WS
9-18-07
9-19-07

# 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

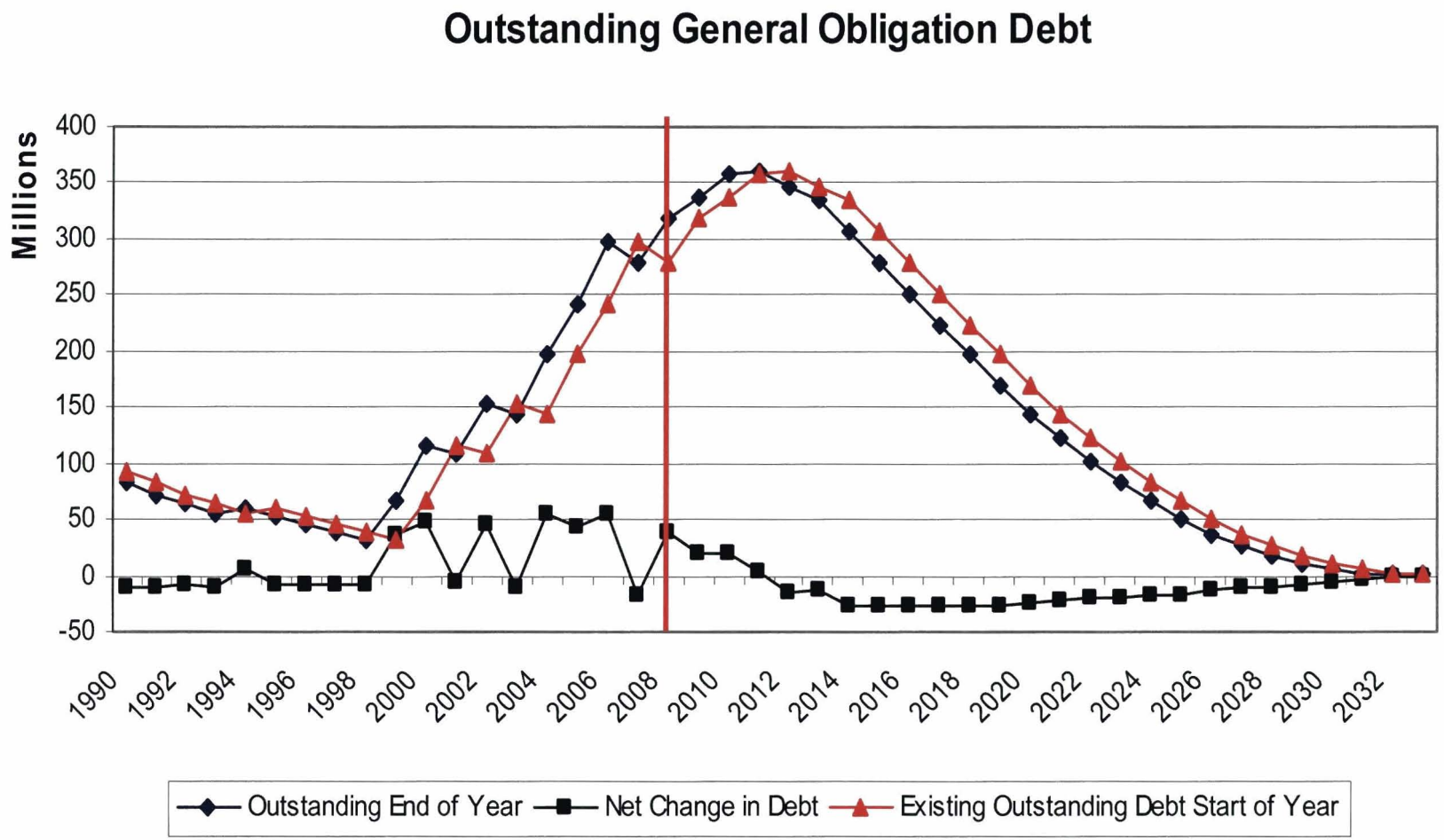
# Capital Budgeting Fundamentals

- 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



# 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

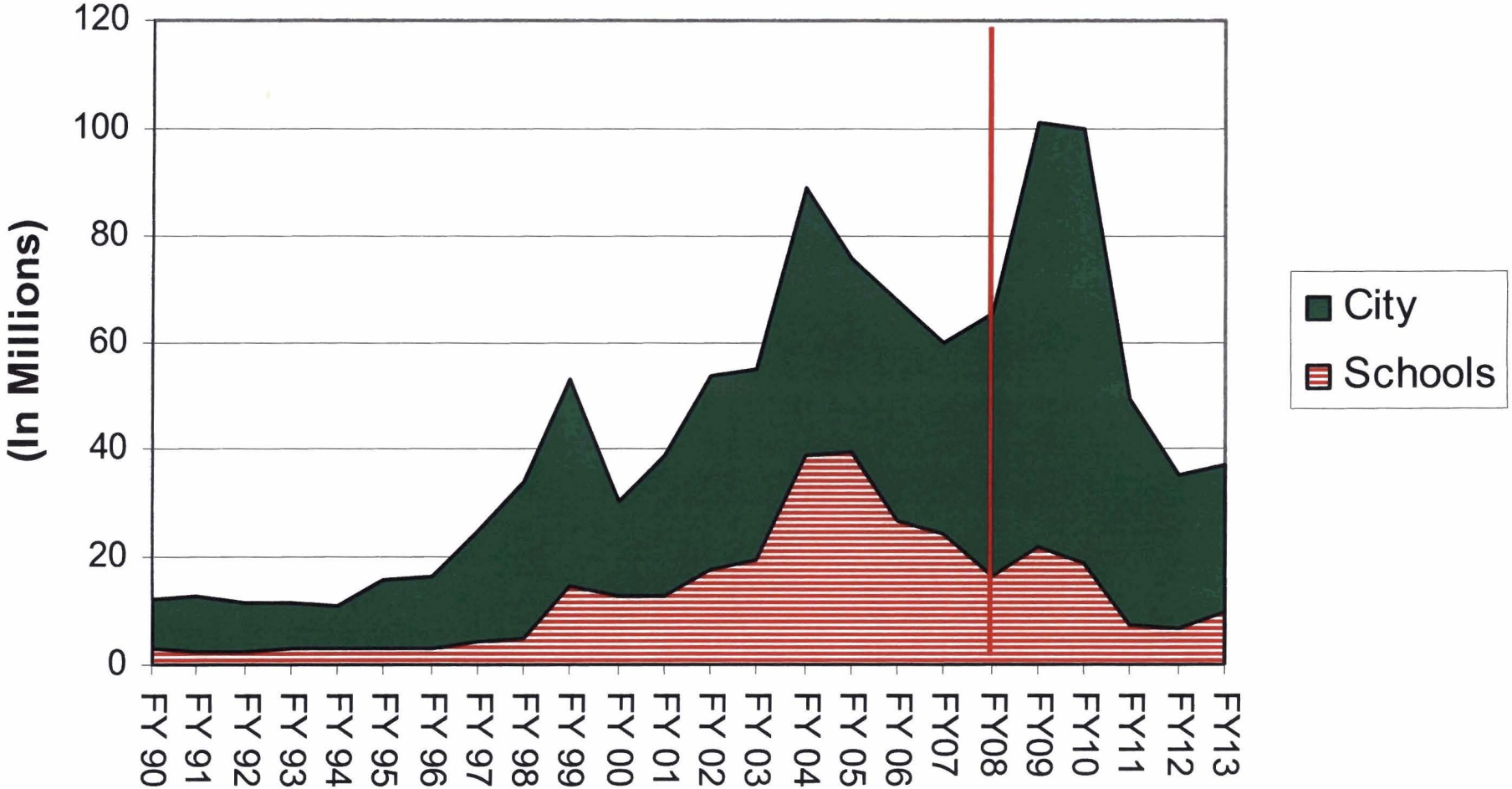
- CIP Project Implementation
  - Projects managed primarily by General Services, T&ES, RPCA, P&Z, ITS, Schools
  - Projects subject to City Council allocation of funds and procurement process
    - Managing department requests allocation through OMB/CMO
    - City Manager proposes docket item for Council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

# Capital Budgeting Fundamentals

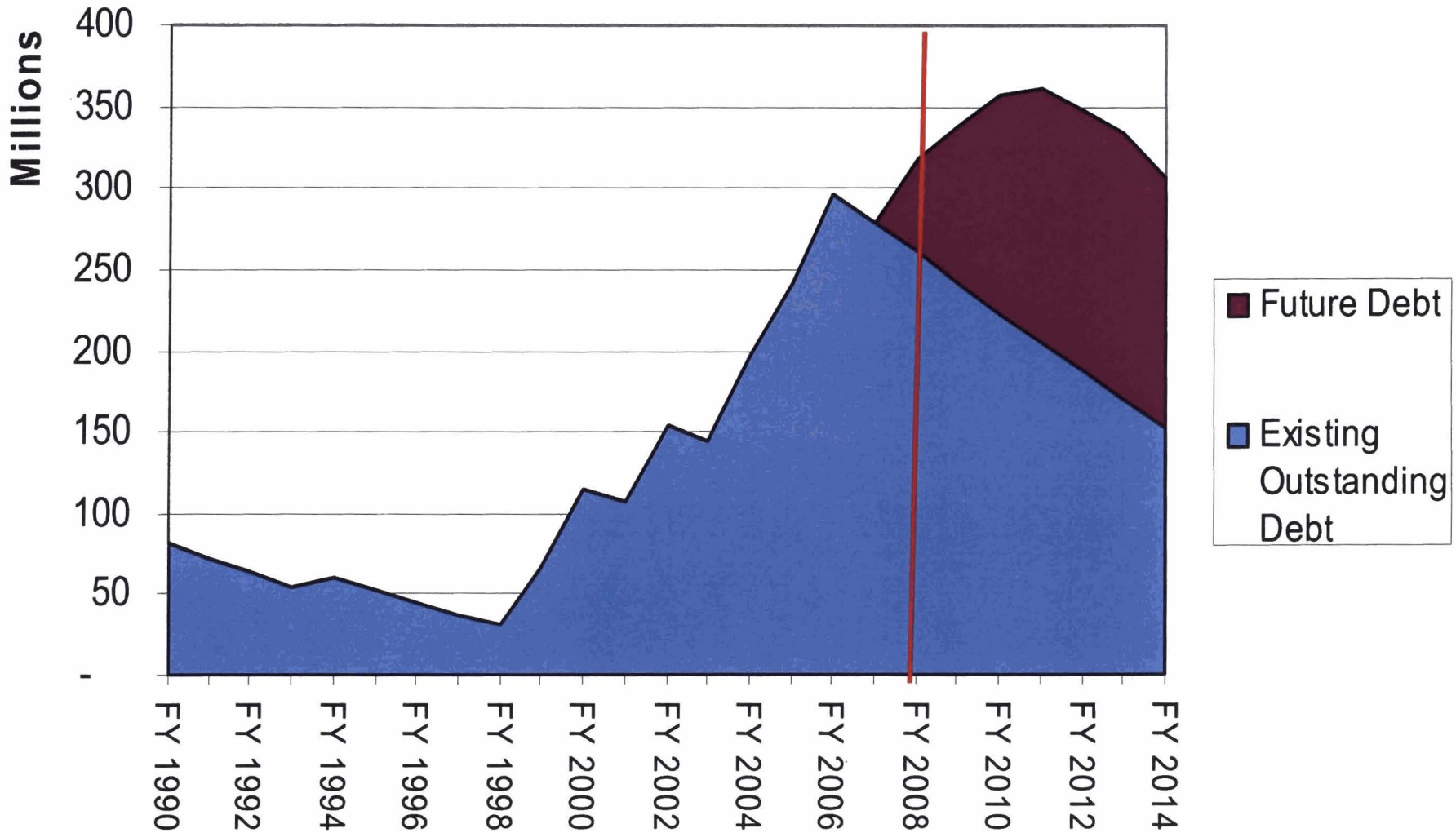
- List of City Capital Assets
  - Several lists exist but for different purposes
    - Real Estate Assessment for tax administration
    - Risk Management for property insurance
    - Accounting for Consolidated Annual Financial Report
    - General Services for property management
  - Will construct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

