

Office of the City Manager
 Post Office Box 15225
 Chesapeake, Virginia 23328-5225
 Office: (757) 382-6166
 Fax: (757) 382-6507
 TDD: (757) 382-8214

November 25, 2014

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

Dear Mayor Krasnoff and Members of Council:

During the last several months, I have worked with City staff to complete a comprehensive assessment of capital and infrastructural needs of the City of Chesapeake and now submit a proposed Capital Improvement Program for fiscal years 2016 through 2020. Over the next five years we propose capital spending of \$381 million, an increase of \$35 million (10%) above our current plan. While this proposal is ambitious, it is well within the affordability guidelines that we have recommended to Council. This proposal omits several outstanding capital issues that may require funding before 2020. However, in determining the City's capacity to fund the proposed CIP, we have assumed that funding will be required before 2020 to expand the City jail and to fund improvements that might emerge from an evaluation of the Greenbrier and South Norfolk TIF districts. A third set of recommendations that will surface in the near future concerns the Dominion Boulevard Corridor Study. Although the study is not complete, the area covered by the study is massive and public investments will likely require innovative financing solutions that are not within the current funding model.

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 both the City and School lockboxes by approximately \$15.3 million (each) over the next five years as payments on pre-lockbox debt decline. The new funds directed to the two lockboxes will support both cash and debt-funded capital requirements for the City and Chesapeake Public Schools.

Funding for the Capital Improvement Plan is divided almost equally between cash funding and the issuance of debt over the 5-year program period. 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.

Source of Funds (Millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	5 Year Total
Cash Funding (City sources)	\$ 25.91	\$ 31.93	\$ 18.03	\$ 17.16	\$ 20.07	\$ 113.11
Cash - Intergovernmental Grants	12.05	12.05	32.00	2.00	-	58.09
General Obligation Bonds	45.82	21.80	29.63	32.29	27.34	156.87
Revenue Bonds (Utilities)	11.41	9.62	10.29	15.51	6.00	52.83
Totals	\$ 95.19	\$ 75.40	\$ 89.95	\$ 66.96	\$ 53.41	\$ 380.91

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, the following affordability measures are met:

<i>Metric</i>	<i>Policy Recommendation</i>	<i>CIP Proposal</i>
Net government debt / Assessed value of taxable real estate	Less than 3.5%	Under 2.0%
Per capita general government debt	Less than \$3,000	Under \$2,000
Annual debt service / General government revenue	Less than 10%	Under 10%

Most projects included in the proposed CIP were identified in previous years and are already in the current CIP. Over the next five years, we recommend continuation of practically all existing capital projects, including:

- Expanding the Public Health Building
- Replacing Deep Creek AIW Bridge
- Expanding Portsmouth Boulevard to the Suffolk city line
- Expanding Dominion Boulevard south of Cedar Road
- Repaving non-arterial residential and commercial streets
- Addressing encroachment at Naval Auxiliary Landing Field – Fentress
- Replacing the 22nd Street Bridge in South Norfolk
- Improving the Greenbrier district
- Modernizing and renewing school facilities
- Strategically investing in technology that improves productivity and citizen service
- Replacing fire stations at Bowers Hill, Deep Creek, Dock Landing, and St. Brides (Hickory)
- Study to identify and design solutions to overcrowding at the City Jail
- Improving water, sanitation, and storm water systems

In addition to continuing projects already identified in the CIP, we recommend the following new projects or funding changes to existing projects:

- Additional funding to rehabilitate Centerville Bridge and expand capacity of Dominion Boulevard south of Cedar Road. As designs become more complete, it is clear that preliminary estimates were inadequate for the task required.
- Additional funding to address deferred maintenance on City facilities, including libraries, recreation centers, court buildings, fire stations, the Public Safety Headquarters, the Human Services Building, the Juvenile Services Building, and City Hall.
- New project to replace Fire Department equipment, including heavy response vehicles, bio-medical equipment, and personal protective equipment.
- New project to support Tidewater Community College’s efforts to add a Science and Engineering building to its Cedar Road Campus.
- New project to pave the existing five-mile bicycle trail in the Western Branch area.
- New project to expand capacity to treat water and reduce reliance on neighboring cities.

