



City Manager Agenda Item 9

June 12, 2018

- (9) CONSIDERATION OF AMENDMENTS TO THE FISCAL YEAR 2018 CAPITAL IMPROVEMENT BUDGET-CITY MANAGER'S OFFICE/BUDGET OFFICE
- A. REQUEST FOR REDUCTION IN THE BUDGET FOR THE FENTRESS ENCROACHMENT PROJECT - DEPARTMENT OF PLANNING
- B. REQUEST FOR TRANSFER OF \$1,400,000 TO THE BATTLEFIELD MEADOWS SEWER PROJECT FROM THE SEWER RENEWAL PROJECT-DEPARTMENT OF PUBLIC UTILITIES
- C. REQUEST TO REMOVE THE GREENBRIER COMMERCIAL DISTRICT IMPROVEMENTS PARKING GARAGE PROJECT-DEPARTMENT OF FINANCE/ DEPARTMENT OF ECONOMIC DEVELOPMENT
- D. REQUEST TO TRANSFER \$250,000 TO THE CITY-WIDE ENTERPRISE RESOURCE PLANNING (ERP) PROJECT - DEPARTMENT OF INFORMATION TECHNOLOGY
- E. REQUEST TO REMOVE THE JOINT JUVENILE JUSTICE FACILITY FROM THE CAPITAL PLAN AND REDUCE THE FISCAL YEAR 2018 CAPITAL BUDGET-CITY MANAGER'S OFFICE

As noted in the attached report, there are several requests for amendments to the Fiscal Year 2018 Capital Improvement Budget. Each revision will be considered as an individual action.

The Fentress Encroachment Project revision is to reduce the project by the amount of lapsed funds and the required match. When the capital plan was prepared, staff did not realize that funding under this program lapses each year if funds are not obligated. Because there were no qualifying purchases in two years, the state funds for those years lapsed and this revision will reduce that funding and the required local match.

The transfer of funds to Battlefield Meadows will allow for the expansion of sewer service to this residential area.

Staff recommends removal of Greenbrier Garage Project from the Capital Budget because the Economic Development Authority will own the public portion of the garage. All related debt will be in the Authority's name and all transactions will be recorded by the EDA. This action will reduce the capital budget and reduce borrowing for the project. The associated financing plan resolution is included as a separate action on the agenda.

The City is working to consolidate numerous operating systems into a few Enterprise Resource Planning (ERP) systems. The IT department has requested to transfer from its operating budget to expand the assessment to include the mainframe applications and the strategy to transition from the legacy mainframe applications.

The City was unable to reach an agreement with the Commonwealth of Virginia for the Joint Juvenile Justice Center and staff recommends removing it from the Capital Improvement Budget. There is another existing project to address renovations to the current facility and staff continue to develop a long-range strategy for replacement of the current facility.

Presented to City Council are amendments to the Fiscal Year 2018 Capital Improvement Budget.

Staff: Steven Jenkins, Budget Director

Revisions to FY 2018 Capital Budget

(A) Fentress Encroachment Project (Project 110190)

In each of the last several years, the General Assembly has awarded Chesapeake between \$2.1 million and \$2.5 million for the purchase of properties that encroach on the Navy's Auxiliary Landing Field at Fentress. When the capital plan was prepared, staff did not realize that funding under this program lapses each year if the funds are not obligated. The project is currently recorded at \$17.7 million based on four years of state funding plus required local matches. Because there were no qualifying purchases in two years, the state funds for those two years lapsed.

Staff recommends reducing the project by the amount of lapsed funds along with the required match. The adjustments is as follows:

- Reduce state funding \$4,300,000
- Reduce local match \$4,300,000

(B) Transfer Funds between Two Sewer Projects: Additional funds are required to complete project to provide sewer service to Battlefield Meadows. The project cost has increased because of the strong demand for utility work in the area and contractors' bid pricing has increased accordingly. Six bids were opened May 1, 2018 and reviewed by staff and consulting engineer. Bids were at least 20% greater than available funding. Staff recommends:

- 1) Unserved Areas – Battlefield Meadows (Project 151129) – increase budget by \$1.4 million.
- 2) Sewer Renewal – Additional Consent Order (Project 105180) – decrease budget by \$1.4 million.

Transferring funds from the larger sewer renewal project will not delay any existing plans. The current CIP adds \$31.65 million to the renewal effort over the next five years; an amount adequate to address plans through FY 2023.

(C) Greenbrier Commercial District Improvements – Parking Garage (Project 103170)

This project was established to encourage economic development through the construction of a parking garage. Under terms of the development agreement with Dollar Tree, the public portion of the garage will be owned by the Economic Development Authority (EDA) and all related debt will be in the Authority's name. Since the EDA is a separate entity from the city and all transactions for the parking garage will be recorded on the EDA's books, we recommend removal of the project from the city's capital budget. Specific action:

- 1) Reduce capital budget by \$16.0 million
- 2) Reduce borrowing for project by \$16.0 million

In separate a separate action City Council will also consider a resolution for a plan of financing for the parking garage by EDA. This adjustment is consistent with the resolution for financing the garage.

(D) Citywide ERP Solution (Project 106220)

The capital budget includes a project to assess the consolidation of numerous operating systems into a few Enterprise Resource Planning (ERP) systems. The IT Department has requested a transfer from its operating budget to expand the assessment to include of legacy mainframe applications and the current state of mainframe software modernizations efforts. The project would also include the development of a strategy to transition from the legacy mainframe applications. Because of the significant inter-dependencies between this proposed effort and the enterprise application assessment currently underway, staff recommends the incorporation of the mainframe software assessment into the enterprise applications assessment. Staff recommends:

- 1) Increasing capital project budget by \$250,000
- 2) Decreasing Information Technology operating budget by \$250,000

(E) Joint Juvenile Justice Facility (Project 118220)

While the FY 2018 Capital Budget included this project, the City could not reach an agreement with the Virginia Department of Juvenile Justice on an agreeable location. The current project includes \$9.2 million of funding from unissued general obligation debt, an amount that is not sufficient to replace the current facility.

The existing facility requires continued investments in the renewal of mechanical systems and building components. A separate renovation project (#104200) to maintain the current building was established in FY 2017 with \$2.0 million of funding. The renovation project still has \$1.3 million available to address issues with the facility. Staff believes that is sufficient for requirements during FY 2019.

Staff continues to develop a long-range strategy for replacement of the current facility. However, given that the larger project is insufficiently funded to address a permanent replacement of the existing facility, staff recommends eliminating the Joint Juvenile Justice project from the capital plan and reducing the FY 2018 capital budget by \$9.2 million.