

November 15, 2016

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

Dear Mayor Krasnoff and Members of City Council:

I am very pleased to present the recommended Chesapeake's Capital Improvement Program (CIP) for the next five years (FY 2018-2022). I have worked with staff throughout the city to identify and address the most urgent facility and infrastructure needs. While no municipality can address all its capital demands in a five-year period, I believe this plan accomplishes as much as existing resources can permit. More importantly, the proposed CIP positions insures Chesapeake can successfully meet future opportunities and challenges.

Over the next five years we propose capital spending of \$425.6 million (approximately \$26 million more than our current five year plan). Our recommendation includes:

- \$30.70 million to enhance economic development,
- \$20.00 million to replace the AIW Bridge in Deep Creek,
- \$ 9.20 million to replace existing Juvenile Services facility,
- \$15.88 million to improve park and recreational facilities,
- \$14.42 million to improve technology and communications systems throughout city,
- \$ 6.75 million to replace nine (9) fire/rescue vehicles,
- \$11.08 million to replace Deep Creek and Dock Landing fire stations,
- \$ 6.07 million to expand Oscar Smith High School,
- \$54.50 million to replace critical school building components,
- \$45.00 million to renovate, modernize, and/or replace one or more schools,
- \$41.70 million to rebuild or relocate Public Works, Utilities, and Solid Waste facilities (including \$15.9 million in existing appropriations)
- \$29.20 million to maintain and improve stormwater systems, and
- \$97.44 million to maintain and improve water and sewer systems.

While ambitious, the plan is well within the affordability guidelines adopted by City Council. Funding for the capital plan is largely provided by available cash and borrowing capacity within the two capital lockboxes, a judicious usage of city fund balances, stormwater fees, cash and borrowing capacity of the utility fund, and transportation grants administered by the Virginia Department of Transportation.

Funding for the Capital Improvement Plan is split between cash funding and the issuance of debt over five years. Approximately 58% of the capital program is financed through either city cash sources or intergovernmental grants. Cash funding is provided from current operations, the accumulation of fund balances (surpluses) from past years, and from federal and state grants. A summary of the proposed capital funding plan is noted below.

	2018	2019	2020	2021	2022	Totals
<b>Cash Funding:</b>						
City cash	\$ 58.59	\$ 40.32	\$ 42.34	\$ 39.35	\$ 39.57	\$ 220.18
Grants and proffers	25.15	0.90	0.20	0.20	0.20	26.65
<b>Total cash funding</b>	<b>\$ 83.74</b>	<b>\$ 41.22</b>	<b>\$ 42.54</b>	<b>\$ 39.55</b>	<b>\$ 39.77</b>	<b>\$ 246.83</b>
<b>Debt Funding:</b>						
General Obligation	\$ 43.62	\$ 35.22	\$ 34.39	\$ 21.00	\$ 7.50	\$ 141.72
Revenue Bonds	6.99	11.57	-	10.00	8.53	37.09
<b>Total debt funding</b>	<b>\$ 50.61</b>	<b>\$ 46.79</b>	<b>\$ 34.39</b>	<b>\$ 31.00</b>	<b>\$ 16.03</b>	<b>\$ 178.82</b>
<b>Total funding sources</b>	<b>\$ 134.35</b>	<b>\$ 88.01</b>	<b>\$ 76.93</b>	<b>\$ 70.55</b>	<b>\$ 55.80</b>	<b>\$ 425.65</b>

The proposed CIP meets all of the city’s affordability policy targets based on the five-year revenue forecast and projected borrowings over the next decade. Targets are recommended for debt levels on borrowing for general government projects. These exclude debt and associated operations for the three enterprise funds: Water and Sewer, Stormwater, and Chesapeake Transportation System (toll roads). While the proposed CIP requires the issuance of additional debt, all affordability measures are met:

<b>Metric</b>	<b>Policy</b>	<b>CIP Proposal</b>
Net government debt compared to assessed value of taxable real estate in the city	Less than 3.5%	1.5% to 1.7%
Per capita general government debt	Less than \$3,000	Up to \$1,706
Annual debt service compared to general government revenue	Less than 10%	8.0% to 9.3%

While the vast majority of the proposed CIP continues funding of projects to which City Council has already committed, we also recommend several new projects this year, including:

- Joint city/state juvenile services facility,
- Road and intersection improvements necessary for Dollar Tree development,
- Installation of broadband network to improve municipal productivity, capacity, and to reduce future operating costs,
- Dismal Swamp Canal Trail resurfacing,
- Design funding for replacement of B. M. William Fire Station and a new combined fire station/police precinct in the Grassfield area, and
- Replace electrical system (switchgear) at Northwest River Water Treatment Plant.

