Docket Item #2

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 23, 2011

TO: CHAIRMAN AND MEMBERS OF THE PLANNING COMMISSION

FROM: BRUCE JOHNSON, CHIEF FINANCIAL OFFICER

SUBJECT: TRANSMITTAL OF THE PROPOSED FY 2012 - FY 2021 CAPITAL IMPROVEMENT PROGRAM FOR REVIEW BY THE PLANNING COMMISSION

Attached you will find the Proposed FY 2012 - FY 2021 Capital Improvement Program (CIP) for review at your April 5, 2011 meeting. The Planning Commission is requested to review the proposed capital improvement projects with regard to the consistency of these proposed projects with the City's master plan. This is pursuant to Section 6.14 of the City Charter, which states "the City Manager shall obtain and transmit to the Council the advisory recommendations of the Planning Commission with regard to the consistency of proposed capital improvement projects with the master plan and the priority and timing of those projects in comparison to the elements in the master plan."

Subsequent to the City Manager's release of the Proposed CIP on February 8, 2011, two issues of substantial significance to the ten-year CIP have been publically discussed by City Council at worksessions. Per these discussions on long-term transportation solutions (i.e., Transportation Add-On Tax) and the School Board's ten-year capital funding request, updated information has been prepared and published by City staff. Budget Memo #10 provides a revised multi-year project plan for the Transportation Add-On Tax and Budget Memo #13 describes the impact on the City's Operating Budget and Debt Guidelines of fully funding the ACPS Board's CIP request. Additionally, please find attached Budget Memo #23 which describes a joint staff proposal (ACPS and City) that covers the first 4 to 5 years of the ACPS CIP for consideration by City Council and the School Board at the March 30, 2011 worksession.

The results of the Commission's review are requested prior to the add/delete work session of City Council, which is scheduled for April 25, 2011. Please feel free to contact Christopher Bever, CIP Analyst, or me at (703) 746-3737 if you have any questions regarding the proposed projects included in the CIP.

For your information, City Council set the dates below for consideration of the FY 2012 budget, including the FY 2012 - 2021 CIP. Staff presentations and video recordings of the meetings that have already occurred are available on the OMB page of the City's website (http://alexandriava.gov/Budget).

Wednesday, February 9, 2011 7:00 p.m.	Work Session on Revenues and the Capital Improvement Program
Tuesday, February 15, 2011 7:00 p.m.	Work Session on Strategic Plan Goal #3 (Transportation) and Strategic Plan Goal #1 (Economic Development & Land Use)
Wednesday, February 23, 2011 7:00 p.m.	Work Session on Strategic Plan Goal #5 (Financial Sustainability) and Employee Compensation and Staffing
Monday, March 7, 2011 4:00 p.m.	Budget Public Hearing
Monday, March 14, 2011 7:00 p.m.	Joint Work Session of City Council and School Board
Monday, March 21, 2011 5:30 p.m.	Work Session on Strategic Plan Goal #2 (Health & Environment), Strategic Plan Goal #4 (Children, Youth & Families), and Strategic Plan Goal #7 (Caring & Inclusive Community)
Wednesday, March 30, 2011 7:00 p.m.	Joint Work Session of City Council and School Board
Monday, April 11, 2011 7:00 p.m.	Work Session on Strategic Plan Goal #6 (Public Safety) and BFAAC Report
Saturday, April 16, 2011 9:30 a.m.	Public Hearing on Effective Tax Rate Increase
Monday, April 25, 2011 7:00 p.m.	Preliminary Add-Delete Work Session
Monday, May 2, 2011 6:00 p.m.	Final Add-Delete Process Work Session
Monday, May 2, 2011 7:00 p.m.	Special Legislative Meeting for Adoption of Operating Budget and Capital Improvement Program

Thank you in advance for your assistance in the review of the Proposed FY 2012-2021 Capital Improvement Program.