Typically capital planning includes a reassessment of existing capital plans to insure the CIP addresses changing conditions. In this case, we are reevaluating the transfer of the City's Operations Center from its current location at the southern Greenbrier. I am very concerned that current cost estimates are significantly greater than initially envisioned for a solution that appears less desirable than the current location. Because several buildings at the Operations Center are inadequate in size or require significant repairs, a sizable investment is required whether the Center is relocated or remains at its current site. We will recommend revisions to the CIP for relocation, renovation, or redevelopment of the Operations Center as our study continues and better options emerge. However, no additional funding is recommended.

Another issue related to relocating the Operations Center is the relocation of the Mosquito Control Facility. That project was funded several years ago with an estimated cost of \$3.8 million. Because the initial estimate envisioned a smaller facility without the extensive site work required by the Shell Road location, significantly more funding is required to complete the relocation. In the coming weeks Council will consider whether to move forward with the relocation or invest funds in the existing facility. If Council agrees to move the facility, City (General Fund) and Mosquito Control fund balances are available to address additional costs. However, we have not recommended revisions to the Capital Plan since Council already has this matter under consideration.

In reviewing existing projects and the future operating impacts of them, we also propose a modification to the combined Saint Brides Fire Station and Hickory Police Precinct. Currently the combination station is under design and we recommend that it continue. However, because the project establishes a new police precinct, it is prudent to delay construction on that portion of the project until we are able to identify operating funds necessary to expand police services in the area. We will continue designs so that the combination station can be constructed in two phases. Construction may proceed on the fire station as design plans are completed; the precinct can be added in the future as funding materializes.

While our capital assessment was comprehensive, the new CIP does not address all capital demands that citizens request or that professional engineers and planners recommend. We have tempered the CIP to fit the City's capacity to fund the most important capital projects either through borrowing or using cash from available resources. That means some very worthy projects cannot be recommended since sufficient capital funding is not available during the immediate planning period. These include:

- New, replacement, or expanded park facilities, including those at Centerville, Deep Creek, and Northwest River Parks
- Expansion of the Dismal Swamp Canal Trail
- Acquiring property for a new business park
- Replacement of the South Norfolk municipal building that houses the branch offices for the Treasurer and Commissioner of Revenue
- City-wide broadband network for public safety and partnership to provide services to rural residents
- Renovations to numerous school facilities identified in the Superintendent's Proposed Capital Improvement Plan dated October 2014

SUMMARY OF EXISTING PROJECTS

Community Facilities – Most existing projects continue as originally planned, as mentioned on the previous page, the relocation of facilities at the Operations Center is under review. Other projects are either underway or in advanced planning stages.

We recommend a significant increase in funding for the on-going High Priority Renewal/Replacement project that provides critical repairs to City buildings. We recommend increasing annual funding from \$800,000 per year to \$10.5 million over the next five years. The added funding is essential if we are to protect investments made in City facilities and address deferred maintenance issues. Over the next five years we propose:

- \$3.43 million to address electrical, mechanical, and heating/cooling issues in municipal buildings throughout the City. In the first year, \$650,000 is needed to replace HVAC components in the Court Buildings, City Hall, and Central Library and to overhaul the elevator at the Public Health Building. Staff recommends replacement of critical components based on repair history and date of installation. Continued funding will permit the replacement of systems as they reach end-of-life.
- \$4.34 million to replace roofs, windows, and doors including \$900,000 in the FY 2016 to replace the lower roof at Great Bridge Community Center, replace the entire roof at River Crest Community Center, repair windows at Sunray Ceramic Center, and replace exterior doors at Juvenile and Domestic Relations Court.
- \$295,000 to address security and access control systems, including \$175,000 to replace audio and video systems at the Circuit and General District Courts during FY 2016.
- \$830,000 for renovations and remodeling, \$30,000 of which is needed to remodel the kitchen at B. M. Williams Fire Station (#4) during FY 2016. In succeeding years, we propose renovating rest rooms at the Public Safety Building, Juvenile & Domestic Relations, and the Court House.
- \$1.6 million to address building finishes, including flooring, painting, and building exteriors. In FY 2016, we propose spending \$555,000 to replace flooring at the South Norfolk Community Center, replace library carpet at Deep Creek, Russell, and Greenbrier, replace carpet at the Juvenile and Domestic Relations Court, paint the interior of the Information Technology Building, and pressure wash the exteriors of City Hall, the Court House, and Juvenile and Domestic Relations Building.

