

Changes from the Proposed CIP

On June 15, 2004, by a 7-0 vote, the City Council adopted the FY 2004-05 to FY 2008-09 Capital Improvement Program (CIP). This document reflects the adopted CIP. The adopted CIP included one change from the proposed CIP. In project #93946 "Port Industrial Infrastructure," to provide the initial infrastructure design and related costs needed to support the recently announced APM Terminals Inc., \$265,000 was advanced from FY 2005-06 into FY 2004-05. This was the only funding change between the adopted and proposed CIP.

Besides the CIP funding changes, additional information is provided. Below is a listing of those changes.

- **Cash Flow Planning** – The FY 2004-05 CIP has been planned and based on the estimated expenditure needs. The cash flow needs are estimated quarterly and reflect the best estimates.
- **Detail Historical Funding** – While new projects were limited in the adopted CIP, many previous year projects are continuing. The proposed CIP book reflected this previous year's funding as "Prior Year Funding;" however, in the adopted CIP, the previous year's funding is listed by the funding source. This information is now provided by project and section. This was completed through an existing project analysis. In the proposed CIP preparation, several historical projects were inadvertently excluded, these projects have now been included and properly reflected. This change does not impact the City Council appropriated funding.

Introduction

To provide new facilities and to meet the changing community needs, the Capital Improvement Program (CIP) is a long-term plan addressing ongoing City infrastructure needs through replenishment and replacement projects. For the next five years, the CIP outlines the program. The CIP's first year is the only appropriated year, and the subsequent years are planning parameters only and are future indication needs tied to future estimate resources.

The CIP is programmed in five specific program areas:

- **Drainage and Street Improvements** – Through the Stormwater Fund and the Virginia Department of Transportation funding, there are a number of infrastructure improvement projects making up this program grouping.
- **Education** – This program area is comprised of projects specifically school related. These include the school replacement and ongoing existent aging facility repairs. Funding for these projects come from three sources: the City's ongoing commitment to fund \$4 million of new debt a year, state lottery proceeds, and state construction funds.
- **General Government Projects** – This area represents those projects providing for the community's common good. These projects include gateways, pedestrian paths, neighborhood projects, and economic development support.
- **Municipal Facilities** – As the municipal facilities continue to age and maintenance becomes expensive, there is an existing facility need for replacement and refurbishment. Proposed to meet the changing dynamics of residential and commercial densities, also included in this program area are new facilities.

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- **Public Utilities** – Through the Public Utilities Enterprise Fund, projects are funded for the water and sewer system replacement and renovation. To ensure a secure City water supply, the City water system is aging and requires ongoing repair and rehabilitation.

The CIP prioritization was essential in developing an affordable funding schedule. To achieve this, several principles were used to establish priority funding and allocation.

- Maintain debt affordability
- Give priority to Public Safety and Education projects
- Address ongoing maintenance and replacement needs
- Give priority to projects supporting private development
- Schedule funding in the year to be spent

At its Fall 2003 retreat, CIP prioritization was one of the City Council financial strategies. While (1) balancing the needs for new facilities, (2) providing ongoing aging infrastructure maintenance, and (3) meeting the funding elements to support imminent major economic development projects, the proposed CIP represents the prioritization essential to the City's lasting financial sustainability.

Completed or Closed Projects

A success benchmark is the number of completed and closed projects. Completed projects are expected to be in use by July 1, 2004, and the closed projects represent unnecessary ongoing projects and have residual funding available for reprogramming.

Through these completed and closed projects, the existing unused general obligation bond authority can be reallocated to new projects. In the FY 2004-05 CIP, \$3,708,400 has been reallocated to new projects. For this year's CIP, this reduces needed new debt funding.

By the start of the new fiscal year, the following projects have been completed and are expected to be in full service. These completed projects represent the City's long-term vision and planning.

- Computerized Traffic Signals
- Cradock High School Gym Renovations
- Fresnel Lens
- Greenwood Drive Improvements
- Hodges Manor Soccer Field Renovations
- North Truxton Improvements
- Tower Mall Project
- Port Centre – Fayette/Fifth

As part of the CIP review process, several projects were closed. Formerly funded through the CIP, they typically represent ongoing projects and are funded through the operating budget. The closed projects are:

- The Cemetery Repair project was closed and moved to the operating budget. To maintain the cemetery, regular maintenance funding comes from the Cemetery Fund.
- Court Complex Improvements were closed and replaced with a new project called the "Court Complex" project. This is a new FY 2004-05 to FY 2008-09 program culminates in the Court Complex' full replacement.
- The Landfill phase down project has been closed and is now funded through the Waste Management fund.

