

March 27, 2007

The Honorable Dalton S. Edge
and Members of City Council
Civic Center
Chesapeake, Virginia 23328

Dear Mayor Edge and Members of City Council:

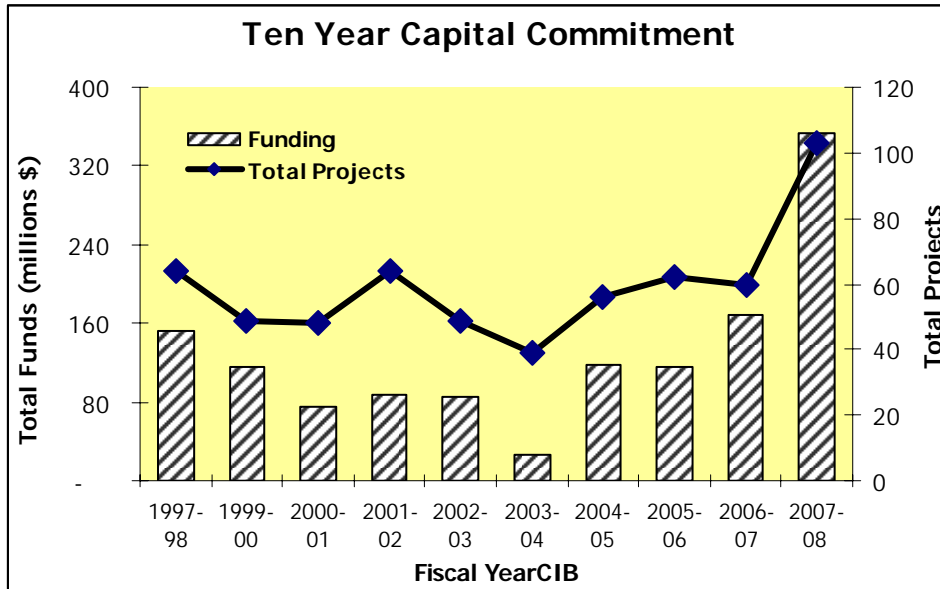
The Proposed Capital Improvement Budget for Fiscal Years 2008 through 2012 is being presented to you for your consideration and approval in accordance with the City Charter. This Proposed Capital Improvement Budget total is \$532,648,238 for the five-year period. \$160,593,534 is currently appropriated for active capital projects. I am proposing that the City's capital plan for fiscal years 2008-2012 total \$693,241,772. The funding is proposed in the following areas.

ACTIVE AND PROPOSED CAPITAL PROGRAM			
	<u>FULLY FUNDED</u>	<u>PROPOSED</u>	<u>TOTAL FUNDING</u>
Community Facilities	550,000	11,224,493	11,774,493
Community Facilities - Drainage	2,051,942	9,736,421	11,788,363
Economic Development/Planning	9,809,375	131,901,375	141,710,750
Information Technology	5,614,022	1,650,000	7,264,022
Parks and Recreation	12,393,037	4,000,000	16,393,037
Public Safety	10,072,279	12,568,302	22,640,581
Transportation	45,864,679	183,288,347	229,153,026
Public Utilities	7,025,000	101,129,000	108,154,000
Education	<u>67,213,200</u>	<u>77,150,300</u>	<u>144,363,500</u>
TOTAL ESTIMATED RESOURCES	<u>160,593,534</u>	<u>532,648,238</u>	<u>693,241,772</u>

This proposal represents significant increases in resources directed to critical infrastructure improvements and renewal throughout the City. As shown in the following chart, this represents the largest such commitment in over ten years. This was due to several initiatives which the City Council has approved which are summarized below:

These initiatives provide a set of financial tools to ensure we can maintain the City's infrastructure and expand it to meet critical capacity needs.

- Creation of General Fund Reserves for Future Capital for School and City Capital Needs. The reserves are providing \$74 million in cash and debt service for 10 critical School and City projects.
- Creation of the Greenbrier and South Norfolk Tax Increment Financing Districts. These resources are providing \$129 million in cash and debt service for 21 projects to ensure the vitality of these areas.
- Adoption of a new Water & Sewer Utility rate. These resources are providing \$99 million in cash and debt financing for 43 new projects, including renewal and replacements as well as expansion of service to some unserved areas.
- Approval of plans to utilize General Fund resources to provide for upgrade and maintenance of critical technology and other City infrastructure. For FY 2007-08, projects for maintenance of municipal parking lots and sidewalks are added as is a project to provide for replacement of equipment needed in the Public Communications operation.