Although our capital assessment was comprehensive, the new CIP does not address all capital demands citizens have requested or that the city’s engineers and planners have recommended. Several projects are either beyond the city’s financial capacity or the projects are at very preliminary stages and were not fully vetted. While not exhausting all available resources, the proposed CIP addresses all high priority capital projects either through borrowing or using available cash. Projects that were considered but are not immediately recommended include:

- New, replacement, or expanded park facilities, including those at Centerville, Deep Creek, and Northwest River Parks,
- Community swimming pools and field house,
- Extension of the Dismal Swamp Canal Trail,
- Acquiring property for a new business park,
- Road improvements for Elbow and Shillelagh Road,
- Intersection improvements for Battlefield Boulevard at Kempsville Road,
- Renovations to numerous school facilities identified in the Superintendent’s Proposed Capital Improvement Plan dated October 2016,
- Public Utility improvements that might be required if Aqua Virginia is acquired,
- Public Utility improvements that might be required at Williams Farm (potential industrial site),
- Public improvements along the Dominion Corridor,
- Flood control improvements that might feasibly address severe rain events.

In making these recommendations, we were especially mindful of the ongoing discussions for developing a sustainable funding plan for Chesapeake Schools. Attempting to “stretch” our present funding capacity to include additional capital projects may present even greater challenges in reaching the goal of sustainability for both our capital needs and operational costs.

The remainder of this letter discusses existing and proposed capital projects.

### **SUMMARY OF EXISTING PROJECTS**

**Community Facilities** – we recommend continuing the existing efforts to address deferred maintenance of city facilities. Over the next five years we propose investing \$11.33 million to renew existing facilities and building components (including roofs and HVAC systems). This investment will ensure serviceability of city facilities for current and future generations. For the general facility program, we propose spending \$2.2 million during FY 2018 to:

- Replace HVAC components at Chesapeake Integrated Behavioral Health, Central Library, and the Deep Creek Community Center - \$205,000,
- Replace roofs at Fire Station 11, Western Branch Community Center, and Central Library - \$1,320,000,
- Renovate restroom facilities at Fire Station #2 and the Public Safety Building - \$350,000,
- Replace windows at Sheriff’s Office and front doors at Great Bridge Community Center - \$175,000,
- Replace flooring at Indian River Community Center - \$25,000, and
- Emergency repairs of HVAC and other mechanical systems - \$100,000.

Similar types of work are planned throughout the next five years.

The proposed CIP continues annual funding to repair and maintain municipal parking lots and sidewalks that ensure the safety of visitors and employees at city facilities. Since we have already made significant progress on the back log, we recommend reducing the annual allocation from \$200,000 to \$150,000. Further, we recommend that the \$50,000 reduction be added to a new project to provide sidewalk, facility, and infrastructure improvements that increase accessibility for disabled persons.

The CIP includes planned funding of \$22.5 million in FY 2021 to relocate and/or rebuild the operations facilities used by Departments of Public Works and Public Utilities. Another \$13.7 million was budgeted

for the project in FY 2012 (estimated project cost, \$36.2 million). Existing facilities have deteriorated and are inadequate for current operational levels. The future location of the facility remains under review.

In 2011, Council provided \$2.17 million to relocate the Solid Waste Facilities currently located on Executive Parkway. We anticipated the need for an additional \$3.3 million sometime after FY 2021. Because the Solid Waste facility is the next scheduled for relocation, replacement of the facility for Solid Waste must start in FY 2019. While the facility remains in the design phase, recent estimates indicate the total cost may be as much as \$9.7 million to replace the building and adjacent compressed natural gas station used by solid waste trucks. Project cost estimates have increased since the project was first identified in 2011 because of a combination of factors, including the addition of the CNG fill stations, construction inflation, and overly optimistic estimates. For now, we recommend that \$3.3 million of additional funding be added to the FY 2019 plans. If current estimate proves accurate, it will be necessary to either reduce project scope or add \$4.25 million to the project.

Several years ago, Council authorized spending \$500,000 for expansion of the Psychosocial Day Support Building (also known as Coastal Clubhouse) operated by Chesapeake Integrated Behavioral Healthcare (CIBH). CIBH has worked with architects and Public Works on designs that address the program's needs. The cost to add a second floor to the existing building is over \$3 million. The design team also studied relocation of the facility to the former New Galilee Church building that was acquired as part of public right-of-way necessary for widening of Dominion Boulevard. The cost to renovate the old church building is approximately \$2.2 million and appears to be more cost effective than renovating the facility currently holding Coastal Clubhouse. We are recommending an increase in the project budget of \$1.7 million to allow for renovation of the church building to accommodate CIBH needs. Separately, CIBH wishes to utilize the old clubhouse building as administrative offices. Since plans for retrofitting the clubhouse are very tentative, no estimates are available. Accordingly, retrofitting the old building is not recommended at this time.

The planning, design and construction of capital projects often takes a number of years. As such, a number of projects in design or construction phases were authorized and funded in earlier years, and are not part of the 2018-2022 CIP. Such projects will appear in the detailed sections as fully-funded projects. Examples include expansion of the city jail and improvements to Dominion Boulevard.

**Economic Development** – the FY 2018 capital budget continues the city's commitment to reducing encroachment surrounding the Naval Auxiliary Landing Field at Fentress. We anticipate a \$1.0 million award from the Commonwealth that must be matched with local funds and have included \$2.0 million of combined local and state funds for the project. The total investment related to eliminating encroachment surrounding NALF Fentress totals \$14.5 million with the FY 2018 recommendation.