# Local Funding - Approved CIPs

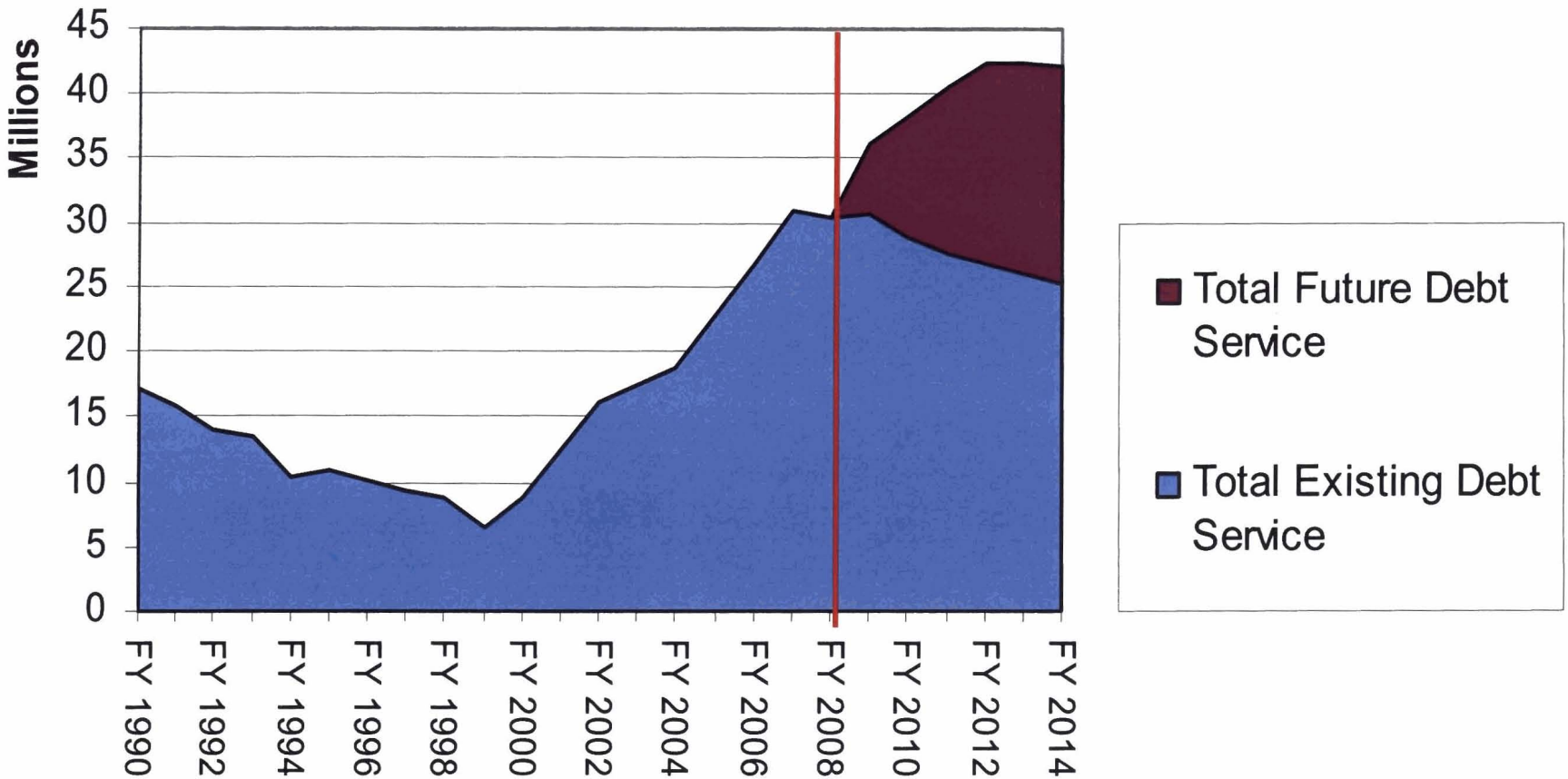
## City and Schools Annual CIP Project Funding



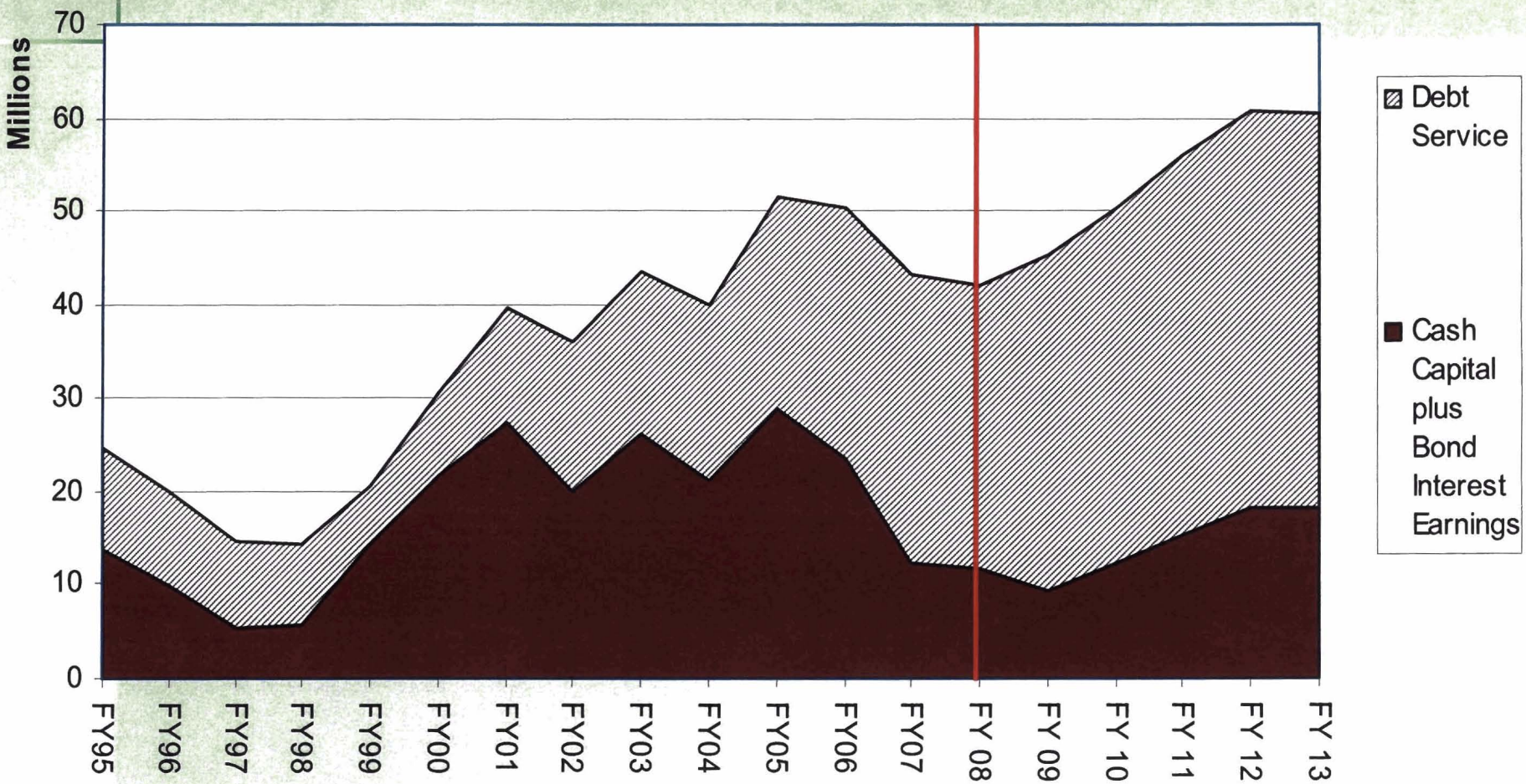
# Total Outstanding Debt vs. New Debt: FY 1990 - FY 2014



