

MEMORANDUM

City Council met on June 14, 2016 and approved all recommendations as presented here.

TO: James E. Baker, City Manager
 FROM: Steven Jenkins, Budget Director
 DATE: June 7, 2016
 SUBJECT: Revisions to Operating and Capital Budgets for FY 2017

Since the proposed budget was released to City Council in late March, a number of issues have surfaced that require amendment of the operating and capital budgets. Most of the revisions are routine and generally considered technical adjustments or minor error corrections. We have identified twenty-three (23) revisions to the operating budget and eight (8) changes to the capital budget. The most significant changes to the operating budget concern the addition of the new self-insured employee healthcare fund and changes to the school budget due largely to an increase in student enrollment. For the capital budget, we recommend three new projects, the elimination of two projects, and minor changes to several others.

If City Council agrees with the recommended changes, the FY 2017 appropriations will change as follows:

	Operations	Capital
Budgets adopted last month	\$ 975,118,591	\$ 67,815,084
Add Employee Healthcare Fund	4,346,399	0
School revisions	1,745,889	2,370,235
Fleet Maintenance revisions	211,950	0
Police Department revisions	483,800	0
Integrated Behavioral Health – parking lot project	0	300,000
Public Utilities – remove duplicate project	0	(416,595)
Public Works – stormwater project	0	1,908,000
Public Works – rural road improvements	0	1,000,000
Other changes	414,346	0
Revised budgets as recommended	\$ 982,320,975	\$ 72,976,724

The following reports are attached here:

1. Operating Appropriation – Reconciliation Original Budget to Revised Budget
2. Capital Improvement Program – Revised
3. Full explanations for all budget revisions

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.

Please contact me if you require further information.

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	2,304,467	-	-	-	-	2,304,467
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	\$48,094,100	\$ 38,761,210	\$30,369,160	\$33,748,700	\$36,615,000	\$ 187,588,170
Grant	2,753,791	22,000,000	-	-	-	24,753,791
Proffers	500,000	3,500,000	-	-	-	4,000,000
VDOT Revenue Share	6,645,533	10,000,000	2,000,000	2,000,000	2,000,000	22,645,533
Subtotal - Cash (all sources)	\$57,993,424	\$ 74,261,210	\$32,369,160	\$35,748,700	\$38,615,000	\$ 238,987,494
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	7,500,000	-	-	-	-	7,500,000
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	\$14,983,300	\$ 33,745,939	\$43,759,617	\$26,750,836	\$45,000,000	\$ 164,239,692
Total Resources	\$72,976,724	\$ 108,007,149	\$76,128,777	\$62,499,536	\$83,615,000	\$ 403,227,186

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	23,580,000	48,945,000	4,350,000	4,450,000	4,500,000	85,825,000
Subtotal - General Government	\$51,573,557	\$ 86,624,099	\$47,759,660	\$42,315,836	\$59,795,000	\$ 288,068,152
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	\$72,976,724	\$ 108,007,149	\$76,128,777	\$62,499,536	\$83,615,000	\$ 403,227,186

Reconciliation:						
CIP Approved May 10, 2016	\$67,815,084	\$ 108,107,149	\$75,778,777	\$62,049,536	\$83,115,000	\$ 396,865,546
Amendments:						
Water treatment plant control system	(416,595)					(416,595)
Stormwater improvements	1,908,000	-	-	-	-	1,908,000
CPS - Facility Condition Study	(160,000)					(160,000)
CPS - Full-Day Kindergarten	2,530,235					2,530,235
CIBH - parking lot addition	300,000	(350,000)				(50,000)
Rural road improvements (pilot)	1,000,000	250,000	350,000	450,000	500,000	2,550,000
Revised CIP Recommendation	\$72,976,724	\$ 108,007,149	\$76,128,777	\$62,499,536	\$83,615,000	\$ 403,227,186

Recommended Budget Amendments

June 14, 2016

Capital Improvement Program and Budget Revisions

June 14, 2016

Fire Dept. Self-Contained Breathing Apparatus (#16-200) – correct project report to indicate start date as July 1, 2016 and completion date of December 31, 2016. No change in appropriation or accounts is required.

Police Dept. Police Command Bus (#2017-55) – revise project funding because Asset Forfeiture funding is not available. We anticipated using such funds to finance approximately one-half of the vehicle costs. Recent changes in the Asset Forfeiture program provide much less funding to the city than has been the case in recent years. We recommend instead to fund the entire vehicle from the General Fund. The city expects to receive an additional \$202,838 in HB 599 funding from the state (item #3 of Operating Budget) that will address the \$150,000 change in funding sources.