The renewal plan we propose will require between \$1.75 million and \$2.3 million each year. We believe it is necessary to sustain this level of funding in order to ensure that the long-term maintenance of facilities utilized by tens of thousands of citizens and employees every day. We also recommend continued funding of \$200,000 annually 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. Finally, the proposed CIP includes \$4.83 million to expand the Public Health Building in FY 2016 that was approved by Council in May 2014.

Economic Development – We have moved the 22nd Street Bridge Project to the transportation section since the project is managed by Public Works; funding remains split between VDOT and cash funding from the South Norfolk TIF. 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. We also recommend small reductions in funding to protect against encroachment of Fentress Auxiliary Landing Field to align

the CIP with actual state funding. We estimate state funding of \$2.05 million in each of the next two years; the CIP includes both the state grants and the required City funding match.

Last year, we purchased most of the old Southeastern Training Center from the Commonwealth with funds from the existing project to purchase land for a Commerce Park (#62-120). Approximately 22 acres were sold to a private developer while the City purchased the remaining 53 acres, most of which is marketed for commercial development. In order to successfully sell the remaining property, the City must provide water and sewer services and improve the network of streets within the parcel. The proposed budget includes \$1.5 million of new funding to complete road construction and provide water and sewer services.

Education – We recommend the continuation of the school renewal and replacement project that is focused on replacing end-of-life roof and HVAC systems as noted in the current CIP. The proposed plan continues the renewal efforts into FY 2020 with a combination of cash (lockbox) funding and the issuance of ten-year GO bonds. Funding is increased to \$6.75 million in FY 2016 and \$7.5 million annually for the next four years. The proposed CIP also includes a continuation of the \$1 million annual funding for both the replacement of school buses and school technology; both projects are cash funded through the school lockbox.

The education component of the CIP also includes two projects to modernize existing school campuses. The first project is to modernize and renovate Great Bridge Primary School. No changes are included in the existing CIP and we anticipate that construction will commence during FY 2016. The current CIP also included \$13.7 million for a second modernization project that remains to be identified. The proposed CIP revises FY 2019 funding from \$9.0 million to \$25.3 million and adds another \$15 million in FY 2020 bringing the total available in the second modernization project to \$45 million. Depending on the schools selected, it appears the \$45 million project is sufficient for at least two school modernizations. Funding for both modernization projects relies on the issuance of debt that will be repaid through the school lockbox.

Information Technology – Technology projects that are currently underway include:

- Installation of Enterprise-Wide Technology Upgrades for third-party software,
- Migration of several legacy systems from the main-frame (fully-funded),
- Implementation of a new real estate assessment and on-line building permit systems (both fully-funded and scheduled for substantial completion this year),
- Implementation of case management software for the City and Commonwealth's Attorneys (fully-funded and in pre-procurement stage),
- Renewal of library technology,
- Upgrades and renewals to the City PBX telephone system, and
- Replacement of public safety radio equipment (also fully-funded).

Funding proposed for existing projects is generally consistent with the CIP adopted earlier this year. For FY 2016, we propose funding of three existing projects at the levels approved in the current CIP: (1) development of citizen mobile applications budgeted for \$150,000, (2) upgrades in PeopleSoft budgeted at \$620,000, and (3) upgrades in library technology budgeted at \$90,000. We propose one modification to add \$250,000 to the Enterprise-Wide Technology Project to continue replacing and upgrading third party software used in departments throughout the City. The Kronos and Library technology upgrades

will continue during FY 2017 at \$161,590 as is noted in the current CIP. Note that several new library technology projects are proposed; see new projects section later in this letter.

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

- Improvements to community centers (\$300,000/year through 2019),
- Park improvements (also \$300,000/year through 2019),
- Modifications to improve access for disabled (\$75,000/year through 2024),
- Improvements and expansions of athletic fields (\$380,000/year through 2024),
- Improvements to parking lots (\$90,000/year through 2024), and
- Improvements to park and recreation security (\$40,000/year through 2024).

Funding for these projects became available July 2015 and the department has started planning to ensure successful implementation. The proposed CIP continues funding for these projects as envisioned in the current CIP.