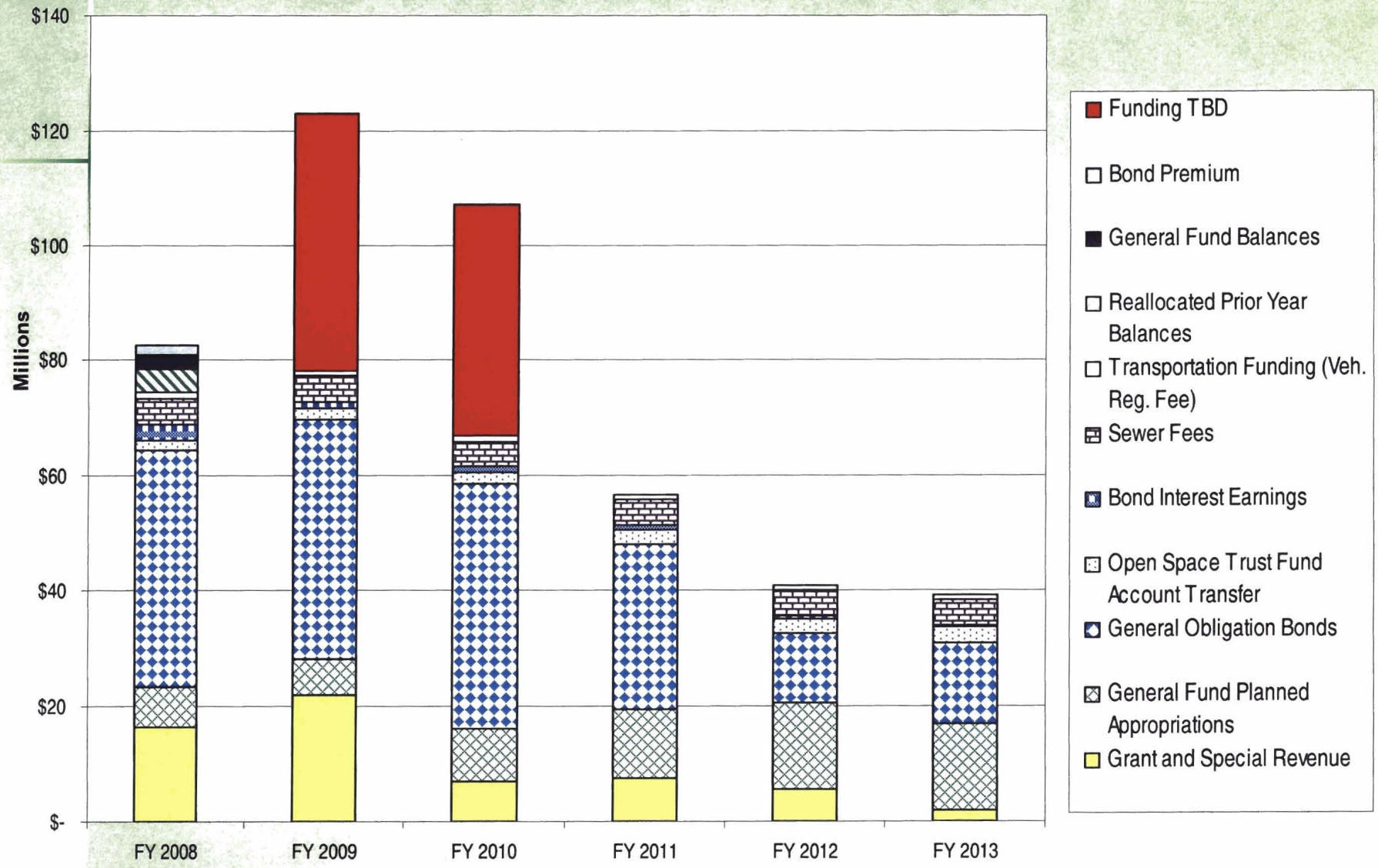
# Debt Service: FY 1999 - FY 2014



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



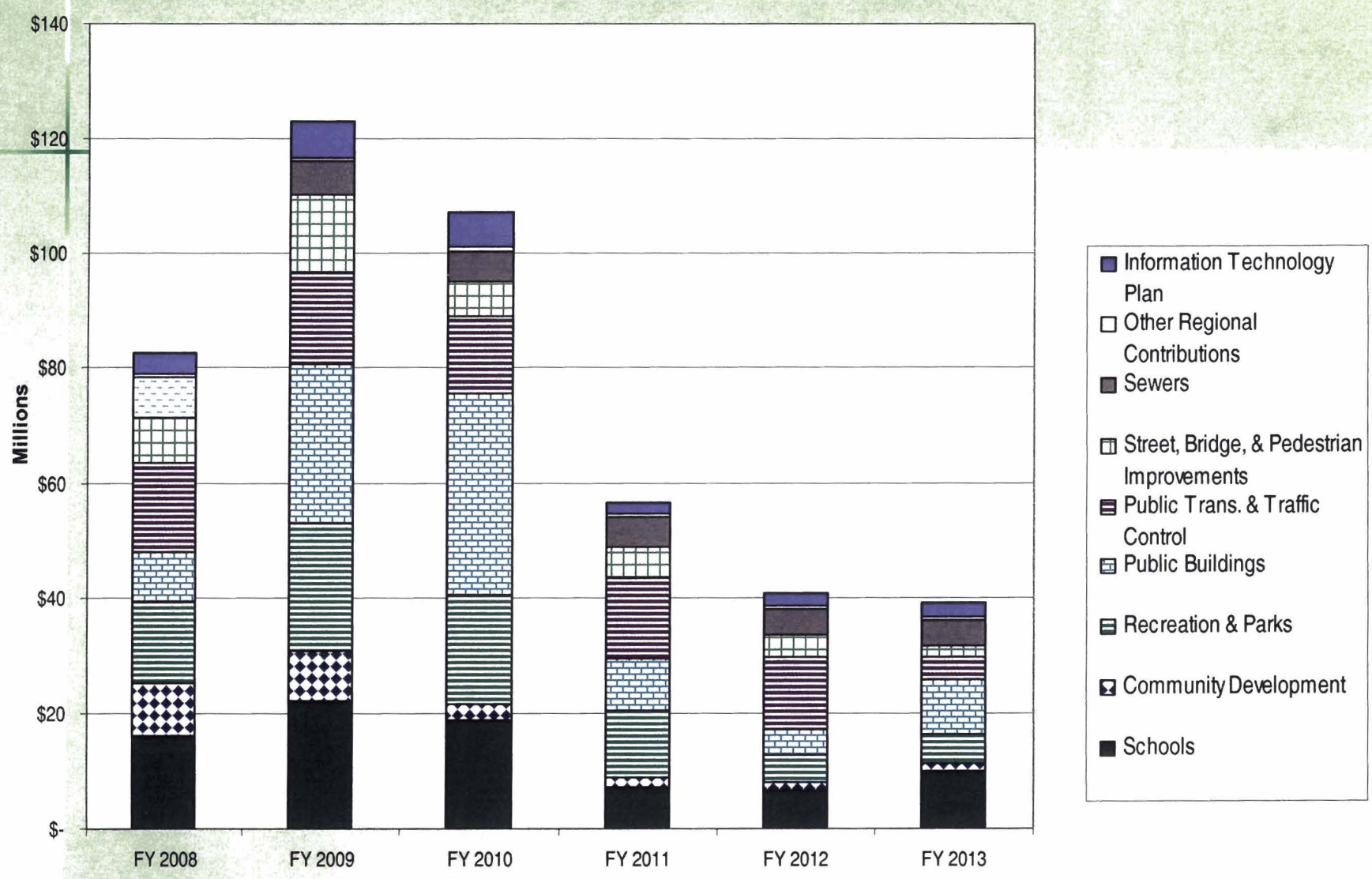
# CIP SOURCES: FY 2008-FY2013



# FY 2008–FY 2013 Approved Sources of Funds

| Sources | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | TOTAL |
|---|---|---|---|---|---|---|---|
| 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



# FY 2008–FY 2013 Approved Uses by Category

| Uses | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | TOTAL |
|---|---|---|---|---|---|---|---|
| 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

| Grants/Earmarks | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | TOTAL |
|---|---|---|---|---|---|---|---|
| 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

| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | TOTAL |
|---|---|---|---|---|---|---|---|
| **Other Special Revenue** | | | | | | | |
| 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 | Recurring Infrastructure R5 Programs ( i.e. Fire Station CFMP) | Major Infrastructure Reconstruction Work Projects (i.e. Warwick Pool) |
| New or Expanded Facilities or Infrastructure | On-Going Improvement Programs (i.e. ADA Improvements) | New Projects (i.e. New Fire Station - Eisenhower Valley) |

# CIP Project Prioritization by Department

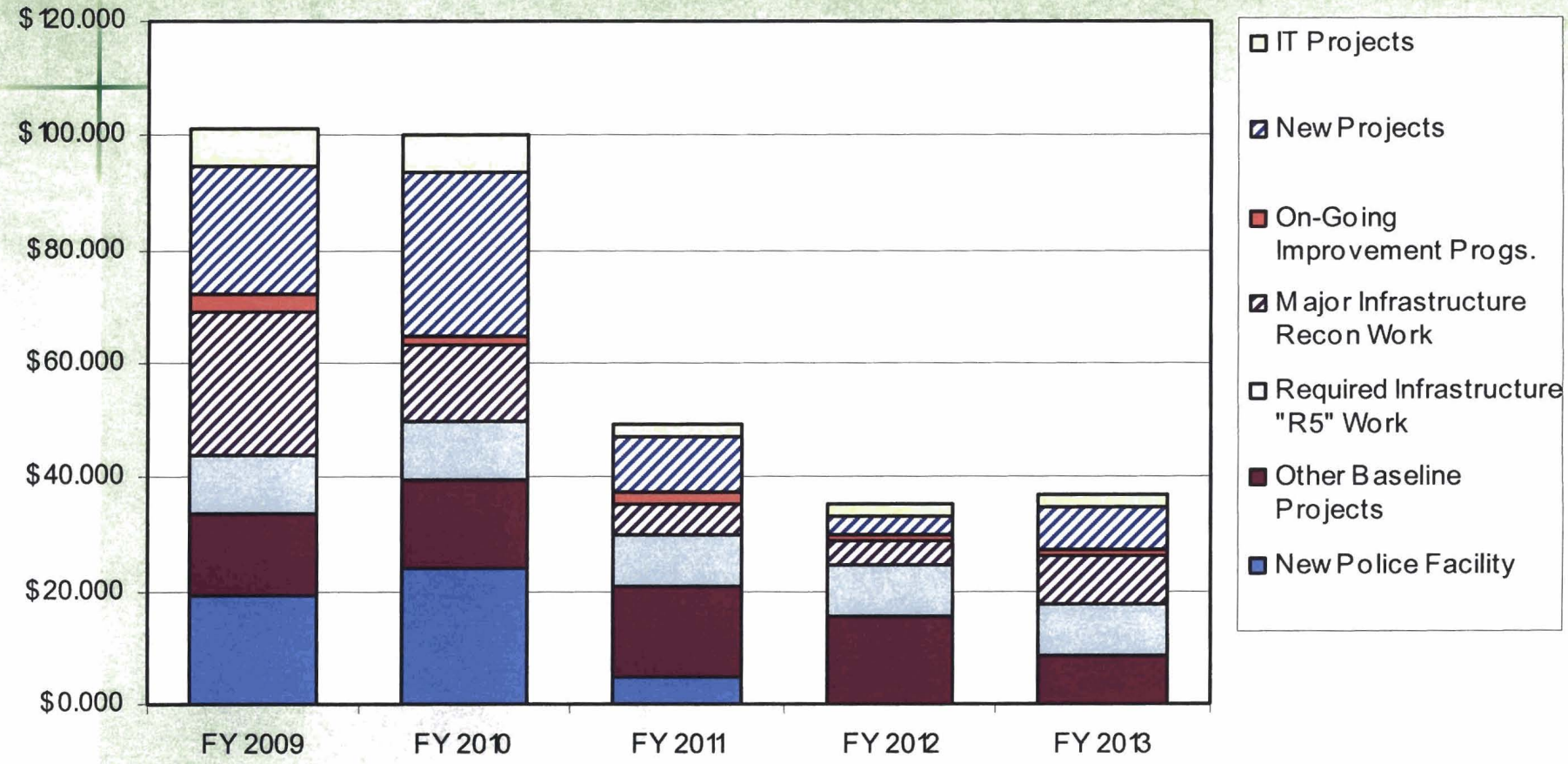
- Prioritization of projects into 3 Tiers
- Asking departments to clearly articulate the criteria they used in ranking
  - Example of Criteria
    - Kansas City, MO (See handout)
- New Police Facility Prioritized by City Manager
- Baseline Programs have highest priority

