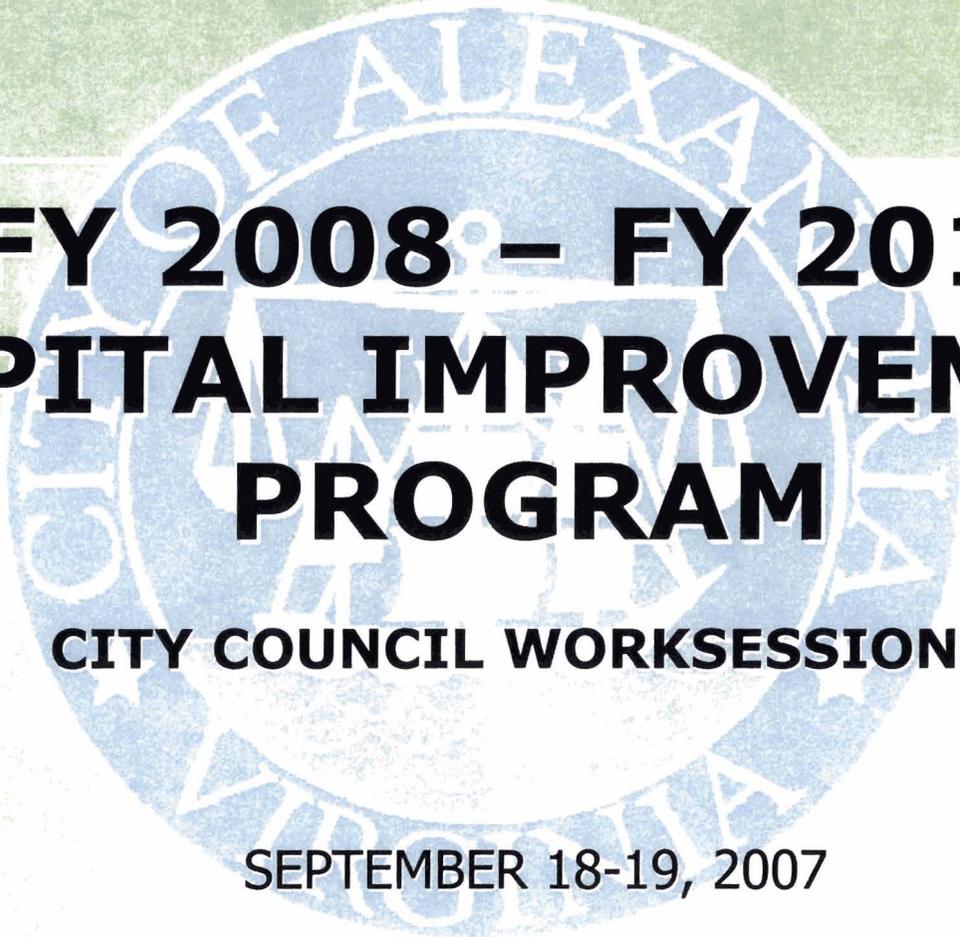


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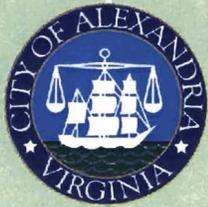
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FY 2008 – FY 2013 CAPITAL IMPROVEMENT PROGRAM

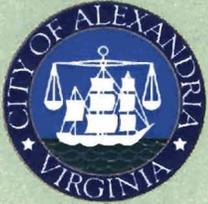
CITY COUNCIL WORKSESSIONS

SEPTEMBER 18-19, 2007



Worksession Objectives

- Review fundamentals
 - Capital budgets
 - CIP planning process
 - Capital project management
 - Current Alexandria policies and practices
- Discuss CIP cash capital and debt service capacity and impact on long-range operating budget
- Obtain guidance/approval to revise debt policy guidelines, if necessary



Worksession Objectives

- Discuss methods to be used to prioritize CIP projects
- Discuss best practices in capital project management and describe changes to be implemented



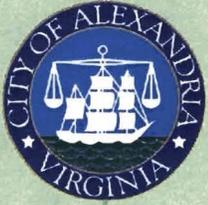
Tuesday's Agenda

- Capital Budgeting Fundamentals
 - Elements of a CIP
 - Rationale for Capital Budgeting
 - Elements of a Capital Budgeting Process
 - Historic CIP Trends
- FY 2008 – FY 2013 Approved CIP
 - Sources and Uses
 - Timing and Scope of Major Capital Projects
- CIP Project Prioritization
 - Prioritization Methods
 - Initial Analysis of FY 2009-FY 2013 Projects



Wednesday's Agenda

- **Constraints on Future CIP Funding/Financing**
 - Debt Policy Guidelines
 - Potential Impact on Operating Budget
 - Menu of Options to Handle CIP Funding Shortfall
- **Best Practices in Capital Budgeting**
 - Review Projects at Specific Phases
 - Systematic Display of Cost Uncertainty
 - Breakdown of CIP According to Strategic Goals
 - Assess Service Level Impacts
 - Assess Impact on Future Operating Budgets
 - Develop Project Implementation Performance Measures



Capital Budgeting Fundamentals

- Elements of a CIP
 - Budget and multi-year planning tool (6 years = budget year plus 5 planning years)
 - First year is capital budget (FY 2008 of FY 2008 – FY 2013 CIP)
 - CIP document provides standard information on each planned project.



Capital Budgeting Fundamentals

Fire Station 203 (Cameron Mills Road) Expansion

Subsection: Public Safety Facilities

Estimated Useful Life of Improvement: 25 years

Managing Department: General Services

Priority: Essential

Project Summary: This project will provide funds for the expansion of Fire Station 203 from a two bay to a four bay station. Upon completion of renovations, this station could then be able to support a future medic unit, appropriate living quarters for personnel, and storage of reserve apparatus. Response data shows that added emergency medical unit support is warranted in this area. A total of \$9.72 million has been budgeted over four years (FY 2010- FY 2013) for this purpose.

Changes from Prior Year: This is a new project, not previously funded in the CIP. Funding in the amount of \$9.72 million is budgeted over four years for the expansion of FS 203.

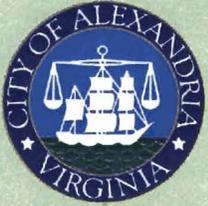
Operating Impact: This project has not yet reached the programming and/or construction phase. Therefore, operating costs are unknown at this time.

	Unallocated Balance	FY 2008 Approved	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total FY2008-FY2013
FS 203 Expansion	0	0	0	70,000	450,000	1,950,000	7,250,000	9,720,000
Less Revenues	0	0	0	0	0	0	0	0
Net City Share	0	0	0	70,000	450,000	1,950,000	7,250,000	9,720,000



Capital Budgeting Fundamentals

- Capital project expenditures (as opposed to an operating expenditure)
 - An expenditure of more than \$10,000
 - Acquires, expands, repairs, or rehabilitates a physical asset
 - A useful life of at least three years
- Multi-year financing plan
 - Shows expected new debt and cash capital from various sources
 - Covers the next 6 years



Capital Budgeting Fundamentals

- Purpose of Capital Budgeting
 - Systematically plan, schedule, and finance capital projects
 - Ensure cost-effective projects
 - Conform with established policies
 - Assess relative value and priority
 - Coordinate funding needs with operating budget



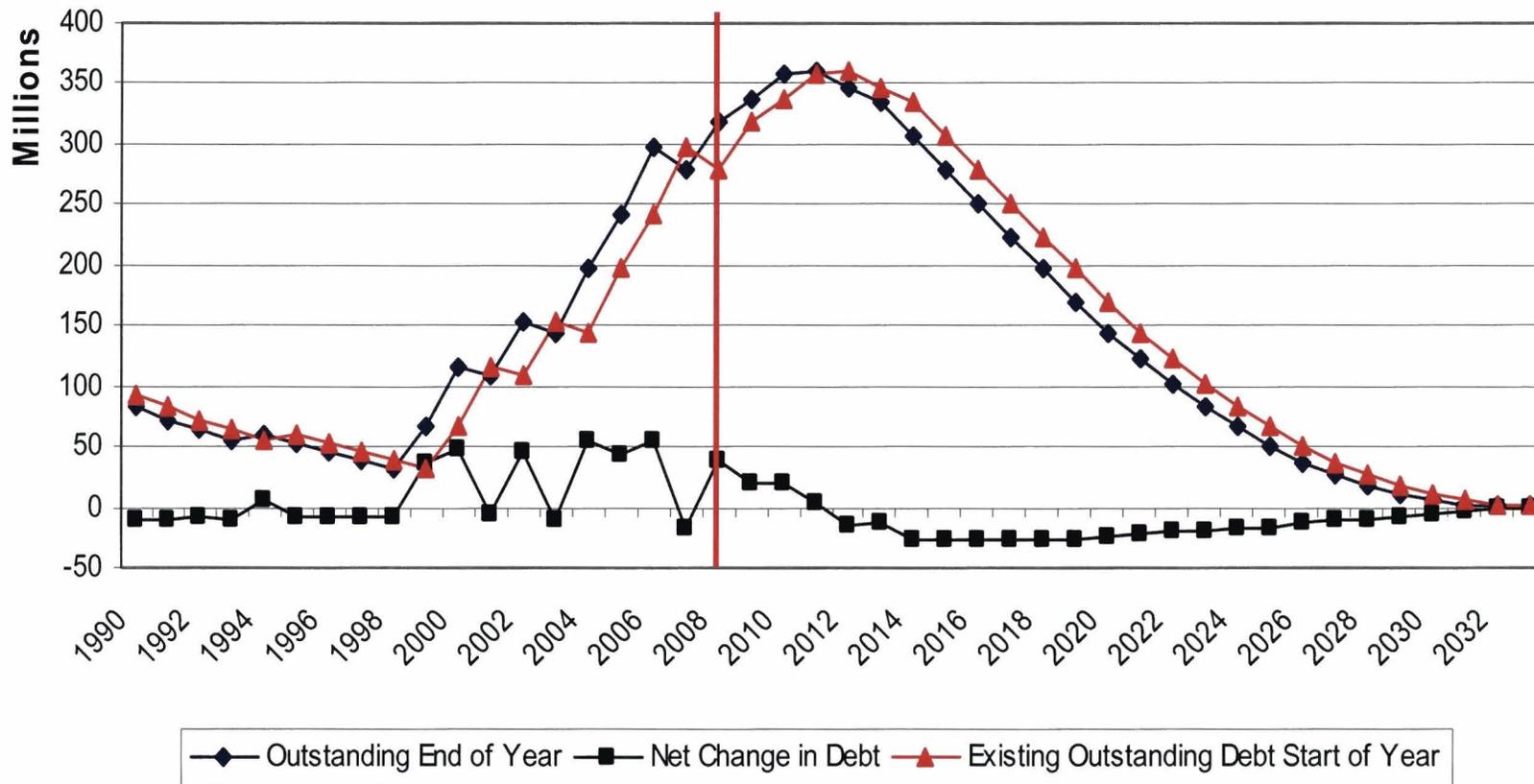
Capital Budgeting Fundamentals

- Financing the CIP
 - Decisions have budget impact for many years
 - Pay-as-you-go vs. Pay-as-you-use financing (Intergenerational Equity Sharing)
 - Various Sources of Cash Capital (Pay-as-you-go)
 - Debt repayment extends to 20 years (Pay-as-you-use)
 - Average maturity of 10 years in Alexandria
 - Currently assume 4.5% interest rate on average



Capital Budgeting Fundamentals

Outstanding General Obligation Debt





Capital Budgeting Fundamentals

- Multi-year Financing Strategy in CIP
 - Assessment of debt capacity (using debt policy guidelines passed by City Council)
 - Assessment of relative impact on operating budget of
 - Cash Capital from Operating Budget
General Fund Revenues
 - Debt service



Capital Budgeting Fundamentals

- Bond Issuance Steps
 - Bond ordinance passed by City Council
 - No referendum required
 - Bond ratings obtained
 - Competitive bidding
 - Bond interest rates can affect timing of issuance and refinancing issuance



Capital Budgeting Fundamentals

- Various Sources of Cash Capital (Pay-as-you-go)
 - General Fund Appropriations from General Fund Operating Budget Revenue
 - Open Space Fund
 - Bond Premium (Sales Price Above Face Value)
 - Bond Interest Earnings
 - Re-allocation of Prior Year Balances



Capital Budgeting Fundamentals

- Other Sources of Financing
 - Grant revenue
 - State and Federal funds
 - Dedicated revenue sources
 - Open Space and Housing Funds
 - Sanitary Sewer fees



Northern Virginia Transportation Authority

- 60% of NVTA revenues to fund regional projects
 - Alexandria to get equitable share of benefits over long-term
 - Benefits worth about \$12M per year on average
- 40% to Local Jurisdiction
 - Alexandria gets about 6.6% of 40%
 - About \$8M per year
 - Local discretion for transportation purposes
- Authority to levy two local taxes
 - Up to 25 cents per \$100 on Commercial Real Estate (5 cents = about \$5 million)
 - \$8 per vehicle per year (about \$700,000 per year)



Capital Budgeting Fundamentals

- Capital Improvement Program Annual Development Cycle
 - Assess needs
 - Review and prioritize requests
 - Assess available financing
 - Integrate with operating budget
 - Propose CIP
 - Council review and adoption



Capital Budgeting Fundamentals

- CIP Project Implementation
 - Projects managed primarily by General Services, T&ES, RPCA, P&Z, ITS, Schools
 - Projects subject to City Council allocation of funds and procurement process
 - Managing department requests allocation through OMB/CMO
 - City Manager proposes docket item for Council requesting allocation of funds
 - Allocations by City Council monthly
 - After allocation, departments enter into contracts as appropriate through procurement process

