

Capital Improvement Program 2021-2025

City Council Work Session

November 12, 2019



Discussion

- Objectives of Capital Plan
- Capacity to fund capital program
- Summary of capital improvement plans
- Financing plans
- New projects and revisions recommended
- Impact on debt policies

Objectives

- Preserve and protect existing infrastructure and municipal facilities
- Strategic investments
- Comply with Federal and State regulations and permits
- Maintain City's financial stability
 - Address essential deficiencies
 - Insure efforts are sustainable beyond five-year plan

Capital Financing Capacity

- Debt policies
- Lockboxes for General Government and Schools
 - Support existing and future debt issuances
 - Excess cash balances are used to cash fund projects
- Enterprise Funds
 - Available cash used for pay-go
 - Cash flow analysis – based on approved rate structure
 - Coverage tests
- Assigned fund balances and excess reserves

Use of General Fund Balance

- Important portion of the cash funding for capital projects
- City reserve policy is to budget 18% for reserves
- Funds in excess of charter and policy reserves are assigned for one-time funding
 - Assignment for one-time spending: \$63 million at June 2019
 - Less \$16.9 million for FY 2020 capital allocations leaves \$46.4 million
- Excess revenue and unspent appropriations are credited each year
- Recommend applying available funds towards capital plan
 - Ranges from \$3.6 million to \$16.5 million each year over the planning period

Financial Metric Estimates

Council Adopted Policies

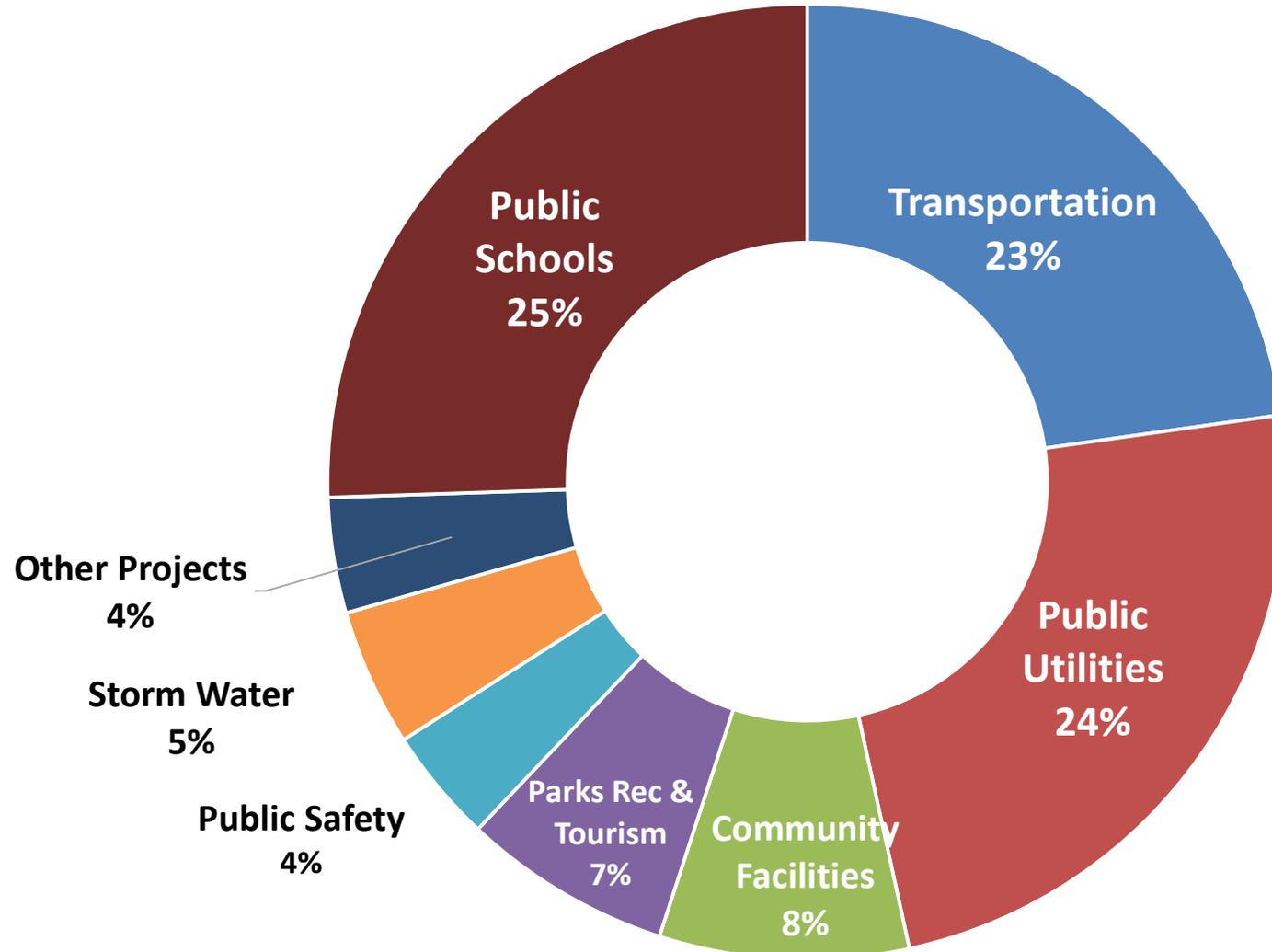
- Per capita debt is less than \$3,000
- Debt is less than 3.5% of assessed value of real estate
- Annual debt service is not greater than 10% of revenue