Public Safety – Most activity is focused on the new Public Safety Operations Building; design work is complete and competitive procurement for the 18-month construction project is anticipated in the near future. Several other projects are underway, including design for the new Bowers Hill Fire Station and Saint Brides Fire Station/Police Precinct and a study recommending alternatives for jail overcrowding. The FY 2015 capital budget included the jail study along with the design of an addition to the current facility in the event an expansion is necessary (\$2.25 million total). While the proposed CIP does not include a jail addition, the City has the capacity to fund a small expansion similar to the plan included in the Community Corrections Study released last year. If the jail study recommends an expansion, we will recommend appropriate revisions to the capital program.

The proposed CIP includes funding for construction of fire stations at Saint Brides (2016), Deep Creek (2018), and Dock Landing (2020). Funding for Saint Brides and Deep Creek stations remains at the levels included in the current CIP; the cost to replace the Dock Landing station has increased from \$4.7 million to \$5.75 million. As noted earlier, we recommend deferring construction of the police precinct portion of the combined station at Saint Brides until operating funds are identified for the new precinct.

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. 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 \$35 million of the \$69 million proposed capital plan for Public Utilities focuses on sewer upgrades in accordance with DEQ regulations (50%).

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 Public

Utilities capital improvement plan as we coordinate activities with HRSD. Ultimately, we believe coordination will reduce costs by limiting duplicated efforts.

Approximately \$32 million of the Public Utilities capital improvement plan addresses improvements to the water treatment and distribution system throughout the City. The remainder (\$2.5 million) is available to address unserved areas whose residents have indicated a desire for water or sewer service. A portion of costs incurred to provide services to unserved areas will be recovered through special taxes levied on affected properties.

The proposed CIP includes \$14 million to address requirements of the DEQ Consent Order (Project #05-180). Future funding requirements for this project are very uncertain, but could be as much as \$263 million. The department continues to work with DEQ and regional partners to minimize project requirements. Proposed funding of all other existing 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 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. Proposed funding for existing projects in the Stormwater CIP is revised as follows:

- BMP Restoration Citywide – minor changes in annual budgets, but no change in five-year total (\$1.3 million).
- Citywide Outfall Re-grading and Restoration – minor changes in annual budgets with a \$50,000 reduction in the five year total (\$700,000).
- Citywide System Rehab – propose accelerating an increase in funding; five year total climbs from \$1.8 million to \$2.2 million.
- Citywide Undesignated Drainage Phase III – five year total remains at \$300,000 with no requirements for FY 2016 (previous appropriations are sufficient for 2016).
- Major Equipment Purchases – propose increasing equipment purchases by \$30,000 to \$666,000 in FY 2016; no major equipment purchases are planned for remainder of planning period.
- Neighborhood Drainage Improvements II – propose significant increase in funding from \$1.8 million in current CIP to \$3.07 million for the five years starting in FY 2016. Funding would grow from \$224,600 in FY 2015 to \$750,000 in FY 2020 allowing the City to 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).
- Shillelagh Road Drainage Outfall Improvement – no change in cost of planned improvements; funding required in fiscal years 2016 and 2017 as noted in current CIP.
- Stormwater Mapping & Master Drainage Plan III – funding levels remain at same level as current CIP (\$800,000 over five years).
- Stormwater Quality Program Phase II – funding levels proposed for this ongoing project are projected to grow from \$6.01 million in current CIP to \$8.0 million for 2016-2020. While we

propose increasing the five-year total, existing appropriations are sufficient to address FY 2016 demands; the next infusion of funding is in FY 2017 (\$2.0 million).

- Sunray Area Outfall Re-Grading – no change in scope or cost of the project; funding is required during FY 2016 as noted in current CIP.

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 – 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; construction appears slightly ahead of schedule. Public Works is coordinating 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. Public Works is also working on a number of smaller projects including the rehab of several bridges and overpasses and the improvements to intersections.

While funding requirements of the main Dominion Boulevard and Portsmouth Boulevard projects remain unchanged, the cost of widening Dominion Boulevard south of Cedar Road has increased by \$3.1 million as the project moves through the design stage and costs are more definitive. The revised costs to widen Dominion Blvd. south of Cedar Road is \$20.4 million. We have proposed sharing the increased project costs with the state through the VDOT Revenue Sharing Program.