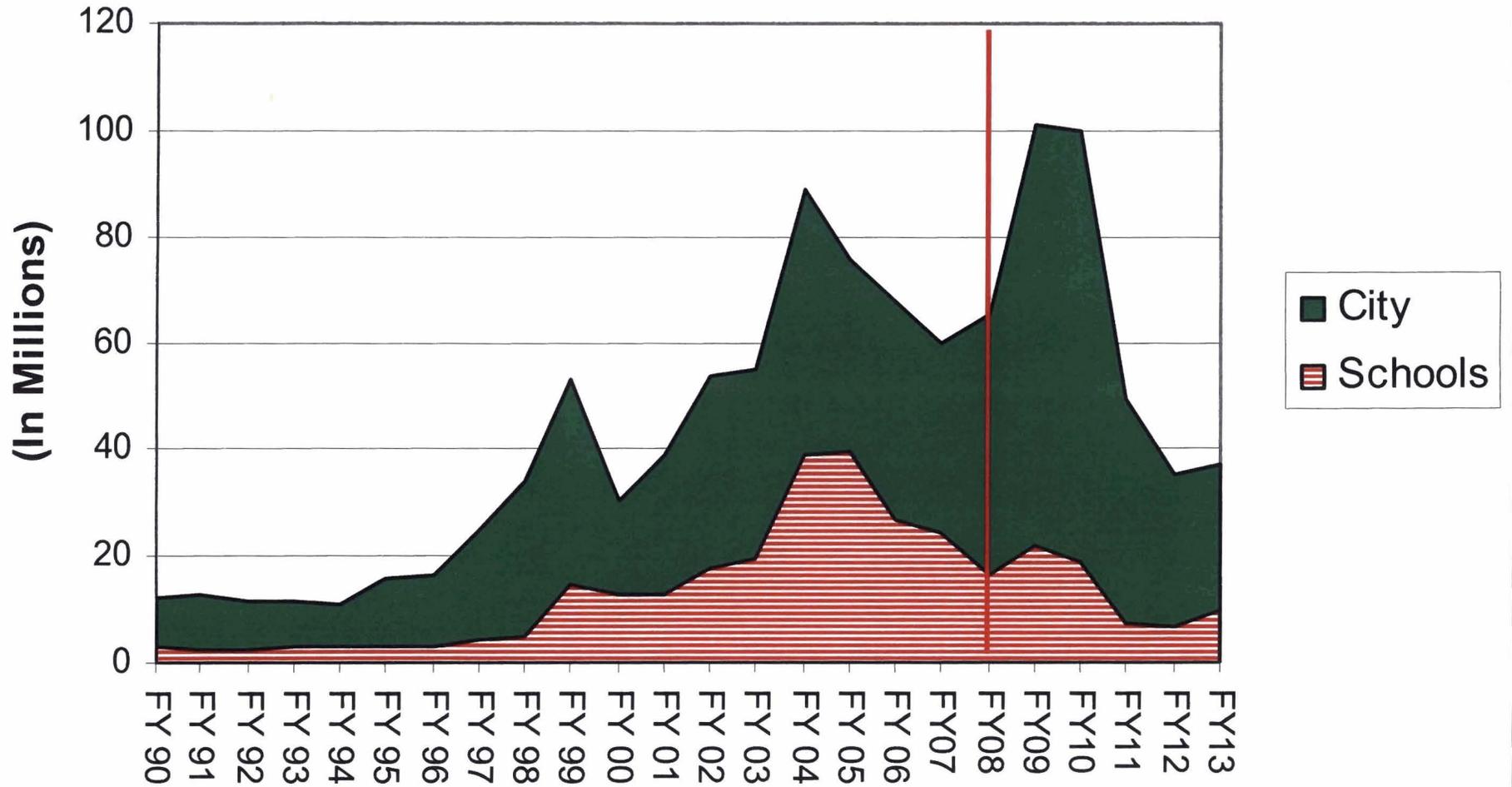


Capital Budgeting Fundamentals

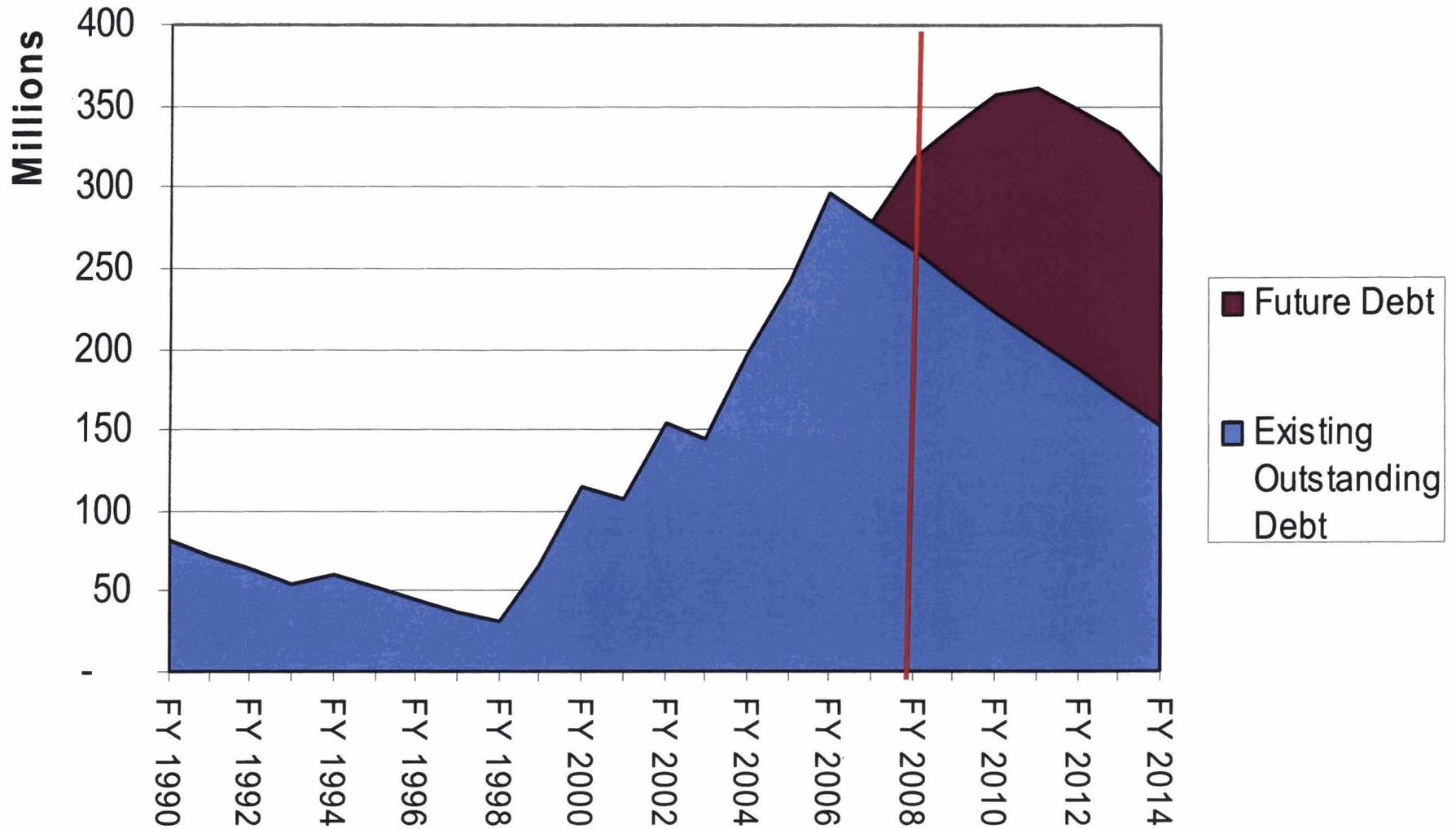
- List of City Capital Assets
 - Several lists exist but for different purposes
 - Real Estate Assessment for tax administration
 - Risk Management for property insurance
 - Accounting for Consolidated Annual Financial Report
 - General Services for property management
 - Will construct a consolidated list for general management and policy analyses

Local Funding - Approved CIPs

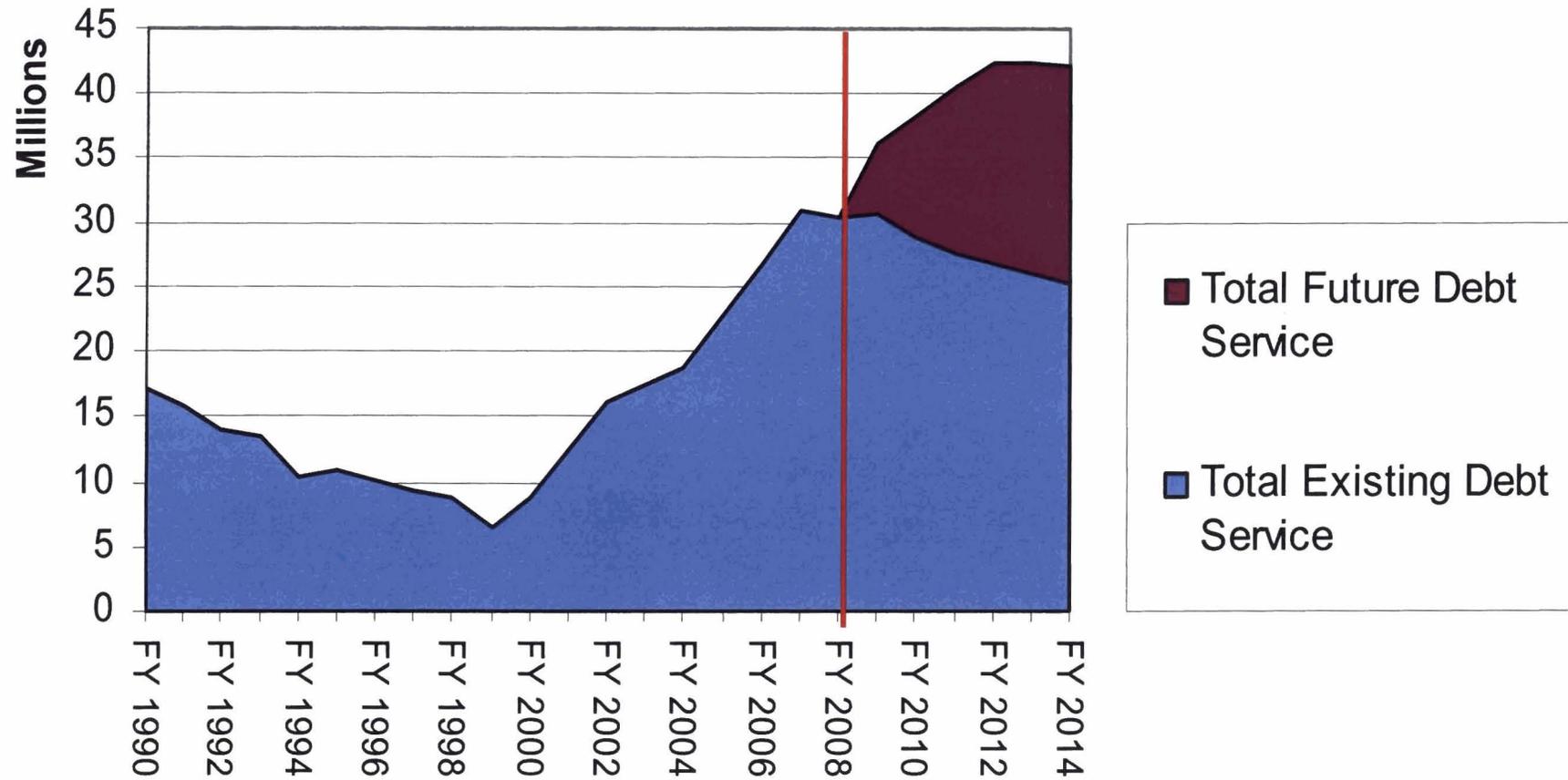
City and Schools Annual CIP Project Funding