Proposed CIP

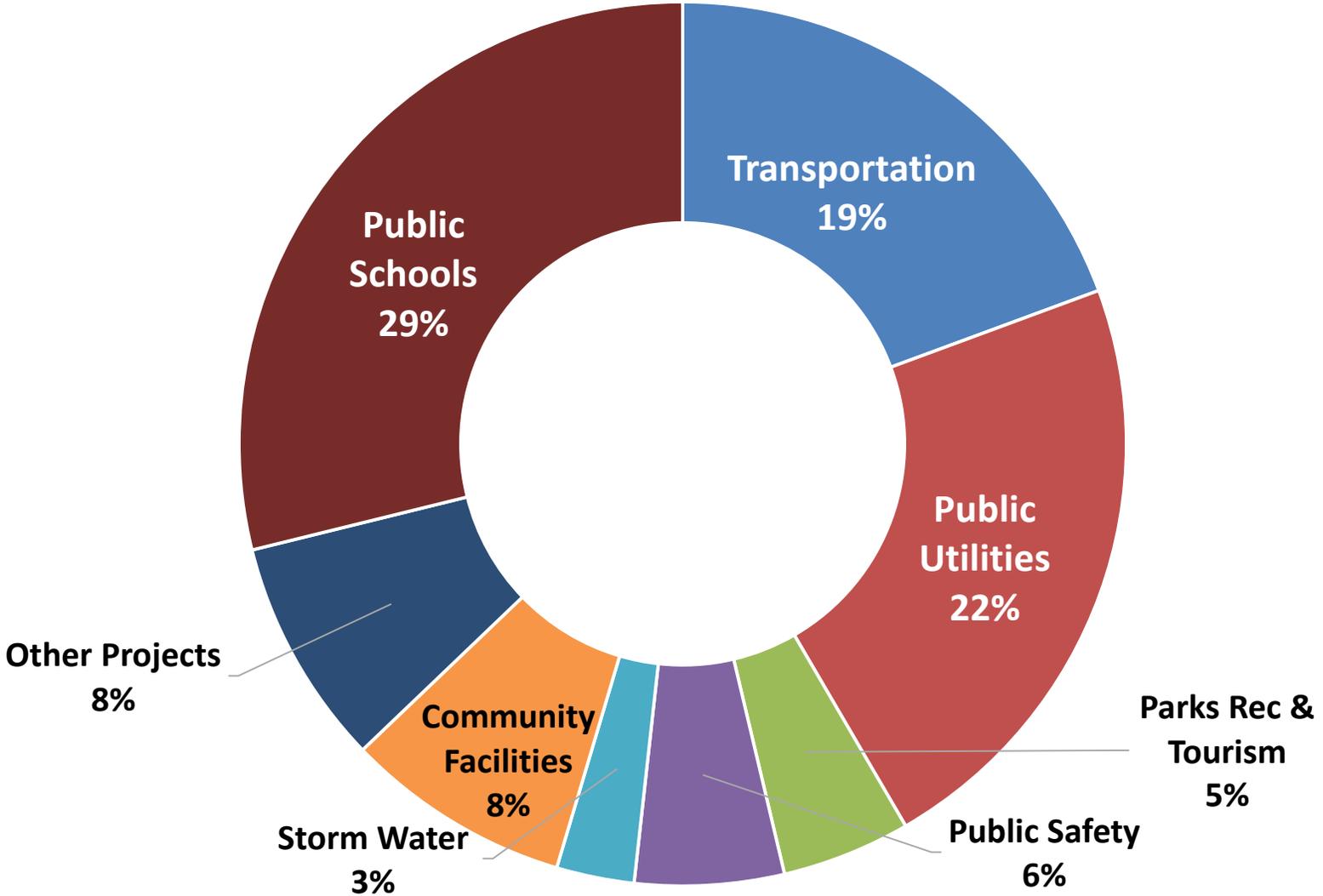
- ✓ Per capital debt remains at or below \$1,600
- ✓ Debt is not greater than 1.5% of projected real estate assessments
- ✓ Annual debt service is not greater than 7.4% of projected revenue

Debt, debt service, and revenue include only General Government activity and exclude enterprise fund activities (Utilities, Stormwater and Toll Roads)

