

March 25, 2014

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

Dear Mayor Krasnoff and Members of Council:

The proposed Capital Improvement Plan (CIP) for Fiscal Years 2015 through 2019 is presented for your consideration in accordance with the City Charter. The five year capital plan requires funding of \$342 million, a significant increase from the current \$183 million program. While Council must take action on the entire five year plan, only the first year of the plan requires appropriation (\$65.6 million). Since many capital projects require funding over multiple years, Council will need to appropriate additional funds in future years in order to complete all phases of the CIP.

Over the next several years, the City's payment on existing debt will drop by nearly \$27 million. The proposed CIP is an ambitious plan that requires the City to redeploy these savings with investments in aging facilities and infrastructure. The CIP includes investments that:

- Improve employee productivity,
- Address encroachment at the Naval Auxiliary Landing Field at Fentress,
- Increase funding to replace aging roofs and HVAC systems in school facilities,
- Accelerate school renovations,
- Replace obsolete fire stations,
- Replace stormwater equipment and vehicles,
- Replace the AIW Bridge in Deep Creek, and
- Begin a repaving program for residential streets throughout the City.

This plan is only possible if savings that accrue from the retirement of old debt issues are reinvested in the capital program. We propose increasing the annual contributions to the City and School lockboxes by \$13.5 million (each) over the next five years as the City's required debt service drops. The new funds directed to the two lockboxes will support both cash and debt funded capital requirements for both the City and Chesapeake Public Schools.

Several projects included in the CIP have already received appropriations totaling \$75 million during the current or previous year. These appropriations remain in effect until the related projects are completed. Further, several projects will require a total of \$275 million of funding beyond the five year planning period in order to complete those projects. The total cost of all projects in the CIP is \$692 million spanning a funding period of more than five years.

In addition to projects included in the Proposed CIP, a number of projects approved in earlier years remain in progress. As of February 28, 2014, there were 200 active and fully funded projects with a budget of \$904.6 million that are not part of the proposed CIP for 2015-2019. A summary of all active and proposed capital projects appears in the table here. Nearly 62% of the funding was either spent or under contract.

Fully Funded Projects	Number of Projects	Previous Appropriations	Obligations to Date	Remaining Project Cost
Community Facilities	13	16,644,595	8,418,131	8,226,464
Economic Development	21	56,513,671	34,198,054	22,315,617
Education	17	80,650,000	68,734,727	11,915,273
Information Technology	21	32,368,996	24,896,358	7,472,638
Parks, Recreation, and Tourism	12	15,206,161	14,108,838	1,097,323
Public Safety	10	68,281,825	33,162,897	35,118,928
Public Utilities	44	110,585,544	60,669,457	49,916,087
Stormwater Projects	29	31,610,280	11,051,602	20,558,678
Transportation	33	492,699,070	307,753,356	184,945,714
Total Appropriations for Fully Funded Projects	200	904,560,142	562,993,420	341,566,722

A summary of funding sources supporting the 2015-2019 Capital Improvement Plan appears below.

Funding Source	Prior Years	Year 1	Years 2-5	Total Plan
<i>All amounts are in thousands (000)</i>				
GENERAL GOVERNMENT				
Cash - City Lockbox	\$ 1,187	\$ 627	\$ 9,302	\$ 11,116
Cash - General Fund Transfers	10,365	3,900	6,307	20,572
Cash - Developer Proffers	380	-	-	380
Equipment Leases	-	1,349	-	1,349
Fund Balances	750	12,908	9,212	22,870
GO Bonds	13,005	13,515	28,127	54,647
Grant - State	800	2,500	5,000	8,300
Grant - US DOT	-	-	22,000	22,000
VDOT-State/Federal	15,218	-	-	15,218
VDOT-Revenue Sharing	-	4,000	32,000	36,000
Total General Government	\$ 41,705	\$ 38,799	\$ 111,948	\$ 192,452