Total Outstanding Debt vs. New Debt: FY 1990 - FY 2014

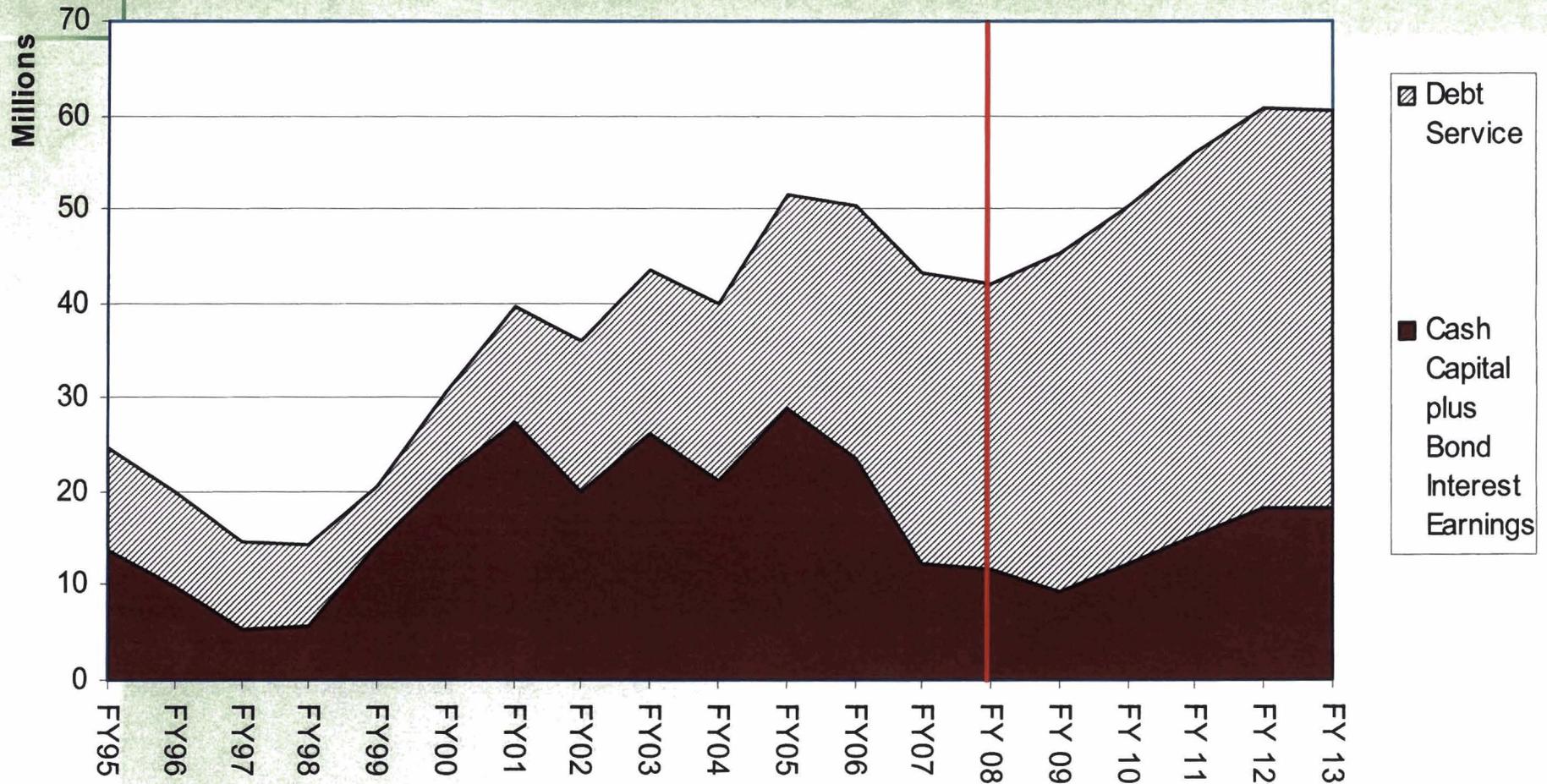


Debt Service: FY 1999 - FY 2014





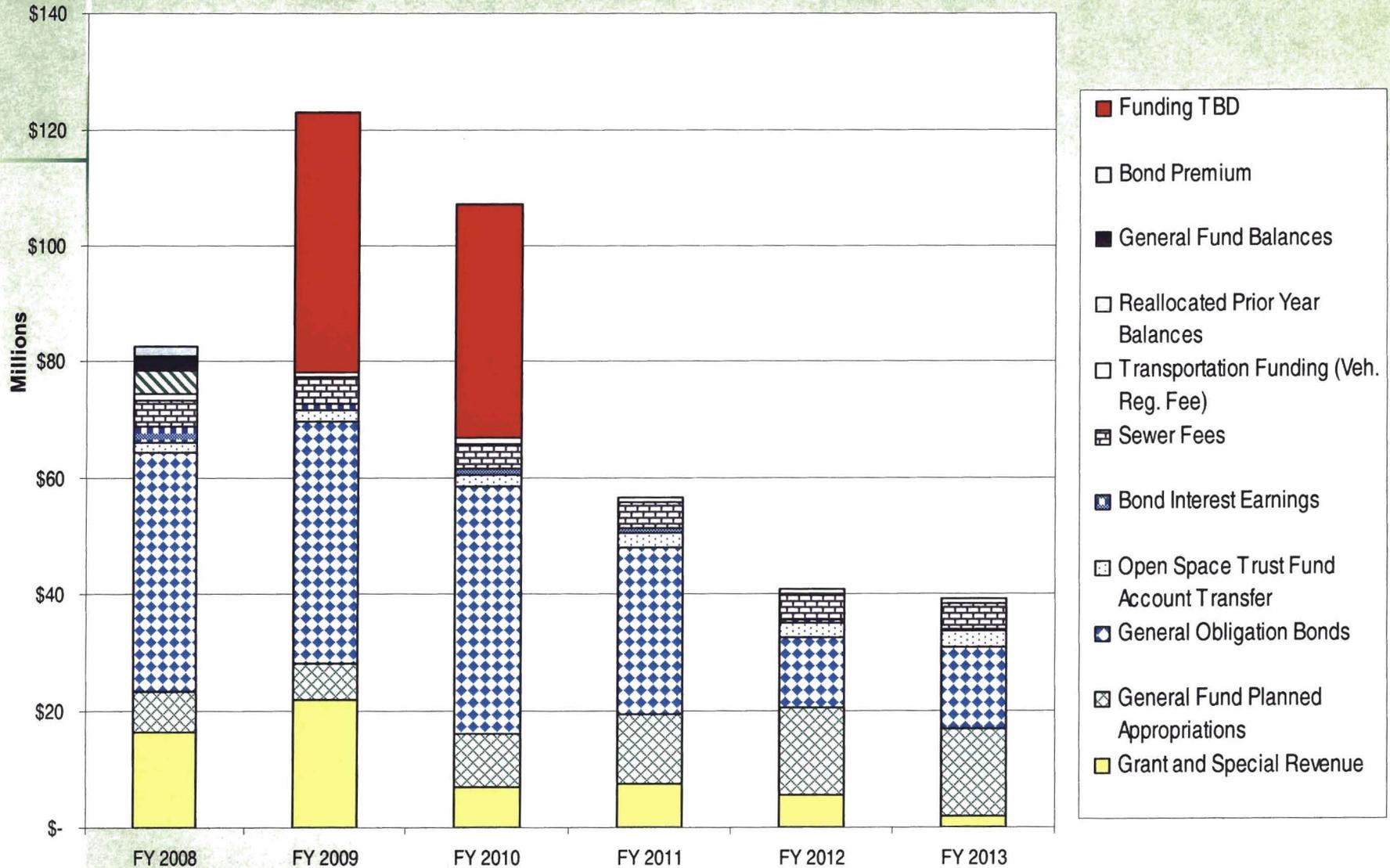
CIP Cash Capital and Debt Service: FY 1995 - FY 2013



September 18-19, 2007

City Council CIP Worksessions

CIP SOURCES: FY 2008-FY2013



September 18-19, 2007

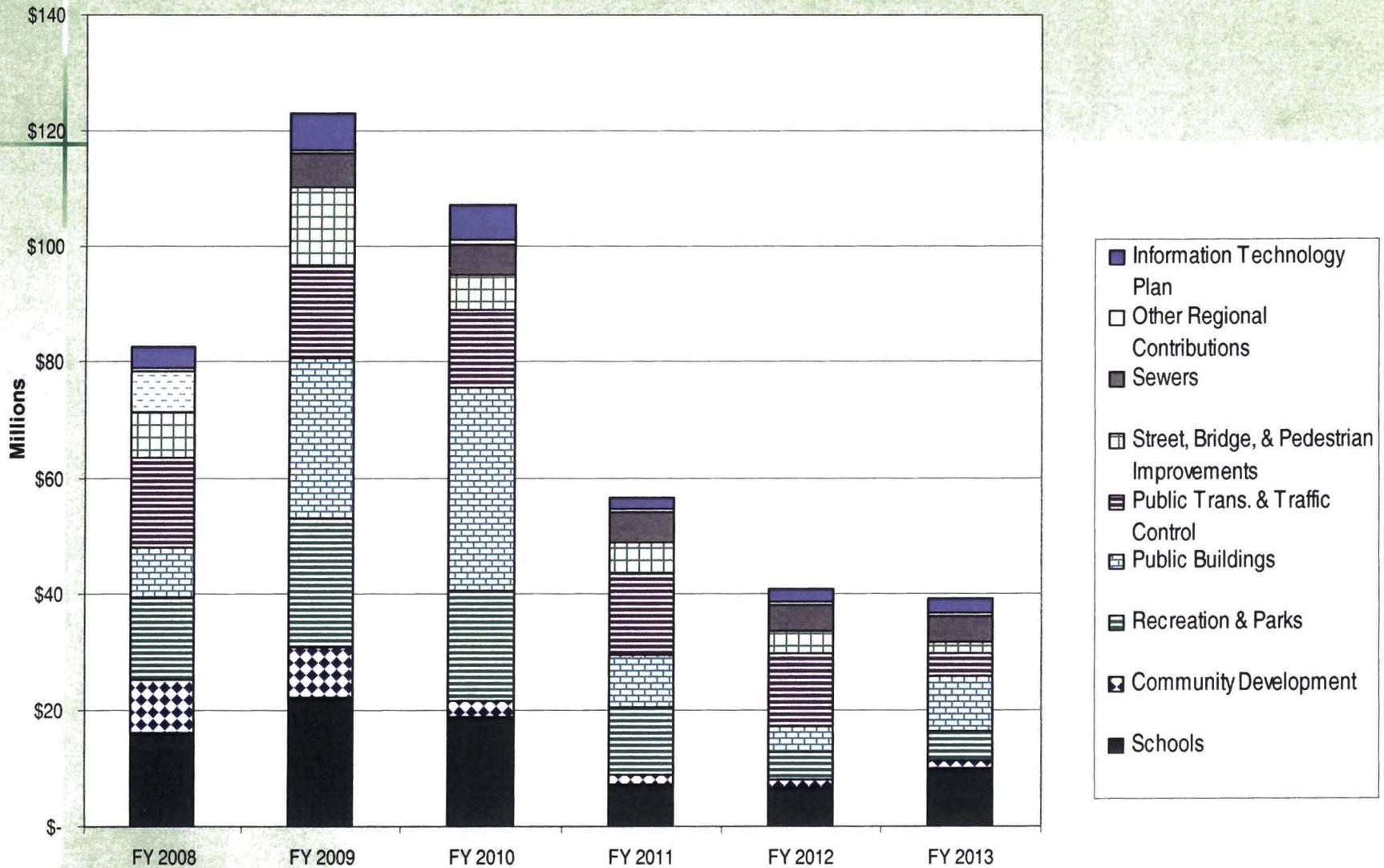
City Council CIP Worksessions



FY 2008–FY 2013 Approved Sources of Funds

Sources	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>TOTAL</u>
Grant and Special Revenue	\$ 16,460,650	\$ 22,037,080	\$ 7,014,000	\$ 7,576,000	\$ 5,540,000	\$ 2,005,000	\$ 60,632,730
General Fund Planned Appropriations	\$ 6,990,041	\$ 6,000,000	\$ 9,000,000	\$ 11,997,586	\$ 14,998,210	\$ 14,997,951	\$ 63,983,788
General Obligation Bonds	\$ 40,890,000	\$ 41,580,000	\$ 42,505,000	\$ 28,618,031	\$ 11,920,000	\$ 13,805,000	\$ 179,318,031
Open Space Trust Fund Account Transfer	\$ 1,875,523	\$ 1,972,140	\$ 2,155,248	\$ 2,349,340	\$ 2,558,195	\$ 2,778,381	\$ 13,688,827
Bond Interest Earnings	\$ 2,710,635	\$ 1,301,445	\$ 935,550	\$ 956,363	\$ 643,906	\$ 268,200	\$ 6,816,099
Sewer Fees	\$ 4,531,440	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 26,281,440
Transportation Funding (Veh. Reg. Fee)	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 5,400,000
Reallocated Prior Year Balances	\$ 3,862,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,862,131
General Fund Balances	\$ 2,678,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,678,177
Bond Premium	\$ 1,687,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,687,403
Funding TBD	\$ -	\$ 44,949,658	\$ 40,384,874	\$ -	\$ -	\$ -	\$ 85,334,532
TOTAL SOURCES	\$ 82,586,000	\$ 123,090,323	\$ 107,244,672	\$ 56,747,320	\$ 40,910,311	\$ 39,104,532	\$ 449,683,158

CIP USES: FY 2008 - FY 2013



September 18-19, 2007

City Council CIP Worksessions



FY 2008–FY 2013 Approved Uses by Category

Uses	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>TOTAL</u>
Schools	\$ 16,249,275	\$ 22,086,725	\$ 18,960,571	\$ 7,169,912	\$ 6,634,790	\$ 9,973,376	\$ 81,074,649
Community Development	\$ 8,981,000	\$ 8,764,000	\$ 2,825,000	\$ 1,640,000	\$ 1,366,000	\$ 1,291,000	\$ 24,867,000
Recreation & Parks	\$ 14,293,123	\$ 22,336,584	\$ 18,813,460	\$ 11,802,077	\$ 4,858,570	\$ 5,186,276	\$ 77,290,090
Public Buildings	\$ 8,480,625	\$ 27,308,662	\$ 34,985,221	\$ 8,820,632	\$ 4,294,812	\$ 9,417,953	\$ 93,307,905
Public Trans. & Traffic Control	\$ 15,659,901	\$ 16,219,700	\$ 13,415,000	\$ 14,257,000	\$ 12,541,000	\$ 3,832,000	\$ 75,924,601
Street, Bridge, & Pedestrian Improvements	\$ 7,855,000	\$ 13,598,000	\$ 6,098,000	\$ 5,129,000	\$ 3,817,000	\$ 1,830,000	\$ 38,327,000
Sewers	\$ 6,834,440	\$ 5,803,000	\$ 5,303,000	\$ 5,303,000	\$ 4,553,000	\$ 4,553,000	\$ 32,349,440
Other Regional Contributions	\$ 635,136	\$ 628,927	\$ 623,795	\$ 618,699	\$ 611,639	\$ 612,427	\$ 3,730,623
Information Technology Plan	\$ 3,597,500	\$ 6,344,725	\$ 6,220,625	\$ 2,007,000	\$ 2,233,500	\$ 2,408,500	\$ 22,811,850
TOTAL USES	\$ 82,586,000	\$ 123,090,323	\$ 107,244,672	\$ 56,747,320	\$ 40,910,311	\$ 39,104,532	\$ 449,683,158