Approved CIP 2020-24: \$577 Million

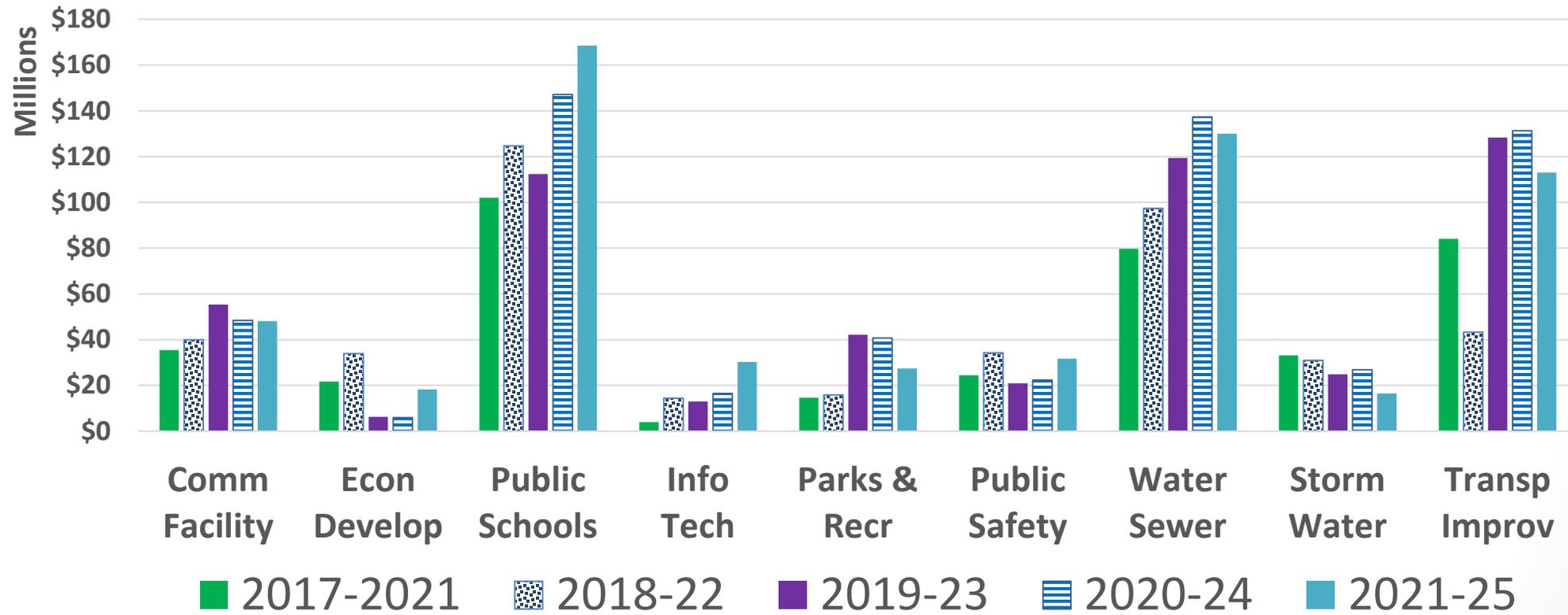


Proposed CIP 2020-25: \$584 Million



Capital program – 2017-25

Comparison of 5-Year Plans



Capital Program (in millions)

| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | Total | % |
|-----------------------------|------------------|------------------|-----------------|------------------|------------------|------------------|-------------|
| General Government | | | | | | | |
| Community Facilities | \$ 12.88 | \$ 17.35 | \$ 4.36 | \$ 6.96 | \$ 6.60 | \$ 48.14 | 8% |
| Economic Development | 13.48 | 2.69 | 0.71 | 0.73 | 0.71 | 18.32 | 3% |
| Education | 13.00 | 13.00 | 13.00 | 56.50 | 73.00 | 168.50 | 29% |
| Information Technology | 4.17 | 5.99 | 5.00 | 5.20 | 9.86 | 30.22 | 5% |
| Parks, Recreation & Tourism | 5.81 | 5.65 | 5.41 | 6.31 | 4.25 | 27.42 | 5% |
| Public Safety | 5.00 | 8.99 | 3.08 | 7.01 | 7.67 | 31.75 | 5% |
| Transportation | 28.57 | 46.48 | 13.72 | 1.20 | 11.03 | 101.00 | 17% |
| | \$ 82.90 | \$ 100.15 | \$ 45.28 | \$ 83.91 | \$ 113.11 | \$ 425.36 | 73% |
| Enterprise Funds | | | | | | | |
| Public Utilities | \$ 38.71 | \$ 20.77 | \$ 27.85 | \$ 24.25 | \$ 18.37 | \$ 129.95 | 22% |
| Stormwater | 6.00 | 4.30 | 2.25 | 2.10 | 1.90 | 16.55 | 3% |
| CTS: Expressway/Dominion | 0.14 | 3.67 | 3.63 | 4.60 | - | 12.04 | 2% |
| Total All Funds | \$ 127.75 | \$ 128.90 | \$ 79.00 | \$ 114.86 | \$ 133.38 | \$ 583.90 | 100% |

Financing Strategy (in millions)