The cost to rehabilitate the Centerville Bridge has also grown as project designs advance; we now estimate that repairing the bridge will increase from \$2.2 million to \$3.17 million. In order to address increasing costs of the Dominion South and Centerville Bridge projects, we propose to scale back non-arterial road surfacing while fully utilizing available VDOT Revenue Sharing opportunities. Note also that maintenance projects are prioritized lower in the VDOT Revenue Sharing Program and projects like Centerville may only be partially funded if demands for VDOT funding exceed available funding.

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:

- Redesign Sixth Floor of City Hall – we propose a small project that provides office space for new positions added to Office of the City Attorney in the last several years and to improve inter-office communications and interactions between Offices of City Manager, City Attorney, and City Clerk. Recommend funding in FY 2016 with costs estimated at \$100,000.
- Renovation of the Juvenile Services Building – including replacement of failing HVAC equipment, floor and wall coverings, door and locking mechanisms, and plumbing systems. Recommend funding during FY 2016 for \$2.0 million contingent upon a study that recommends continued use of the facility.
- Replacement of existing bookmobile that is at end-of-life with two smaller delivery vehicles. The smaller vehicles will allow the library system to service smaller day care and retirement

communities and expand services from monthly to semi-monthly. Estimated cost to purchase two delivery vehicles is \$163,800; funding is recommended for FY 2016.

- Supporting Tidewater Community College's effort to add a new Science and Engineering Building to its Cedar Road Campus. The College has requested \$1.5 million of City assistance for site work on the 76,000 square foot facility. While not required by statute, localities typically provide monetary support for the expansion of community colleges. Funding is recommended for FY 2017.
- Improving Library Technology – we propose several technology projects for the libraries that will cost \$740,856 over the next five years:
 - Replace the teleconferencing system acquired with grants (\$83,160 in 2019),
 - Refresh routers, and switches (\$150,000 in 2018),
 - Replace the library information system with a system hosted off-site (\$175,000 in 2020),
 - Implement a tablet lending system at two libraries (\$60,000 in 2017-2018), and
 - Implement virtual desktop infrastructure (VDI) throughout the Library system. Application software in a VDI environment is housed on central servers rather than on individual computers. VDI environments reduce support costs since applications reside on a single server rather than 400 individual computers. VDI also reduces computer replacement costs since much of the computing and storage capacity is transferred to the central servers. The project is recommended for FY 2016 and is estimated to cost \$272,696.
- Replacing Software for IT Help/Service Desk – the existing software has been in use for over a decade and does not provide functionality commonly available in service desk software. We recommend replacing the current system with software that improves productivity, automates support tasks, integrates with current applications, and improve communications between IT and end users. Recommend funding of \$325,043 from IT Fund Balance (2016-2017).
- Implementing Police Mobile Communications Security – this project includes encryption software essential for Police communications with the State Police and federal law-enforcement agencies. Encryption software also secures communications between mobile devices and police headquarters. Recommend \$95,000 to acquire and implement software in FY 2016.
- Renovation of Conference Center – over next three years, we expect to work with the private operator to identify and fund improvements to the Center. We anticipate replacing flooring, lighting, signage, and ceiling tiles; we also plan for an addition to the building to provide storage space. We recommend funding of \$2.05 million over three years (2016-2018) from the Conference Center Fund Balance.
- Paving the Western Branch Bicycle Trail – recommend funding for existing five-mile bicycle trail that is a vital segment of a trail connecting Suffolk with Virginia Beach along abandoned rail routes. The current trail is overgrown with grass and does not meet minimal bicycle standards (\$600,000 in FY 2018).
- New projects for replacement of Fire Department equipment, including:
 - Fire response vehicles – we recommend annual funding of \$750,000 in each of the first three years and \$1.5 million starting in FY 2019. This provides a solution to under-funding of vehicle replacements in the operating budget by funding one or two fire vehicles each year with capital funding (\$5.25 million over five years).
 - Bio-medical equipment – we recommend replacing all existing cardiac monitors, AEDs, and chest compression devices used by emergency medical providers (\$1.725 million in

FY 2016). The existing equipment is at end-of-life and will be replaced with uniform equipment throughout the Fire Department.