FY 2008–FY 2013 Approved Grants and Special Revenue

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>TOTAL</u>
<u>Grants/Earmarks</u>							
TSI Improvements Earmark	\$990,000	\$0	\$0	\$0	\$0	\$0	\$990,000
State Funding for WMATA	\$0	\$2,300,000	\$2,400,000	\$2,000,000	\$2,000,000	\$2,000,000	\$10,700,000
Safe Routes to Schools	\$322,000	\$0	\$0	\$0	\$0	\$0	\$322,000
SAFETEA-LU	\$2,755,850	\$2,902,700	\$0	\$0	\$0	\$0	\$5,658,550
CMAQ Funds	\$0	\$750,000	\$750,000	\$750,000	\$0	\$0	\$2,250,000
State Urban Funds							
Buses	\$2,606,800	\$2,606,800	\$1,862,000	\$2,646,000	\$1,568,000	\$0	\$11,289,600
Eisenhower Ave Widening	\$3,199,000	\$2,870,000	\$1,976,000	\$2,175,000	\$1,967,000	\$0	\$12,187,000
Mill Road Realignment	\$709,000	\$363,580	\$21,000	\$0	\$0	\$0	\$1,093,580
Grants Subtotal	\$10,582,650	\$11,793,080	\$7,009,000	\$7,571,000	\$5,535,000	\$2,000,000	\$44,490,730



FY 2008–FY 2013 Approved Grants and Special Revenue

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>TOTAL</u>
<u>Other Special Revenue</u>							
WWB Settlement Agreement	\$5,093,000	\$4,869,000	\$0	\$0	\$0	\$0	\$9,962,000
Donations for All-City Sports Facility	\$0	\$5,000,000	\$0	\$0	\$0	\$0	\$5,000,000
Landscaping Fees	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$30,000
Arlington Contribution to Pistol Range	\$30,000	\$370,000	\$0	\$0	\$0	\$0	\$400,000
Four Mile Run Park & Stream Rest. Grant	\$750,000	\$0	\$0	\$0	\$0	\$0	\$750,000
Other Special Revenue Subtotal	\$5,878,000	\$10,244,000	\$5,000	\$5,000	\$5,000	\$5,000	\$16,142,000
TOTAL Grants and Special Revenue	\$16,460,650	\$22,037,080	\$7,014,000	\$7,576,000	\$5,540,000	\$2,005,000	\$60,632,730

Major FY 2008 – FY 2013 Planned CIP Projects

(City Funds In Millions)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
New Police Facility	\$2.9	\$19.4	\$24.2	\$4.8	\$0.0	\$0.0
WMATA Capital	\$7.1	\$5.7	\$6.5	\$7.0	\$7.2	\$0.0
Sanitary Sewer Projects TBD	\$1.5	\$2.9	\$2.9	\$2.9	\$2.9	\$2.9
Chinquapin Recreation Center	\$0.0	\$1.9	\$7.0	\$7.0	\$0.0	\$0.0
Open Space Land Acquisition	\$1.9	\$2.0	\$2.2	\$2.3	\$2.6	\$2.8
Minnie Howard Addition	\$0.0	\$7.9	\$5.0	\$0.0	\$0.0	\$0.0
Fire Station 203 Expansion	\$0.0	\$0.1	\$0.5	\$2.0	\$7.3	\$0.0
New Fire Station - Eisenhower Valley	\$0.0	\$0.8	\$7.2	\$1.3	\$0.0	\$0.0
John Adams HVAC/Fire/Sprinkler	\$1.5	\$4.9	\$0.0	\$0.0	\$0.0	\$0.0
Jefferson Houston HVAC/Fire/Sprinkler	\$0.0	\$0.0	\$0.6	\$0.7	\$0.0	\$4.2
James K. Polk HVAC/Fire/Sprinkler	\$0.0	\$2.0	\$3.4	\$0.0	\$0.0	\$0.1
Athletic Fields	\$1.0	\$0.9	\$0.9	\$1.0	\$0.8	\$0.8
Patrick Henry Recreation Center	\$0.0	\$1.6	\$3.5	\$0.0	\$0.0	\$0.0
All City Sports Facility	\$0.0	\$1.8	\$2.9	\$0.0	\$0.0	\$0.0
Public Safety Center Slab	\$0.0	\$3.5	\$0.0	\$0.0	\$0.0	\$0.0
Windmill Hill	\$1.3	\$1.8	\$0.0	\$0.0	\$0.0	\$0.0
Coordinating Sign & Wayfinding Program	\$0.4	\$1.2	\$1.0	\$0.0	\$0.0	\$0.0
Old Town Undergrounding	\$0.5	\$1.0	\$0.0	\$1.0	\$0.0	\$0.0
G.W. Gym Roof Replace/Artificial Turf/HVAC	\$0.0	\$0.3	\$1.2	\$0.0	\$0.7	\$0.0
Cora Kelly Renovations/Fire/Sprinkler	\$0.0	\$0.2	\$1.5	\$0.4	\$0.0	\$0.1
Monroe Avenue Pedestrian Bridge	\$0.0	\$2.0	\$0.0	\$0.0	\$0.0	\$0.0
William Ramsay Elevator/Playground/Sprinkler	\$0.0	\$0.1	\$1.0	\$0.2	\$0.5	\$0.1
Warwick Pool	\$0.3	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0
Space Management	\$0.6	\$1.0	\$0.2	\$0.0	\$0.0	\$0.0
Cora Kelly Classroom Addition	\$0.0	\$0.0	\$1.1	\$0.0	\$0.0	\$0.0
Payroll/Personnel System	\$0.0	\$1.0	\$0.0	\$0.0	\$0.0	\$0.0
Subtotal Major Projects	\$18.9	\$65.5	\$72.8	\$30.6	\$22.0	\$10.9
Total Approved CIP	\$66.1	\$101.1	\$100.2	\$49.2	\$35.4	\$37.1
% Major Projects (57% overall)	28.6%	64.8%	72.6%	62.3%	62.2%	29.4%



FY 2008 – FY 2013 Approved CIP: TBD Projects

- Downtown Transportation & Parking
- Landmark Redevelopment
- Lower King Street Flood Mitigation
- Municipal Waterfront Improvements
- Four Mile Run Park & Stream Restoration
- Emergency Operations Center



FY 2008 – FY 2013 Approved CIP

- Other Major Projects Not in CIP, But Possibly on the Horizon
 - New ACPS Administration Facility*
 - New DHS and Mental Health Facilities*
 - Detention Center Expansion
 - Bus Rapid Transit (BRT) facilities and rolling stock
 - Storm Water System Improvements
 - Public Art

*Departments currently lease office space.



FY 2009/FY 2010 CIP Project Prioritization: Methods

- **Prioritization by Categorization**
 - Recurring Infrastructure Repair, Refurbishment, Renovation, Rehabilitation, and Reconstruction - "5R" programs
 - Major Infrastructure Reconstruction Work Projects
 - On-going Improvement Programs
 - New Projects
 - IT Programs and Projects
 - Other Baseline Programs
 - Funded with an independent funding source
 - Required as part of a regional or local agreement
 - Project to be prioritized by the CMO
 - New Police Facility (Separately Prioritized)



FY 2009/FY 2010 CIP Project Prioritization: Methods

	Annual or Cyclical Project Timelines	Finite Project Timelines
Existing Facilities or Infrastructure	<p>Recurring Infrastructure R5 Programs (i.e. Fire Station CFMP)</p>	<p>Major Infrastructure Reconstruction Work Projects (i.e. Warwick Pool)</p>
New or Expanded Facilities or Infrastructure	<p>On-Going Improvement Programs (i.e. ADA Improvements)</p>	<p>New Projects (i.e. New Fire Station - Eisenhower Valley)</p>



CIP Project Prioritization by Department

- Prioritization of projects into 3 Tiers
- Asking departments to clearly articulate the criteria they used in ranking
 - Example of Criteria
 - Kansas City, MO (See handout)
- New Police Facility Prioritized by City Manager
- Baseline Programs have highest priority

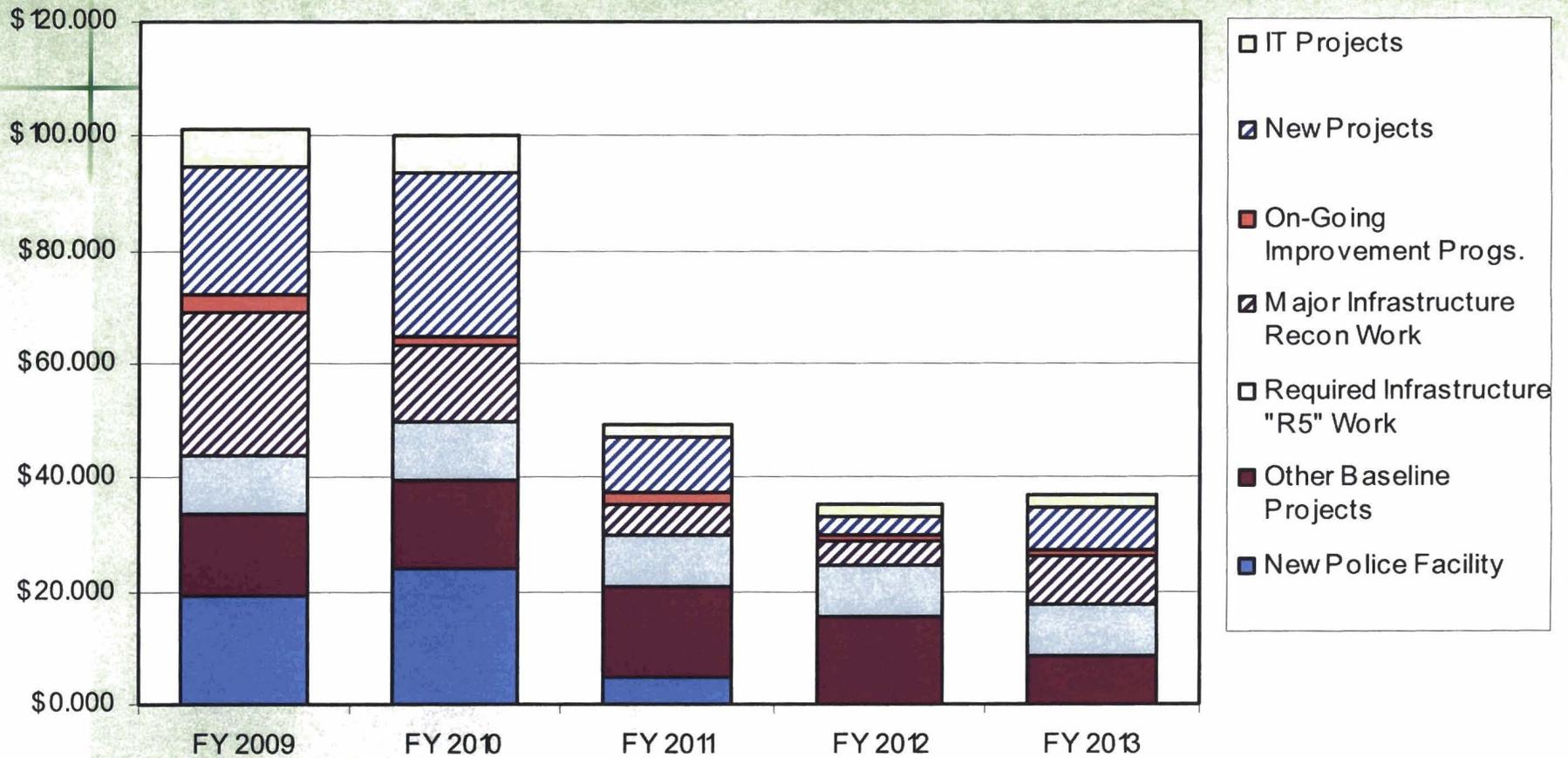


Prioritization Building Blocks

Initial Tier Rankings by	City Manager		Info. Tech. Steering Comm.	Schools and City Depts. (GS, TES, P&Z, RPCA)			
	Baseline Programs	Special Projects	Info Tech Programs/ Projects	Recurring "5R" Programs	Major Reconstruction Projects	On-Going Improvement Programs	New Projects
Tier I							
Tier II							
Tier III							

Summary Totals by Category

(\$ In Millions)