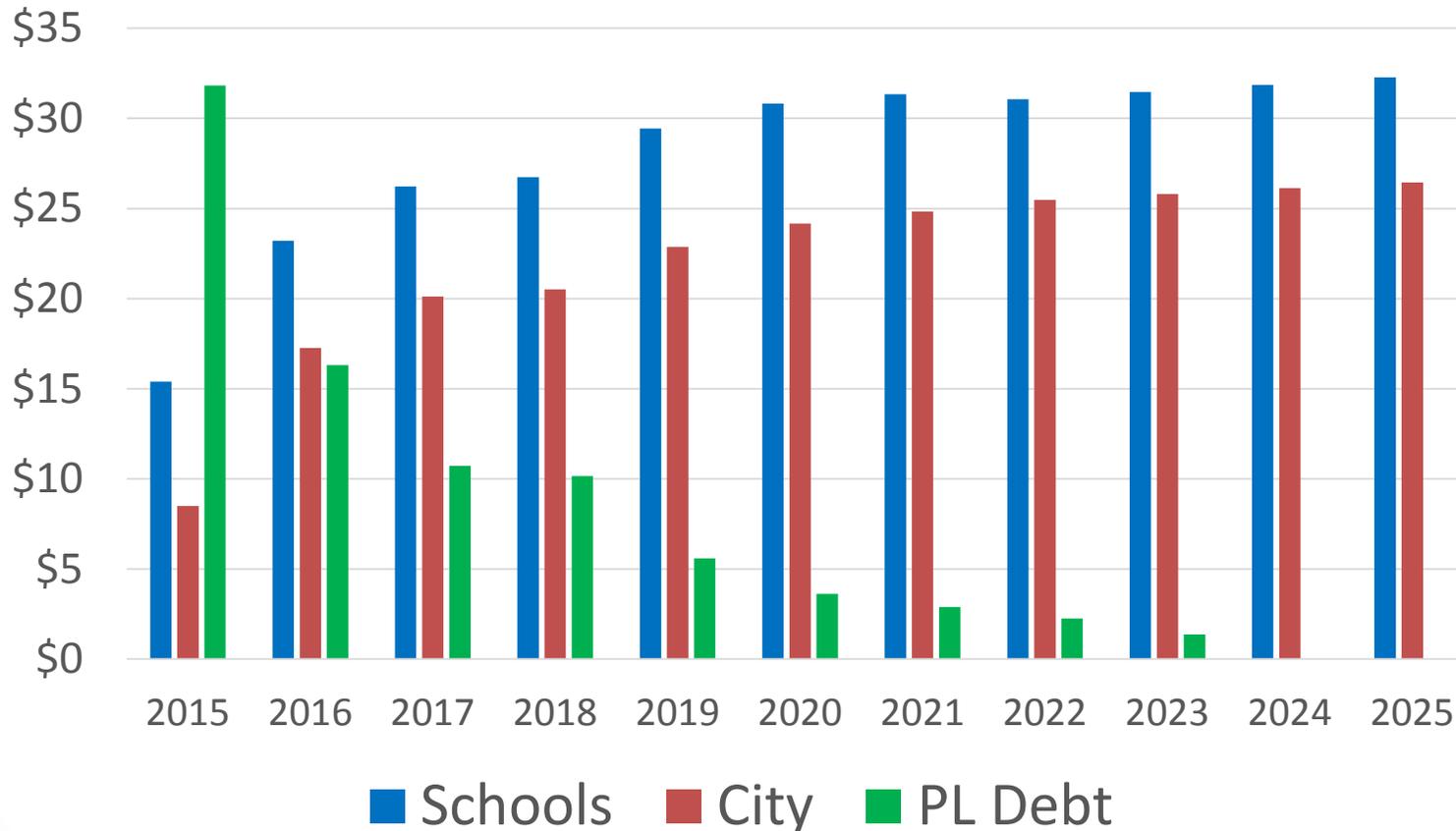
| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | Total | % |
|------------------------------|------------------|------------------|-----------------|------------------|------------------|------------------|-------------|
| Cash Funding: | | | | | | | |
| City cash | \$ 65.81 | \$ 59.61 | \$ 47.20 | \$ 50.34 | \$ 48.23 | \$ 271.19 | 46% |
| Grants and proffers | 22.54 | 28.82 | 10.71 | 0.90 | 7.58 | 70.55 | 12% |
| Total cash funding | \$ 88.35 | \$ 88.43 | \$ 57.90 | \$ 51.24 | \$ 55.81 | \$ 341.74 | 59% |
| Debt Funding: | | | | | | | |
| General Obligation Bonds | \$ 20.08 | \$ 31.48 | \$ 9.10 | \$ 52.63 | \$ 70.08 | \$ 183.36 | 31% |
| Revenue Bonds | 19.32 | 8.98 | 12.00 | 11.00 | 7.50 | 58.81 | 10% |
| Total debt funding | \$ 39.40 | \$ 40.46 | \$ 21.10 | \$ 63.63 | \$ 77.58 | \$ 242.16 | 41% |
| Total funding sources | \$ 127.75 | \$ 128.90 | \$ 79.00 | \$ 114.86 | \$ 133.38 | \$ 583.90 | 100% |