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Funding Source	Prior Years	Year 1	Years 2-5	Total Plan
<i>All amounts are in thousands (000)</i>				
TAX INCREMENT FINANCING				
Cash - South Norfolk TIF	\$ 4,300	\$ 1,749	\$ 3,300	\$ 9,349
GO Bonds Greenbrier TIF	-	-	16,000	16,000
Total Tax Increment Financing	\$ 4,300	\$ 1,749	\$ 19,300	\$ 25,349
ENTERPRISE FUNDS				
Cash - Chesapeake Transp System	\$ 9,000	\$ 690	\$ -	\$ 9,690
Cash - Stormwater Transfers	5,113	4,936	20,182	30,231
Fund Balance - Public Utilities	2,382	950	6,878	10,210
Rev Bonds - Public Utilities	9,005	4,348	47,885	61,238
Total Enterprise Funds	\$ 25,500	\$ 10,924	\$ 74,945	\$ 111,369
EDUCATION				
Cash - School Lockbox	\$ 2,500	\$ 6,686	\$ 18,750	\$ 27,936
GO Bonds VPSA	-	7,500	52,000	59,500
Total Education	\$ 2,500	\$ 14,186	\$ 70,750	\$ 87,436
TOTAL ALL FUNDING SOURCES	\$ 74,005	\$ 65,658	\$ 276,943	\$ 416,606

We are emphasizing projects that preserve the City's investment in infrastructure by making critical repairs and renewals to existing facilities and on projects that enhance and revitalize the community. This emphasis ensures that existing services can be maintained so that the high quality of life Chesapeake citizens enjoy can continue.

SUMMARY OF EXISTING PROJECTS

Community Facilities – The on-going high priority renewal/replacement project provides critical repairs to City buildings. We recommend annual funding of \$800,000 to replace systems critical to maintaining City facilities. We also continue annual funding of \$200,000 to address the backlog of critical repairs needed for municipal parking lots and sidewalks that ensure the safety of visitors and employees at City facilities. Several other projects are fully funded, but are in various stages of completion, including two compressed natural gas projects, the Community Revitalization Program, the relocation of several operational departments from the Butts Station Complex in Greenbrier.

Economic Development – The 22nd Street Bridge in South Norfolk is in design stage and we recommend additional cash funding of \$1.75 million from the South Norfolk TIF to keep the project on track. Additional funding of \$12.3 million to construct the bridge will be required in FY 2017. We anticipate state funding for 50% of the project's cost; most of the FY 2017 funding (\$9 million) will come from Virginia Department of Transportation's Revenue Sharing Program. Several other TIF funded projects remain underway, including renovations to the Conference Center, the extension of Woodlake Drive, and the Strategic Acquisition of Real Property in South Norfolk. No additional funding for these projects is required at this time.

The City recently purchased the old Southeastern Training Center from the Commonwealth. The City funded the purchase from the existing project for a Commerce Park (#62-120). Approximately 22 acres were sold to a private developer and the City retains ownership of the remaining 53 acres, most of which is being marketed for commercial development. While the Commerce Park project includes development costs for road access the City agreed to install for the 22 acre parcel, the development plan for the remaining acreage is not sufficiently concrete to estimate future improvements that may be required in order to attract commercial developers. As development plans become more concrete, we will seek Council appropriations for future development costs that may be required.

Education – We recommend the continuation of the school renewal and replacement project that is focused on replacing end-of-life roof and HVAC systems. For FY 2015, we recommend increasing the \$2.5 million annual cash allocation with \$1.4 million of one-time savings realized from the refunding of FY 2014 school bonds and from \$776,000 of proffers that were used in place of locked revenue to service debt on Grassfield High School. We also propose accelerating school renewals by leveraging available lockbox funds through the issuance of ten-year debt of \$4 million to \$5 million annually. This brings the allocation for school renewal and replacement systems to \$9.7 million in FY 2015 and at least \$6.5 million annually thereafter.

Information Technology – Technology projects that are currently underway include the installation of upgrades to several business applications, a project to migrate several legacy systems from the main-frame, the implementation of a new real estate assessment system, the implementation of on-line building permits, and the replacement of public safety radio equipment. Funding proposed for existing projects is consistent with the CIP adopted last year (\$380,000 in FY 2015 and \$620,000 in FY 2016).

Public Safety – Most activity is focused on the new Public Safety Operations Building; design work is nearing completion with project bidding anticipated by summer of 2014. Several smaller projects are underway, including design and site work for the new Bowers Hill Fire Station and a study exploring alternatives for jail overcrowding. We propose an additional \$2.25 million from the City General Fund Balance for further study and/or design of the jail expansion project. We also recommend the borrowing of \$6.7 million for the Bowers Hill Fire Station (an increase of \$234,150 above last year's estimate).