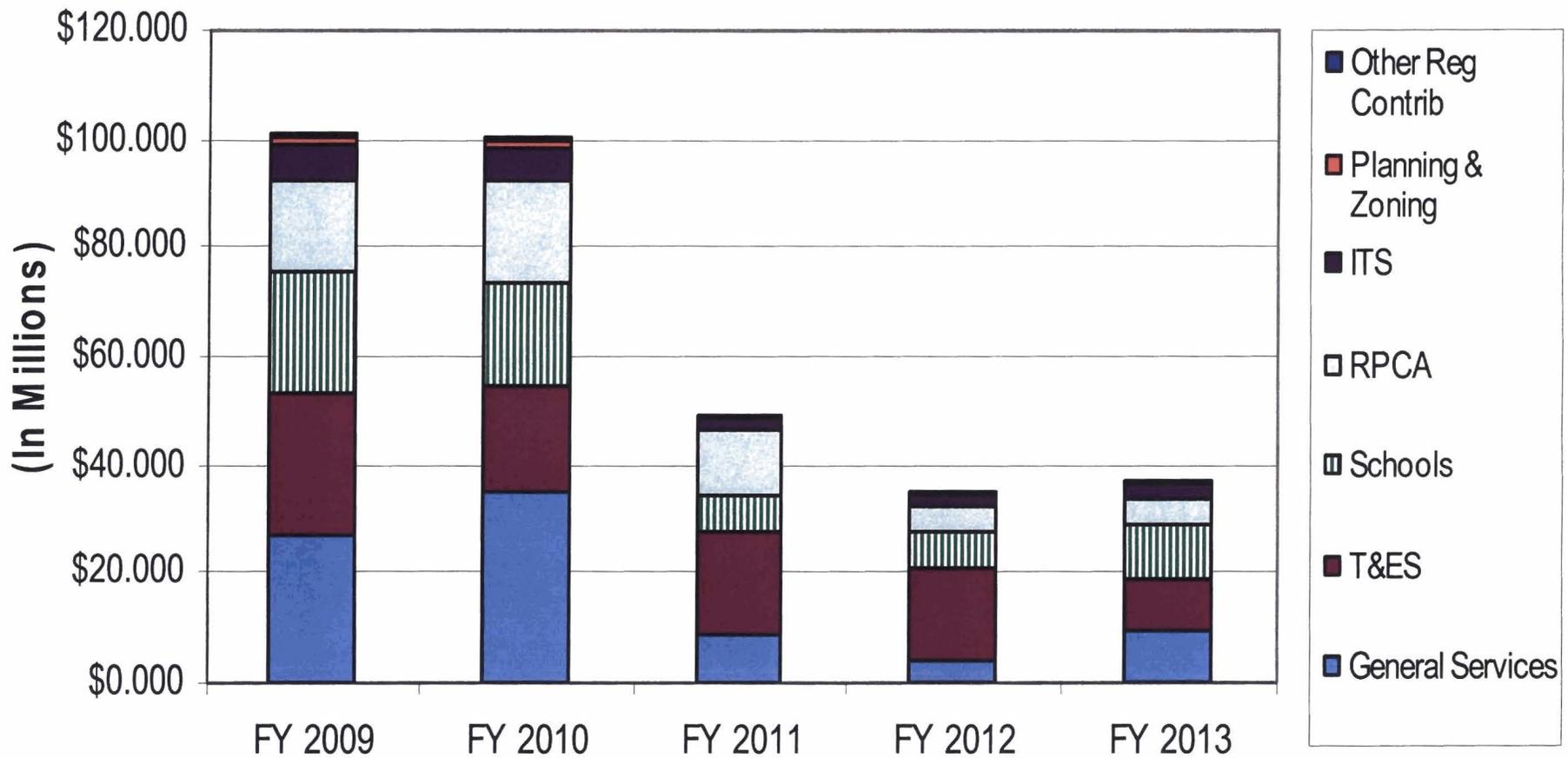




FY 2009-FY 2013 CIP Requests by Project Category (City Cost In Millions)

Summary Totals by Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total Requests
New Police Facility	\$19.360	\$24.200	\$4.840	\$0.000	\$0.000	\$48.400
Other Baseline Projects	\$14.586	\$15.523	\$16.145	\$15.633	\$8.736	\$68.490
IT Projects	\$6.345	\$6.221	\$2.007	\$2.234	\$2.409	\$19.216
Required Infrastructure "R5" Work (City)	\$7.657	\$7.956	\$6.839	\$6.798	\$6.477	\$34.091
Required Infrastructure "R5" Work (Schools)	\$2.496	\$2.296	\$2.301	\$2.306	\$2.311	\$11.710
Major Infrastructure Recon Work (City)	\$13.651	\$3.207	\$1.106	\$0.911	\$0.969	\$16.343
Major Infrastructure Recon Work (Schools)	\$11.169	\$9.809	\$4.074	\$3.401	\$7.662	\$36.115
On-Going Improvement Progs.	\$3.504	\$1.657	\$2.081	\$1.071	\$1.086	\$9.314
New Projects (City)	\$22.286	\$22.506	\$8.984	\$2.090	\$7.350	\$54.194
New Projects (Schools)	\$8.422	\$6.856	\$0.795	\$0.928	\$0.000	\$17.000
Grand Total	\$101.053	\$100.231	\$49.170	\$35.371	\$37.000	\$314.873

Summary Totals: Costs by Managing Department

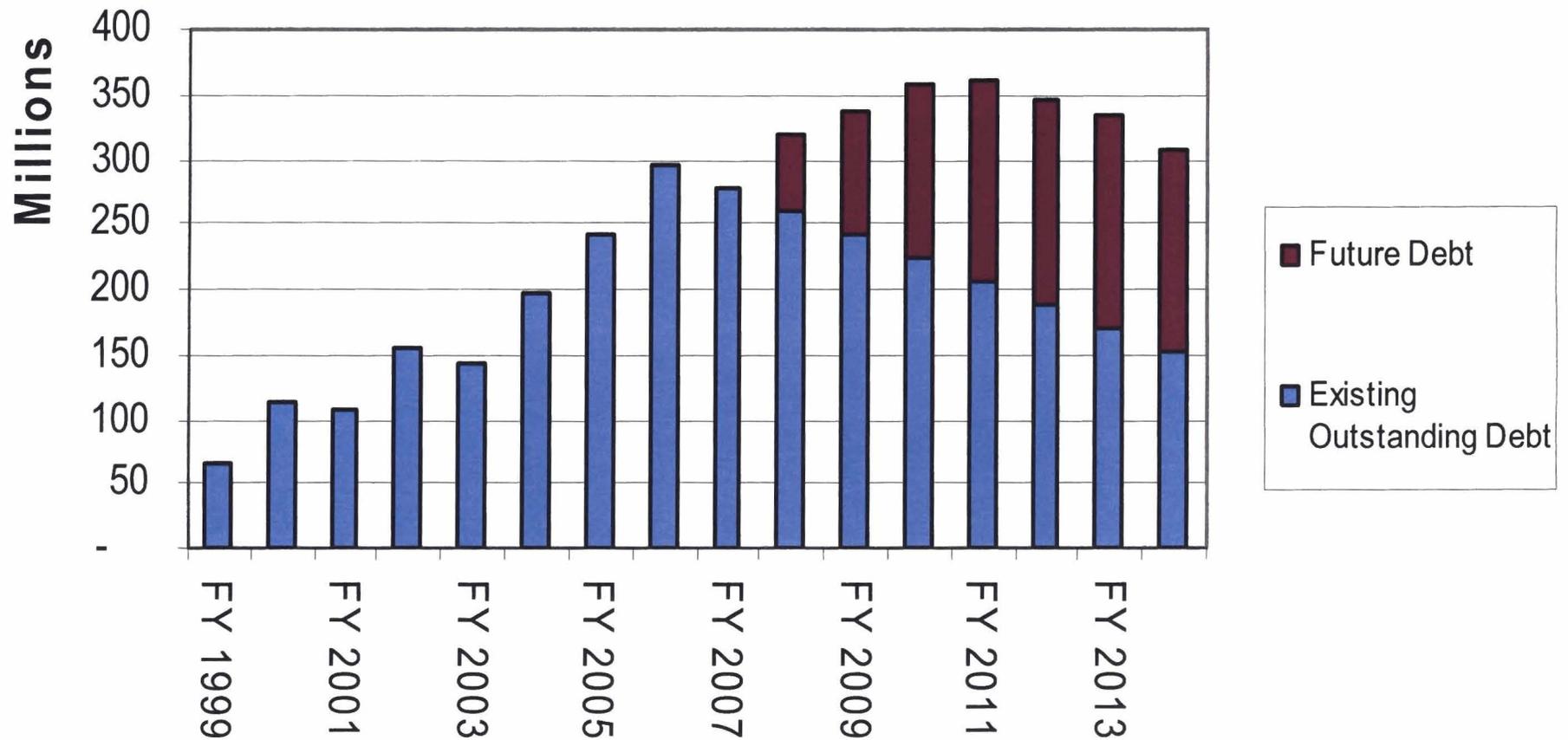




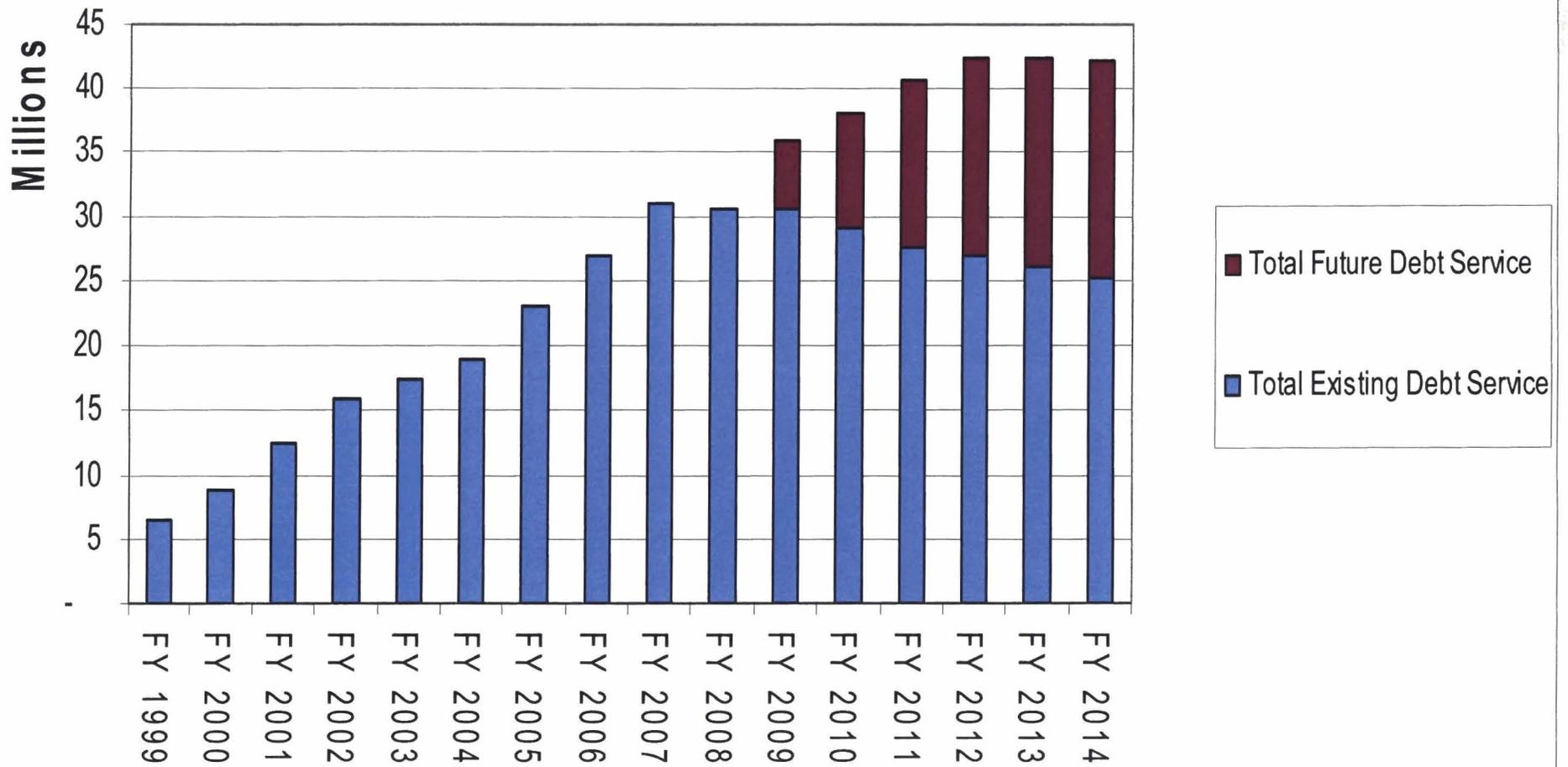
CIP Project Prioritization: Budget Document Changes

- New Descriptions of:
 - Service level impacts
 - Impact on Strategic Plan goals/action items
 - Other information related to prioritization