The current CIP also includes \$1.5 million towards site development of a new 76,000 square foot sciences building on the Chesapeake Campus of Tidewater Community College. Since the expansion has not been approved by the General Assembly, we estimate the city's contribution to the project will occur in FY 2019 rather than FY 2018, as stated in the current CIP.

Several TIF funded projects remain underway, including:

- The strategic acquisition of real property in South Norfolk for redevelopment; in March Council expanded the project to include redevelopment of both commercial and residential sites. Since then, the city has focused on acquiring property in the South Hill neighborhood. An additional \$1.5 million was approved recently for South Hill. We recommend allocating an additional \$1.0 million during FY 2018.

- Several projects that improve the flow of vehicular, pedestrian, and bicycle traffic and improved signage in the Greenbrier District remain in the CIP.
- Greenbrier Commerce District Improvements is intended to provide infrastructure necessary to support continued growth. We expect project funding will be used to reimburse Dollar Tree for a public parking facility. We anticipate the project will begin during FY 2018.

No additional funding for TIF projects is required at this time. Efforts continue at the old Southeastern Training Center to develop a commercial park on 53 acres acquired from the Commonwealth. That project was funded through the city lockbox as it is outside of TIF boundaries.

**Education** – For a number of years, the CIP included annual funding to replace failing components of school buildings that protect structures and ensure comfortable conditions for students and faculty. We recommend accelerating the school renewal and replacement project that is focused on replacing end-of-life roof and HVAC system. The proposed CIP increases the annual budget for renewals and replacements from \$7.5 million in FY 2017 to \$10.5 million in FY 2018 and to \$11.0 million annually starting in FY 2019. Financing of renewals/replacements is provided by the issuance of ten-year GO bonds (\$6.0 million annually) and from cash available in the lockbox (\$4.5 to \$5.0 million annually). We also recommend the continuation of \$2 million combined annual funding for replacement of school buses and school technology; both projects are cash funded through the school lockbox.

In October, the superintendent’s capital planning document identified thirteen (13) schools that require either expansion or modernization in the next five years. The plan includes the replacement of Great Bridge Primary School which was funded in FY 2016 and which is in final stages of design (construction should begin next year). The proposed CIP also includes \$45 million for the modernization of one or more schools with design to start as early as FY 2018. The School Board is scheduled to identify one or more specific projects in the next several months. Financing of school modernization projects requires the issuance of debt that will be repaid through the school lockbox.

The fiscal 2018 capital budget provides funding to expand Oscar Smith High School in order to reduce overcrowding. Funding is provided by developer proffers, savings realized from the completion of other school capital projects, and money from the school lockbox. The proposed budget provides sufficient funding for construction to begin as early as July 2017.

The proposed budget also continues efforts to modify existing elementary school buildings to accommodate full-day kindergarten. An additional \$3.0 million is needed in FY 2018 for expansion of B. M. Williams Primary School (one of the thirteen projects mentioned above) and another \$6.1 million is needed in FY 2020 for additional classroom space in three other elementary schools. Funding is provided through the issuance of debt that will be repaid through the school lockbox.

**Information Technology** – Technology projects that are currently underway include:

- Several fully funded projects, including migration of legacy systems from the main-frame, integration of Maximo work order system with PeopleSoft financial system, and implementation of a new real estate assessment system, are in progress and expected to be completed in the coming months.
- Replacement of city telephone systems with voice over internet protocol (VOIP) based system – much of the city’s telephone system runs on older PBX technology; however, several departments operate on a VOIP system installed in 2009. Planning, design and installation of the system would occur over three years starting in 2019. We estimate the project will cost \$2.63 million (approximately \$1.3 million more than previously estimated). Vendor selection is

scheduled for mid-2017. The new system will integrate with the VOIP system scheduled for installation at the Public Safety Building scheduled to open Summer 2017.

- Replace network equipment – last year we recommend spending \$440,000 from the IT Fund Balance to replace network equipment (switches, hubs, routers, etc.) for a three-year project that begins this year (2017). Work is scheduled to start at City Hall First December 2016. Please note that a larger more extensive renewal of network equipment is also recommended (see new projects – page F-27). Other locations would proceed with funding availability starting July 2018.
- Funding proposed for other projects is consistent with the CIP adopted last year. During FY 2018, we plan software replacements (Enterprise Wide Technology), Fire Department interfaces to E911, Kronos, and inspection systems, an upgrade of the Laser Fiche filing system, upgrades to Kronos timekeeping software, and improvements in the jail data center; all funding is at the levels approved in the current CIP.
- Improvements in library technology continue as planned in the existing CIP except for replacement of the Cisco telepresence system. The existing equipment was acquired with a grant; we do not recommend replacements since few patrons utilize the system.

**Parks, Recreation, and Tourism** – The CIP includes a continuation of projects first identified in FY 2015:

- Recreational center improvements – annual allocation of \$300,000 through FY 2029 (15 years).
- Park program improvements – also approved at \$300,000 for through FY 2029.
- Athletic field improvements and expansions – annual allocation of \$380,000 through FY 2026 (12 years).
- Modifications to improve access for disabled patrons are recommended at \$75,000/year through FY 2024 (10 years).
- Parking lot improvements are recommended at \$90,000/year through FY 2024.
- Security improvements are recommended at \$40,000/year through FY 2024.

