

Office of the City Manager
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MEMORANDUM

TO: The Honorable Mayor and Members of City Council

FROM: James E. Baker, City Manager 

DATE: July 7, 2016

SUBJECT: **Back-up Information for July 12, 2016
Council Work Session/Regular Session**

City Council met on July 12, 2016 and approved all recommendations to the Capital Budget as presented here.

Attached please find the proposed Ordinances for City Council's consideration for the July 12, 2016 Work Session and Regular Session.

Ordinances

CIBH

Attached here is an excerpt of this memo with the revisions to the Capital Budget. The entire memo including revisions to the Operating Budget is available at: www.cityofchesapeake.net.

The request is to approve an Appropriation Ordinance in the amount of \$185,000 and request to add two Clinician II positions to the personnel complement of CIBH, in order to establish a Behavioral Health and Veterans Docket at the Chesapeake District Court.

Budget

The request is to amend the FY 2016-17 Capital Budget to match VDOT's Revenue Sharing Program (RSP) as recently approved by the Commonwealth Transportation Board (CTB). As FY 2017 applications exceeded available funding, some projects were not funded and others were only partially funded. The City's two projects – 22nd Street Bridge and Non-Arterial Street Paving need to be adjusted to match the approved state funding.

Public Utilities

The request is for an amendment of the funding source in the amount of \$17,582,617.71 for several Department of Public Utilities projects from revenue bond funding to cash funding.

MEMORANDUM

TO: James E. Baker, City Manager *MAS*
 FROM: Steven Jenkins, Budget Director *sjenkins*
 DATE: June 30, 2016
 SUBJECT: Revisions to Transportation Section of Capital Budget for FY 2017 per VDOT's Approved Revenue Sharing Program for FY 2017

It is necessary to amend the capital budget for FY 2017 to match VDOT's Revenue Sharing Program (RSP) as recently approved by the Commonwealth Transportation Board. Each year, VDOT solicits applications from localities for RSP funding that requires an equal match from each applicant. Since FY 2017 applications exceeded available funding, some projects were not funded and others were only partially funded. Based on CTB's prioritization of statewide requests for FY 2017, we were awarded less than was requested for two projects. The two projects need to be adjusted to match the approved state funding. Revisions to the capital budget are as follows:

- Revise funding plan for 22nd Street Bridge Replacement** – in our application, we requested \$5.85 million from the Revenue Sharing Program; in February, VDOT notified us that under CTB prioritization procedures, it would recommend funding of approximately \$2.50 million to CTB. Based on that information, Council revised project funding on June 14. At its June meeting, CTB approved \$3,983,753 for the project. Based on the final CTB approval, we now recommend revising the funding plan to (a) recognize additional funding from VDOT, (b) reduce issuance of bonds by \$1.5 million, and (c) increase cash funding by \$11,780. These changes affect only the funding plan and do not change the total budget for the project.
- Revise budget and funding plan for Non-Arterial Street Paving** – the capital budget includes \$4.15 million of state RSP funding for this project that is focused on repaving residential subdivisions. While we applied for RSP funding for this project, CTB did not fund the project. We recommend removing the \$4.15 million of state funding from the project and reduce the project budget accordingly. Since we have a large backlog of street surfacing projects, we also recommend leaving the local match for this project in place. For FY 2017, the project is revised from \$8.3 million to \$4.15 million with all funding from city sources.

Recap of changes to capital budget and capital improvement plan:

	FY 2017 Budget	CIP 2017-2021
Current budget amounts	\$72,976,724	\$403,227,186
Revise 22 nd Street Bridge funding plan	no impact	no impact
Revise non-arterial street paving	<u>(4,150,000)</u>	<u>(4,150,000)</u>
Revised budget amounts	\$ 68,826,724	\$399,077,186

Updated summaries of the 2017-2021 CIP and funding plan are attached. Please let me know if further information is needed.