Total Outstanding Debt vs. New Debt: FY 1999 - FY 2014



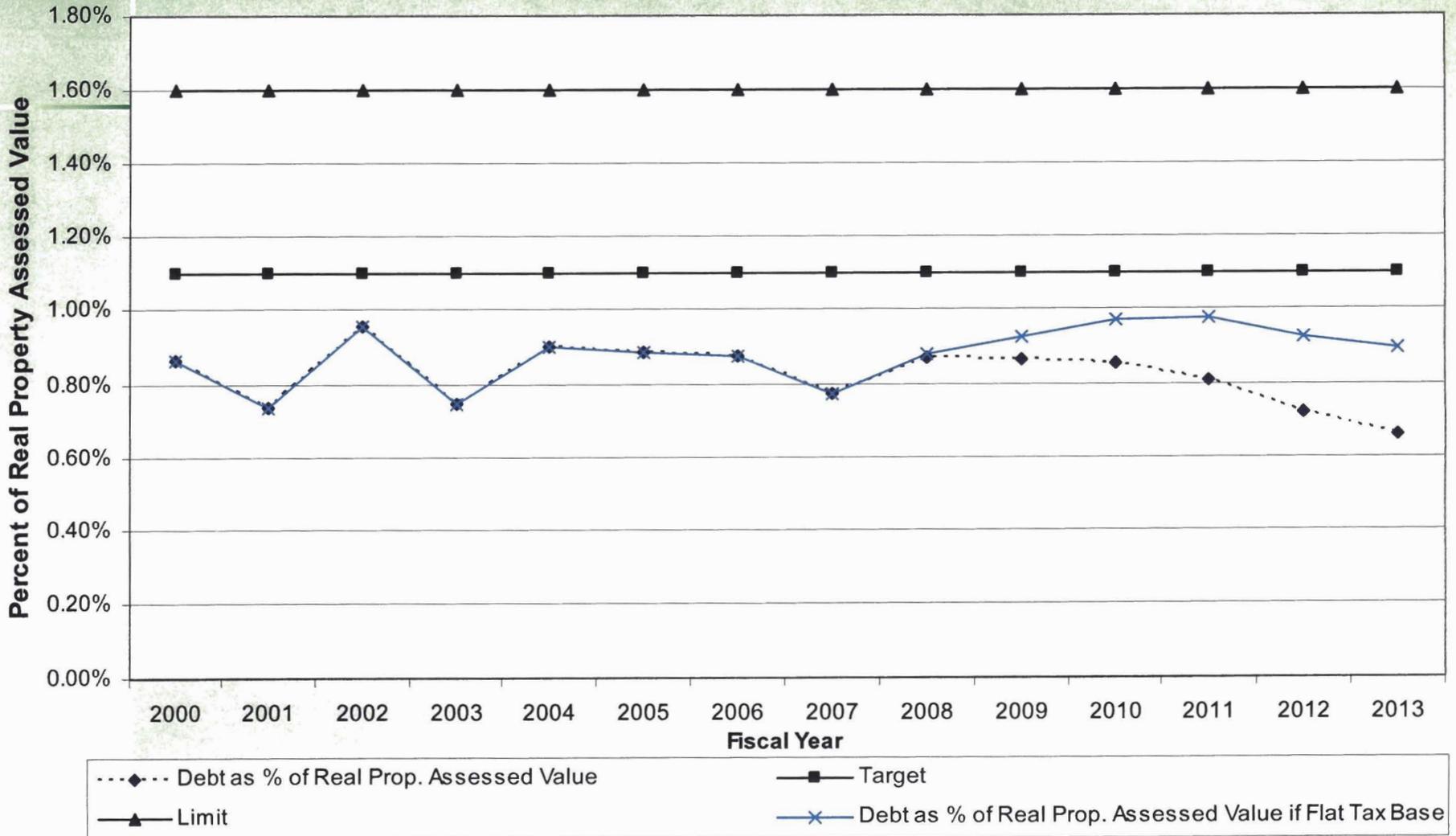
Debt Service: FY 1999 - FY 2014





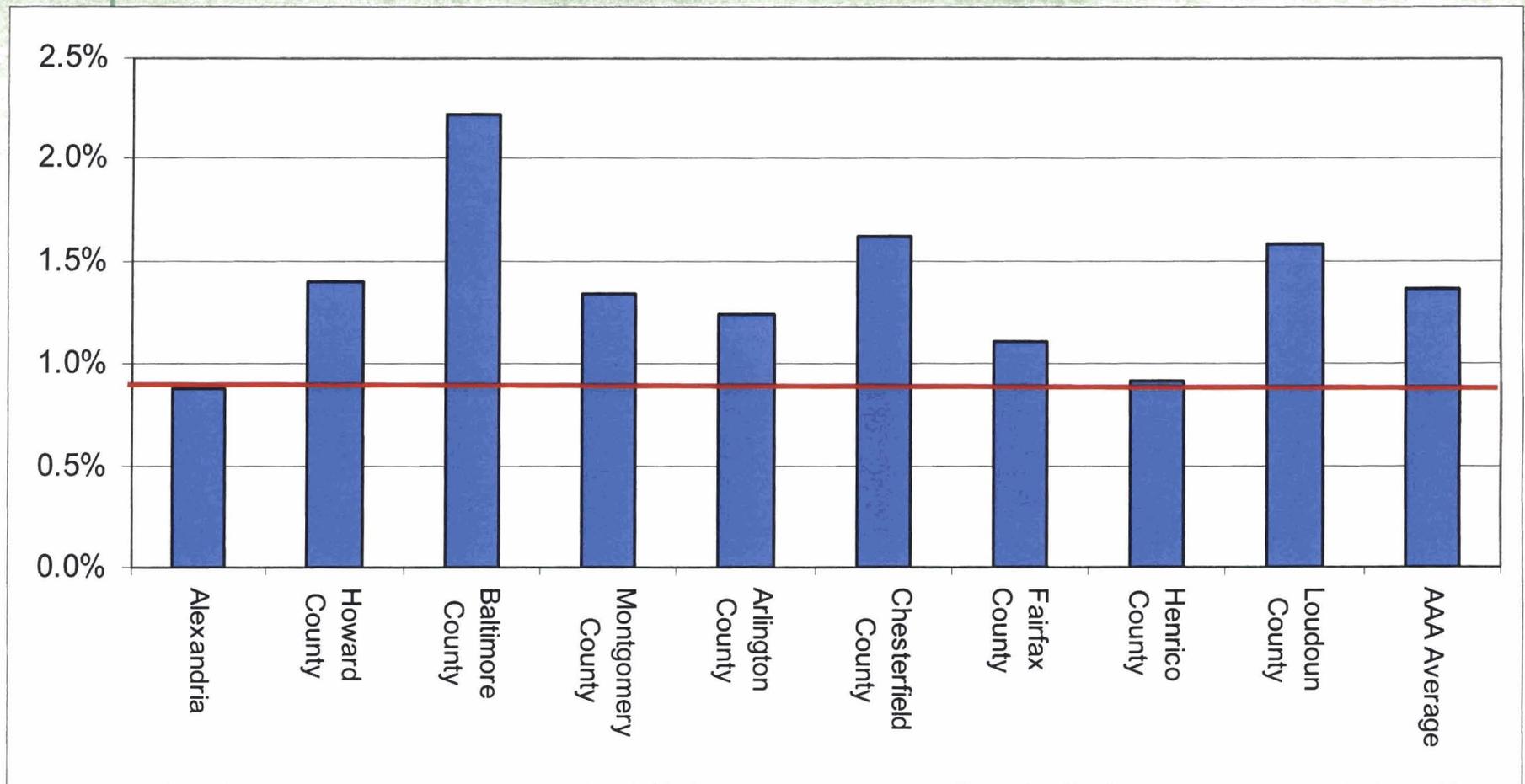
Debt as a Percent of Real Property Assessed Value

Approved CIP FY 2008 – FY 2013





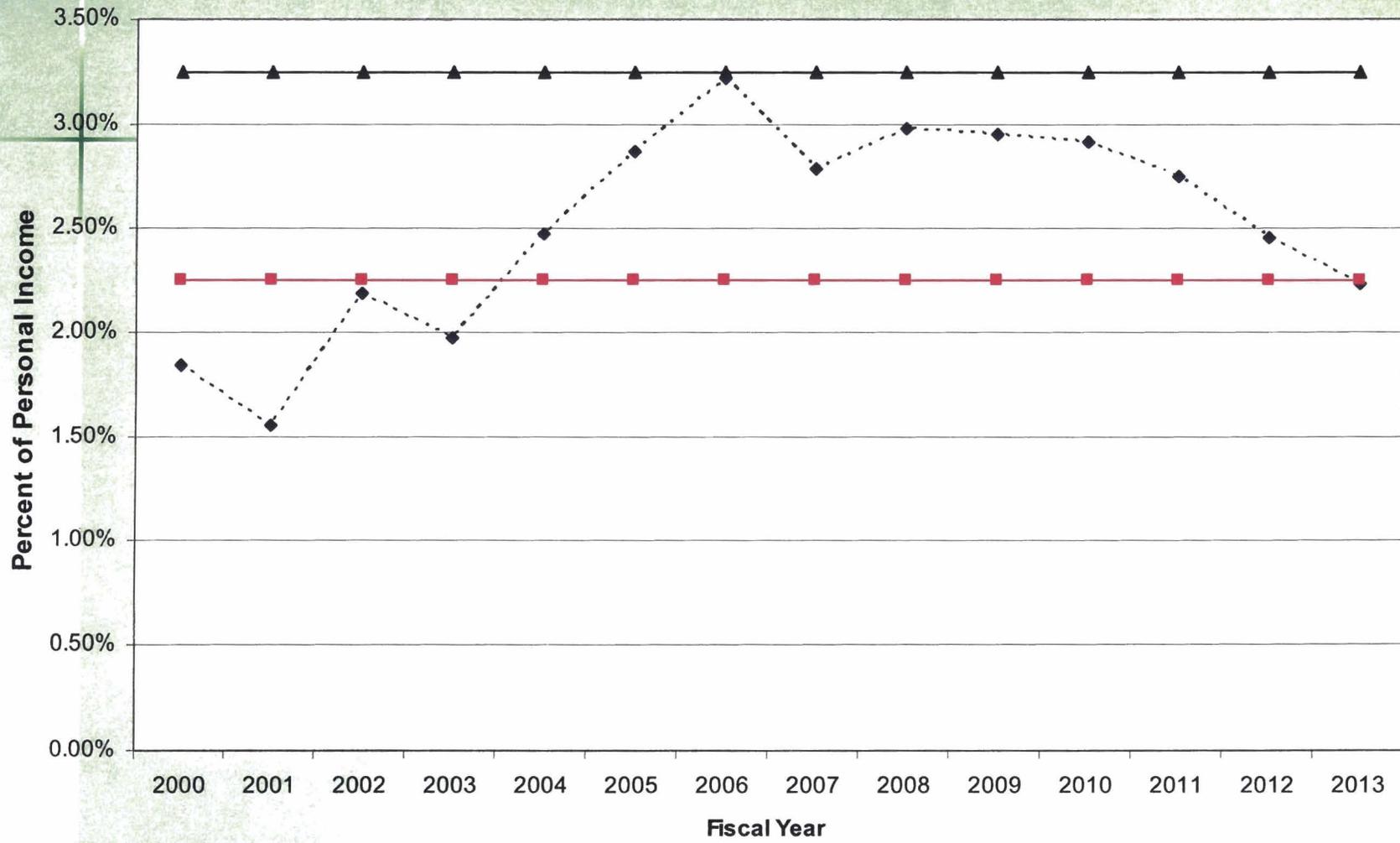
Debt Service as a Percent of Assessed Value





Debt as Percent of Personal Income

Approved FY 2008 – FY 2013 CIP



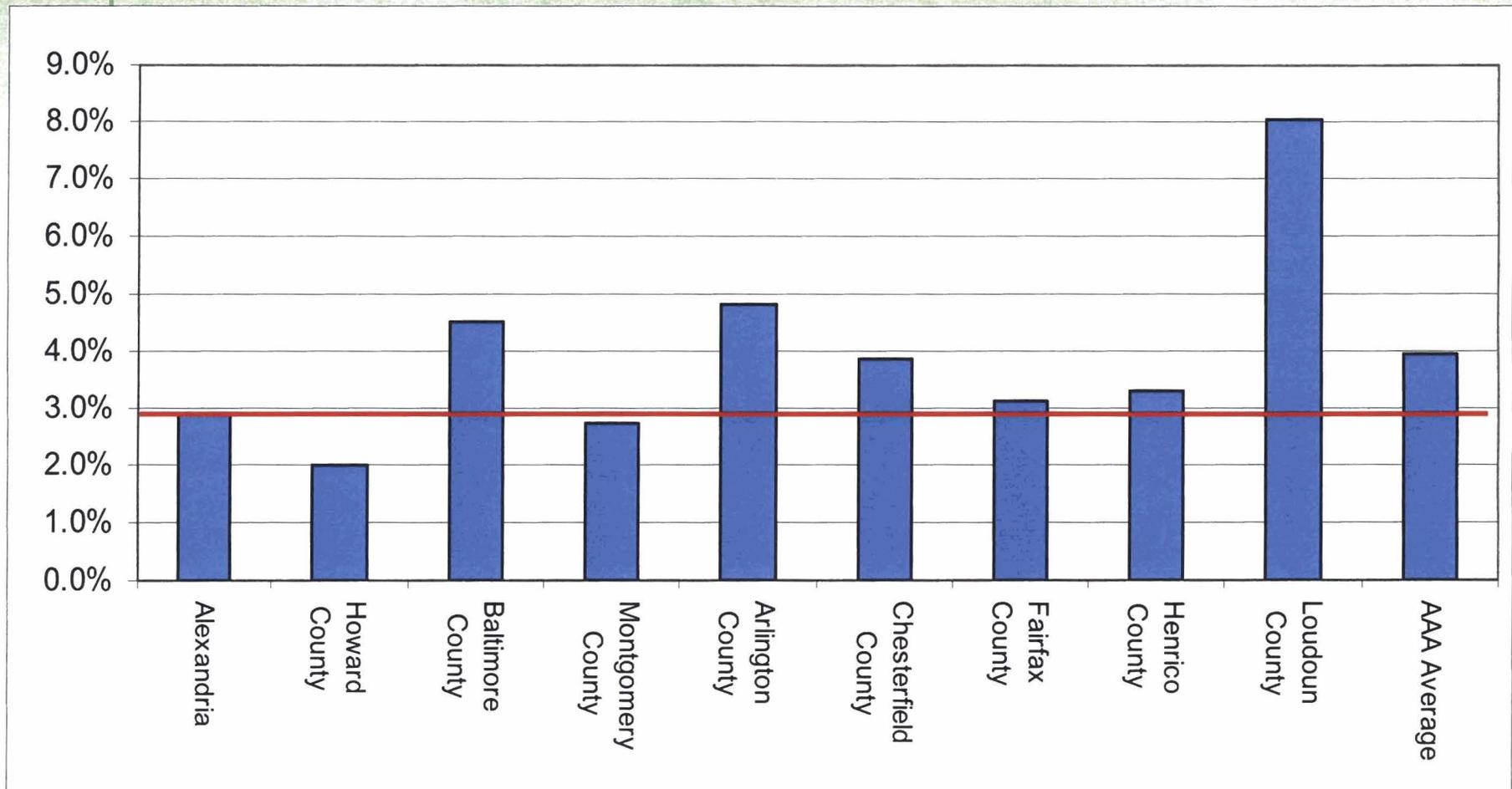
---◆--- Debt as % of Personal Income —■— Target —▲— Limit