Significant work was accomplished across the city since these projects were funded last year. See Exhibit J in the summary section for a listing of how parks and recreational capital funds were spent last year.

Other Parks, Recreation, and Tourism projects:

- Conference Center renovations are included in the existing CIP through FY 2018. We now recommend further renovations through FY 2021 to include phase II of the storage expansion, replacement of ceilings, doors, and HVAC units, resurfacing the parking area, and painting the building exterior.
- Projects funded with Open Space and Recreation Fund – we recommend continuing the program and have scheduled a sixth year of funding (FY 2022) adding \$1.0 million to the current \$4.9 million plan. Funding is provided from developer payments made in lieu of installing neighborhood recreational facilities.
- Commonwealth/Seaboard Bicycle Trail – we anticipate the transfer of the old Seaboard Rail right-of-way to the city from the Commonwealth Port Authority. While the proposed CIP does not include funding for the project, we will pursue federal rail-to-trail grants to finance project costs.
- Paving of the Western Branch bike trail during FY 2018 and bridge replacements at the Chesapeake Arboretum during FY 2019-2020 as planned in the current CIP.

**Public Safety** – major public safety projects now underway include:

- The Public Safety Operations Building is scheduled to open in the summer of 2017.
- A construction contract was recently awarded for the community corrections annex to the City Jail. We anticipate project completion by March 2018.
- Design of the Saint Brides Fire Station and Police Precinct is underway. The project is fully funded and we do not anticipate further funding requirements.
- Design of the Bowers Hill Fire Station is complete and nearing bid solicitation. As currently designed, an additional \$1.92 million is needed. Designs are currently under review to minimize additional costs; however, additional funding for the project may be required during FY 2017. Since current estimates are tentative, we have made no provision to increase project cost in the proposed CIP.
- Construction of replacement fire stations at Deep Creek (2018) and Dock Landing Road (2020) are planned as stated in the current CIP. Design for the two fire stations will occur in the year prior to construction. Other projects that are recommended for continued funding include the replacement of fire vehicles (2017-2021), self-contained breathing apparatus (2018), and thermal imaging cameras (also 2018); all for the Fire Department.
- Renovations are planned for the Jail and Sheriff's Office during the next five years to include replacement of HVAC systems, the main tower roof, and security fencing. We also plan to retrofit internal access doors, renovate jail showers, paint interiors, and replace carpeting. We recommend continuing the renovations as planned last year and have added \$550,000 to the project plans for FY 2022 (year 6) as further renewal of the facility will be ongoing.
- Jail kitchen equipment replacements continue as approved in the current CIP through FY 2019.
- Jail surveillance systems installations and replacements will also occur as approved last year (replacing existing equipment this year and an expansion in FY 2019).
- Installation of mobile radio repeater in fire vehicles is planned during FY 2018 as approved in the current CIP.

**Public Utilities** – The department continues to upgrade pump stations and replace/repair sewer lines as prescribed by the Sanitary Sewer Evaluation Studies and mandated by Department of Environmental Quality (DEQ). The department operates under a regional consent order from the DEQ that requires it to follow best management practices, control sewer overflows and limit the infiltration of stormwater into the sewer system. Public Utilities works with the Hampton Roads Sanitation District, the regional authority that treats waste water, to ensure compliance with DEQ and federal regulations.

Approximately \$48.2 million of the \$98.3 million proposed capital plan for Public Utilities focuses on sewer upgrades in accordance with DEQ regulations.

Nearly \$42 million of the Public Utilities CIP addresses improvements to the water treatment and distribution system throughout the city. Plans include limited funds to address citizen petitions to expand services to unserved neighborhoods.

Specific revisions to existing water and sewer projects are as follows:

- Liberty Street sewer renewal – this project was previously funded for \$1.5 million to replace sewer lines and appurtenances between Collingswood and 18th Street. The scope of the project and cost of pipes have increased from the original estimate of work. An additional \$1.23 million is required during FY 2018 to complete the task.
- Indian River Service Area – two sewer renewal projects that were considered fully funded require \$3.25 million of additional funding during FY 2018 in order to (1) address worse-than-

anticipated conditions at Pump Station #107 and (2) resurface roads that will be damaged as work progresses.

- Sewer renewals required by DEQ regional consent order – we recommend combining the Sewer Management, Operations, and Management project (#13-160) with Sewer Renewals required by the Regional Consent Order (#05-180). The two projects have identical objectives and distinguishing between the two is not intuitive. Further, we recommend adding funding of \$6.0 million to the combined project in FY 2022 so that we may continue reducing the risk of sewer overflows into tidal waterways.
- Sewer replacement along Orville Avenue alleyways – this project will be funded with the sewer renewal project related to the DEQ regional consent order (above) rather than as a separate project.
- Automated meter reading system – we recommend funding of \$4.0 million in FY 2022 to bring the total project to \$9.4 million in order to complete automation of meters throughout the city. Note that the total project cost is reduced based on funding for the Broadband project (see new Information Technology projects on page F-1).
- Unserved areas cost participation – we recommend the transfer of \$1.4 million of funds remaining in completed projects to the cost participation program during FY 2020. A significant portion of project costs are recouped through future surcharges on the monthly bills of affected customers.
- Lake Gaston and Northwest Water Treatment Plants – recommend adding \$500,000 for plant upgrades at each plant during FY 2022.
- Sewer pump station safety improvements – also recommend adding \$500,000 to project to remove safety hazards at pump stations (corrosive conditions cause components to rust).
- Water system planning and upgrades – this project provides for master planning for the city’s water distribution system. Original funding of \$400,000 started in FY 2017 and \$250,000 annual funding was planned through FY 2021. The proposed CIP extends the annual funding to FY 2022. Total project estimated at \$1.65 million.