Public Utilities Lake Gaston WTP Plant Control Systems Upgrade (#2017-47) – revise the capital budget and capital improvement program to remove the project. This project is a duplicate of the Water Treatment Plant Control System Upgrade (#27-200). Removal of the project reduces the FY 2017 capital budget by \$416,595.

Public Works – Stormwater Improvements

The Public Works Department requests the establishment of a new stormwater project for the design and construction of master drainage facility improvements in three watersheds:

• Cooper’s Ditch (south of Edinburgh Lake)	\$1,000,000
• Southern Chesapeake (St. Brides outfall at Benefit Road)	825,000
• Bells Mill (at Horse Run)	83,000

Funding for improvements is from pro-rata payments that have been received from existing development projects within each of the three watersheds. We recommend \$1,908,000 of funding for the project.

Chesapeake Public Schools

The School Board request two modifications to the Capital Improvement Program:

- Eliminate project to conduct Facility Condition Inspections (2017-62) since the school administration was able to fund this task from existing operating funds. The project was established to inspect the 23 school facilities that are at least 30 years old. The project was financed with \$160,000 from the school lockbox (cash).
- Add a new project for Full Day Kindergarten. The project is needed to add new and/or convert existing classrooms to accommodate a transition from half-day to full-day kindergarten throughout the school division. The school administration estimates the project will cost \$2,530,235 and will fund the project from the \$160,000 saved from the Facility Condition Study (above) and \$2,370,235 from the revenue sharing settlement for FY 2015.

CIBH – Parking Lot Extension

The CIP included a new project to construct a parking lot on adjacent land it recently acquired. The project was approved to begin July 2016 with construction to begin the following year. However, design of the project is already underway and construction is scheduled to start later this summer. In order to accomplish that, the FY 2017 capital budget requires amendment to replace \$50,000 of design with \$350,000 for construction of the parking lot. The FY 2018 requirement of \$350,000 would then be removed. Design costs incurred during FY 2016 have or will be paid from CSB, Inc. and are covered with the CIBH operating budget.

Recommended Budget Amendments

June 14, 2016

Rural Roads Safety Improvement Program

Establish a new project for safety improvements to rural roads with an initial budget of \$1.0 million provided from the one-time source in General Fund. Project funding would be available to widen road lanes and shoulders and to make improvements to ditches either where the city already owns sufficient right-of-way or in cases in which adjoining land owners voluntarily dedicate sufficient right-of-way to the city. The project does not include funds for right-of-way acquisition/utility relocations other than legal and filing (transfer) costs.

22nd Street Bridge Replacement

Replacement of the 22nd Street (Wilson Road) Bridge is included in the FY 2017 Capital Budget with funding from a combination of cash from the South Norfolk TIF and from the VDOT Revenue Sharing Program. When we proposed project funding in November, we anticipated that state payments would cover one-half of construction costs. We have since learned that applications to the VDOT Revenue Sharing Program exceed available funding. To address the shortfall in state funds, VDOT has recommended state funding for project at \$2.5 million leaving a shortfall for Chesapeake in the amount of \$3.35 million.

The bridge project also included \$6.45 million of cash funding from the South Norfolk TIF. While there is enough money in the SN TIF to entirely cash fund the project, it is prudent to hold some cash reserves for property purchases that promote redevelopment of the district. For this reason, we recommend reducing cash funding for the project and instead issue general obligation bonds that would also address the shortfall in state (VDOT) funding.

Below is a summary of the current and revised funding plans for FY 2017 and the duration of the project.

<u>FY 2017 Financing Plan:</u>	<u>Original Plan</u>	<u>Amendment</u>	<u>Revised Plan</u>
Cash - South Norfolk TIF	\$ 6,450,000	\$ (4,145,533)	\$ 2,304,467
VDOT Revenue Sharing	5,850,000	(3,354,467)	2,495,533
General Obligation Bonds	-	7,500,000	7,500,000
Total Funding Sources	<u>\$ 12,300,000</u>	<u>\$ -</u>	<u>\$ 12,300,000</u>

<u>Project Financing Plan (all years):</u>	<u>Original Plan</u>	<u>Amendment</u>	<u>Revised Plan</u>
Cash - South Norfolk TIF	\$ 12,499,300	\$ (4,145,533)	\$ 8,353,767
VDOT Revenue Sharing	5,850,000	(3,354,467)	2,495,533
General Obligation Bonds	-	7,500,000	7,500,000
Total Funding Sources	<u>\$ 18,349,300</u>	<u>\$ -</u>	<u>\$ 18,349,300</u>

Replacing cash funding with debt funding will increase future debt service costs that are paid from the South Norfolk TIF Fund. The annual cost on \$7.5 million of new debt will depend on market conditions when funds are borrowed, current estimates are \$600,000 for the first year (FY 2018).