# Prioritization Building Blocks

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

# Summary Totals by Category

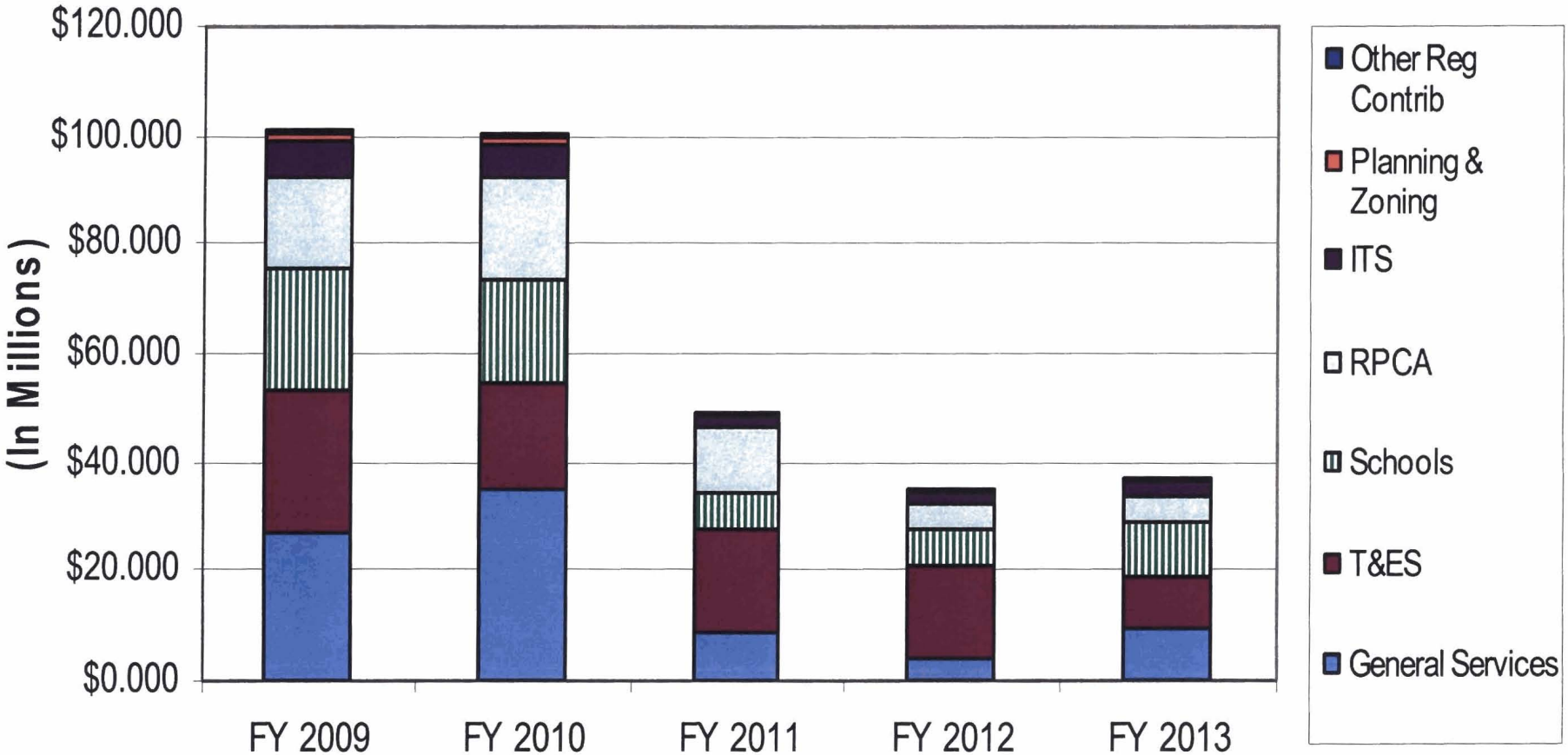
**($ In Millions)**



# 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** |

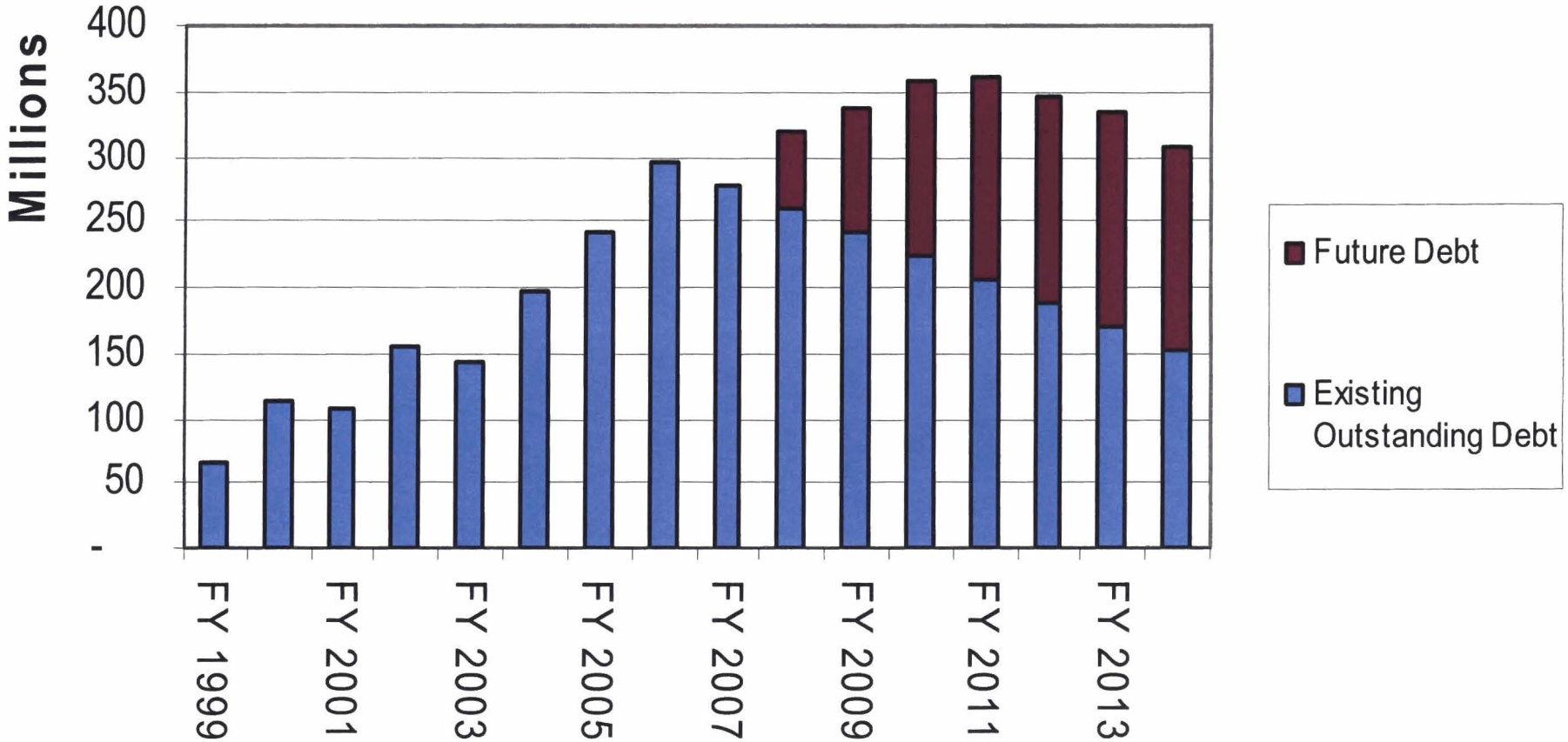
# Summary Totals: Costs by Managing Department