In 2015, the city entered into a Memorandum of Agreement (MOA) with Hampton Roads Sanitation District (HRSD) that requires coordination between the city and HRSD with respect to capital improvements. While HRSD will not address all sewer improvements in the city, work done by HRSD will likely have a positive impact on the city’s capital plans. It is also likely that under terms of the MOA, we will need to undertake improvements that have not been included in the plan. For that reason, we envision the need for Council to occasionally consider modifications to the Public Utilities Capital Improvement Plan as we coordinate activities with HRSD. Ultimately, we believe coordination will reduce costs by limiting duplicated efforts.

**Stormwater** – The proposed CIP continues outfall upgrades and on-going neighborhood drainage improvements that address localized flooding. However, resources are increasingly shifting towards reductions in pollutants from stormwater discharges into the Chesapeake Bay and its tributaries. Some of the efforts to reduce pollution to the Chesapeake Bay are reflected in the operating budget leaving less available for the capital program.

The proposed CIP is consistent with permits issued under the Virginia Pollutant Discharge Elimination System (VPDES) that regulate the quality of water being discharged through pipes, ditches, and other conveyances. Continuous enhancements and improvements in the city’s stormwater services are necessary in order to meet Department of Environmental Quality (DEQ) mandates. The Hampton Roads Sanitation District SWIFT program (groundwater injection of treated wastewater) has great promise for

providing a combination of nutrient credits which may offset the need to construct citywide stormwater ponds (BMPS) for Chesapeake Bay TMDL compliance. Participation in the initiative may modify future stormwater capital budgets.

Proposed funding for existing projects in the Stormwater CIP is revised as follows:

- BMP Restoration Citywide – minor changes in annual budgets, anticipate spending \$1.5 million over the next five years.
- Citywide Outfall Re-grading and Restoration – minor changes in annual budgets with no change in the total five year investment (\$700,000).
- Citywide System Rehab – four years remain in the project with \$1.8 million through 2021.
- Citywide Undesignated Drainage Phase III – plan is revised to reduce five-year spending from \$1.5 million in current CIP to \$1.37 million in the 2022 plan.
- Major Equipment Purchases – propose continued annual allocations of \$700,000 for the purchase of heavy equipment.
- Neighborhood Drainage Improvements II – propose reduced funding from \$3.07 million in current CIP to \$2.70 million for the five years starting in FY 2017. Annual allocations range from \$400,000 to \$650,000 and will address the backlog of neighborhood drainage and flooding issues.
- Oakdale Area BMP and Drainage Improvements – includes completion of planned improvements by end of 2020 with no change in project cost (\$5 million).
- Stormwater Mapping & Master Drainage Plan III – funding levels are reduced from \$900,000 in current CIP to \$550,000 for 2018-2022.
- Stormwater Quality Program Phase II – funding levels proposed for this ongoing project are projected to drop from \$10.5 million in current CIP to \$9.0 million for 2018-2022.
- Drainage improvements on Welch Lane are planned for FY 2018. The \$480,000 project will replace and expand existing storm system with one adequate to move water to the outfall.
- Drainage improvements on Liberty Street are planned for FY 2021. The \$1.5 million project will replace deteriorated pipes that cause cave-ins and poor drainage.

Note that with the exception of projects at specific locations, most Stormwater projects have annual program and funding requirements that are anticipated to continue indefinitely into the future.

**Transportation** – major public safety projects now underway include:

- Dominion Boulevard – the project is nearing completion with the recent opening of the new road and bridges. Public Works is coordinating the widening of US Route 17 (Dominion Boulevard) south of Cedar Road so its completion can occur at or near the same time.
- AIW Deep Creek Bridge – the city has entered into an agreement with the Commonwealth and the Army Corps of Engineers to provide \$20 million of VDOT funding for replacement of the current 2 lane bridge with a pair of bridges carrying a total of five lanes. The CIP has been revised to reflect the bridge replacement as a federal project with state funding. Approximately \$28 million of federal spending is not included in the city's CIP. Under the agreement, the city will advance funds to the Army Corps when the project is ready for bidding (during FY 2018). Commonwealth reimbursements are anticipated during FY 2020 and 2021. Aside from right-of-way acquisition funding already approved by Council and advances on VDOT reimbursements, no further city contributions are anticipated. (Once the project is completed, the city will assume responsibility for its operation.)