- Thermal imaging cameras – we recommend the purchase/replacement of thermal cameras with uniform systems on all 27 units (\$324,000 in FY 2018).
- Personal protective equipment – we recommend the replacement of all self-contained breathing apparatus used by firefighters. Current equipment is at end-of-life and would be replaced with uniform equipment throughout the Fire Department (\$2.05 million in FY 2018).
- Other Public Safety Projects:
 - Fire alarm and public address system in the Public Safety Building (Headquarters) – we recommend installing a fire alarm system (building was constructed before alarms were required) and replacing the public address system in order to insure safety of building occupants and visitors (\$150,000 in FY 2016).
 - Precinct security cameras – we recommend installation or replacement of camera systems in police precincts. Several precincts do not have camera equipment; the equipment at other precincts is antiquated and in need of replacement. We recommend installing uniform digital cameras and storage devices at each precinct (\$120,000 in FY 2016).
- New Stormwater Projects are recommended to replace inadequate stormwater systems, protect neighborhoods, and reduce flooding. Specific projects recommended are:
 - Welch Lane Drainage Improvements – \$480,000 in FY 2018 and
 - Whittamore Road Outfall Improvements – \$300,000 in FY 2017.
- New Public Utilities (Water and Sewer) Projects:
 - Expand Lake Gaston Water Treatment Plant – new project to expand city’s capacity to treat water and reduce reliance on neighboring cities. The CIP includes \$1.0 million (2016) to study feasibility of expanding the treatment plant. If the feasibility study recommends proceeding, additional funding of \$59 million will be required to design and construct the expansion.
 - Replace force main at Dominion Boulevard and I-64– new project that replaces a failing sewer main that is 17 feet below the surface and is buried in corrosive soils. Replacement will improve reliability and prevent future costly repairs (\$5.24 million – 2016-2017).
 - Miscellaneous replacements and modifications at Lake Gaston WTP – in the immediate future, chemical feed pumps and storage tanks require replacement and the finished water tank needs recoating. Enclosure of membranes, basin covers, and enclosure over finished water pumps are also under consideration. Further analysis will determine future projects; anticipate \$500,000 annually starting in FY 2018 (\$3.87 million – 2016-2020).
 - Rehabilitate elevated water tanks at Western Branch (\$1.2 million in 2019) – periodically storage tanks must be recoated to prevent deterioration of the structures. A second tank, Norfolk Highlands will require rehabilitation in 2021 or 2022.
 - Replace bulk chemical storage tanks at Northwest River WTP (\$1.2 million in between 2016 and 2017). The CIP does not include replacing a ground storage tank or to investigate riverbank filtration system. Funding of these items will require consideration in future years.

- Replace safety components at sewer pump stations - \$2.5 million over the five years – steel ladders and platforms installed at pump stations are subjected to corrosive conditions and periodically require replacement in order to prevent injury to maintenance employees (\$500,000 each year).
 - Fund cost participation for unserved areas – new project to provide utility services to older residential developments with failing private sewer and water systems. A portion of the costs will be recovered through surtaxes levied on the affected customers (\$2.5 million in FY 2016-2019).
 - Upgrade heating and cooling systems at the water control laboratory – environmental conditions in the laboratory are not optimal; this can cause damage to sensitive analytical equipment and can reduce accuracy of water quality tests (\$480,000 in 2017).
 - Replace water lines on Buchanan Street to replace undersized and antiquated pipes and restore functional service to customers (\$256,870 in 2016).
 - Address disposal of residuals from water treatment process – water treatment removes minerals and organic byproducts that require disposal that complies with environmental regulations. The current disposal site is adjacent to the Northwest River plant and will soon reach capacity. Initially this project funds a study to determine future disposal options. (\$320,000 in 2019).
 - Upgrade control systems at water treatment plants – existing control systems rely on antiquated software that needs replacement in order to assure reliability (\$820,000 in 2017).
- The following new transportation projects are recommended:
 - Safety improvements along Benefit Road between Saint Brides and Sign Pine Roads – we recommend ditch and shoulder improvements along the right-of-way to widen the shoulder and reduce the steep slope of drainage ditches. The project is estimated to cost \$284,100 and is recommended for funding in FY 2016.
 - Extend right turn lane on Battlefield Blvd at Hickory High School – we recommend an extension of the lane in order to improve the flow of through-traffic. The current right-turn lane is too short causing morning backups as students and staff enter the high school parking areas. The project is estimated to cost \$100,000 and is recommended for funding in FY 2016.