Cash Funding (in millions)

| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | Total | % |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-------------|
| City lockbox | \$ 7.57 | \$ 10.64 | \$ 10.09 | \$ 10.96 | \$ 8.92 | \$ 48.18 | 14% |
| School lockbox | 7.00 | 7.00 | 7.00 | 10.50 | 14.50 | 46.00 | 13% |
| Grants and proffers | 22.54 | 28.82 | 10.71 | 0.90 | 7.58 | 70.55 | 21% |
| Greenbrier/South Norfolk TIFs | 11.40 | 8.00 | - | - | - | 19.40 | 6% |
| Stormwater Fund | 3.70 | 2.70 | 2.25 | 2.10 | 1.90 | 12.65 | 4% |
| Public Utility Fund | 9.39 | 11.79 | 15.85 | 17.25 | 14.87 | 69.15 | 20% |
| Chesapeake Transportation Fund | 0.14 | 3.67 | 3.63 | 4.60 | - | 12.04 | 4% |
| Fund Balances: | | | | | | | |
| Capital (incl. Park Open Space) | 1.30 | 1.00 | 0.50 | 0.50 | 0.50 | 3.80 | 1% |
| General Fund | 16.22 | 13.06 | 6.02 | 3.58 | 6.68 | 45.56 | 13% |
| Open Space/Agricultural Pres | 0.61 | 0.61 | 0.61 | 0.61 | 0.61 | 3.05 | 1% |
| Other Funds | 8.48 | 1.14 | 1.25 | 0.25 | 0.25 | 11.37 | 3% |
| Total Cash | \$ 88.35 | \$ 88.43 | \$ 57.90 | \$ 51.24 | \$ 55.81 | \$ 341.74 | 100% |

Lockboxes – Annual Contributions

Millions



- Green bars represent **pre-lockbox** debt (PLD) service
- As PLD declines, annual contributions rise
- Annual reductions in PLD are shared equally between City and Schools
- Starting in FY 2016, \$1 million annual facility investment is included in City lockbox

City Lockbox (in thousands)

Exhibit E

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Opening balance | \$ 13,722 | \$ 16,649 | \$ 18,920 | \$ 17,380 | \$ 15,211 | \$ 11,979 |
| Locked Revenue: | | | | | | |
| Real estate taxes ... 1¢ | 2,577 | 2,678 | 2,784 | 2,894 | 3,009 | 3,084 |
| General tax revenue | 21,593 | 22,161 | 22,698 | 22,915 | 23,134 | 23,356 |
| Total funds available | \$ 37,892 | \$ 41,487 | \$ 44,402 | \$ 43,189 | \$ 41,355 | \$ 38,418 |
| Use of lockbox for: | | | | | | |
| Debt payments | \$ 12,259 | \$ 14,997 | \$ 16,378 | \$ 17,889 | \$ 18,421 | \$ 19,982 |
| Cash funding of CIP | 8,984 | 7,570 | 10,644 | 10,088 | 10,955 | 8,920 |
| Total uses | \$ 21,243 | \$ 22,567 | \$ 27,022 | \$ 27,977 | \$ 29,376 | \$ 28,902 |
| Ending Fund Balance | \$ 16,649 | \$ 18,920 | \$ 17,380 | \$ 15,211 | \$ 11,979 | \$ 9,516 |

School Lockbox (in thousands)

Exhibit E

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Opening balance | \$ 25,137 | \$ 34,285 | \$ 37,469 | \$ 39,184 | \$ 38,409 | \$ 32,993 |
| Locked Revenue: | | | | | | |
| Hotel taxes | 2,650 | 2,471 | 2,518 | 2,566 | 2,614 | 2,664 |
| Real estate taxes ... 1¢ | 2,577 | 2,673 | 2,767 | 2,861 | 2,955 | 3,050 |
| South Norfolk TIF | 1,000 | 1,000 | - | - | - | - |
| General tax revenue | 24,589 | 25,197 | 25,775 | 26,033 | 26,293 | 26,556 |
| Total funds available | \$ 55,952 | \$ 65,625 | \$ 68,528 | \$ 70,643 | \$ 70,271 | \$ 65,262 |
| Use of lockbox for: | | | | | | |
| Debt payments | \$ 14,667 | \$ 21,156 | \$ 22,345 | \$ 25,233 | \$ 26,779 | \$ 26,601 |
| Cash funding of CIP | 7,000 | 7,000 | 7,000 | 7,000 | 10,500 | 14,500 |
| Total uses | \$ 21,667 | \$ 28,156 | \$ 29,345 | \$ 32,233 | \$ 37,279 | \$ 41,101 |
| Ending Fund Balance | \$ 34,285 | \$ 37,469 | \$ 39,184 | \$ 38,409 | \$ 32,993 | \$ 24,161 |