- Portsmouth Boulevard Widening (I-664 to Suffolk) project is nearing completion of design and right-of-way acquisitions phase; utility relocation has also started. Construction on the 18-month project is expected to soon be underway.
- 22nd Street Bridge – we anticipate construction will begin in the summer of 2017.
- The design of the Centerville Bridge rehabilitation is underway and construction is projected to start in the summer of 2017. Recent estimates indicate that project funding may be insufficient to repaint the bridge and we are pursuing state funds through VDOT’s State of Good Repair Program.
- Non-arterial street paving – we have scaled this project back since state funding is not available. \$7.0 million of local funds (General Fund balances) remain in the project for 2018-2021.
- Chesapeake Expressway – renewals are planned for FY 2018 through 2022 as approved in the current CIP.
- Public Works is working on a number of smaller projects including the rehab of several bridges and overpasses and improvements to intersections. No substantive changes are planned for those projects.

Public Works has submitted several projects for competitive VDOT grant programs to include revenue sharing, State of Good Repair (bridges and roads), and Smart SCALE. If project funding is awarded by the Commonwealth Transportation Board, it may be necessary to reallocate local funding of several projects in order to meet local match requirements.

Several projects included in the current CIP remain in the proposed CIP without changes. These include: the widening of Mount Pleasant Road, improvements to Chesapeake Expressway, and intersection improvements at Woodlake Drive and Greenbrier Parkway.

## **SUMMARY OF NEW PROJECT PROPOSALS**

In developing the proposed capital plan, city staff evaluated the conditions of current facilities and infrastructure along with citizen demands and expectations. Listed below is a brief description of new projects that are proposed in the CIP:

### **Community Facilities**

- City Facility Condition Study – a new project is recommended that would evaluate conditions of every facility across the city and develop a plan to address facility deficits. This would include cramped or over-crowded spaces, deteriorated conditions, roofs and mechanical systems. The study will provide a prioritized schedule of what is needed to ensure public facilities are in good repair, attractive, and functionally appropriate for their intended use. We recommend funding of \$175,000 during FY 2018.

### **Education (Public Schools)**

- No new projects are included in the CIP for Chesapeake Schools. Current fiscal estimates indicate the school lockbox will have sufficient funds to support the issuance of approximately \$32.5 million of additional debt towards the end of the five year plan. While the superintendent has identified a number of campuses that need expansion or modernization, school staff do not expect to start another major school project during the planning period.

## Economic Development

- Public Access Improvements – Dollar Tree Development – a pending agreement with Dollar Tree requires the city to make certain improvements along and adjacent to Volvo Parkway. Under terms of the proposed agreement, the city will provide \$16.0 million for public parking (funded by an existing project) and spend \$10.2 million on a combination of off-site road improvements and developer reimbursements for the construction of on-site public roads. Additional funding may be required if the city is responsible for project management of on-site improvements.

## Technology Projects

- Broadband Wireless – a new project that will create a carrier-grade network of broadband and wireless infrastructure throughout the city. The system would link all city facilities, including public schools, parks, and remote fire stations. It would also provide the structure to advance automated reading of customer water meters. The project is estimated to cost \$4.0 million and will take at least three years to complete.
- Replace network equipment – this new project would replace all network equipment (switches, hubs, routers, etc.) over seven years beginning in FY 2020. All network components would be replaced as they reach end-of-life. The project also supports efforts to convert the city's telephone systems from analog to digital format (VOIP). The project is estimated to cost \$4.5 million.
- Citywide ERP (Enterprise Resource Planning) Solution – the CIP includes \$500,000 to investigate and begin a transition that will consolidate business systems. Currently the city utilizes over 80 different systems, some of which were developed in-house; many were acquired from different vendors. Since the systems are increasingly linked to each other, there are opportunities to improve overall city productivity if fewer different systems are used. The effort marks a significant departure from the city's software selection practices that permitted individual departments to select platforms that best served their individual needs.

During the first year, the city would engage technology consultants to articulate the technology requirements from each department and assist in development of appropriate requests for proposals (RFP) that would allow the city to select one or more ERP systems. The total cost of implementing new systems could cost \$9 million. We anticipate an implementation over the next decade that would ensure a careful and methodical transition of most business systems to selected ERP systems.

- Library Data Center Redundancy – this project ensures continuity of library operations in disaster scenarios by creating a redundant disaster recovery for library technology systems. The system allows a rapid recovery from a partial or complete failure of library systems. The project is estimated to cost \$420,000 and would be installed offsite at the new Public Safety Data Center.
- PeopleSoft Upgrades – a new project that ensures the financial system remains functional by installing new releases even as the city begins its transition to a new ERP. Additional contracted resources are necessary to complete this upgrade, at an estimated \$400,000.
- Website Redesign – this project will redesign the city website to make it more compatible with mobile devices (smart phones and tablets). Nearly one-half of website traffic is from cell

phones or tablets. Because the website was designed for desktop computers, it does not work well with mobile devices. The redesign effort is estimated to cost \$100,000.

### **Parks, Recreation and Tourism**

- Dismal Swamp Canal Trail – this project provides funding to repave the entire length of the trail. The trail is a premier amenity and the surface is the same one that was used before Route 17 was relocated. The trail is deteriorating and has numerous potholes. While the department requested a four-year project, we recommend the entire trail be completed in order to avoid repeated staging by the paving contractor. We recommend repaving the trail during FY 2020 at an estimated cost of \$800,000.
- Northwest River Park – improvements to water and sewer systems that are necessary to address failing systems installed over forty (40) years ago. The current systems frequently fail causing the park and campground to close. This is very inconvenient for visitors using the overnight facilities. The estimated cost to replace and/or upgrade systems is \$380,000.