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 control sewer overflows and limit the infiltration of stormwater into the sewer system. PU works with Hampton Roads Sanitation District, the regional authority that treats waste water, to ensure compliance with DEQ and federal regulations. Approximately \$50 million of the \$60 million proposed capital plan for Public Utilities focuses sewer upgrades in accordance with DEQ regulations.

The City recently entered into a new Memorandum of Agreement (MOA) with HRSD that requires coordination between the City and HRSD with respect to capital improvements. It is likely that some sewer projects planned by the City will actually be addressed by HRSD. It is also likely that under terms of the MOA that 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 PU capital improvement plan as we coordinate activities with HRSD. Ultimately, we believe coordination will reduce costs by limiting duplicated efforts.

The remainder of the Public Utilities capital improvement plan (approximately \$10 million) addresses improvements to the water treatment and distribution system throughout the City. An additional \$5.5 million has already been appropriated and is available to address unserved areas whose residents have indicated a desire for water or sewer service (see fully-funded report).

The proposed CIP includes additional funding for the existing capital project to address requirements of the DEQ Consent Order (#05-180). For FY 2019, we have added \$8.4 million to the plan bringing the five-year project to \$23.8 million. Future funding requirements for this project are very uncertain, but could be as much as \$220 million. The department continues to work with DEQ and regional partners to minimize project requirements. Proposed funding of all other existing public utility projects is consistent with the currently adopted CIP.

Stormwater – We propose to continue 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. The proposed Capital Improvement Plan is consistent with permits issued under the Virginia Pollutant Discharge Elimination System (VPDES) which regulates the quality of water being discharged through sewers, 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.

Funding for existing projects in the Stormwater CIP has been reduced as funding is required for equipment replacements and for new operational costs necessary to meet new regulations. Significant changes in the current five-year plan for Stormwater include:

- Reduce funding for restoration of retention ponds (BMPs) in FY 2015 and 2016 (\$500,000 over the two years) and extend project to FY 2019,
- Reduce funding and extension of funding period for neighborhood drainage improvements (\$200,000),
- Increase funding (\$1 million) for Oakdale area BMP and drainage improvements,
- Accelerate funding of Shillelagh Road drainage outfall from savings anticipated in Washington Manor drainage project,
- Delay funding for Stormwater Quality Phase II – project period extends to 2020 rather than 2018 (reduce funding by \$1.6 million in each of two years – FYs 2015-2016), and
- Reduce funding required for Washington Manor drainage project (\$950,000) while addressing all objectives of the original project.

Transportation – The project to expand Dominion Boulevard to a four-lane limited access road and replace the Steel Bridge with a pair of fixed span bridges is underway and scheduled for completion in April 2017. Public Works (PW) will coordinate the widening of US Route 17 (Dominion Boulevard) south of Cedar Road so that it is completed when the larger Dominion Boulevard project is finished. The widening of Portsmouth Boulevard between Interstate 664

and the Suffolk city line is in the design stage and we are awaiting VDOT approval to begin right-of-way acquisitions. PW is also working on a number of smaller projects including the rehab of several bridges and overpasses and the improvements to intersections. Finally, the multi-year project to renew the Chesapeake Expressway will extend into FY 2015 rather than end in FY 2014.

Under the proposed CIP, an additional \$690,000 is added to the Chesapeake Expressway renewal project, bringing the total cost for the four-year renewal project to \$9.7 million. The proposed CIP also modifies the Route 17 South of Cedar project to accelerate funding of the City share of the project by one year (\$5.5 million). We anticipate sharing the project's cost with VDOT and have included \$8.5 million of state funding in FY 2016.

Finally, the proposed CIP includes additional funding necessary to complete the project to widen Portsmouth Boulevard between the City of Suffolk and Interstate 664. The proposed CIP includes an additional appropriation of \$6.36 million, \$3 million of which will come from VDOT's Revenue Sharing Program. The additional funding is expected to address all additional design, construction, and right-of-way costs.