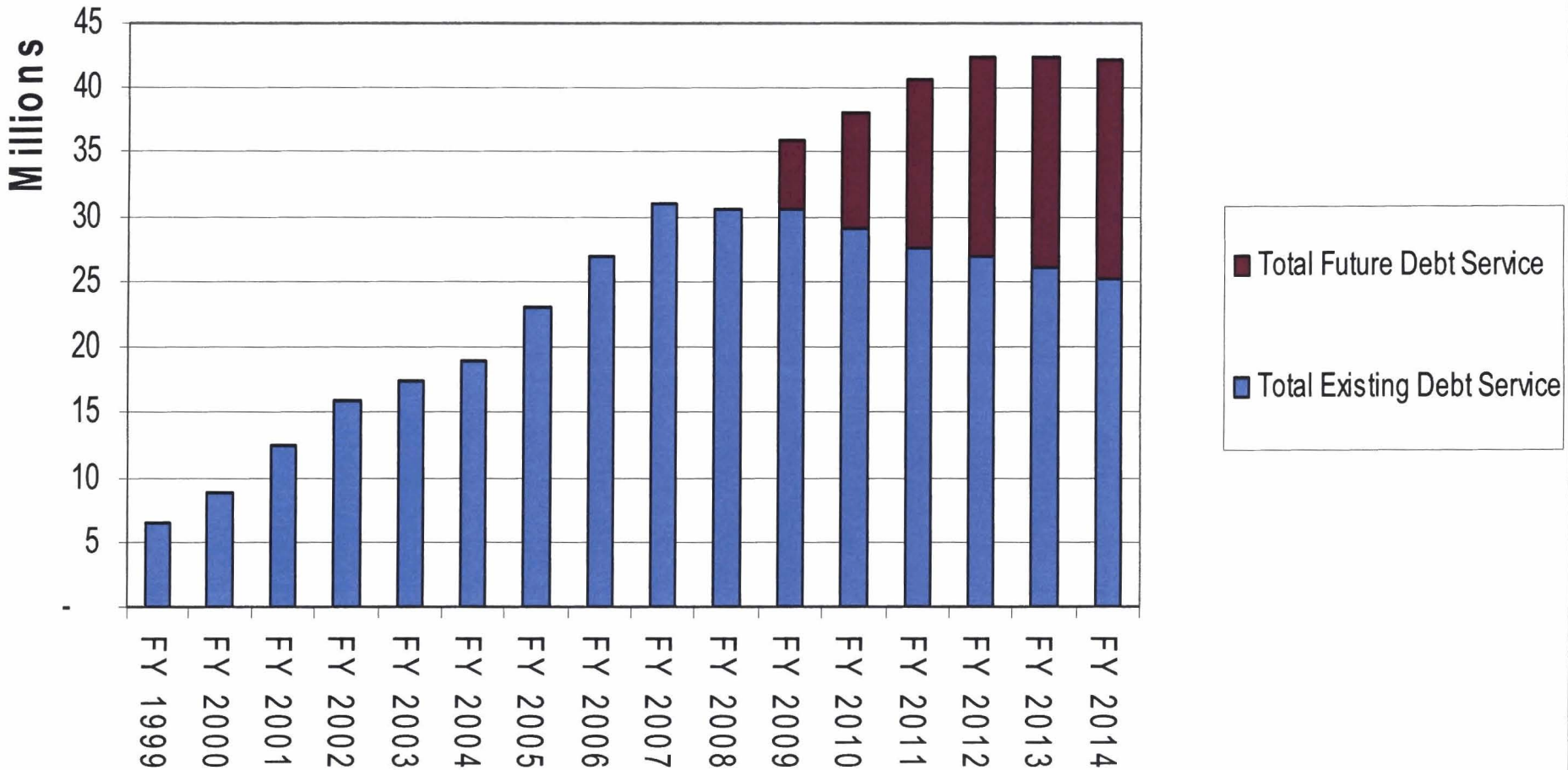
# CIP Project Prioritization: Budget Document Changes