September 18-19, 2007

City Council CIP Worksessions



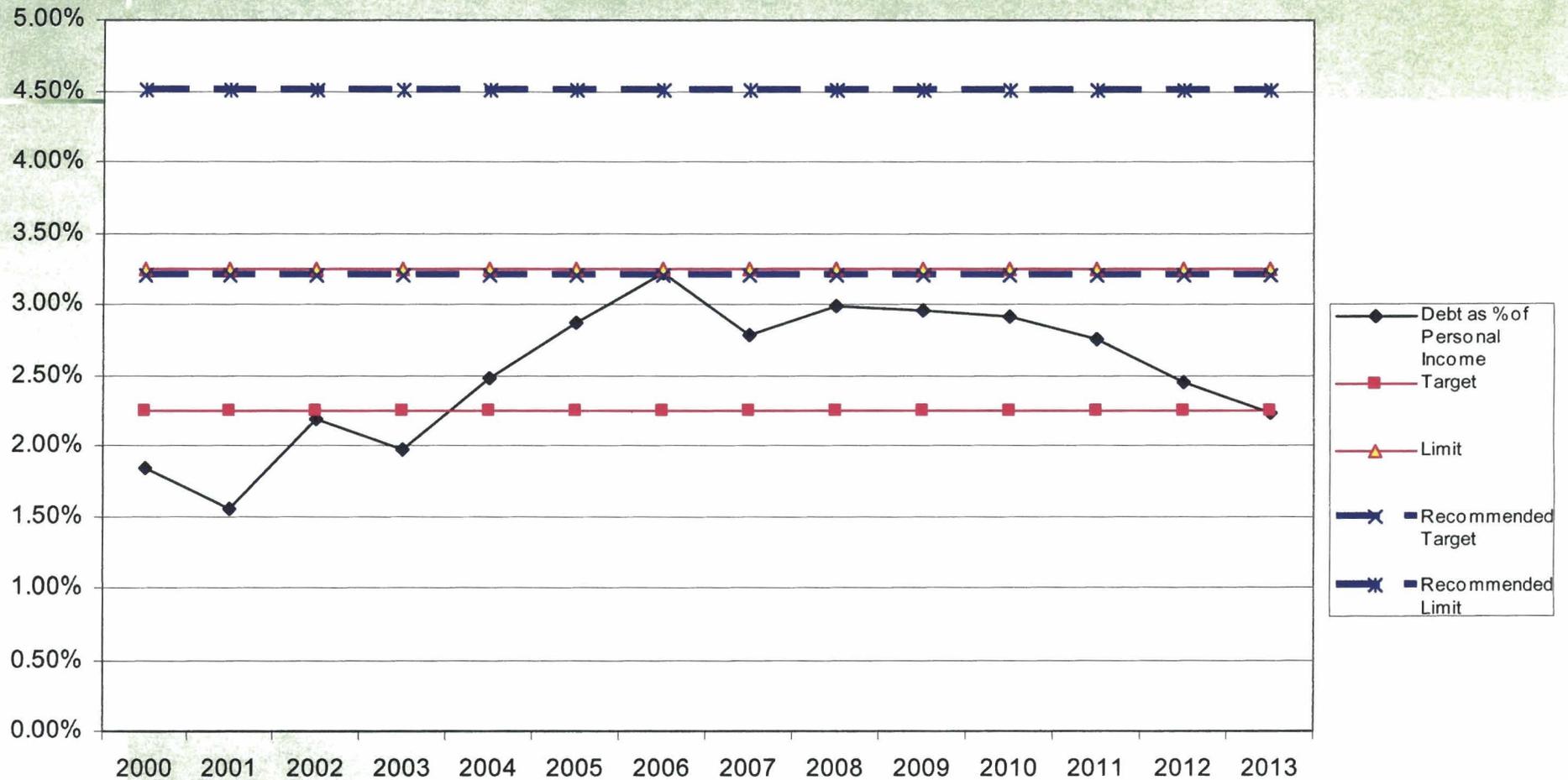
Debt as Percent of Personal Income





Debt as Percent of Personal Income

Approved FY 2008 – FY 2013 CIP



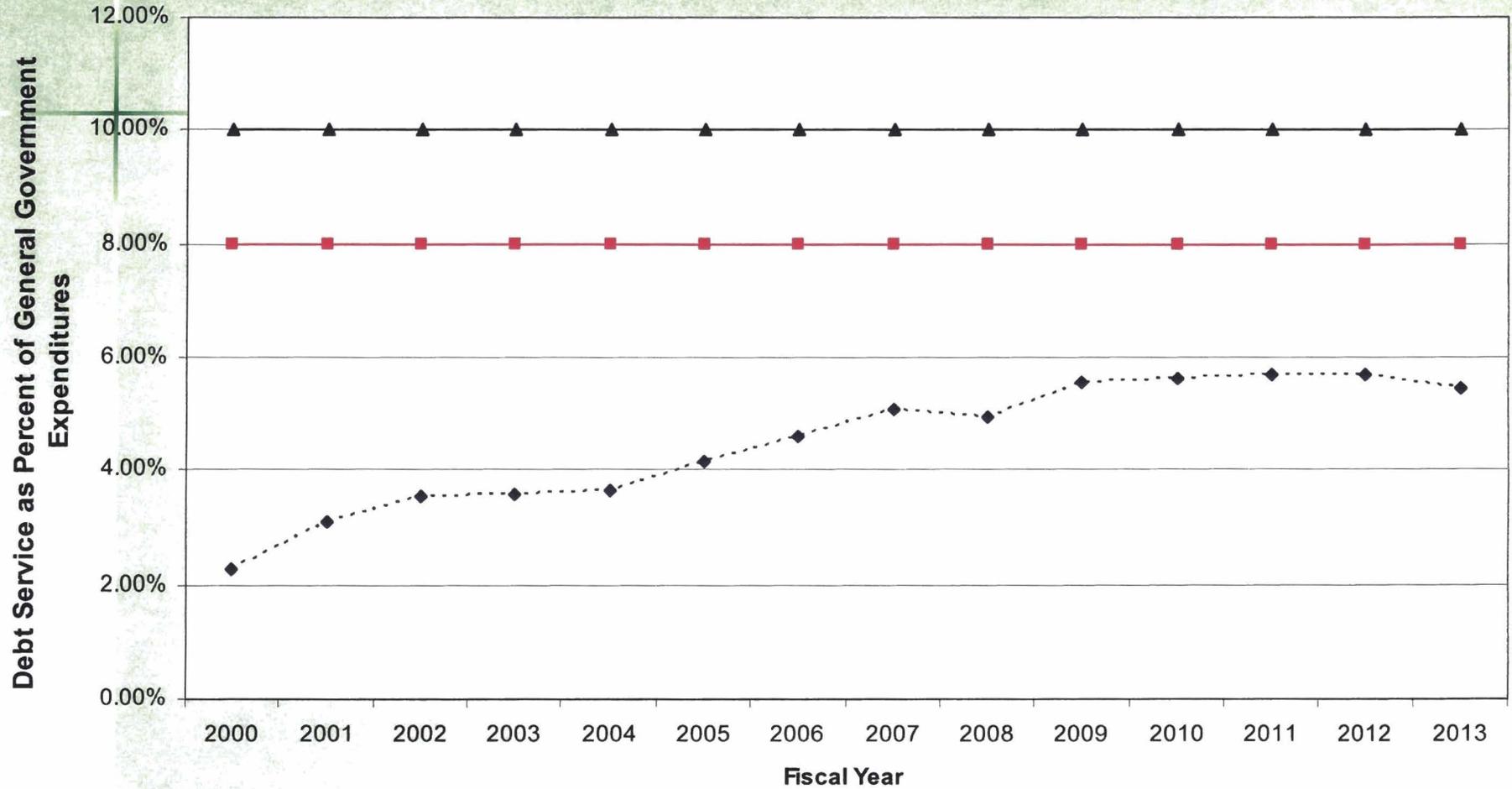


Debt Policy Guidelines

- Upcoming recommendations for later action
 - Increase limit and target for Debt as a Percent of Personal Income
 - 4.5% Limit
 - 3.25% Target
 - BFAAC recommended this in previous report
 - Revise and extend Financial Policy Guidelines to incorporate S&P criteria
 - See Handout