Attachments: FY 2012 – FY 2021 Proposed Capital Improvement Program (disk)
Budget Memo #10 – Revised Transportation Add-on Tax Project Plan
Budget Memo #13 – Impact on the Operating Budget and Debt Guidelines of Funding the ACPS Approved CIP
Budget Memo #23 – Report on City/Schools Staff Discussions on Short-term Schools Capital Improvement Request

cc: James Hartmann, City Manager
Mark Jinks, Deputy City Manager
Faroll Hamer, Acting Director, Planning and Zoning
Richard Baier, Director, Transportation and Environmental Services
Jeremy McPike, Acting Director, General Services
Jim Spengler, Director, Recreation, Parks and Cultural Activities
Michael Stewart, CIP Analyst, Office of Management and Budget
Christopher Bever, CIP Analyst, Office of Management and Budget

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 4, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #_10_: REVISED TRANSPORTATION ADD-ON TAX MULTI-YEAR PROJECT PLAN

This memorandum details a revised ten-year project plan associated with the proposed 12.5-cent Transportation Add-on Tax on Commercial Properties. The revisions to the plan are based on City Council comments made at Council's budget work session on transportation, land use and economic development issues. These revisions were presented to the Transportation Commission at its March 2, 2011 meeting.

At the February 15 work session, Council discussed the proposed project list that would be funded by the tax. Staff revised the list based on these discussions. The list below describes the changes made to the original proposal. Subsequent pages of this memorandum include the revised ten-year project plan as well as descriptions for each of the projects (some of which have been changed to reflect the revised project plan). These descriptions have been pulled from Appendix B of the Proposed FY 2012 – FY 2021 Capital Improvement Program and have been adjusted as necessary to reflect any revised funding levels.

The revised list still assumes the full 12.5-cent tax rate in each year of the plan. The project revisions result in the overall ten-year planned expenditures decreasing by $17.7 million (from $188.8 million down to $171.1 million). This reduction in expenditures takes the total amount of borrowing needed over the ten years down by $16.6 million (from $40.6 million down to $24.0 million).

Changes to the original project plan:

1. **Transit Corridor 'C'**: Funding for this project was accelerated to include $3.5 million in additional funds in FY 2012 and $3.5 million in additional funds in FY 2013. An accelerated approach to this project will likely result in project construction beginning prior to major redevelopment and would therefore require greater initial local investment.

3. **Transit Corridor 'A' Streetcar Conversion**: An additional $1 million in FY 2012 was added to provide additional funding for the planned Environmental Analysis being jointly

undertaken with Arlington for the potential streetcar conversion. The need for additional funding arose as the result of study proposals costing more than originally planned.

7. **Expanded Trolley/Circulator/Transit Service**: Funding for new and expanded service on a pilot basis was accelerated to begin in mid-FY 2012 as it would initially be contracted out to the private sector.

8. **Eisenhower Avenue Metro Station Platform Extension**: Funding for the project was removed from the ten-year project plan.

9. **Bradlee Transit Center**: Funding for the project was delayed to FY 2020.

10. **King Street Station Improvements**: $1 million for the City's share of construction of a tunnel connecting Union Station to the King Street Metro Station was added in FY 2012. This new funding need arose as a result of the Governor's Transportation Initiative (which the General Assembly has recently passed), which provided VRE funding for this tunnel. This connection will provide more convenient and seamless pedestrian access between VRE and Amtrak service at Union Station and Metro service at the King Street Station. This tunnel access was planned as part of the original King Street Metrorail Station construction. Funding for the relocated Old Town Transit Shop at the King Street Metro Station was delayed to FY 2020.

13. **Transportation Technologies**: $250,000 was added to this project in FY 2012. This will allow for implementation of transportation technologies to maximize efficiency of existing transportation infrastructure without the need for additional large investment.

14. **Old Cameron Run Trail**: Funding was accelerated to FY 2012 to begin design and construction of this regional trail connection in conjunction with the Holmes Run / Eisenhower East project.

17. **King/Quaker/Braddock Intersection**: Funding was accelerated to FY 2012 for design.

18. **Mt. Vernon Avenue/Russell Road Intersection**: Funding for this project was accelerated to FY 2012.