- 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

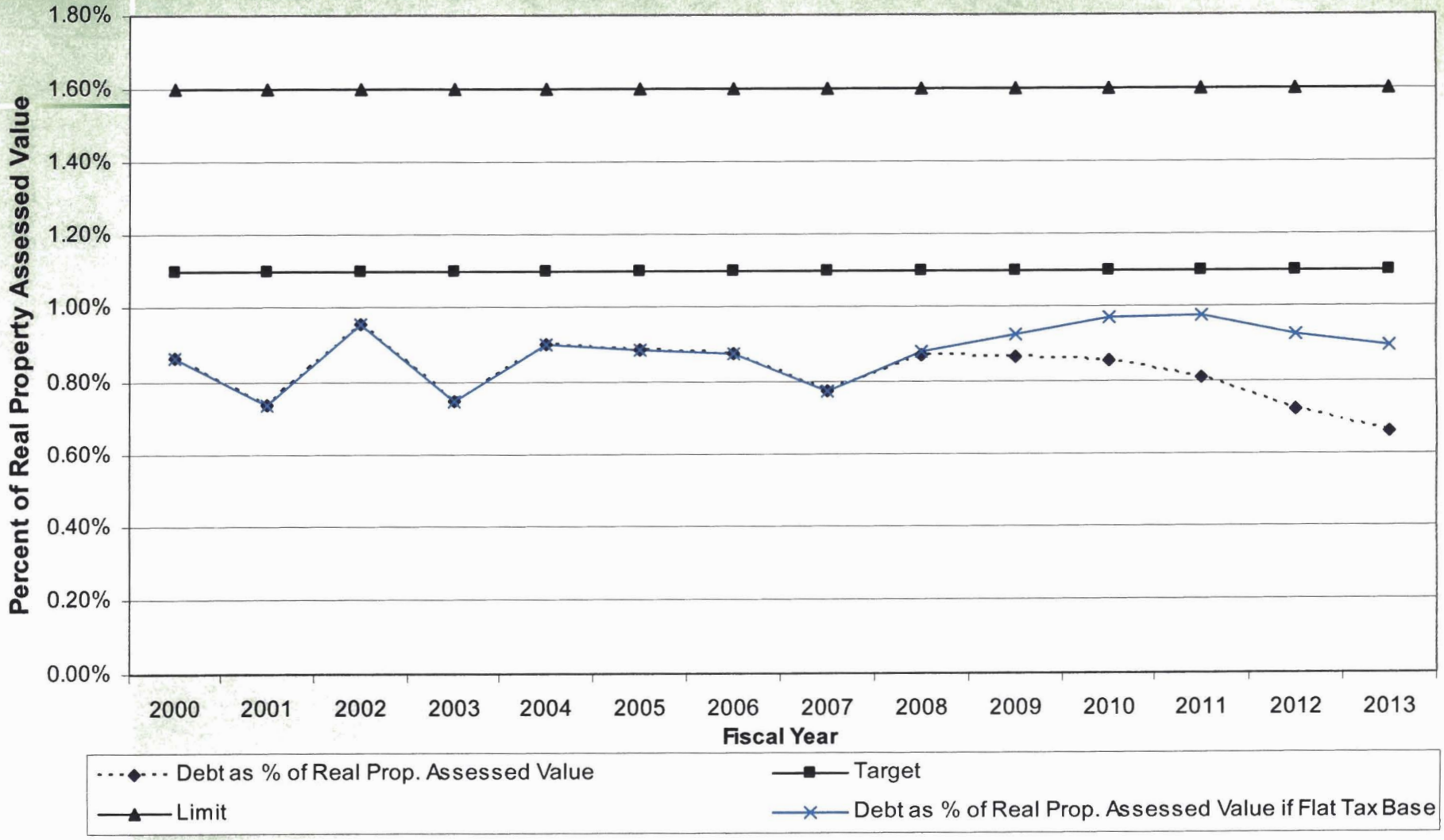


# Debt Service: FY 1999 - FY 2014

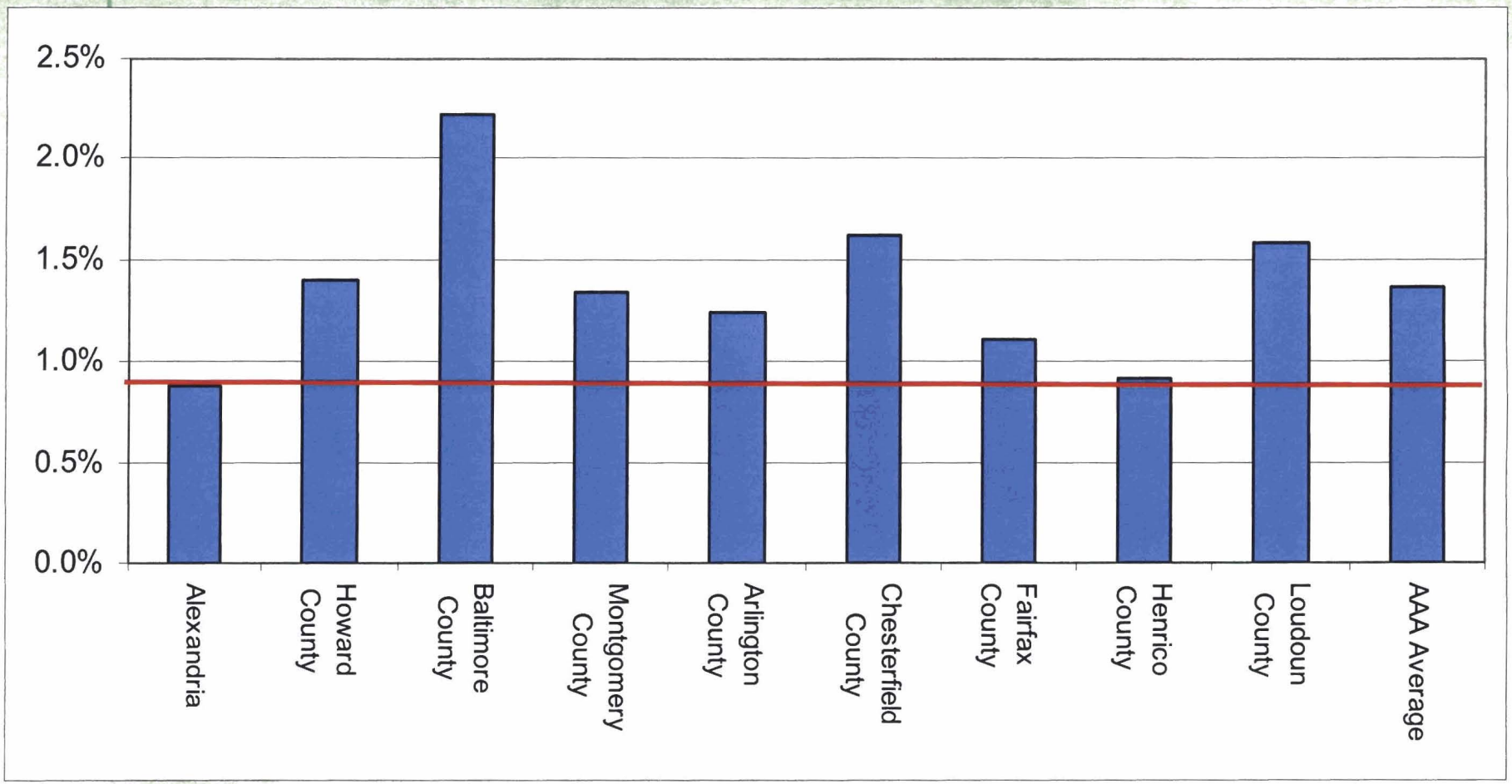


# Debt as a Percent of Real Property Assessed Value

## Approved CIP FY 2008 – FY 2013

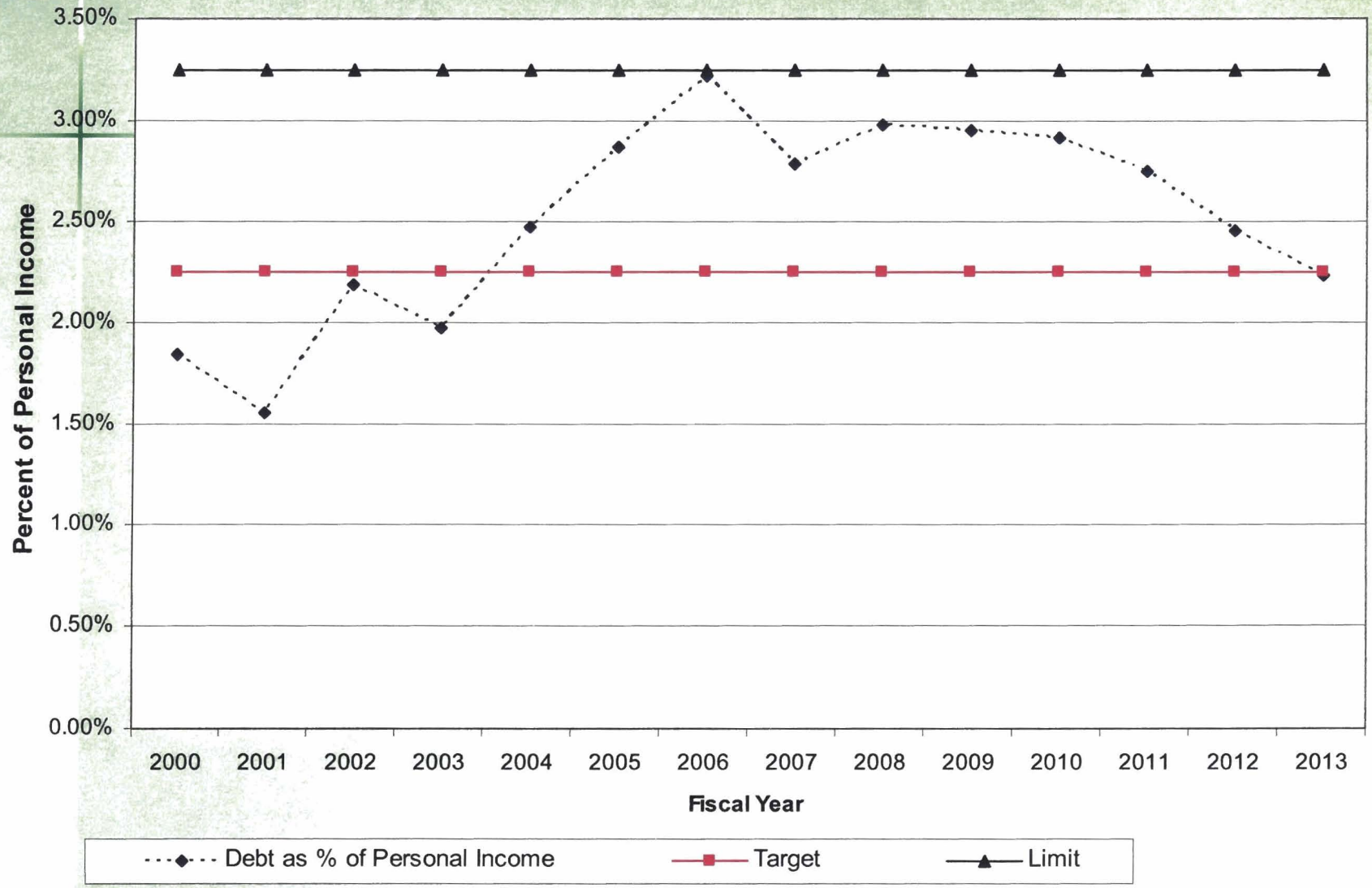


# Debt Service as a Percent of Assessed Value

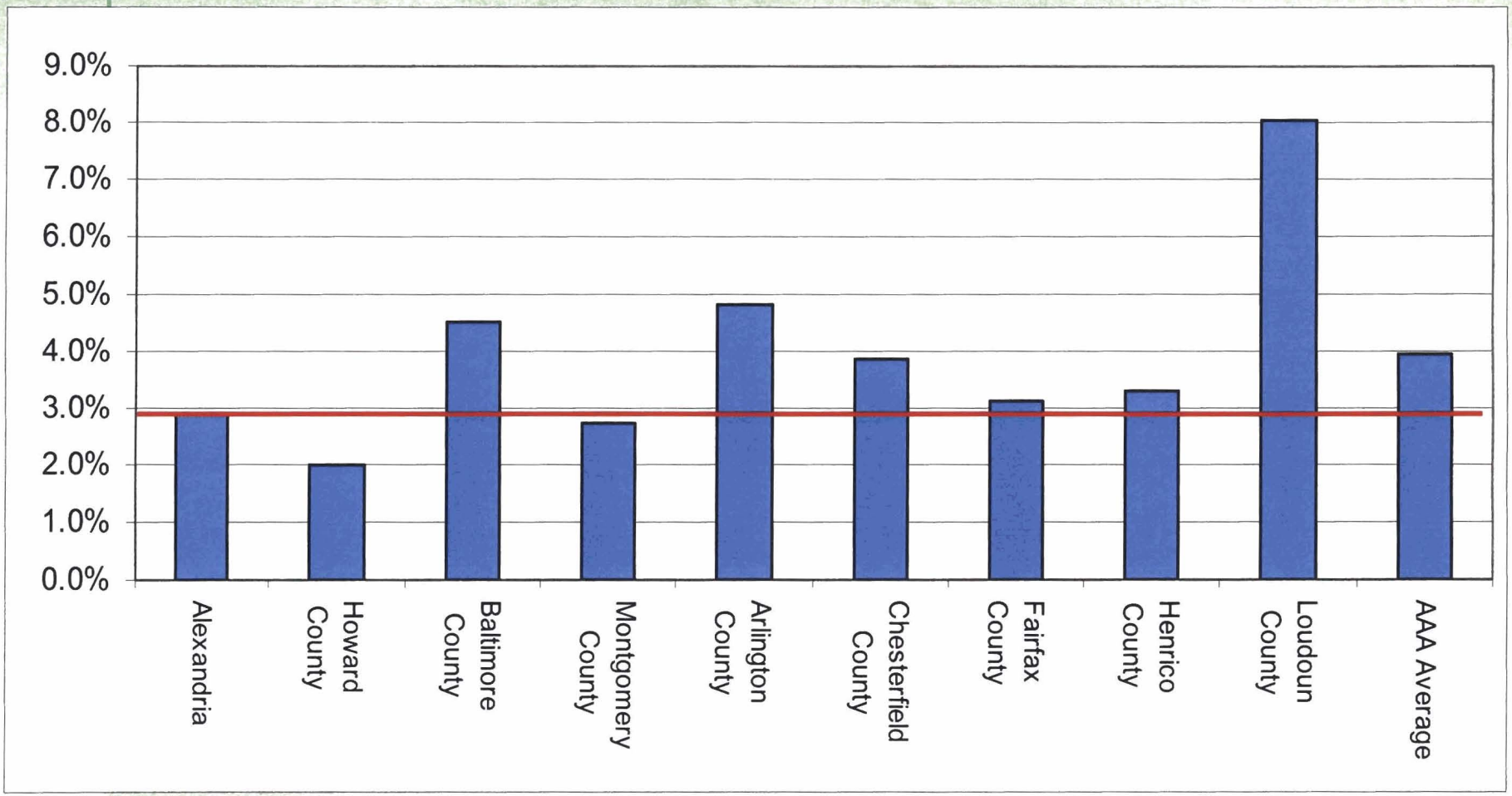


# Debt as Percent of Personal Income

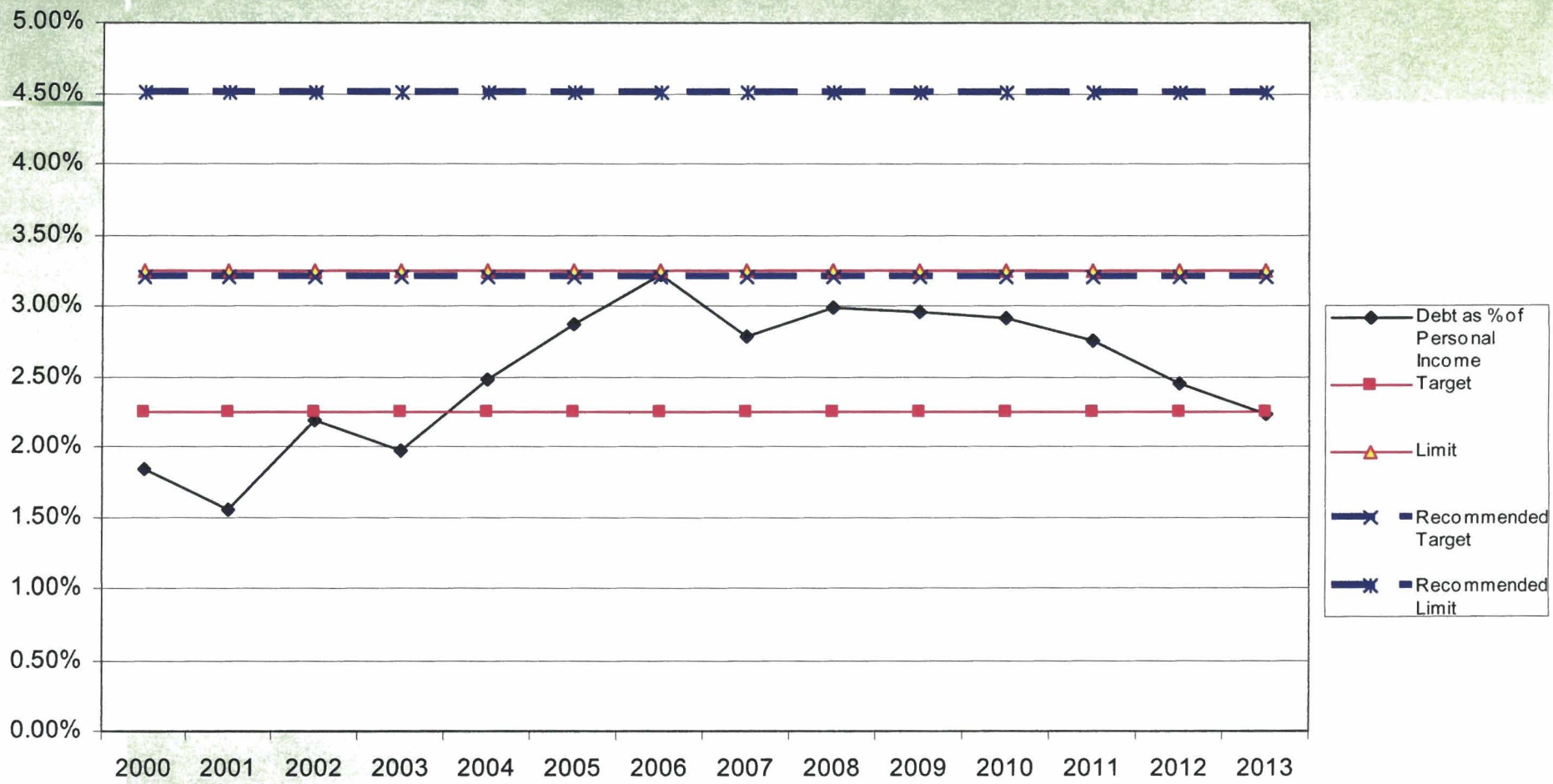