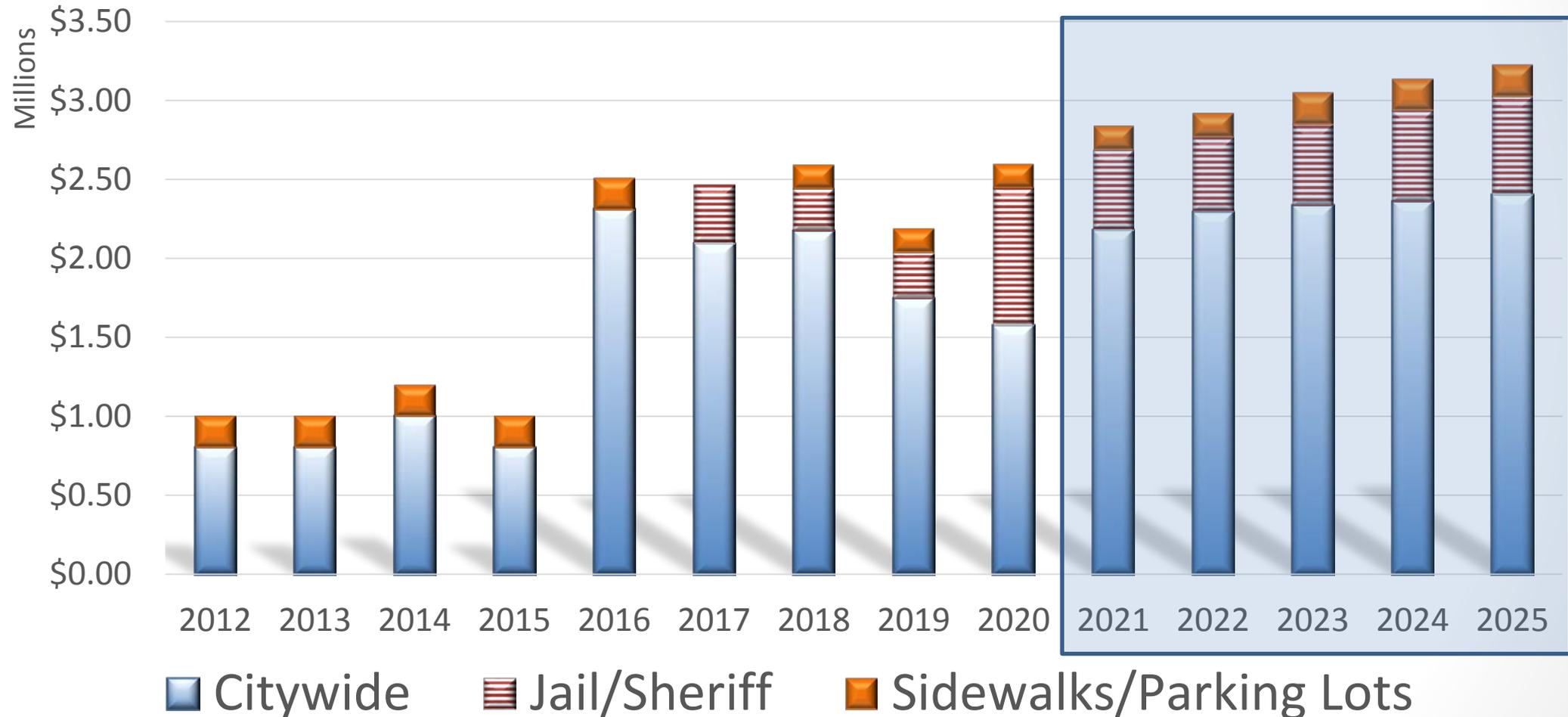
PROJECT RECOMMENDATIONS

Capital Improvement Program
2021-2025

Community Facilities

- **Capital Plans – \$48.1 million**
- Significant changes from last year
 - CIBH – Expansion of main site on Great Bridge Blvd. \$6.00 million
 - Libraries – two new renewal projects (5 sites) \$0.95 million
- Existing Projects
 - High priority facility renewals averages \$2.3 million annually
 - Public Works/Utilities Facility \$14.5 million in FY 2021
Delayed project start to FY 2022
 - Joint City/School Garage added \$4.0 million to project

Facility Renewals – Funding



Economic Development

- **Capital Plans – \$18.3 million**
- Significant changes from last year
 - South Norfolk Municipal Building – added \$12.3 M to begin construction
 - Great Bridge Village Plan Implementation – added \$500,000 (5 years)
 - Industrial Waterfront Study – added \$400,000
 - Open Space and Agricultural Preservation – extended into FY 2025

Education

- **Capital Plans – \$168.5 million**
- Modernization Projects:
 - Future modernization – TBD \$43.5 million (2024)
 - Future modernization – TBD \$60.0 million (2025) *added*
- Building Renewals \$55 million (\$11 M/year)
- School bus/tech replacements \$10 million (\$2 M/year)

Information Technology

- **Capital Plans – \$30.2 million**
- Additions to capital plans (\$13.7 million above 2020-2024 plan):
 - Regional Broadband Ring added \$5.0 million
 - Enterprise Application Modernization added \$10.0 million
 - Fiber Conduit – Mt. Pleasant Road added \$460,000
 - System security added \$425,000
 - Library service expansion – remote services added \$654,000
- Existing projects to upgrade city broadband access, business systems and public safety, library, administrative technology continue as planned (\$13.7 million)