REVISED TRANSPORTATION ADD-ON TAX PROJECT PLAN (as of 3/4/11):

* Funding amounts in FY 2016 – FY 2021 are shown as shaded and italicized to signify that the last six years of the proposed project schedule are rougher, planning level estimates. Additionally, several of these projects involve other sources of funds (e.g. state grants, federal grants, developer contributions) beyond those shown in the table. These funds are described in their respective project descriptions.

Summary of Capital Project Areas of Emphasis

Transportation Add-On Tax Summary of CIP Subsections	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total FY 12-FY 21
High Capacity Transit Corridors	$6,100,000	$5,000,000	$7,250,000	$7,250,000	*$7,550,000*	*$12,650,000*	*$10,000,000*	*$10,000,000*	*$0*	*$0*	$65,800,000
Peak Period Bus Service	5,850,000	0	3,500,000	2,600,000	*0*	*0*	*0*	*0*	*0*	*0*	11,950,000
Transit Station Improvements	2,200,000	0	0	0	*600,000*	*2,700,000*	*2,700,000*	*0*	*2,000,000*	*0*	10,200,000
Non-Motorized Transportation Initiatives	1,250,000	6,800,000	700,000	3,500,000	*500,000*	*500,000*	*500,000*	*500,000*	*500,000*	*1,500,000*	16,250,000
Street Enhancements and Extensions	2,100,000	4,900,000	0	0	*0*	*0*	*0*	*0*	*210,000*	*3,100,000*	10,310,000
Total CIP Transportation Tax Expenditures	$17,500,000	$16,700,000	$11,450,000	$13,350,000	*$8,650,000*	*$15,850,000*	*$13,200,000*	*$10,500,000*	*$2,710,000*	*$4,600,000*	$114,510,000

Individual Capital Project Details

Transportation Add-On Tax CIP Projects (Continued) Subsection/Project	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total FY 12-FY 21
High Capacity Transit Corridors											
1 Transit Corridor "C" Construction	$4,500,000	$5,000,000	$5,000,000	$5,000,000	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	$19,500,000
2 Transit Corridor "A" Widening	600,000	0	0	0	*0*	*0*	*0*	*0*	*0*	*0*	600,000
3. Transit Corridor "A" Streetcar Conversion	1,000,000	0	2,250,000	2,250,000	*6,850,000*	*6,850,000*	*0*	*0*	*0*	*0*	19,200,000
4 Transit Corridor "B" Construction	0	0	0	0	*700,000*	*1,800,000*	*10,000,000*	*10,000,000*	*0*	*0*	22,500,000
5 Streetcar Maintenance Facility	0	0	0	0	*0*	*4,000,000*	*0*	*0*	*0*	*0*	4,000,000
Peak Period Bus Service											
6 DASH Fleet Expansion	5,850,000	0	0	2,600,000	*0*	*0*	*0*	*0*	*0*	*0*	8,450,000
7. Expanded Trolley/Circulator/Transit Service	0	0	3,500,000	0	*0*	*0*	*0*	*0*	*0*	*0*	3,500,000
Transit Station Improvements											
8 Eisenhower Avenue Metro Station Platform Ext	0	0	0	0	*0*	*0*	*0*	*0*	*0*	*0*	0
9. Bradlee Transit Center	0	0	0	0	*0*	*0*	*0*	*0*	*1,000,000*	*0*	1,000,000
10 King Street Station Improvements	2,200,000	0	0	0	*0*	*0*	*0*	*0*	*1,000,000*	*0*	3,200,000
11. Landmark Transit Station	0	0	0	0	*600,000*	*2,700,000*	*2,700,000*	*0*	*0*	*0*	6,000,000
Non-Motorized Transportation Initiatives											
12 Holmes Run Greenway/Eisenhower East	250,000	3,300,000	0	0	*0*	*0*	*0*	*0*	*0*	*0*	3,550,000
13. Transportation Technologies	500,000	500,000	500,000	500,000	*500,000*	*500,000*	*500,000*	*500,000*	*500,000*	*500,000*	5,000,000
14 Old Cameron Run Trail	500,000	3,000,000	0	0	*0*	*0*	*0*	*0*	*0*	*0*	3,500,000
15. Backlick Run Multi-Use Paths	0	0	200,000	3,000,000	*0*	*0*	*0*	*0*	*0*	*0*	3,200,000
16. Van Dorn Metro Multimodal Bridge	0	0	0	0	*0*	*0*	*0*	*0*	*0*	*1,000,000*	1,000,000