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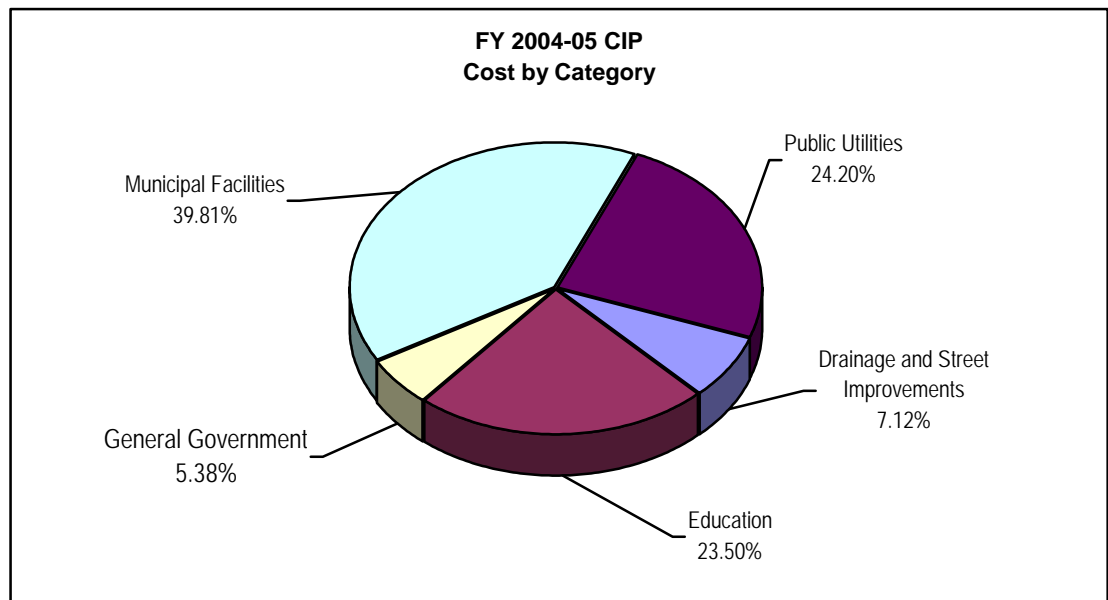
- Hazardous Materials Monitoring and Removal project has closed and moved to the operating budget. Because the need for this service varies from year to year and is based upon emergencies, the service's funding has been placed in a contingency account.
- ADA Municipal Facilities Compliance project has been closed and moved to the operating budget. Much like the Hazardous Materials Monitoring and Removal project, the project's need varies from year to year and is based on facility needs. To accommodate this uncertainty, the funding has also been placed in a contingency account.
- Demolition of Municipal Facilities project will now be handled through the specific project or through operating budget funds.
- Fishing Pier and Scott's Creek Dredging projects have been removed to allow priority project resource reallocation.

Capital Improvement Program Summary

CIP Summary of Program Categories							
	Funding to Date	Unappropriated Subsequent Years					Total
		FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
Drainage and Street Improvements	27,750,026	2,726,233	3,214,716	2,773,450	3,138,566	3,464,900	43,067,891
Education	14,862,783	5,179,481	4,719,341	9,219,341	5,287,833	5,299,615	44,568,394
General Government	5,088,058	1,595,000	2,820,000	585,000	585,000	585,000	11,258,058
Municipal Facilities	13,321,096	10,916,500	19,555,500	895,000	18,830,000	1,210,000	64,728,096
Public Utilities	40,775,393	5,334,000	10,632,333	12,217,833	15,374,166	15,350,000	99,683,725
Total Funding	\$ 101,797,356	25,751,214	40,941,890	25,690,624	43,215,565	25,909,515	263,306,164

The table above indicates each CIP year programmed amount. As the table above indicates, more than \$101.8 million of previous year's funding has been provided. Funding to date is comprised of prior and current appropriations. Until they are closed or are completed, these projects will continue to appear in the document.