## Approved FY 2008 – FY 2013 CIP



# Debt as Percent of Personal Income



# Debt as Percent of Personal Income
## Approved FY 2008 – FY 2013 CIP

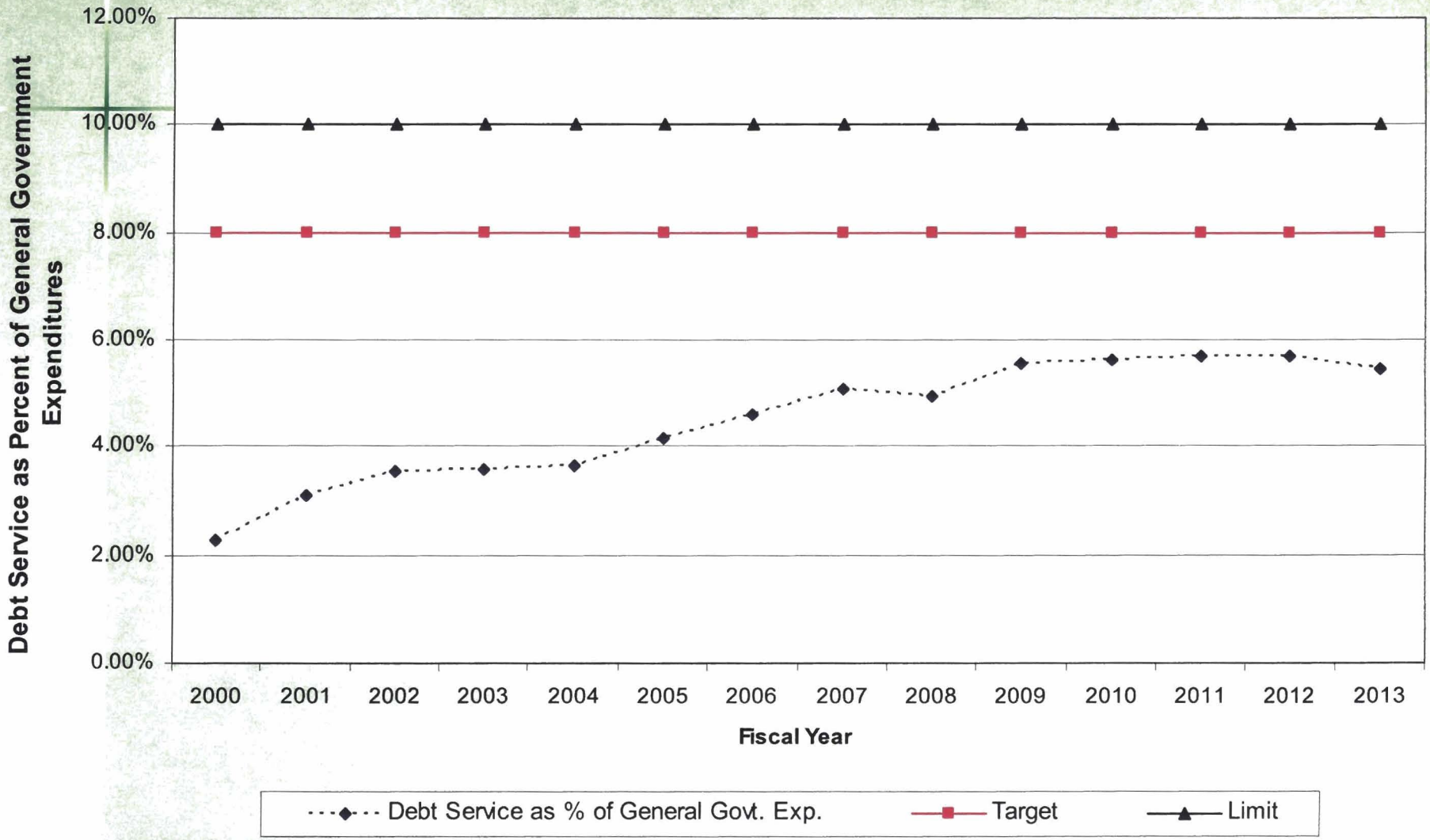


# Debt Policy Guidelines

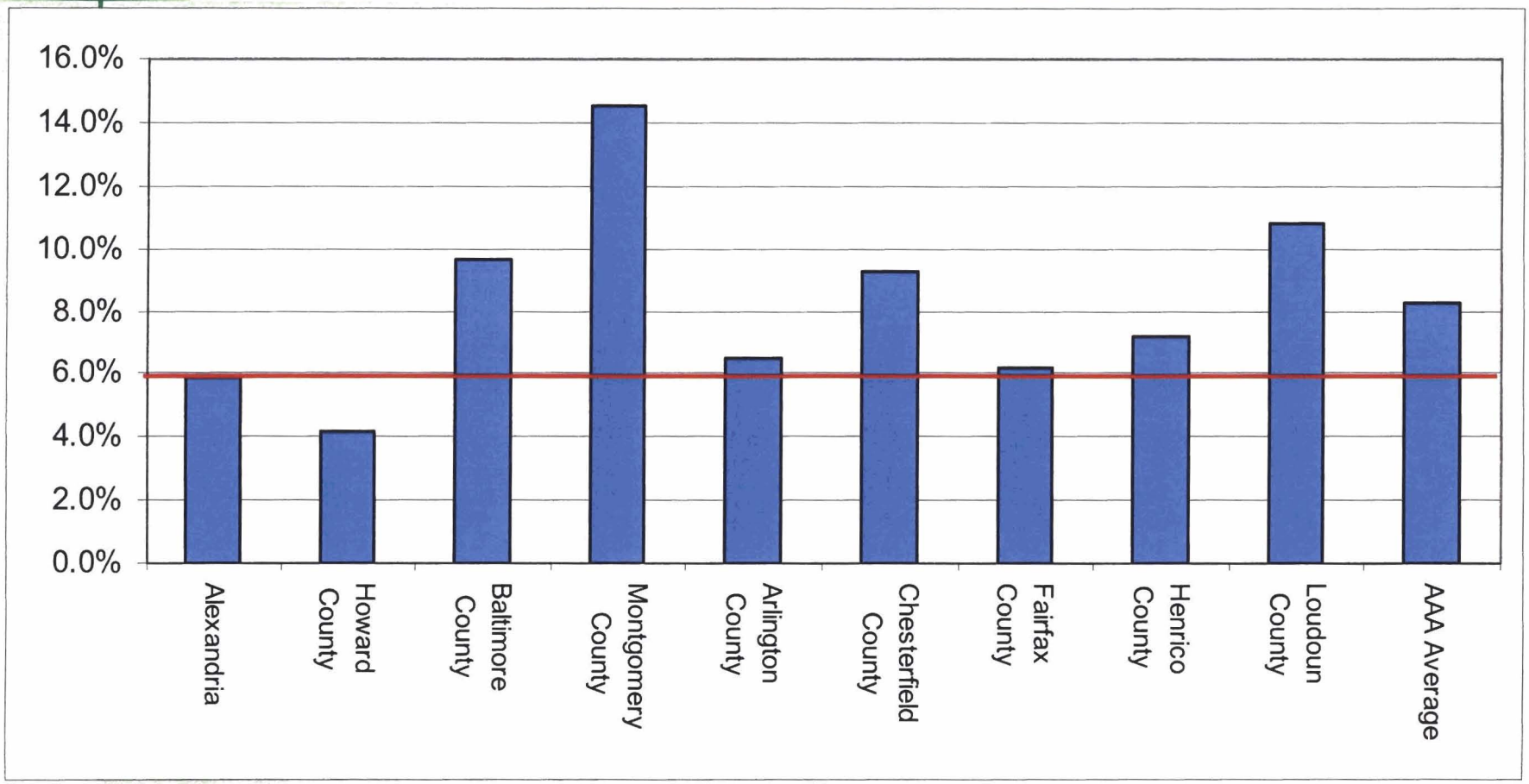
- Upcoming recommendations for later action
  - Increase limit and target for Debt as a Percent of Personal Income
    - 4.5% Limit
    - 3.25% Target
  - BFAAC recommended this in previous report
  - Revise and extend Financial Policy Guidelines to incorporate S&P criteria
    - See Handout