Individual Capital Project Details, continued

Transportation Add-On Tax CIP Projects (Continued) Subsection/Project	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total FY 12-FY 21
Street Enhancements and Extensions											
17. King/Quaker/Braddock Intersection	1,100,000	4,900,000	TBD	0	0	0	0	0	0	0	6,000,000
18 Mt. Vernon Ave/Russell Road Intersection	1,000,000	0	0	0	0	0	0	0	0	0	1,000,000
19. Duke Street Complete Streets	0	0	0	0	0	0	0	0	210,000	2,100,000	2,310,000
20. High Street Construction	0	0	0	0	0	0	0	0	0	1,000,000	1,000,000
Total CIP Transportation Tax Expenditures	$17,500,000	$16,700,000	$11,450,000	$13,350,000	[illegible]	[illegible]	$13,200,000	$10,500,000	[illegible]	[illegible]	$114,510,000

Transportation Add-On Tax Operating Expenditures

Transportation Add-On Tax Operating Expenditures	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total FY 12-FY 21
Transit Corridor "C" Operations	$0	$0	$0	$0	$1,600,000	$1,600,000	$1,600,000	$1,600,000	[illegible]	$1,600,000	$9,600,000
Transit Corridor "A" Operations (Streetcar)	0	0	0	0	0		2,500,000	2,500,000	[illegible]	2,500,000	10,000,000
Transit Corridor "B" Operations	0	0	0	0	0	0	0	0	[illegible]	1,600,000	3,200,000
DASH Bus Expanded Service	0	1,332,000	1,332,000	1,332,000	[illegible]	1,933,000	1,933,000	1,933,000	[illegible]	1,933,000	15,429,000
Expanded Trolley/Circulator Service*	500,000	1,000,000	1,000,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	7,400,000
Transitway Implementation Staff	*$170,461*	*$147,900*	*$150,858*	*$153,875*	[illegible]	[illegible]	*$163,294*	[illegible]	TBD	TBD	*$1,269,992*
Transportation Tax Debt Service	$0	$113,900	$494,569	$692,291	[illegible]	[illegible]	$1,294,625	[illegible]	[illegible]	[illegible]	$9,706,973
Total Operating Transportation Tax Expenditures	$670,461	$2,593,800	$2,977,427	$2,878,166	[illegible]	[illegible]	$8,190,319	[illegible]	[illegible]	[illegible]	$56,605,965

* The operating funding planned in FY 2012 - FY 2014 includes a built-in assumed portion for the leasing of capital equipment.

Grand Total Transportation Add-On Tax Expenditures (operating and capital)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total FY 12-FY 21
Grand Total, Transportation Tax Expenditures	$18,170,461	$19,293,800	$14,427,427	$16,228,166	[illegible]	[illegible]	$21,390,319	[illegible]	[illegible]	[illegible]	$171,115,965

REVISED TRANSPORTATION ADD-ON TAX PROJECT DESCRIPTIONS (as of 3/4/11):

* Funding amounts in FY 2016 – FY 2021 are shown as shaded and italicized to signify that the last six years of the proposed project schedule represent early, planning level estimates. Additionally, several of these projects involve other sources of funds (e.g. state grants, federal grants, developer contributions) beyond those shown in the table. These funds are described in the respective project descriptions.