SUMMARY OF PROPOSED NEW PROJECTS

The majority of the new capital projects in year one are for critical repairs and improvements to existing City wide infrastructure. Funding sources include:

- General Fund Resources for maintenance and renewal of capital assets
- City and School Capital Lock Box cash balance
- Tax Increment Financing District (TIF) cash balances
- General Obligation Bonds supported Lock Boxes
- Revenue Bonds supported by Public Utility resources
- Water/Sewer, Stormwater, Capital Projects, Conference Center, and Chesapeake Transportation System Funds
- Open Space and Agricultural Preservation Funds (OSAP)
- Virginia Department of Transportation Revenue Sharing
- State Grants

COMMUNITY FACILITIES AND ECONOMIC DEVELOPMENT

- Fentress Encroachment Protection – in order to protect the military mission of Master Jet Base NAS Oceana and Naval Auxiliary Landing Field Fentress we have included \$5 million of funding for each of the next three years to acquire property or development rights in the surrounding area. The General Assembly proposes \$2.5 million in the FY 2015 budget and we anticipate the initiative to continue for at least three years. The City is required to match the state grant and we plan to utilize OSAP resources along with surplus reserves in the General Fund.
- Expansion of the Public Health Building – the existing facility was constructed in the early 1980's and the department has outgrown the space. The crowded quarters was worsened when staff at the South Norfolk Clinic moved as the Community Health Clinic assumed

operations of the SONO facility. The Health Department plans to enlarge the facility by approximately 50% to address immediate needs and to allow space for future growth. Funding is provided by \$5.55 million of GO debt issues, but the City will recoup part of these costs through increased rental fees within the City's agreement with the State Health Department.

- Social Services Building – the carpet and employee workstations have outlasted their useful lives and a replacement is necessary. The \$1.16 million project will replace frayed carpeting throughout the building with appropriate floor coverings (more durable hard surfaces where appropriate). It also replaces early pre-computer workstations with modern units that provide better workspace for employees.
- Chesapeake Integrated Behavioral Healthcare (CIBH, formerly CSB) – the local agency plans to renovate the existing Intellectually Disability Day Support Building and expand the Psychosocial Day Support Building. The agency had delayed renovations on the former building until future ownership of the underlying property was resolved. Since the City has recently purchased the old Southeastern Training Facility, CIBH wishes to proceed with needed renovations. With respect to the Psychosocial Building, CIBH is working with Public Works to determine the best course of action, including moving the program to another City property. Funding of \$765,100 is available in the CSB Fund Balance.
- Public Libraries Automated Materials Handling System – we plan to install an automated system at the Central Library in order to improve book handling and re-shelving. The current process is completely manual and very time consuming; the automated system will improve productivity, save on labor costs, and allow staff to better serve library patrons. Funding of the \$425,765 project is with lease financing.
- Jordan Bridge Memorial – the CIP includes \$100,000 in 2015 for design, fabrication, and installation of a memorial to the old Jordan Bridge for placement in Elizabeth River Park. Proposals will be solicited for an appropriate use of artifacts retained during the demolition of the old bridge. Artifacts include a tower, plaques, and mechanical components salvaged from the old draw bridge. Funding is provided from a Capital Fund Balance reservation for the project.

EDUCATION

- School Renovations – the School Board's capital plans include the renovation of several schools. Many buildings were built between the 1950's and 1980's and are in need of renovations that will extend their useful lives. The first year of the CIP includes design funds for the renovation of Great Bridge Primary School with construction funding in FY 2016. The project is estimated to cost \$24.8 million. A second renovation is scheduled starting in FY 2018 at a campus to be determined. Proposed funding for the second project is \$13.7 million; additional funds may be required in FY 2020 depending on which school is selected. Funding is provided through the issuance of general obligation bonds that will be retired through the School Capital Lockbox mechanism.
- Replace School Buses and Technology – some years ago the School Board funded the purchase of over 100 school buses with leases that are at the end of their terms and the

buses will need replacement. Additionally, lottery funds that were once available for technology refreshments were redirected by the General Assembly. We propose to direct \$1 million of School Lockbox funds annually to each of two projects for (a) school bus and (b) school technology replacements.