# Debt as Percent of General Government Expenditures

## Approved FY 2008 – FY 2013 CIP



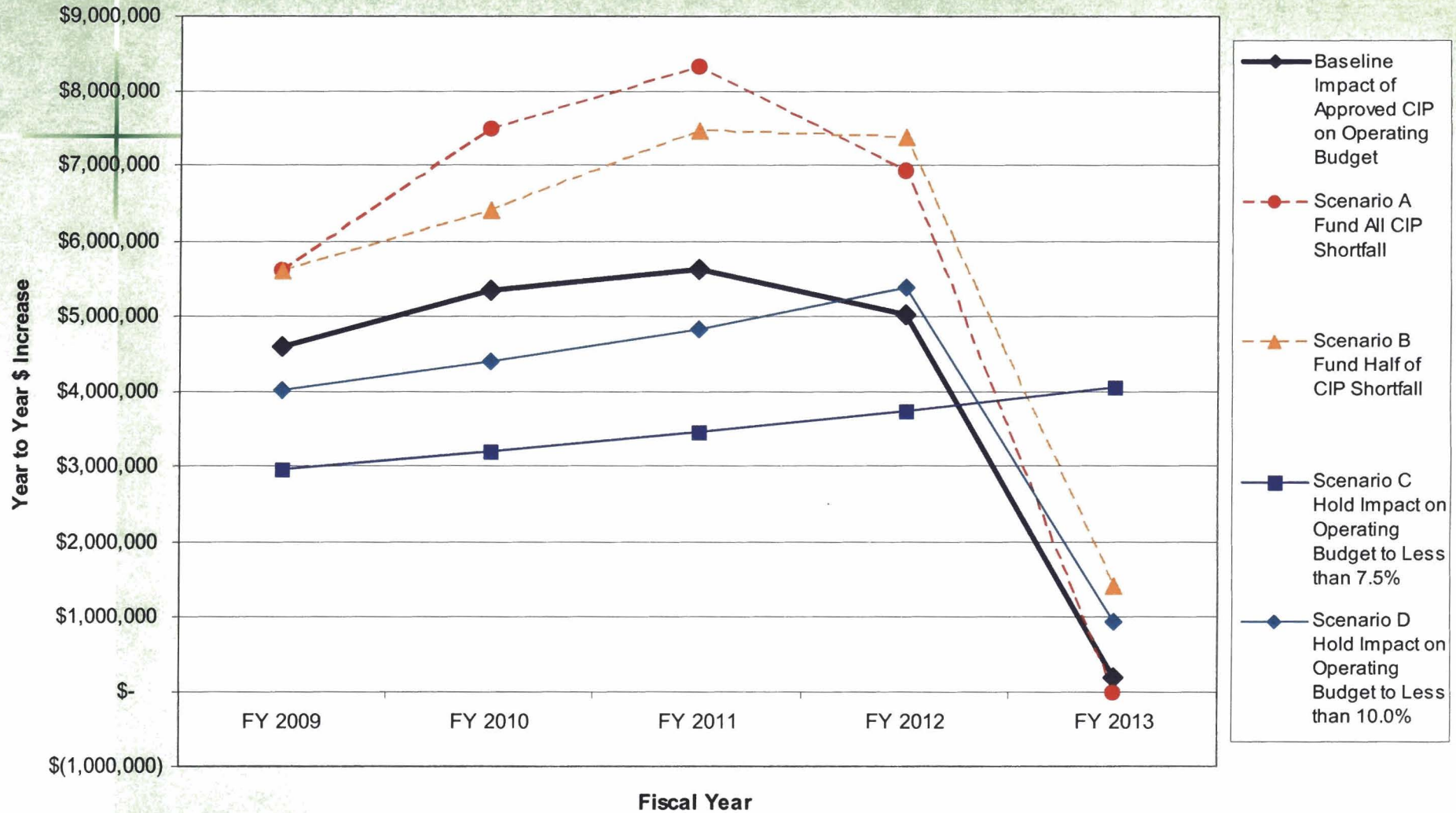
# Debt Service vs. Operating Expenditures



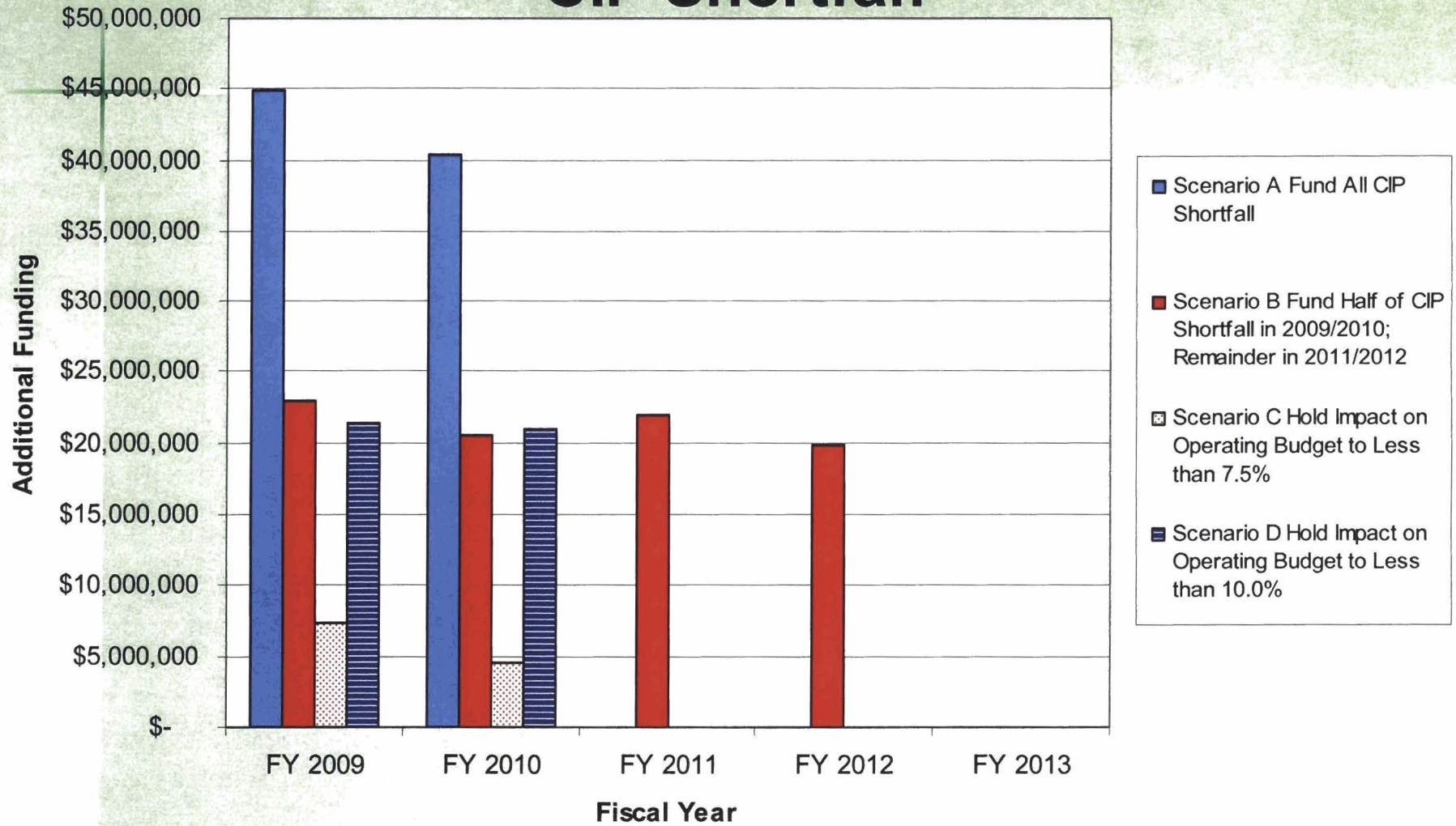
# Other Sources of CIP Funding/Financing

- 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 I | Phase 2 | Phase 3 | Phase 4 | Phase 5 |
|---|---|---|---|---|---|
| Weyerhauser | Opportunity Identification | Opportunity/ Feasibility Analysis | Proposal Development | Implementation | Initital 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

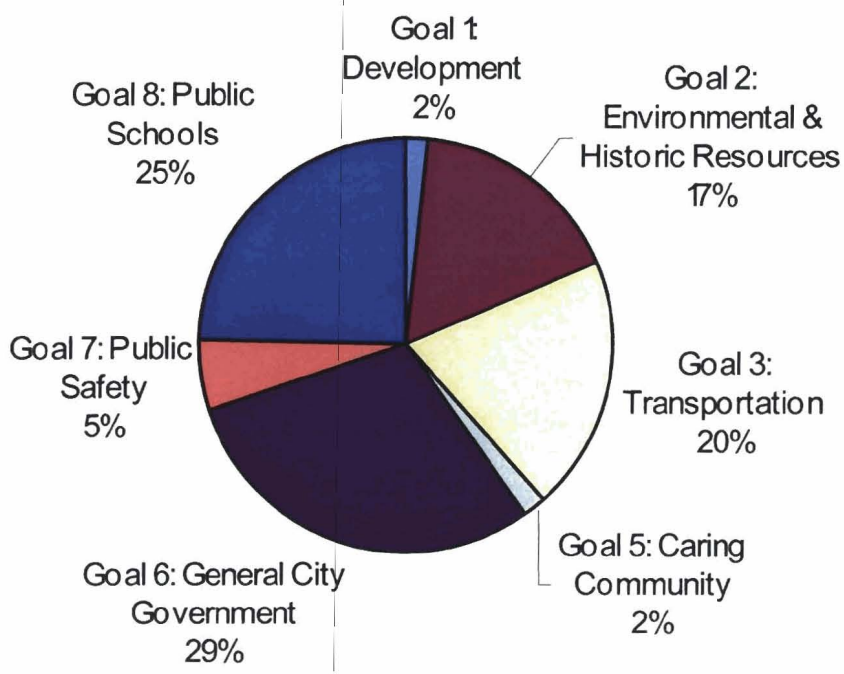
- Why are Costs Uncertain?
  - Materials cost escalation
  - Labor cost escalation
  - Supply/Demand for construction work
  - Unknown site conditions
  - Project scope/objectives/requirements change (including "green" initiatives)
  - Schedule change

# 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