Parks, Recreation & Tourism

- **Capital Plans – \$27.4 million**
- Heritage Park – \$1.5 million to add utilities, ranger station, and trails (2024)
- Heron Landing Park at Indian River – \$750,000 for river access (2021-24)
- Continue annual park and recreational improvements – \$1.2 million/year
- Open Space for Park Amenities – averages \$700,000 annually
- Conference Center refresh finishes and systems – \$440,000 (2021-22)
- Northwest River Park – rebuild facilities – \$4.0 million (2021-24)
- Park and Recreation Expansions/Opportunities TBD – \$8.0 million

Public Safety

- **Capital Plans - \$31.75 million**

- New Projects:

| | | |
|--|---------|----------------|
| • Radio replacements | 2021-25 | \$6.63 million |
| • Emergency shelter power supplies | 2021-23 | \$0.51 million |
| • Fire – biomedical equipment replacements | 2025 | \$3.50 million |
| • Fire – other equipment replacements | 2021-25 | \$1.03 million |

- Existing Projects:

| | | |
|---|---------|----------------|
| • Dock Landing Fire Station | 2021-22 | \$6.85 million |
| • BM Williams Fire Station (design) | 2025 | \$0.95 million |
| • Grassfield Fire/Police Station – (land) | 2021 | \$0.50 million |
| • Jail and Sheriff office renewals | 2021-25 | \$2.70 million |
| • Fire vehicle replacements | 2021-25 | \$7.50 million |

Public Utilities

- **Capital Plans – \$130 million**

- New projects:

| | | |
|---|------|----------------|
| • West Road Sewer Line (to airport) | 2023 | \$ 7.5 million |
| • Oak Grove Tower Rehab | 2025 | \$ 1.5 million |
| • Pump Stations – replace electrical panels | 2025 | \$ 0.5 million |

- Existing projects:

| | | |
|---------------------------------------|---------|----------------|
| • SCADA Control System Replacement | 2022-24 | \$ 6.0 million |
| • South Central Water Transmission #1 | 2021 | \$15.6 million |
| • Regional consent order | 2021-25 | \$19.0 million |
| • Automated meter reading | 2021-24 | \$14.0 million |
| • Fentress NALF Water Transmission | 2021 | \$10.0 million |

Public Utilities, continued

- Existing projects, continued:

| | | |
|---|---------|----------------|
| • Cavalier Water Tower Rehab | 2025 | \$ 1.6 million |
| • Lake Gaston Pipeline – cost participation | 2020-24 | \$ 1.7 million |
| • Northwest River Lakes/Pump Stations | 2021-23 | \$ 2.0 million |
| • Raw water transmission line (Suffolk) | 2021 | \$ 2.7 million |
| • Rehab sewer pump stations | 2021-25 | \$11.2 million |
| • Water and sewer lines | 2021-25 | \$14.9 million |
| • Water treatment plant renewals | 2021-25 | \$21.7 million |

Stormwater

- **Capital Plans – \$16.55 million (down from \$26.8 M)**

- New projects – flood control

| | | |
|---------------------------------------|------------|----------------|
| • Arboretum Channel Improvements | FY 2021 | \$ 0.3 million |
| • Chesapeake Avenue Area (TIF) | FY 2021-22 | \$ 3.6 million |
| • Cooper’s Ditch Regrading (pro-rata) | FY 2021 | \$ 1.0 million |
| • Norfolk Highlands | FY 2025 | \$ 1.2 million |

- Changes to existing projects

| | |
|--|---------------------------|
| • Citywide Outfall Regrading/Restoration | Reduced by \$2.25 million |
| • Resiliency and Reliability (ELIMINATED) | Reduced by \$4.10 million |

Transportation

- **Capital Plans – \$130.2 million**

- Changes to existing projects:

- George Washington Hwy. – delay start 2025 \$20.5 M delayed
- Non-Arterial Street Paving 2024 \$ 2.0 M removed
- Expressway Repaving – continue paving 2023-24 \$ 7.9 M added

- New projects:

- Battlefield/Volvo Intersection Improvements 2024-25 \$ 1.48 M
- Cedar Road Widening (City Hall to Battlefield) 2025 \$ 0.40 M *
- Citywide Trail/Open Space Connectivity Study 2022-23 \$ 0.38 M
- Dominion Blvd. Toll System Upgrades 2023 \$ 0.33 M

* Initial Design; additional state/local funding required beyond FY 2025

Transportation, continued

- New Projects (continued):

| | | |
|---|---------|--------------|
| • Elbow Road Center Lane Addition | 2025 | \$ 0.25 M * |
| • Greentree Road Extension | 2025 | \$ 0.50 M * |
| • Johnstown Road/Battlefield Intersection | 2025 | \$ 0.30 M * |
| • Mt. Pleasant Road/Great Bridge Bypass | 2024-25 | \$ 6.00 M ** |
| • Mt. Pleasant Road Widening – ROW | 2025 | \$ 0.60 M |
| • Pavement Condition Study | 2021 | \$ 0.30 M |
| • Traffic Signal Reconstruction (foundations) | 2021 | \$ 1.16 M |
| • Weiss Lane Widening | 2022-25 | \$ 0.90 M * |

