

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 30, 2007

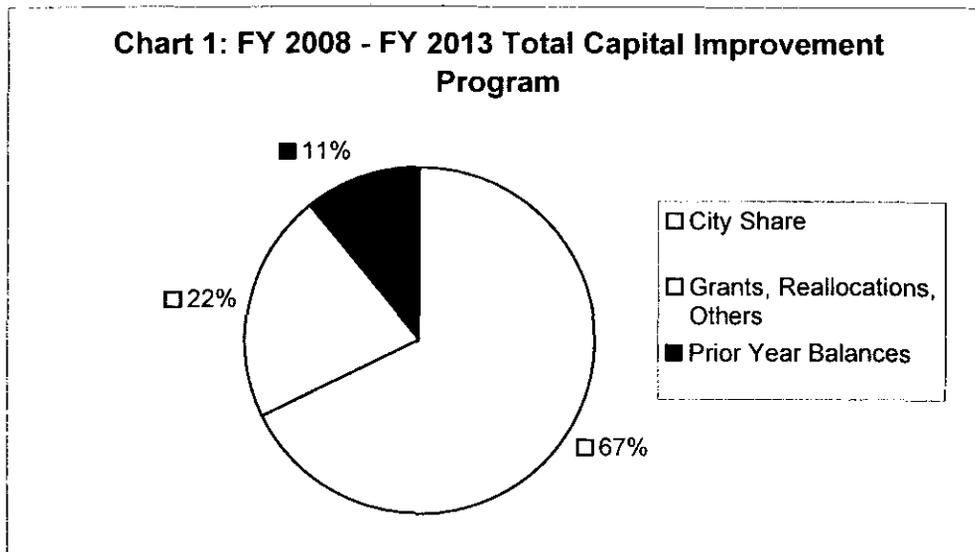
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

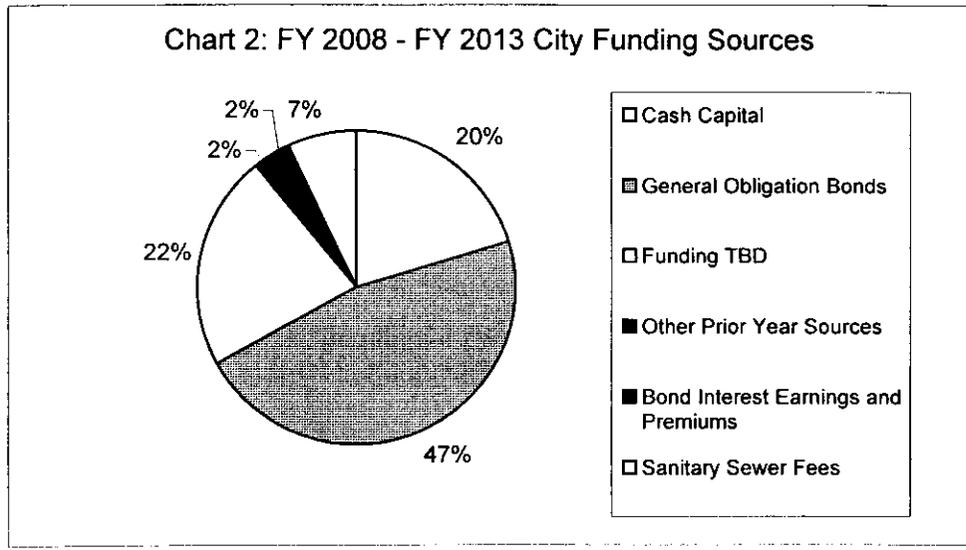
SUBJECT: BUDGET MEMORANDUM # 28: PORTION OF THE CIP FUNDED BY FEES

This memorandum is in response to Councilman Macdonald's request for information on the portion of the Capital Improvement Program (CIP) funded by fees.

The Proposed FY 2008-FY 2013 CIP, currently totaling \$566.7 million, is funded through several sources. As illustrated by the chart below, the City share represents the largest funding source totaling \$383.4 million or 67 percent of the CIP. In addition, the federal and state grants, reallocations, and others category makes up approximately \$122.5 million or 22 percent of the CIP. Finally, prior year balances for previously approved projects carried forward total \$60.8 million or 10 percent of the CIP.



Of the City's share (\$383.4 million), currently sewer fees are the only type of fee which fund City capital projects. These fees provide 7 percent of the City's share of funding as illustrated in the Chart 2, but provides 100 percent funding for all sanitary sewer capital projects. It is projected that sewer fees will generate \$4,531,000 in FY 2008 and a total of \$26,281,440 during the six year FY 2008-FY 2013 plan. This is a substantial increase over six years ago when the CIP did not have any sewer fees funding capital projects.



Two additional fees charged by the City are related to development. A condition of the City issuing a Special Use Permit is often a requirement to place an ornamental refuse container at the site of a new business. The fee for an ornamental refuse is currently \$1,000, which the developer pays to the City, and the City in turn purchases a can to be placed at the business that meets the City standard for appearance. The City collected \$13,000 in fees for street cans in FY 2006, and has collected more than \$10,000 year-to-date in FY 2007.

Another fee that is associated with development is the fee in lieu of following Best Management Practices (BMP's), which are actions taken to protect water quality and to prevent new storm water pollution. Developers often provide BMP's, such as drainage structures or low impact development, and maintain these facilities on their own. In cases where it is not possible to incorporate BMP's into a new development, the developer is given the alternative of paying a fee in lieu of providing storm water relief, which is designated for storm water improvements throughout the City. This fee is currently \$1.50 per square foot of the development project. The City collected \$55,000 in FY 2005, \$70,000 in FY 2006, and \$73,000 year-to-date in FY 2007. The trend of increasing revenues for these fees is attributable to focused collection efforts by the Watershed Program Administrator over the past few years.

While these BMP and refuse container fees provide for capital improvements within the City, they do not offset directly the costs of the projects in the CIP. These funds allow the City to make these types of improvements (storm water management and refuse containers) in addition

to projects contained in the CIP.

While sanitary sewer fees are currently the only major fee source funding the CIP, we expect to bring forward to Council in the future a proposed storm water utility fee as a new CIP funding source (for storm water projects). Also, staff is currently reviewing the proposed transportation funding bill to see if the impact fee option included in the bill would be applicable to the City.

In addition, developers are usually required to pay for new public infrastructure (sidewalks, street signs, water and sewer lines, etc.) as part of their project approval process. The biggest example of this is Potomac Yard where the developer is covering public infrastructure costs (including \$35 million for the new Monroe Avenue Bridge).