The proposed funding sources supporting the capital program are detailed following:

Source of Funds: FY 2008-2010**Resources**

GENERAL GOVERNMENT	
Funds Previously Appropriated	\$ 85,438,124
Borrowing Authority - Unissued	46,865,018
General Construction Fund Balance	550,000
General Fund Balance	1,475,000
General Fund Transfer	9,827,000
City Capital Reserve	432,000
VDOT Reimbursement	32,049,000
Other	38,405,000
Redirects from other Projects	<u>115,000</u>
Total General Government	<u>215,156,142</u>
 TAX INCREMENT FINANCING	
GB Tax Increment Financing Fund - Borrowing	64,690,962
GB Tax Increment Financing Fund - Cash	9,130,978
SN Tax Increment Financing Fund - Borrowing	53,154,435
SN Tax Increment Financing Fund - Cash	<u>2,500,000</u>
Total Tax Increment Financing	<u>129,476,375</u>
 STORMWATER	
Funds Previously Appropriated	\$2,336,421
Stormwater Management Fee	<u>7,400,000</u>
Total Stormwater	<u>\$9,736,421</u>
 PUBLIC UTILITIES	
Funds Previously Appropriated	2,233,000
Public Utilities Unissued Borrowing	70,805,000
Public Utilities Renewal & Replacement Fund	<u>28,091,000</u>
Total Public Utilities	<u>\$101,129,000</u>
 EDUCATION	
Funds Previously Appropriated	49,994,900
VPSA Borrowing	25,487,800
School Capital Reserve	<u>1,667,600</u>
Total Education	<u>\$77,150,300</u>
 TOTAL ESTIMATED RESOURCES	 <u><u>\$ 532,648,238</u></u>

For FY 2005-06 the City of Chesapeake received \$134,470 in proffers designated for schools and no cash proffers for City projects. No proffers are programmed in the FY 2007-08 Capital Improvement Budget. It is anticipated that schools will bring forward a separate appropriations request for use of these funds.

SUMMARY OF EXISTING PROJECTS

Transportation - The Proposed Capital Improvement Budget continues to support on-going transportation needs. An appropriation is requested for the Gilmerton Bridge Replacement project to expedite the construction of the bridge. VDOT's existing plan would not construct the bridge in the next five years and it is one of the most critical needs in the City.

Some changes to projects supported by VDOT may occur due to resource constraints facing the State. While commitments for funding some critical projects appear to be in place, details of the revised VDOT plan are not expected until early summer 2007.

Funds are added to the existing Repair & Maintenance Roads and Bridges project which is funded from Overweight Citation Fees. Funds are also added to the Gilmerton Bridge Repair project to maintain the bridge until it is replaced.

Stormwater - Addressing the City's drainage problems continues to be a high priority in this year's capital budget. Existing projects such as Camelot Outfall Drainage Improvement, Poindexter St. Outfall Improvement, and on-going Neighborhood Drainage Improvements are funded in the plan.

Public Utilities - The Public Utilities capital budget continues to upgrade pump stations, water and sewer lines. With the rate increase, the proposed Utilities Capital Budget for FY 2008 - 2012 will be \$98M including \$28 to start addressing Unserved Water and Sewer Areas in the City.

Community Facilities - The on-going high priority renewal/replacement project provides critical repairs to City buildings. This year some of the projects are replacement of HVAC at the Greenbrier Library, Sheriff's building, and City Hall. Other priorities are replacement of the City Hall fire alarm system and repair and resealing of Garage bay floors.

Information Technology - The on-going technology project will concentrate in FY 2007-08 on the Software Language Development upgrade from Visual Age Generator and upgrade Kronos and Laserfiche.

SUMMARY OF PROPOSED NEW PROJECTS

There are sixty (60) new capital projects included totaling \$24.7M of local costs in the first year. These projects include new facility construction as well as repairs and improvements to existing infrastructure.

Community Facilities/Drainage

- Municipal Parking Lots & Sidewalk project will be on-going to address a critical backlog and establish a renewal/replacement schedule so the parking lots and sidewalks do not get to a critical stage where they become hazardous to employees and citizens.
- South Norfolk Community Development project will aid the City in developing, sustaining and revitalizing neighborhoods in collaboration with community groups within the South Norfolk TIF area.
- Money Point Area Drainage Improvement, Willow Rd. Area Drainage Improvement, and Yadkin Rd. Outfall Improvement are neighborhood drainage projects to improve handling of Stormwater runoff.

Information Technology

- Public Communication Equipment Replacement project is being instituted as an on-going project to update and replace equipment/software that is used by Public Communication at WCTV-48, Council Chambers, for work sessions and various other events.