* *Initial Design; additional state/local funding required beyond FY 2025*

** *VDOT funded project (no local funding)*

Transportation, continued

- Other Existing Projects (INCLUDES PRIOR YEAR FUNDING)

| | | | |
|---|----------|----------|-----|
| • 22 nd Street Bridge – fully funded | Underway | \$18.3 M | ✕ |
| • Centerville Bridge Rehab | 2018-24 | \$10.3 M | ★ ✕ |
| • Freeman Avenue Bridge | 2021-22 | \$25.4 M | ☆ |
| • Elbow Road Widening – phase 2 | 2019-21 | \$20.2 M | ☆ ✕ |
| • Johnstown Road Ditches and Shoulders | 2021-23 | \$22.5 M | ☆ |
| • Mt. Pleasant widening – phase 2 | 2020-22 | \$ 9.7 M | ☆ ✕ |
| • Oaklette Bridge Repairs | 2020-22 | \$ 5.1 M | ★ ✕ |
| • Triple Decker Bridge Repairs | 2013-21 | \$ 8.9 M | ★ ✕ |

☆ Project contingent on 50% state and/or federal cost sharing

★ State of Good Repair ✕ Includes prior year funding

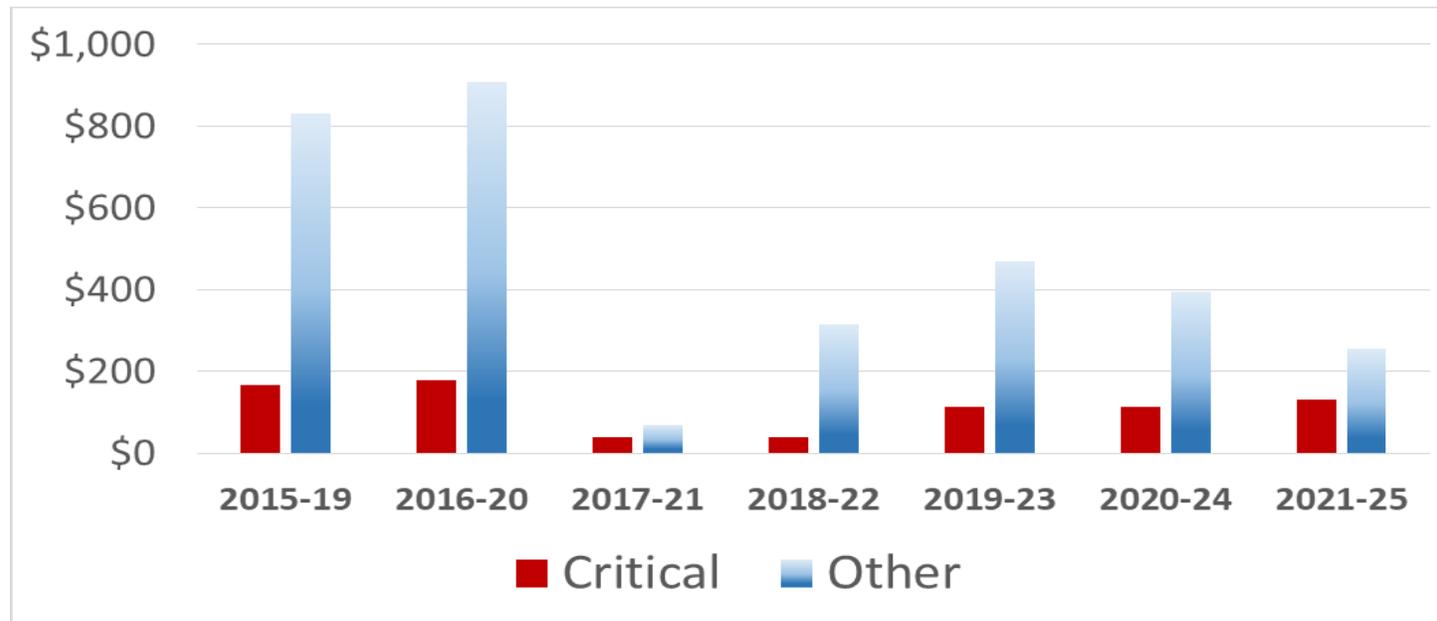
Not everything was funded

- Ballfields at Deep Creek and Centerville
- Flood control to address severe rain events
- Relocation of North Battlefield Fire Station (#4)
- Extension of Dismal Swamp Canal Trail
- Relocation of SPSA Transfer Station in Greenbrier
- Property acquisition for new business parks
- Improving/repaving local streets and roads
- School renovations, modernizations, expansions
- Minuteman Drive – demolition/site restoration
- Continued funding of Public Works/Public Utilities Operations Center
- Multi-purpose stadium(s) – Parks/Schools

Unfunded Projects

Exhibit H

- Focus on truly critical projects that are need now
- Excludes projects that are not critical and that can be delayed indefinitely
- Most of increase in non-critical is for utility extensions and improvements



Next Steps for City Council

- Work sessions – available through adoption date
- Public hearing is required before adoption
- Adoption of Capital Improvement Program
 - Late January or early February
- Appropriation of FY 2020 Capital Budget
 - May 12, 2020