### **Public Safety**

- Juvenile Justice Center – city staff has been in discussion with the Virginia Department of Juvenile Justice concerning the colocation of state and local juvenile detention. Under DJJ’s recommendation to the Governor and General Assembly, the new facility would be located on land currently owned by the city on South Military Highway. Under the plan, youth in state custody would be housed in a separate building from those held under city supervision. However, some services would be provided in shared facilities, including medical, nutritional, and education services. The city would donate the site and is responsible for site preparation; it will also require a \$7.5 million payment for the city’s share of the joint facility. The city’s share of the combined project is estimated at \$9.2 million (excluding the value of the land).
- Fire/EMS computer replacements – this project is needed to replace aging computer equipment installed on fire and rescue vehicles. These mobile terminals allow fire personnel to communicate with E911 staff and complete incident reporting in a timely fashion. The department seeks replacement of 60 computers that are 10-12 years old and were originally acquired with grant funds. We estimate it will cost \$280,435 to purchase and install the new terminals; funding is recommended for FY 2019.
- Fire Station Alerting System – this project replaces the interface between the E911 system and fire stations. The existing system was purchased in 2010 and will be ten years old when it is recommended for replacement. The proposed system provides functionality that allows for segregated alerts in fire stations that have multiple units. (Currently, the entire station receives an alert, including personnel who are resting and are not required to respond.) The estimated cost to replace the alerting system is \$1.5 million.
- Fire Station 4 Replacement – the fire station on North Battlefield Boulevard was built in 1962, is cramped and was not designed to accommodate its current usage. The new facility would include training space and ensure that carcinogenic fumes do not penetrate living areas. Estimated cost to design and rebuild the station on its existing site is \$10.05 million. Design costs of \$975,000 are recommended for FY 2022 with construction to occur in FY 2023 or 2024.
- New Fire Station/Police Precinct – the proposed CIP includes funding of a combined fire station and police precinct in the Grassfield section during FY 2022. The new station and precinct would ensure public safety in Grassfield and would support the proposed amendments to the

Comprehensive Plan for the Dominion Corridor. The estimated cost to build the station is \$10.7 million; proposed plans for FY 2022 include \$1.0 million for design of the facility; with construction commencing after FY 2022.

### **Public Utilities**

- Cavalier Elevated and Ground Storage Tanks – the CIP includes a plan to repaint and rehabilitate storage tanks during FY 2021. The Cavalier tower and ground storage tanks were placed in service in 1998; repainting and renewal is typically required after 15 to 20 years of service. We recommend funding of \$1.6 million for the project during FY 2021.
- Northwest River Water Treatment Plant – Electrical System – this project replaces the switch gear which controls and distributes electrical power throughout the water treatment plant. The existing system dates to the 1970s and has reached end-of-life. Replacement is recommended for FY 2022 at an estimated cost of \$8.03 million. We recommend financing from issuance of revenue bonds.
- Sewer Pump Station Replacement/Rehab – this new project would fund the replacement or renovation of aging pump stations. Keeping pump stations in good condition minimizes sewer overflows that pollute surrounding water streams. Currently we have 270 pump stations, many dating back to the first half of the 20th century. We have included \$2.7 million in the FY 2022 capital plans to improve three stations.
- Sewer Renewal – Albemarle Drive – this project addresses the unique needs of the city jail and juvenile services facility. The existing vault requires frequent cleaning to remove plastic and other materials (trash) that are often found in waste generated by correctional facilities. We recommend replacement of the existing grinder and grate system along with funding of \$700,000 during FY 2018 to solve the problem. Once the project is complete, on-going operations will require 0.5 FTE; however, the proposed solution will reduce overall operating costs.
- Water Production Security System – this project was identified as a future requirement last year with funding anticipated in or after FY 2022. We now recommend funding during FY 2018 to evaluate existing security levels and install new measures to ensure the continued production of safe drinking water. The proposed CIP includes \$400,000 for security evaluation and installations during FY 2018.

### **Stormwater Systems**

- Loxley Gardens Drainage System – this is phase two of drainage improvements in Loxley Gardens and includes replacement of the downstream culvert crossing on Gilmerton Road. The area frequently floods from tidal events, especially during storms. We recommend improvements during FY 2022 that are estimated to cost \$1.1 million.
- Old Mill Road Drainage System – this project will provide drainage improvements in the Deep Creek watershed to include replacing the crossing at Old Mill Road. The project was identified in the master drainage study and we recommend funding this project during FY 2019 at an estimated costs of \$500,000.

### **Transportation Systems**

- Citywide Sidewalk Installations – we recommend annual capital funding to expand the network of sidewalks throughout the city. In many sections of the city, pedestrians must either walk on

the road or on narrow shoulders between vehicle lanes and ditches. Installation of sidewalks along Etheridge Manor Boulevard are a pressing priority. We recommend annual funding of \$100,000 in each year of the five years with an additional \$500,000 during FY 2019.