INFORMATION TECHNOLOGY

- Case Management Software – both the Commonwealth’s Attorney and the City Attorney require productivity software to track cases and ensure that prosecutions and other litigation meet legal requirements. The software permits storage and sharing of case files; it also keeps track of attorneys assigned to cases, staff hours, and funds spent on each case. The system used by the Commonwealth’s Attorney is obsolete; the City Attorney’s office uses manual processes. The CIP includes \$454,200 budgeted in FY 2015 to address requirements of both offices.
- Citizen Mobile Apps – this project provides a mobile app that citizens can use to send requests and information to the City's Customer Contact Center. The application will allow citizens to report potholes, graffiti, broken streetlights, and other issues directly from their mobile devices. The proposed system will integrate seamlessly with the City's existing system so that all requests are managed in a single system. Funding of \$150,000 is proposed for FY 2016.
- Library Technology Upgrades – Chesapeake Public Library has an ongoing need to update and replace its technology that is either approaching its end of life, is obsolete, or is no longer under warranty. These replacements will ensure that a stable data center for the libraries and its patrons continues. We propose investments in library technology totaling \$232,445 over the next three years.
- Telephone System Upgrades – we propose replacing the City’s PBX telephone system that was installed in 2004 and is reaching the end of its service life. The proposed upgrades retain existing user phones, cabling, and most network switches. The proposed CIP includes \$348,452 in FY 2015 for upgrading the aging telephone system.

Most funding of IT projects is provided from the General Fund, the City Lockbox, and the Technology Internal Service Fund Balance. We also recommend funding of the telephone system upgrades with lease purchase agreements.

PARKS, RECREATION AND TOURISM

- Conference Center Roof – the CIP includes a complete replacement of the 17 year old roof that is leaking badly. The project requires \$968,000; funding is available in the Conference Center Fund Balance to address the replacement.
- ADA Facility Compliance – the proposed CIP includes \$75,000 in each of the next five years (\$375,000 total) to address the accessibility of parks and indoor recreational facilities to disabled citizens.

- Athletic Field Improvements – the proposal includes replacing athletic lights, refurbishing turf, replacing fences, expanding irrigation systems, and adding bleacher pads. The proposed a ten-year project requires \$380,000 annually.
- Recreational Building Improvements – the proposed CIP includes the repair and/or renovation of recreational facilities, restrooms, concession stands, and storage units. The five-year project requires \$300,000 each year.
- Park Program Improvement – we propose the renovation or replacement of park structures, including shelters, bridges, camp store, piers, bulkheads, ranger stations, restrooms, and playgrounds. The project would also include connectivity of sites and site drainage. The proposed a five-year project requires \$300,000 annually.
- Other Park Improvements – includes three projects to address parking lots and security systems. We propose annual funding of \$90,000 each year over the next ten years for parking lot and pathway maintenance (\$900,000 total) and \$40,000 annually for next ten years to install cameras and fire/security alarms (\$400,000 total). Finally, we propose \$60,000 to add additional parking at Oak Grove Lake Park in FY 2015.

With the exception of the Conference Center, we propose funding of park projects with General Fund and lockbox cash.

PUBLIC SAFETY

- Cooling Tower Replacement – the cooling tower that serves the Courts, Public Safety, and Jail Buildings is nearing its end of life and we recommend replacement. The proposed budget includes \$575,000 of lease-purchase funding for the cooling tower.
- Deep Creek Fire Station Replacement – we propose relocating the fire station to Moses Grandy Trail on property that the City already owns. The current station is 55 years old, is in poor condition, and is frequently subjected to flooding. We recommend project design in FY 2017 followed by construction in FY 2018. The design costs (\$640,464) are funded with lockbox cash; funding for construction (\$4.7 million) would come from the issuance of GO bonds. Total project cost is \$5.34 million.
- Dock Landing Fire Station Replacement – we also propose the replacement of Station 11 on its current site. The 52-year old building is in poor condition and cannot accommodate gender separation. The current design also creates unhealthy conditions by allowing diesel exhaust to enter the station’s living quarters. The CIP includes \$640,464 in FY 2019 to design a new building; funding for construction would follow in FY 2020 (beyond the 5-year plan). We recommend financing both design and construction with GO bonds.
- Emergency Vehicle Storage Building – the Police Department requests a four-bay building to house specialty vehicles, including a SWAT vehicle and a police boat. Sheltering the equipment will extend its service life. We propose financing the \$612,400 project in FY 2015 from the issuance of GO bonds. The facility would be constructed on the same site as the new Public Safety Operations Building (Military Highway).
- Diesel Exhaust Extraction System – the Fire Department proposes retrofitting 39 emergency vehicles with filter systems that capture carcinogenic particulates in order to reduce fire-fighter exposure while starting emergency vehicles in the apparatus bays. The proposed

improvements cost \$340,825 and will improve health outcomes of Fire personnel. We propose funding with lockbox cash during FY 2015.

