				
Cash - Chesapeake Expresswy	\$ 3,000	\$ 3,000	\$ -	\$ 6,000
Fund Balance - Utility Fund	4,454	2,250	10,278	16,982
Revenue Bonds - Utility Fund	16,081	8,021	39,633	63,735
Total Enterprise Funds	\$ 23,535	\$ 13,271	\$ 49,911	\$ 86,717
EDUCATION				
Fund Balance - School LockBox	\$ -	\$ 2,500	\$ 10,500	\$ 13,000
Fund Balance - Education Reserve	\$ -	\$ 1,000	\$ -	\$ 1,000
Total Education	\$ -	\$ 3,500	\$ 10,500	\$ 14,000
TOTAL ESTIMATED RESOURCES	\$ 59,776	\$ 41,086	\$ 146,452	\$ 247,314

Emphasis has been placed on projects that preserve the City's investment in infrastructure through making critical repairs and renewals to existing facilities and on projects that 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 recommend that funding continue for restroom renovations in various City buildings and addressing roofs and HVAC systems in poor repair. For FY 2014, we are recommending a 25% increase in funding (additional \$200,000) in order to address deferred maintenance at the Social Services Building, Libraries, and Community Centers. We also

recommend continued funding to address the backlog of critical repairs needed for municipal parking lots and sidewalks in order to ensure the safety of visitors at 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 projects will concentrate on upgrades to replace outdated and unsupported equipment for computer applications and communications.

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 \$60.2 million which includes \$44.3 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 five-year plan includes a third year of funding for Expressway renewals and the widening of US Route 17 (Dominion Boulevard) south of Cedar Road. Active and fully funded projects include the replacement of Dominion Boulevard (including the Steel Bridge) and a widening of Portsmouth Boulevard between Interstate 664 and the Suffolk city line.

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:

- General Fund Resources for maintenance and renewal of capital assets
- City and School 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
- Water/Sewer, Stormwater, and Expressway Enterprise Funds
- Funds redirected from completed projects

COMMUNITY FACILITIES

- Compressed Natural Gas Station – the Capital Improvement Plan includes a second CNG station that will be constructed on the corner of Greenbrier Parkway and Executive Drive. The City currently owns nineteen (19) CNG vehicles; it also has two (2) CNG vehicles scheduled for delivery and expects to purchase eight (8) more next year. All of the vehicles currently owned, ordered, or planned are/will be used for solid waste collection. This second station will provide redundant capacity in the event the existing station is out of service. It will also include fast-fill capabilities as well as providing a better opportunity to sell CNG to private vehicles. Because of the commercial aspect of the project, tax free financing is not consistent with Treasury (IRS) regulations; we, therefore, recommend funding from the City Lockbox. The second CNG station is estimated to cost \$1.35 million and is recommended for funding during FY 2014.
- Jordan Bridge Memorial – the CIP includes \$400,000 in 2015 (year 2) for design and fabrication of a memorial to the old Jordan Bridge for placement in Elizabeth River Park. Proposals will be solicited for an appropriate use of artifacts retained during the demolition of the old bridge. Artifacts include a tower, plaques, and mechanical components salvaged from the old draw bridge. Funding is provided from a Capital Fund Balance reservation for the project.

ECONOMIC DEVELOPMENT

- South Norfolk District Improvements – the CIP includes \$18.35 million to replace the seventy-five year old 22nd Street Bridge that crosses a busy rail track and connects the South Norfolk Commercial district to the Berkley section of Norfolk. The new bridge will include two vehicle lanes with bicycle and pedestrian lanes. Project design is scheduled for completion during FY 2014 with contract award to follow. We recommend financing the project by transferring \$4.25 million from the South Norfolk TIF Fund and issuing \$12.3 million of general obligation bonds. The GO bonds would be paid from future TIF collections.
- Parking Garage in South Norfolk – we recommend that this project be removed from the CIP in order to address the high priority 22nd Street Bridge project.

EDUCATION

- Non-Routine Renewal and Replacement Projects – the capital plan includes \$14 million of funding for the replacement of school roofs, HVAC systems, and other critical components of school buildings. The School staff has provided a prioritized list of projects that require completion in the near future. These funds are available to address the prioritized list as well as other critical facility needs that may surface. With the exception of \$1.0 million that Council reserved for schools in 2011, all funds are from the School Lockbox. For the first three years, the Lockbox will provide \$2.5 million in each of the first three years. The annual allocation is increased to \$2.75 million for FY 2017 and 2018. Total funding over the 5-year capital project is \$14.0 million.
- Detailed information is also provided for the renovation of the ESC Building to accommodate the regional SECEP special education program. This project was approved by Council earlier this year and is fully funded.

