

July 18, 2012

The Honorable Alan P. Krasnoff and
Members of the City Council
City of Chesapeake – Municipal Center
306 Cedar Road
Chesapeake, Virginia 23322

Dear Mayor Krasnoff and Members of the City Council:

City Council originally approved the Capital Improvement Plan (2013-17) on May 8, 2012 and then approved several amendments on June 12, 2012. The amendments included the addition of a new project for wetland mitigation related to the Dominion Boulevard project, a change in the schedule of two fire projects, and several changes in the financing plan. Although a new project was added to the plan, the total cost of the revised CIP did not change (costs for the new wetland mitigation project were initially included in the larger Dominion Boulevard project).

The revised Capital Improvement Plan for the next five years totals \$310.9 million including an appropriation of \$134.1 million for projects that are scheduled to start in FY 2012-13. A summary of June 8, 2012 amendments follows.

A. Amendments to FY 2012-13 Capital Improvement Budget

- 1) Dominion Boulevard Wetland Mitigation Project. As part of the Army Corps of Engineer's permitting process, the City is required to show commitment to the restoration of wetlands that will be destroyed by the Dominion Project. This new project is estimated to cost \$594,000 and was originally included in the cost of the primary project. With the addition of this project, an offsetting reduction is made in the cost of the primary Dominion project.
- 2) P25 Radio Infrastructure Project. Council approved changes to the financing plan that utilize (a) savings from the refinancing of several bond issues, (b) a number of reserves in the General Fund for public safety and (c) transfers from and/or Fund Balances in E911 and HEAT Funds. The use of these reserves and fund transfers replace funding from the City Capital Lockbox. Reliance on the City Lockbox is reduced by \$5,137,292. Further, lease purchase financing also declined by \$600,000.

- 3) Library Technology Project. Financing for the first year (FY 2013) of this two-year project will be provided from the funds redirected from closed projects instead of Library Proffers. The original financing plan relied on developer proffers for the project; however, such proffers are not sufficient to accommodate the project. The project scope may be reduced in the second year of the project (FY 2014) since funding depends on the availability of sufficient proffers.
- 4) CNG Project. Financing of the Compressed Natural Gas Fueling Station will be provided from savings realized in the construction of the Animal Control Center rather than the General Fund Reserve for Solid Waste.

The current and revised resources of the FY 2012-13 Capital Improvement Budget appear below.

| | Original Ordinance | Revisions | Revised Ordinance |
|--|--------------------|-------------|--------------------|
| RESOURCES: | | | |
| Cash | 19,726,969 | 377,133 | 20,104,102 |
| <i>P25 Radios - Cash from GF refinance savings</i> | | 349,187 | |
| <i>P25 Radios - Transfer from E-911</i> | | 375,000 | |
| <i>CNG Project - Redirect from closed projects</i> | | (347,054) | |
| Proffers | 682,776 | (251,885) | 430,891 |
| <i>Library Technology - Redirect from closed projects</i> | | (251,885) | |
| Equipment Lease | 4,192,455 | (600,000) | 3,592,455 |
| <i>P25 Radios - Reduce lease financing</i> | | (600,000) | |
| Fund Balance | 9,703,674 | (124,187) | 9,579,487 |
| <i>P25 Radios - from E911 Fund Balance</i> | | 2,677,852 | |
| <i>P25 Radios - from HEAT Fund Balance</i> | | 250,000 | |
| <i>P25 Radios - from Public Safety GF Reserves</i> | | 2,085,253 | |
| <i>P25 Radios - from City Lockbox, net of savings from refinance savings directed to project</i> | | (5,137,292) | |
| Borrowing Authority (Greenbrier TIF) | \$ 300,000 | | \$ 300,000 |
| Redirects from Other Projects | 3,123,099 | 598,939 | 3,722,038 |
| <i>CNG Project</i> | | 347,054 | |
| <i>Library Technology</i> | | 251,885 | |
| Revenue Bonds - Enterprise Funds | 96,296,183 | | 96,296,183 |
| VDOT Reimbursements | 50,000 | | 50,000 |
| TOTAL | 134,075,156 | - | 134,075,156 |

B. Amendments to Financing of Current Capital Improvement Budget (projects funded before July 1, 2012):

- 1) Emergency Operations Facility. First, redirect \$1.85 million of savings from the Animal Control Facility to the Emergency Operations Facility. Second, utilize \$7.25 million of cash available in the City Lockbox to fund the EOC. These actions reduce borrowing requirements from \$31.05 million to \$21.95 million.

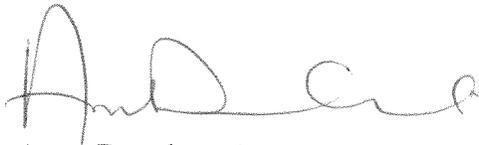
- 2) Fire Station 10 Replacement. Fund \$735,000 of design costs approved in the FY 2011 Capital Budget from Lockbox cash rather than borrowings.
- 3) Fire Logistics Center. Fund \$251,535 of design and construction costs approved in the FY 2012 Capital budget from Lockbox cash rather than borrowings.

C. Amendments to Five Year Capital Improvement Plan

- 1) Mainframe Modernization. This project is scheduled to receive \$2.0 million in FY 2014 from the issuance of debt. Council approved funding from the City lockbox rather than debt as originally planned.
- 2) Fire Station 10 Replacement (Bowers Hill). This project is scheduled to receive \$6,438,000 from the issuance of debt. Council approved a reduction of future borrowing by \$688,000 and the use of funds available in the City lockbox instead.
- 3) Fire Station 7/Precinct 6 (St. Brides). This project is scheduled to receive \$6,442,931 from the issuance of debt. Council approved a reduction of future borrowing by \$688,000 and the use of funds available in the City lockbox instead.

The \$310.9 million Capital Improvement Plan for FY 2013-2017 reflects the commitment of our staff, our citizens, and the City Council to shape and deliver a capital improvement spending plan that reflects the highest priorities and needs of our citizens while utilizing pay-as-you-go resources to limit future debt requirements. We firmly believe this plan will ensure the sustainability of our outstanding quality of life while moving forward in addressing our most critical infrastructure needs across the City of Chesapeake.

Sincerely,



Amar Dwarkanath
Interim City Manager