FULLY FUNDED CAPITAL PROJECTS (PRIOR YEARS' FUNDING)

Several projects included in the CIP have already received appropriations totaling \$127 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 \$438 million of funding beyond the five year planning period in order to complete those projects. The total cost of all projects included in the CIP is \$946 million spanning a funding period of more than five years.

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 funding. As of October 2014, there were 211 active and fully funded projects with a budget of \$819.3 million that are not part of the proposed CIP for 2016-2020. A complete listing of active capital projects that are not part of the 2016-2020 CIP is included in the Fully Funded Section of

this document. A summary of these fully funded and active capital projects appears in the table below. Nearly 69% of the funding was either spent or under contract.

FULLY FUNDED PROJECTS				
Improvement Category	Prior Years Appropriations	Expended or Encumbered	Uncommitted Appropriations	# of Projects
Community Facilities	\$ 11,241,438	\$ 4,338,734	\$ 6,902,704	15
Economic Development	55,813,671	36,904,577	18,909,094	22
Education	79,466,000	67,550,743	11,915,257	16
Information Technology	31,325,501	18,992,260	12,333,241	18
Parks, Recreation & Tourism	17,519,160	14,772,050	2,747,110	15
Public Safety	79,765,820	36,145,847	43,619,973	13
Public Utilities	79,037,178	37,150,742	41,886,436	38
Storm Water	32,944,027	11,411,252	21,532,775	28
Transportation	423,300,278	327,681,886	95,618,392	33
GRAND TOTAL	\$810,413,073	\$554,948,090	\$ 255,464,983	198

CONCLUSION

The proposed \$381 million Capital Improvement Plan represents the City’s commitment of resources to protect, maintain, and upgrade critical infrastructure throughout the City. The CIP will require the issuance of \$157 million of general obligation bonds (including short-term financing) and \$53 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. However, in order to fund the five-year project, it is essential that we continue reinvesting savings realized as old debt is retired. This proposed CIP reinvests savings realized from the retirement of old debt issues through the school and city capital lockboxes.

The remainder of the proposed CIP (\$171 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 32.0 million
- Commonwealth funding to address Fentress encroachment 4.1 million
- City and School Lockboxes 47.4 million
- General Fund (operating transfers and Fund Balances) 9.4 million
- Stormwater Fund 27.1 million
- Capital Fund (closed projects) 2.8 million
- South Norfolk TIF 6.5 million
- Utility Fund 16.6 million
- Other operating revenue and fund balances 3.4 million

While the objective of a Capital Improvement Program is to identify and schedule new facility and infrastructure requirements and improvements to existing facilities, several projects that may possibly start before 2020 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:

- Expanding the City jail – the State Board of Corrections awarded an permit for the Sheriff to utilize several temporary structures to house approximately 250 inmates. The permit expires in 2018.
- Improvements to South Norfolk and Greenbrier that might be funded with tax-increment financing revenues. Both districts have access to recurring revenue that could be used to finance projects that would spur economic development within each of the areas.
- Replacement of amenities at the Chesapeake Arboretum – this public facility is managed by a local non-profit contains a historic farm house along with several foot bridges that were constructed by volunteers. The farm house will soon require repairs and the foot bridges are reaching end-of-life; as yet no plan has been made to sustain the Arboretum property into the future.
- Public Improvements along Dominion Boulevard – a study was commissioned and is currently underway for future development in the area. In order to ensure a thriving mixed-use community that generates economic development over a wide area, public investments may be required. Such investments will require financing outside the scope of current capital planning.

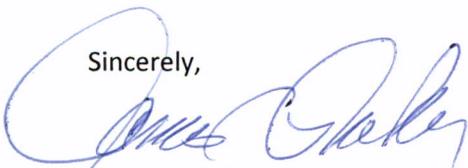
These issues will require attention in future capital programs.

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 2016 portion of the new capital plan starting July 1, 2015. The proposed capital budget for FY 2016 is \$95.2 million and is financed as follows:

Cash from operating funds	\$ 25,911,886
Cash from Intergovernmental Grants	12,046,133
General Obligation Debt	45,819,266
Revenue Bonds (Utilities)	<u>11,408,774</u>
Total Financing Plan - FY 2016	<u>\$ 95,186,059</u>

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 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