CAPITAL IMPROVEMENT PLAN FOR THE FIVE YEAR PERIOD ENDING JUNE 30, 2021
SUMMARY OF ESTIMATED RESOURCES

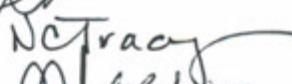
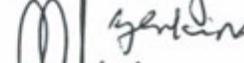
Source of Funding	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	5 Year Total
Cash						
Lockbox City	\$ 7,682,054	\$ 8,710,150	\$ 3,713,160	\$ 4,235,000	\$ 5,100,000	\$ 29,440,364
Lockbox Schools	6,575,900	5,580,500	5,500,000	5,500,000	5,500,000	28,656,400
South Norfolk TIF Revenue	2,316,247	-	-	-	-	2,316,247
Stormwater Operations	5,550,000	5,500,000	5,500,000	5,500,000	5,500,000	27,550,000
Public Utility Operations	8,878,867	6,701,000	9,725,000	13,375,000	15,550,000	54,229,867
Fund Balance - Capital Projects	400,000	3,183,000	-	-	-	3,583,000
Fund Balance - CTS	883,000	1,407,850	90,000	53,700	-	2,434,550
Fund Balance - General Fund	10,740,812	5,008,710	3,486,000	2,770,000	3,110,000	25,115,522
Fund Balance - Info. Technology	211,000	140,000	995,000	435,000	85,000	1,866,000
Fund Balance - Other Funds	2,260,000	1,830,000	650,000	1,125,000	1,000,000	6,865,000
Fund Balance - Stormwater	2,608,000	700,000	710,000	755,000	770,000	5,543,000
Subtotal - City Cash	\$ 48,105,880	\$ 38,761,210	\$ 30,369,160	\$ 33,748,700	\$ 36,615,000	\$ 187,599,950
Grant	2,753,791	22,000,000	-	-	-	24,753,791
Proffers	500,000	3,500,000	-	-	-	4,000,000
VDOT Revenue Share	3,983,753	10,000,000	2,000,000	2,000,000	2,000,000	19,983,753
Subtotal - Cash (all sources)	\$ 55,343,424	\$ 74,261,210	\$ 32,369,160	\$ 35,748,700	\$ 38,615,000	\$ 236,337,494
Debt Financing						
G.O. Debt - City	\$ -	\$ 16,696,739	\$ 640,500	\$ 5,750,836	\$ 13,500,000	\$ 36,588,075
G.O. Debt - Greenbrier TIF	-	-	-	-	16,000,000	16,000,000
G.O. Debt - South Norfolk TIF	6,000,000	-	-	-	-	6,000,000
G.O. Debt - Short Term Financing	-	1,250,000	1,500,000	1,500,000	1,500,000	5,750,000
G.O. Debt - VPSA	4,000,000	8,725,000	29,275,000	19,000,000	4,000,000	65,000,000
Revenue Bonds - Utility Fund	3,483,300	7,074,200	12,344,117	500,000	10,000,000	33,401,617
Subtotal - Debt Financing	\$ 13,483,300	\$ 33,745,939	\$ 43,759,617	\$ 26,750,836	\$ 45,000,000	\$ 162,739,692
Total Resources	\$ 68,826,724	\$ 108,007,149	\$ 76,128,777	\$ 62,499,536	\$ 83,615,000	\$ 399,077,186

SUMMARY OF RESOURCE REQUIREMENTS

Resource Requirements by Category	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	5 Year Total
General Government						
Community Facilities	\$ 3,369,500	\$ 2,414,000	\$ 1,984,000	\$ 2,375,000	\$ 25,280,000	\$ 35,422,500
Economic Development	4,200,000	1,500,000	-	-	16,000,000	21,700,000
Education	12,946,135	20,293,500	34,775,000	24,500,000	9,500,000	102,014,635
Information Technology	522,590	1,501,225	1,078,160	660,000	220,000	3,981,975
Parks, Recreation & Tourism	3,748,791	3,565,000	2,335,000	2,810,000	2,185,000	14,643,791
Public Safety	3,206,541	8,405,374	3,237,500	7,520,836	2,110,000	24,480,251
Transportation	19,430,000	48,945,000	4,350,000	4,450,000	4,500,000	81,675,000
Subtotal - General Government	\$ 47,423,557	\$ 86,624,099	\$ 47,759,660	\$ 42,315,836	\$ 59,795,000	\$ 283,918,152
Enterprise Funds						
Chesapeake Expressway (CTS) - Capital	\$ 883,000	\$ 1,407,850	\$ 90,000	\$ 53,700	\$ -	\$ 2,434,550
Public Utilities - Capital	12,362,167	13,775,200	22,069,117	13,875,000	17,550,000	79,631,484
Storm Water - Capital	8,158,000	6,200,000	6,210,000	6,255,000	6,270,000	33,093,000
Subtotal - Enterprise Funds	\$ 21,403,167	\$ 21,383,050	\$ 28,369,117	\$ 20,183,700	\$ 23,820,000	\$ 115,159,034
Total Requirements	\$ 68,826,724	\$ 108,007,149	\$ 76,128,777	\$ 62,499,536	\$ 83,615,000	\$ 399,077,186
Reconciliation:						
CIP Approved June 14, 2016	\$ 72,976,724	\$ 108,007,149	\$ 76,128,777	\$ 62,499,536	\$ 83,615,000	\$ 403,227,186
Amendments:						
22nd Street Bridge Replacement	-	-	-	-	-	-
Non-Arterial Street Repaving	(4,150,000)	-	-	-	-	(4,150,000)
Revised CIP Recommendation	\$ 68,826,724	\$ 108,007,149	\$ 76,128,777	\$ 62,499,536	\$ 83,615,000	\$ 399,077,186

MEMORANDUM

TO: James E. Baker, City Manager 

THRU: Nancy Tracy, Finance Director 
Steven Jenkins, Budget Director 

FROM: David Jurgens, Utilities Director 

DATE: July 6, 2016

RE: Request for Amendment of CIB Funding Source from Future Revenue Bonds to Cash Additional Information

This memorandum provides additional information regarding the Public Utilities' Request for Amendment of CIB Funding Source from Future Revenue Bonds to Cash.