PUBLIC UTILITIES

- Oak Grove Elevated Tank – the department proposes to spend \$200,000 starting in FY 2015 to replace the standpipe. Funding is provided from the Public Utility Fund Balance.

STORMWATER

- Major Equipment Purchases – the department proposes spending \$2.17 million in FY 2015 and \$636,000 in FY 2016 for the replacement of heavy duty vehicles and other equipment. Approximately one-half of Stormwater equipment exceeds its original service life and the department's productivity suffers from increased maintenance costs and down equipment. Cash funding is proposed from Stormwater utility fees.

TRANSPORTATION

- Bruce Road Safety Improvements – in order to address increased traffic volume and road safety, we propose installing a traffic signal at Bruce Road and Miars Green, drainage and shoulder improvements on the north side of Bruce Road in the vicinity of Prince of Wales Drive, and turn lanes at Bruce Road and Peppercorn Drive. The project is estimated to cost \$1.28 million with funding spread between FY 2015 and 2016. Funding is provided from the redirection of funds remaining in completed projects.
- Centerville Bridge Rehabilitation – includes major repairs to the bridge's superstructure and fender system, removal of lead paint and re-painting of the entire bridge structure, replacement of electrical and mechanical systems, and installation of a new computerized control system. These repairs will allow the removal of current weight restrictions and will extend the service life of the bridge (15-20 years). The project will cost \$2.2 million that is available from redirection of funds remaining in completed projects.
- Deep Creek AIW Bridge – the two-lane bridge owned and operated by the U.S. Army Corps of Engineers crosses the Atlantic Intracoastal Waterway and carries approximately 25,000 vehicles per day. The bridge was constructed in 1934 and is functionally obsolete and weight-restricted. We propose \$1,000,000 of funding from the General Fund Balance for right-of-way preservation during FY 2015. Design and construction of the \$44 million project would start as early as July 2017. Funding is proposed as follows: \$22 million from federal grants, \$10 million from VDOT Revenue Sharing, and \$12 million from local GO bonds.
- Military Highway and Smith Avenue Intersection – provides for design and installation of a traffic signal and associated intersection improvements at the intersection of Military Highway and Smith Avenue. These planned improvements are necessary due to high traffic demands and heavy turn volumes; they also support planned business and industrial development in this area. The \$540,000 project is projected to begin in FY 2015 with completion during FY 2016. We propose funding from excess reserves in the General Fund.
- Residential Street Repaving – this project will address deferred maintenance for residential streets. Practically all road paving funds are spent on arterial and collector streets leaving nothing for residential streets (aside from occasional patching). Most residential streets in the City have never been repaved and this project will address streets that are in very poor

condition. We recommend \$12 million of funding over the next five years with \$5.5 million coming from VDOT Revenue Sharing. Remaining funds come from City Fund Balances (\$4.5 million) and from the City Lockbox (\$2 million).

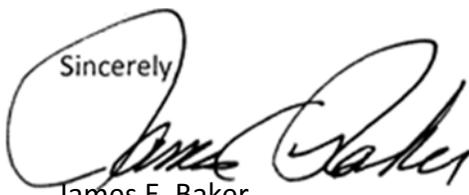
CONCLUSION

The proposed \$342.6 million Capital Improvement Plan represents City's commitment of resources to protect, maintain, and upgrade critical infrastructure throughout the City. The CIP will require the issuance of \$117 million of general obligation bonds and \$52 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 on its revenue bonds. However, in order to fund the five-year project, it is essential that we reinvest the savings we realize from the retirement of old debt into the Capital Improvement Plan. As part of the CIP, we recommend that savings realized from the retirement of old debt issues be equally shared between the two capital lockboxes.

The remainder of the proposed CIP (\$173 million over five years) is funded from a variety of sources, including:

- Federal Government to replace the AIW Bridge \$ 22.0 million
- VDOT Revenue Sharing Program 36.0 million
- Commonwealth funding to address Fentress encroachment 7.5 million
- Equipment lease financing 1.3 million
- City and School Lockboxes 35.3 million
- General Fund (operating transfers and Fund Balances) 21.4 million
- Stormwater Fund 25.1 million
- Capital Fund (closed projects) 6.9 million
- South Norfolk TIF 5.0 million
- Utility Fund 7.8 million
- Other operating revenue and fund balances 4.7 million

The Proposed Capital Improvement Plan for the next five years reflects a focus on the 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 debt ratings. 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