INFORMATION TECHNOLOGY

- Online-Permit Processing (Development and Permits) – the CIP includes a project to replace manual and automated processes for receiving and issuing permits for land use and community development activities. This technology solution will permit developers, contractors, and property owners to apply for a variety of permits on line rather than in person. The application will provide City staff with a centralized database containing all parcel information; it will also address building safety, inspections, investigations, document or plan review, and code enforcement. The \$3.3 million project will be financed by redirecting available cash from projects at or near completion.

PUBLIC SAFETY

- Consolidation of Fire Station 10 and Fire Logistics Center – in order to better facilitate the design and construction of these two projects, staff recommends that they be consolidated into a single project. Fire Station 10 is located in the Sunray/Bowers Hill section of the City and is scheduled for relocation and replacement. The City currently leases space in the Cavalier Industrial Park for its Fire Logistics Center. The leased space no longer meets the department's needs, and the department plans to locate the Logistics Center adjacent to or attached to the new fire station. Consolidating the two projects will improve coordination of both design and construction. Design of the projects is expected to begin in late 2013; the \$7.05 million project is fully funded with a combination of cash and debt, no additional funding is required.
- Jail Expansion – a new project is established in the CIP for a study to determine the best course of action to address the severe overcrowding of the City jail. The project includes advance planning and, if appropriate, the initial design costs of an expansion of the existing jail. If the planning study supports an expansion of the facility, additional funds will be required to complete design and construction of the facility. The expansion would increase capacity between 200 and 500 inmates at an estimated cost of \$75,000 - \$125,000 per bed. The planning study may alternatively recommend a regional solution to overcrowding that would not entail an expansion of the existing City facility. We recommend redirecting \$450,000 of available funds from the previous jail study.
- Public Safety Equipment – we recommend that \$651,349 be redirected from other public safety projects that are either complete or nearly complete in order to address several pressing equipment needs of the Fire and Police Departments. The proposed project would replace ballistic vests and helmets for members of the Vice and Narcotics Section; it would also provide hydraulic lift stretchers and ambulance lifts to assist with the transfer and movement of severely obese patients. Finally, the project would fund the replacement of two vehicles that are inadequate for towing foam necessary for chemical fires. The project also includes a transfer of \$123,651 from the City's General Fund.

PUBLIC UTILITIES

- Sewer system renewal – Additional Consent Order – this project includes funding required to meet revised estimates of complying with the Regional Consent Order from the Virginia Department of Environmental Quality (DEQ). Work will be performed in designated sewer basins based on priority approved by DEQ as part of the Rehabilitation Plan. The CIP

includes \$12.0 million of funding for fiscal years 2016, 2017, and 2018. An additional \$5.0 million will likely be required beyond the five-year plan.

CLOSING PROJECTS AND REDIRECTION

Several projects are at or near completion and were funded for more than was required to successfully complete them. Additionally, several projects have lapsed because of inactivity. We recommend that \$6.68 million of available funds be transferred to new or existing projects (a complete listing of funds redirected from closed projects is available on Exhibit J. We recommend that available funds be used as follows:

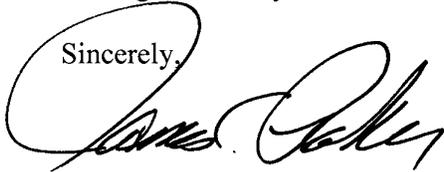
- Combined Fire Station #7/Police Precinct #6
- Jail Expansion to Address Overcrowding (initially a study)
- Online Permit Processing
- Public Safety Equipment
- 22nd Street Bridge Replacement

CONCLUSION

The proposed capital improvement plan represents the ongoing direction of the City's commitment of resources to protect, maintain, and upgrade critical infrastructure throughout the City. The CIP will require the issuance of \$57.1 million of general obligation bonds and \$47.65 million of public utility revenue bonds over the next five years. The City has capacity through a combination of locked revenue and tax increment financing to fund debt service on all required GO bonds. Similarly, the Public Utilities Fund has adequate capacity to fund debt service on its revenue bonds. The remainder of the proposed CIP is funded with \$82.8 million of cash that will be available over the course of the five-year period.

The Proposed Capital Improvement Plan for the next five years reflects a focus on the maintaining existing infrastructure, ensuring economic vitality, and addressing the capital needs of core City services. The CIP proposal addresses critical requirements while maintaining or improving metrics that impact the City's debt ratings. I look forward to working with you in the coming weeks as you review and finalize the City's Capital Improvement Plan.

Sincerely,



James E. Baker
City Manager