- Intersection Improvements – two specific projects are recommended:
  - Greenbrier at Volvo Parkway – a left westbound turn lane on Greenbrier Parkway is needed; the project includes drainage system enhancements and relocation of existing utilities. We recommend funding during FY 2018 at an estimated cost of \$350,000. Funding includes developer proffers and cash from the general fund.
  - Hanbury Road – adds turn lanes along Hanbury Road at Johnstown Road to address traffic volume. The project is recommended during FY 2018 at an estimated cost of \$500,000. Funding includes developer proffers and cash from the general fund.
- Traffic Signals and Intersection Improvements – we recommend a new project to fund ongoing traffic signal and intersection improvements. Funding is recommended from state maintenance money that is currently credited to the General Fund. We recommend transferring a portion of the annual state maintenance funds to the Capital Fund to address intersection improvements that typically cannot be completed in a single year. Improvements would occur at intersections based on traffic and accident data maintained by Public Works. We recommend funding during FY 2018 and 2019 of \$300,000 and \$400,000 respectively. For FY 2020 through 2022, we recommend funding of \$100,000 annually. Installing traffic signals at an intersection typically costs approximately \$250,000.

### **FULLY FUNDED CAPITAL PROJECTS (PRIOR YEARS' FUNDING)**

A number of projects included in the CIP have already received appropriations totaling \$210 million during the current or previous years. These appropriations remain in effect until the related projects are completed. Further, several projects will require a total of \$399 million of funding beyond the five year planning period in order to complete those projects. The total funding required for all capital projects is \$1.03 billion spanning a funding period greater than the five year CIP.

Capital projects often take several years to complete. The city's Capital Fund includes appropriations for many projects that were funded in previous years, but are not part of the five-year plan since they require no additional funding. As of November 2016, there were 143 active and fully funded projects with a budget of \$770 million that are not part of the proposed CIP for 2018-2022. A complete listing of these active capital projects is included on Schedule K.

### **CONCLUSION**

The proposed \$425 million Capital Improvement Plan represents the city's commitment of resources to protect, maintain, and upgrade critical infrastructure throughout the city. The CIP requires the issuance of \$142 million of general obligation bonds (including short-term financing) and \$37 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 required on its revenue bonds. The proposed

CIP requires savings realized from the retirement of old debt issues be reinvested into the capital plan (via school and city capital lockboxes).

The remainder of the proposed CIP (\$247 million over five years) is cash funded from a variety of sources, including:

City and School Lockboxes	\$ 68.0 million
Utility Fund	68.4 million
Stormwater Fund	29.7 million
General Fund Balances (on-time project commitment)	24.5 million
General Fund Balances (overweight citations)	2.5 million
Virginia Department of Transportation – maintenance and grant funds	22.3 million
Greenbrier and South Norfolk TIFs	11.2 million
Developer proffers	4.3 million
Capital Fund – Open Space Funds	4.8 million
Capital Fund (closed projects)	3.2 million
Chesapeake Transportation System Fund Balance	3.3 million
Conference Center and Tourism Fund Balance	2.4 million
Information Technology Fund Balance	1.6 million
Commonwealth grant to address Fentress encroachment	1.0 million
Other Funds	0.6 million

While the objective of a Capital Improvement Program is to identify facility and infrastructure needs, several projects that might start before 2022 are not included in this plan. These include projects that are either currently or will soon be under evaluation and the outcome of the evaluation cannot be predicted. Projects that may require funding in the next five years include:

- Bridge projects for which the city seeks funding under the State of Good Repair program recently announced by the Virginia Department of Transportation. This new program may provide funding that could replace or rehabilitate several bridges.
- Specific projects that have been recommended or suggested by individual Council Members that have not been fully defined or approved by the full council. Examples include recreational amenities and a field house.
- Public Improvements along Dominion Boulevard – a study recommending appropriate land uses of the area south of Cedar Road was completed last year. In order to develop a thriving mixed-use community, public investments is probably necessary. Such investments will require financing outside the scope of current capital planning.

These and other issues are likely to emerge that will require attention in future capital programs.

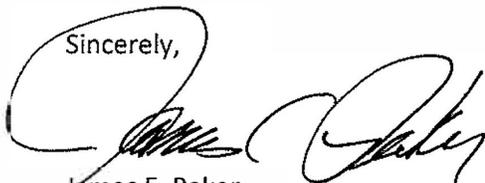
The Capital Improvement Program is a five-year planning document that is reevaluated annually. In the spring when City Council considers the operating budget, it will also appropriate funds for the first year of the CIP so that city staff can implement the FY 2018 portion of the new capital plan starting July 1, 2017.

The proposed Capital Budget for FY 2018 is \$134.35 million and is financed as follows:

Cash from operating and capital funds	\$ 57,587,730
Cash from intergovernmental grants	22,200,000
Developer proffers	3,950,000
General obligation debt	43,621,739
<u>Revenue bonds (utility fund)</u>	<u>6,988,700</u>
Total financing plan for FY 2017	\$ 134,348,169

In summary, the Proposed Capital Improvement Program for the next five years reflects our focus on 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 financial strength. 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