Capital Improvement Program

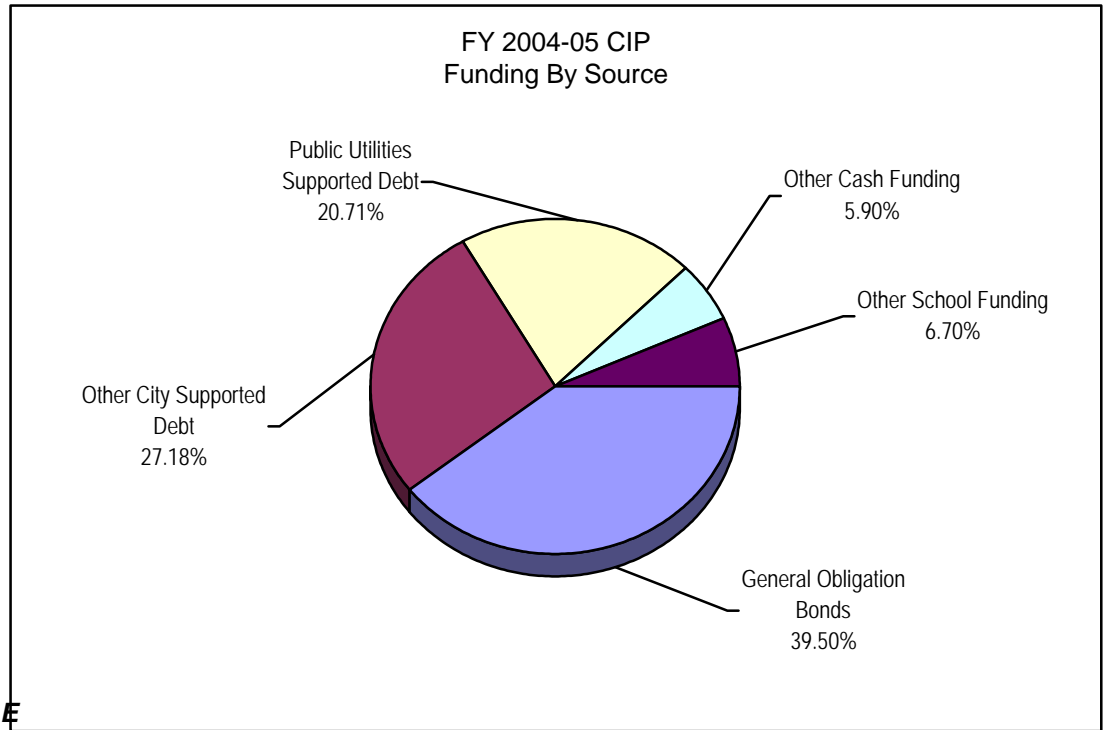


As the pie chart indicates, 87.5% of the CIP funding is designated for Municipal Facilities, Education, and Public Utilities. Through water and sewer rates generated in the Public Utilities Enterprise fund, the Public Utilities CIP is totally self-supporting.

CIP Summary of Program Categories							
	Funding to Date	Unappropriated Subsequent Years					Total
		FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
General Obligation Bonds	53,771,624	10,170,836	26,446,900	2,551,400	24,008,492	5,198,572	122,147,824
Other City Supported Debt	510,056	7,000,000	-	-	-	-	7,510,056
Public Utilities Supported Debt	13,522,638	5,334,000	10,632,333	12,217,833	15,374,166	15,350,000	72,430,970
Other Cash Funding	8,964,981	1,519,833	2,143,316	1,702,050	2,113,566	2,539,900	18,983,646
Transfers	2,828,279	-	-	-	-	-	2,828,279
City Funding from the Commonwealth	15,985,473	-	-	-	-	-	15,985,473
City Funding From the Federal Government	2,511,650	-	-	-	-	-	2,511,650
Other School Funding	3,702,655	1,726,545	1,719,341	9,219,341	1,719,341	2,821,043	20,908,266
Total Funding	101,797,356	25,751,214	40,941,890	25,690,624	43,215,565	25,909,515	263,306,164

The majority of the CIP funding, 87.4%, is generated through the debt issuance. Whether through the use of Public Utility Revenue Bonds or through General Obligation Bonds, debt use allows the City to pursue large projects and finance them over time. This is similar to a home mortgage.

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Estimated Expenditure Cash Flow

FY 2004-05 Estimated Expenditure Cash Flow by Section						
	Total Appropriation	FY 2004-05 Quarter 1	FY 2004-05 Quarter 2	FY 2004-05 Quarter 3	FY 2004-05 Quarter 4	Total Estimated FY 2004-05 Expenditures
Drainage and Street Improvements	\$ 30,476,259	2,562,817	4,229,137	1,138,785	1,838,450	9,769,188
Education	20,042,264	5,997,971	300,000	200,000	150,000	6,647,971
General Government	6,683,058	100,000	265,000	50,000	200,000	615,000
Municipal Facilities	24,237,596	846,934	999,295	1,746,000	2,634,000	6,226,229
Public Utilities	46,109,393	4,292,719	3,492,379	3,271,801	3,491,844	14,548,743
Total	\$ 127,548,570	13,800,441	9,285,811	6,406,586	8,314,294	37,807,131

The estimated expenditure cash flow is based on the individual project construction schedules. To actually do the projects, the City relies on construction firms and contract usage. Because of this reliance on contractors, the cash flow is based on the anticipated award and contract usage. To anticipate debt issuance and project scheduling, these estimates will provide the expected cash needs, and they will be analyzed. External factors such as the cost of materials, weather, and even economic changes can, at times, impact the anticipated expenditures. To ensure the City maximizes its cash position while continuing to conduct the projects in a timely manor, the analysis will be updated on a regular basis.

Changes From the Proposed CIP

On June 15, 2004 the City Council adopted the FY 2004-05 to FY 2008-09 Capital Improvement program.