Debt as Percent of General Government Expenditures

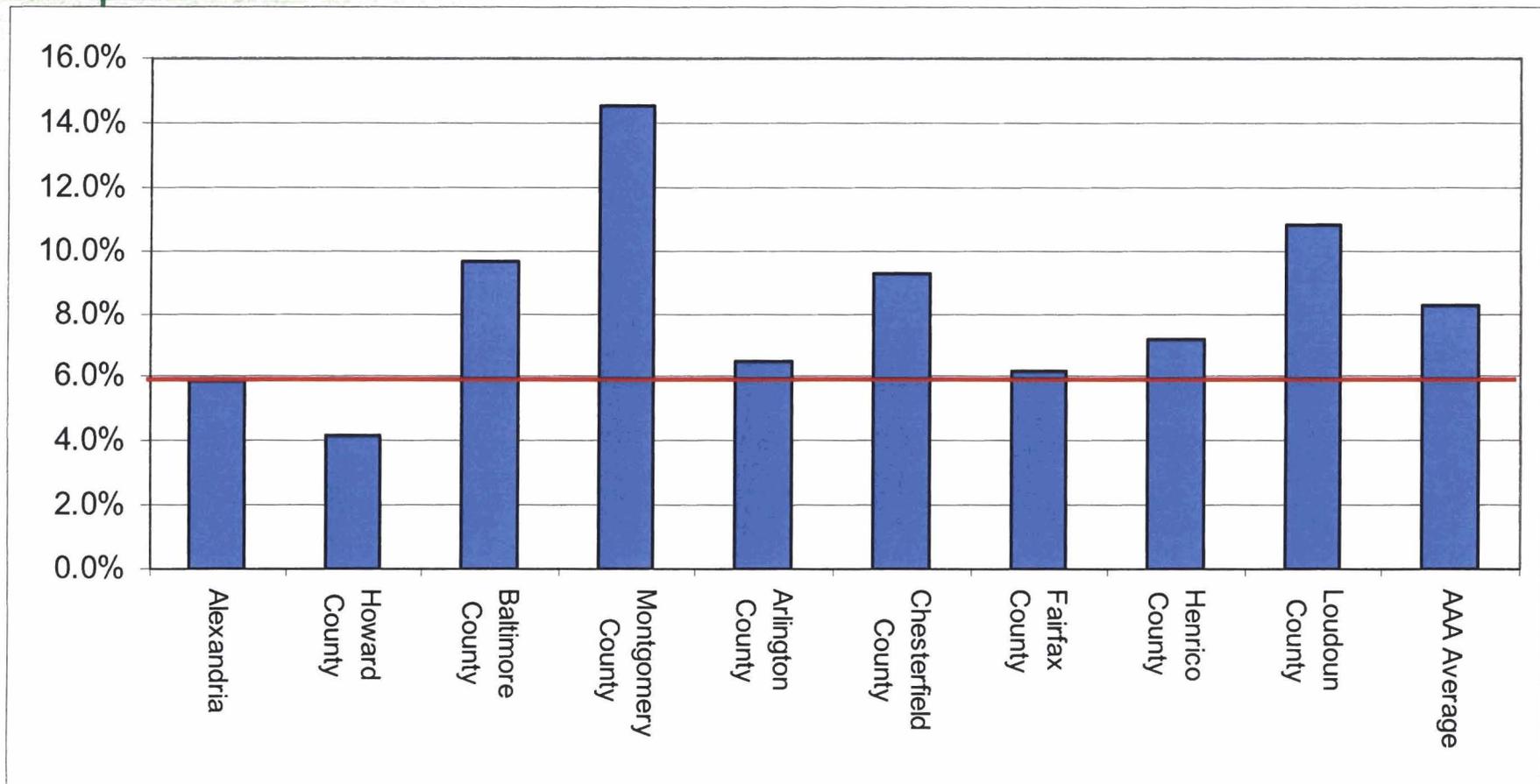
Approved FY 2008 – FY 2013 CIP



---◆--- Debt Service as % of General Govt. Exp. —■— Target —▲— Limit



Debt Service vs. Operating Expenditures

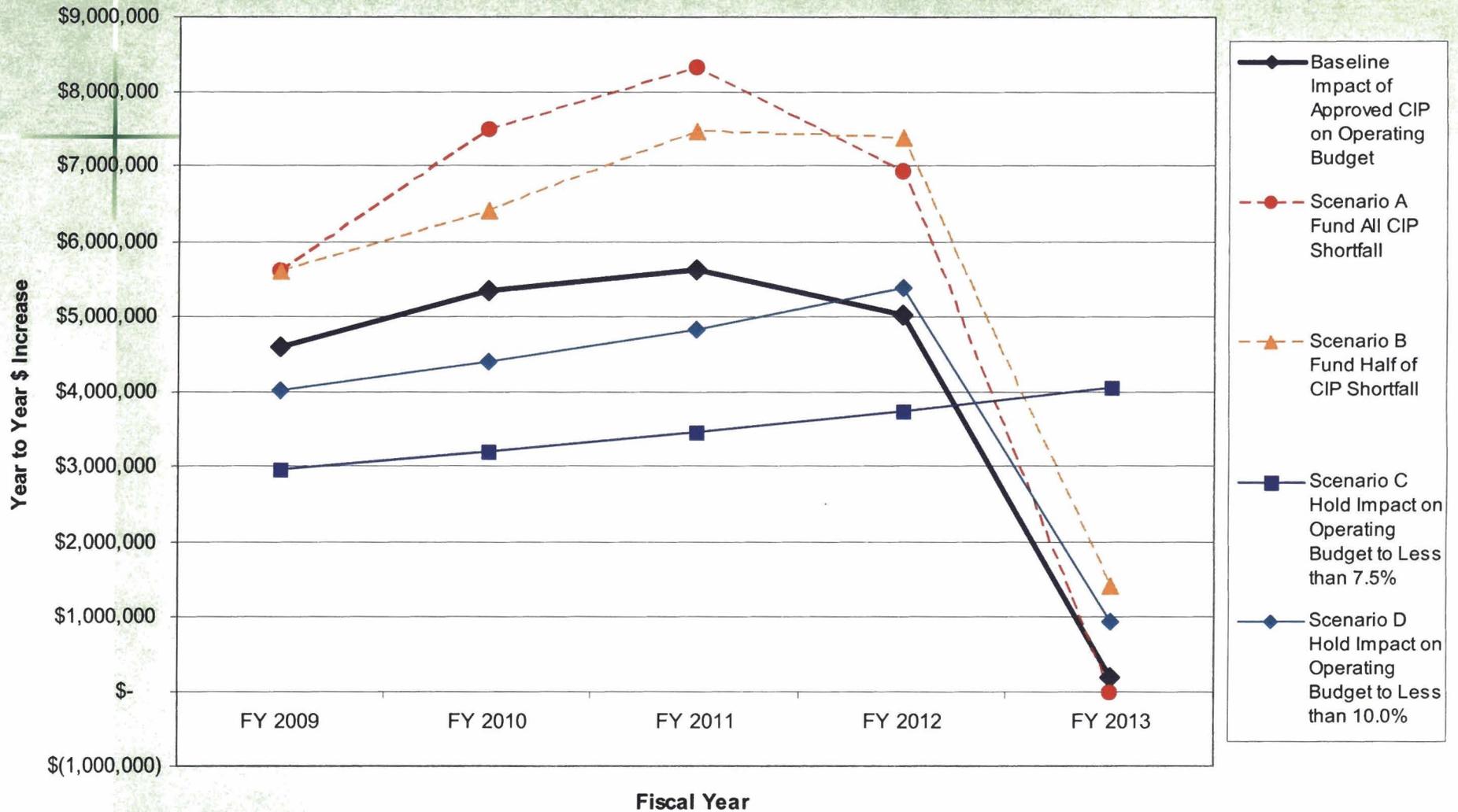




Other Sources of CIP Funding/Financing

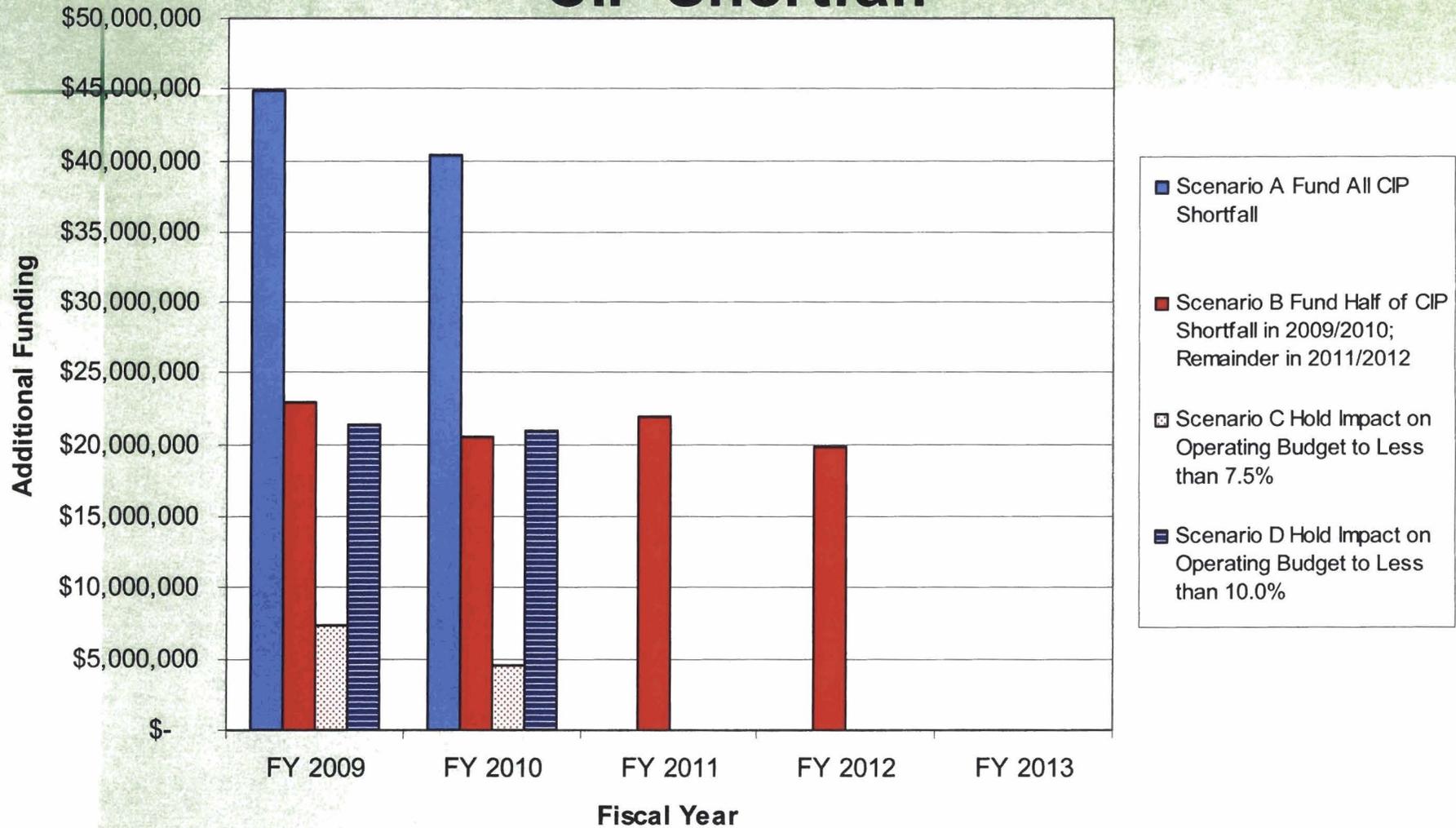
- Dedicated Funding Sources
 - Open Space Fund
 - Sanitary Sewer Fund
 - Transportation Funding
 - NVTA Funding
 - Required projects administered by NVTA
 - Pass-through from NVTA administered locally
 - Local Funding Options
 - Urban and other Transportation Grants

\$ Impact of CIP on Operating Budget -- Debt Service and Cash Capital Combined





Additional Funding Needed To Reduce CIP Shortfall





Menu of Options to Handle Shortfall

- Prioritize current CIP projects
 - Base funding level (identified sources of funding)
 - Plus groups of projects above that amount in priority order for Council consideration
- Restructure FY 2008 bond issuance
- Implement storm water utility fee for FY 2010
- Increase cash capital
- Issue more debt
- Maximize other sources of CIP funding/financing



Best Management Practices

- Project reviews at specific stages
- BFAAC report recommendations
 - Projects must meet specific efficiency and technical performance benchmarks to proceed to the next stage
 - Review becomes a gate through which the project must pass.



Best Management Practices

- Current City Practices
 - Steering Committees
 - CIP Steering Committee
 - T.C. Williams
 - Charles Houston
 - New Police Facility
 - Potomac Yard Fire Station
 - Information Technology
 - CIP Approval Process
 - City Council Monthly Allocation Report
 - SUP Process



Best Management Practices

Private/Federal Govt./Local Govt. Phase-Gate Comparison

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Weyerhaeuser	Opportunity Identification	Opportunity/ Feasibility Analysis	Proposal Development	Implementation	Initial Operation/ Assessment
Chevron/Texaco	Assess & Identify Opportunities	Generate & Select Alternatives	Develop Preferred Alternatives	Execute	Operate & Evaluate
DOD	Concept Exploration and Definition	Demonstration and Validation	Engineering and Manufacturing Development	Production & Deployment	Operations & Support
San Jose, CA	Project Initiation	Planning/ Programming	Design/ Construction Docs/Bids	Construction	Occupancy/ Opening



Best Management Practices

- Apply Phase Approval Process to:
 - New Projects (Above Certain Threshold)
 - Major Infrastructure Reconstruction Work (Above Certain Threshold)



Best Management Practices

- Charles Houston Recreation Center as example
 - Initial Project Concept Phase
 - First in FY 2004 CIP
 - Planning/Programming Phase
 - Scope expanded in FY 2007 CIP
 - Design/Bid Phase
 - DSUP approved October 2006
 - Revised numbers in FY 2008 CIP
 - Construction Phase
 - Award of Bids
 - Allocation date – June 2007



Best Management Practices

- Managing/Estimating/Allowing for Uncertainty in Future CIP Costs (see San Jose handout)
 - City Manager recommended (based on San Jose model)
 - Initial Program Estimate (+/- 35%)
 - After initial project concept is developed
 - Preliminary Preferred Alternative Estimate (+/- 20%)
 - After Planning/Programming/Alternative Selection completed
 - Budget Estimate (+/- 10%)
 - After bid documents and construction documents completed
 - Engineers Estimate (+/- 5%)
 - After bids received, contract awarded, and construction commences



Best Management Practices

- Why are Costs Uncertain?
 - Materials cost escalation
 - Labor cost escalation
 - Supply/Demand for construction work
 - Unknown site conditions
 - Project scope/objectives/requirements change (including “green” initiatives)
 - Schedule change



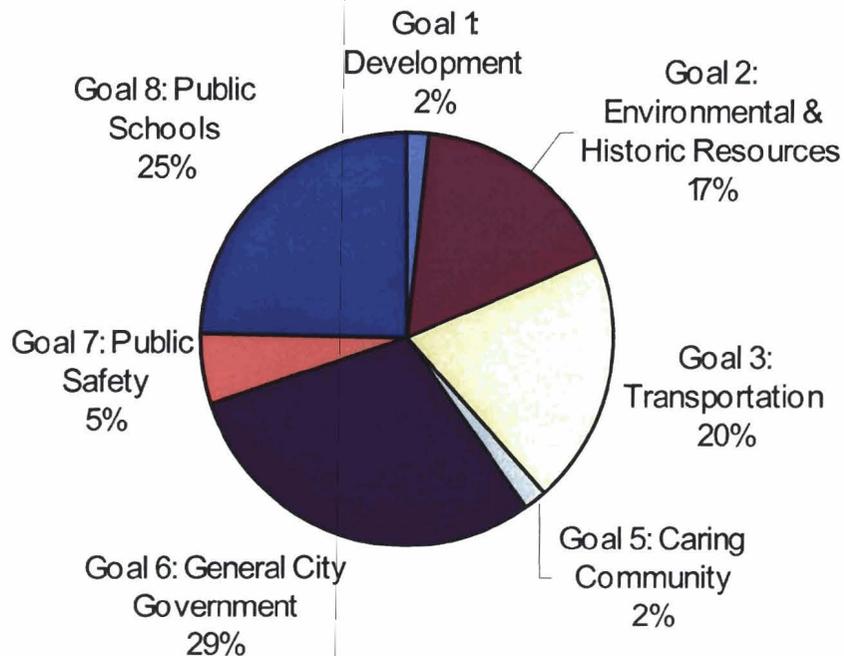
Best Management Practices

- Individual project costs expressed as ranges in CIP "Uses" table
- CIP totals for BY +1 through BY+5 show range of uncertainty
- Funding sources based on total of high end of budget year estimates and midpoints of later years (BY+1 through BY+5)



Best Management Practices

FY 2008 - FY 2013 CIP According to City Council's Strategic Plan Goals



- See handout from Prince William County



Best Management Practices

- Service Level Impacts
 - Estimate/assess service level impacts of project (effects on quality of service, quantity of service)
 - Ranges OK
 - Long-range time frame OK
 - Used in evaluating phase approval



Best Management Practices

- Assess future impact on operating budgets
 - Develop standardized operating cost estimating methods and templates to include:
 - Personnel needs or savings
 - Building operating maintenance costs or savings
 - Other program cost or savings
 - Debt service share of project



Best Management Practices

- Example of Service and Operating Cost Impacts
 - New Fire Station in Eisenhower Valley
 - Service Impact
 - # of calls to be handled
 - Response time lowered
 - Cost Impact
 - Personnel needs
 - Equipment needs (trucks/other)
 - Debt service
 - Long term debt service on % of debt issued attributable to project



Best Management Practices

- Develop Performance Measures for Project Implementation
 - On-time (meets milestone)
 - On-budget (costs within range of uncertainty)
 - Change orders (# and \$ amount of change orders)
 - Acceptable quality (customer/user satisfaction with completed project)



Best Management Practices

- Summary of Recommended Management Improvements
 - Enhance major project review process: Advance through 4 phases
 - Display uncertainty in major CIP project estimates
 - Breakout CIP projects according to Strategic Plan goals
 - Describe service level impacts
 - Develop performance measures for project implementation