The City Council's questions focused on three areas:

1. What is the impact of the requested action on the projects identified in the original memorandum;
2. What is the impact of the requested action on the Utility's current cash balance; and
3. Is this in compliance with the City's plan identified in the Utility's Rate Sufficiency Analysis?

Responses:

1. What is the impact of the requested action on the projects identified in the original memorandum?
 - There is no impact on the identified projects as work is already underway on these projects.
 - Funding these projects with cash will not affect other projects either as cash balances exceed necessary reserves as identified by the City's Financial Advisor and the City's Rate Consultant.
2. What is the impact on the Utility's cash balance?
 - There is no immediate impact on the Utility's cash balance as the work has already been completed and payment was paid from Utility cash balances.
 - The requested action simply means that we will not borrow money in the future to reimburse the cash balances. As noted above, the Utility cash balances exceed reserve requirements and borrowing is not necessary at this time.
3. Is this in compliance with the City's plan identified in the Utility's Rate Sufficiency Analysis?
 - This action is entirely consistent with the information reflected in the City's plan identified in the Utility's Rate Sufficiency Analysis.
 - Because the funds have already been spent, they are already deducted from the cash balance shown in the Rate Sufficiency Analysis.
 - Public Utilities intends to continue to evaluate funding sources in accordance with the Rate Consultant's model and will bring other actions such as this forward as project work progresses and the model is reviewed and updated.

DJ

Cc: Tracy Gregory

MEMORANDUM

TO: James E. Baker, City Manager

FROM: David Jurgens, Utilities Director 

DATE: June 21, 2016

RE: Request for Amendment of CIB Funding Source from Future Revenue Bonds to Cash

RECOMMENDATION

Public Utilities is requesting an amendment to change the funding source from Future Revenue Bonds to Cash on CIB expenses that were paid prior to June 16, 2016.

DISCUSSION

As part of the annual year end close process, capital projects are closed and CIP work papers are prepared. Pursuant to the Burton & Associates' FY16 Revenue Sufficiency Analysis and the annual review of the capital projects, select projects were identified to be funded with cash. This is consistent with the assumptions included in the Burton & Associates' model that presumes that available cash is used prior to the issuance of any bonds and is consistent with the advice of the City's financial advisory firm, Raymond James while cash balances are above targeted levels. Public Utilities' cash position supports the recommended change in funding source. In addition, the Burton & Associates' FY16 Revenue Sufficiency Analysis, under current cash flow spending assumptions and approved capital projects, reflects the next Public Utilities bond issuance in FY19. Any expenses incurred for projects that are projected to be bond funded in the model will fall under a Reimbursement Resolution and eligible project expenses will be reimbursed from bond proceeds once the Revenue Bonds are issued. The capital projects identified for a change in funding source from Future Revenue Bonds to Cash are:

Project	Name	Amount
1131600800	Sewer Mgmt. Ops & Maintenance	501,901.12
1171400800	Red Top Tank/Raw Water Pump Station	1,210,919.79
1191300800	NRRWTP Misc. Modifications Evaluation	734,740.41
1191700800	Crestwood Sewer Phase I	2,138,334.37
1201700800	Crestwood Sewer Phase II-Pump Station 931	224,157.60
1211700800	Crestwood Sewer WR Phase III (PS # 12)	149,438.40
1221400800	Battlefield/Centerville Water Main Phase 2	3,500.00
1241300800	Asset Management System	2,231.80
1271200800	Sanitary Sewer Evaluation	834,874.47
1281700800	Manhole Rehab-1709 Vertical Ft.	149,845.00
1291700800	Melton Street Sewer Renewal	29,844.00
1321200800	Sewer Renewal - SSES Phase I	353,744.93
1331200800	Sewer Renewal - SSES Phase II	126,200.00
1341200800	Customer Svc/Billing Software	213,803.05
1351700800	Service Area Gravity Sewer Phase I	201,481.18
1381200800	Military Hwy - 36" Water Main	254,622.51
1391200800	Raw Water Transmission Main	9,830,223.91
1451200800	South Norfolk Improvements	98,361.80

1511260800	Unserved Area - Hoover Avenue	70,297.70
1511280800	Unserved -Manning, Wampler, Vico	100,116.37
1511290800	Unserved - Battlewood Meadows	240,763.30
1541200800	30" Raw Water Main	113,216.00
Total		\$17,582,617.71

DJ/RB:rt