Transportation - City Projects

- Citywide Signal Timing project will retime the signal corridors along Battlefield Boulevard, Portsmouth Boulevard, and Taylor Road. This is a VDOT reimbursement project.
- Dominion Boulevard, South project will widen Dominion Boulevard to four lanes from Cedar Road to new Route 17 South. This is a VDOT reimbursement project.
- Replace Hudgin and Beaver Dam Bridges which have weight restrictions which limit their use by emergency vehicles.
- Tilden Ave/ Battlefield Blvd. Intersection Improvement - add a signal in conjunction with connector road from Wayne Ave. to Tilden reducing traffic congestion.

Public Safety

- Juvenile Court Security Improvements project includes security improvements for Juvenile and Domestic Relations Court building: fully enclosed judges' parking area and security alarms/reworking of courtroom panic alarms and security barrier/door in the Clerk's office.
- Jail Phase II - Design project will design a new facility to expand the jail space to accommodate larger numbers of inmates. This project is planned for FY 2009-10.

Economic Development

- Greenbrier - Center District project is for pedestrian lighting and land acquisition for easements to accommodate pedestrian access, construction of a new left turn lane on north bound Greenbrier Parkway to Crossways Blvd. to relieve traffic congestion, and electronic signage within the Greenbrier Center District. Construct a bike trail within the district.
- Greenbrier - Mall Bike Trail project will construct a 10' concrete bike trail within the Mall District.
- Greenbrier - North Corporate District project will construct a turn lane from southbound Crossways Blvd to westbound Volvo Parkway to improve traffic congestion within the North Corporate District and to construct a 10' bike lane.
- Greenbrier - Commerce District project will construct a turn lane from Volvo Parkway onto Executive Blvd. to improve traffic congestion.
- Greenbrier - South Retail District project will construct two (2) - 6,000 ft. turn lanes. One from westbound Volvo Parkway to southbound Battlefield Blvd. and another from westbound Walmart Way to northbound Battlefield Blvd. to improve traffic congestion within the South Retail District.
- Greenbrier - Municipal District project will add electronic Signage for Municipal District, including City Park area, a pedestrian bridge and crosswalk, a bike trail within the Municipal District and an activity center.
- Greenbrier - Commerce Bike Trail project will construct a 13,000 square foot 10' bike trail in the Commerce District.
- Four (4) South Norfolk TIF projects have been included for a total of \$54.3M scheduled to commence in FY 2008-09.
- Commerce Park project to develop a new business park to encourage health and stability in the City of Chesapeake.

Public Utilities

- In the five year Capital Budget plan, Public Utilities has added 31 new projects totaling \$92.2M of which 14 will start in the 1st year with a total of \$10.2M. This substantial expansion of the Public Utilities' Capital Budget is due to the recent rate increase approved by City Council. These projects include:
 - Storm hardening
 - Sewer and water renewal
 - Equipment replacement
 - Customer service/billing software upgrade
 - Water supply expansion
 - Sanitary Sewer Evaluation Study mandated by DEQ
 - First phase of the Unserved Sewer and Water Areas project.

Education

- Oscar Smith Middle School - current estimated costs for construction are \$49,808,600. The Schools CIB requested an increase of \$2,913,000 from the approved FY 2007-11 Capital Improvement Budget for this project. The proposed FY 2007-08 Operating Budget increases the School Capital Reserves by \$1 million. If approved, this is sufficient to service the debt on the needed \$2.9 million additional funds for Oscar Smith.
- Western Branch High School - Addition design will start in FY 2007-08. The estimated cost of this phase is \$1,667,600 which will be funded as cash from the School Capital Reserve (Lock Box).

CONCLUSION

This proposed capital budget is robust with 60 new projects. Over \$1.9 billion is estimated as the cost to fund projects not included in this five-year capital plan. The School Board Capital Improvement Plan approved in November 2006 includes identified projects for the five-year period totaling \$397.2 million in addition to the funded high school.

The establishment of Capital Reserves for both School and City needs has provided a mechanism to set aside a portion of revenues each year to meet some of the most critical capital needs. This fiscal discipline has enabled us to take the first steps toward reducing the backlog. Emphasis has been placed on projects that will preserve the City's investment in infrastructure by completing critical repairs and renewal projects at existing facilities and on projects which lay a foundation to enhance and revitalize our community. The establishment of the Greenbrier Tax Increment Financing District and the South Norfolk Tax Increment Financing District are a key component of this strategy.

This emphasis ensures that existing services can be maintained so that the high quality of life Chesapeake citizens enjoy can continue.

I look forward to working with you in the adoption process of the City's Capital Improvement Budget as you further your efforts to make Chesapeake a better place to live and work.

Sincerely,

Anne F. Odell
Acting City Manager

Attachment