Transit Corridor "C" Construction — **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$4.5	$5.0	$5.0	$5.0	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	$19.5
Operating	$0.0	$0.0	$0.0	$0.0	*$1.6*	*$1.6*	*$1.6*	*$1.6*	*$1.6*	*$1.6*	$9.6

Description: Consistent with the City's 2008 Transportation Master Plan, this project is to construct a 4-mile segment of the high-capacity transitway in dedicated lanes generally along the Van Dorn/Beauregard corridor between the Van Dorn Metro station and the border with Arlington to the north. This investment will support the development proposed in the Landmark/Van Dorn Small Area Plan, the Beauregard Corridor Study, and the Mark Center site. A Transitway Corridor Feasibility study is currently underway which will determine alignment, mode, ridership and station locations. Other project aspects include widening Van Dorn Street over Duke Street to accommodate pedestrians and provide multi-modal facilities consistent with the City's 2008 Transportation Master Plan.

Funding: Estimated project costs for construction exceed $39 million. Proposed funding assumes developer contributions of at least $20 million to supplement City funding for the project. Annual operating costs are estimated at $1.6 million.

Transit Corridor "A" Widening (Route 1) — **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.6	$0.0	$0.0	$0.0	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	$0.6

Description: This project will provide the funding necessary to construct the widening of Route 1 north of the section being constructed by the Potomac Yard developer (PYD) as part of their development obligations. PYD is responsible for the widening from the Monroe Avenue bridge in the south to E. Glebe Road in the north. The widening will accommodate the dedicated busway (Crystal City-Potomac Yard Transitway) that will be constructed in the median of Route 1. To accommodate the transition of the roadway and the busway these funds are necessary for construction north of E. Glebe Road to Wesmond Avenue. Performing the construction in conjunction with the construction of the roadway to the south will minimize disruption of traffic on Route 1 and reduce costs associated with the mobilization of construction.

Funding: Construction costs estimated at $600,000.

Transit Corridor "A" Streetcar Conversion — **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$1.0	$0.0	$2.25	$2.25	*$6.85*	*$6.85*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	$19.2
Operating	$0.0	$0.0	$0.0	$0.0	*$0.0*	*$0.0*	*$2.5*	*$2.5*	*$2.5*	*$2.5*	$10.0

Description: Conversion of the Crystal City-Potomac Yard dedicated busway along the Route 1 corridor (between north City limit and Braddock Road) to a streetcar system. The project would construct a streetcar system within the dedicated busway right-of-way running through the North Potomac Yard site to the Braddock Road Metro Station. This project assumes no additional right-of-way acquisition or utility relocations. In partnership with Arlington County, an environmental analysis for the project will be conducted.

Funding: Project cost is estimated at $74 million. FY 2012 would cover part of the costs of the needed Environmental Analysis. Proposed funding assumes 20% of construction costs to be paid by the City and with 80% Federal funding. Without Federal funding the project would not be viable. Annual operating costs are estimated at $2.5 million.

Transit Corridor "B" Construction **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.0	$0.0	*$0.7*	*$1.8*	*$10.0*	*$10.0*	*$0.0*	*$0.0*	$22.5
Operating	$0.0	$0.0	$0.0	$0.0	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$1.6*	*$1.6*	$3.2

Description: Consistent with the City's 2008 Transportation Master Plan, this project will construct a 4-mile segment of the high-capacity transitway in dedicated lanes generally along the Duke Street/Eisenhower Avenue corridor between the western City limit and Old Town. A Transitway Corridor Feasibility study is currently underway which will recommend alignment, mode, ridership and station locations. Further land use projections will be necessary to determine corridor demand for this service.

Funding: Estimated project cost for construction is estimated to exceed $30 million. Proposed funding assumes developer contributions of at least $10 million to supplement the City funding and construct the project. Annual operating costs are estimated at $1.6 million.

Streetcar Maintenance Facility **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.0	$0.0	*$0.0*	*$4.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	$4.0

Description: In order to support Crystal City-Potomac Yard transitway streetcar operations in Alexandria and Arlington, a new maintenance facility would need to be constructed. The jurisdictional location of the maintenance facility has not yet been determined, however, a City funding share would be necessary.

Funding: Proposed funding assumes a 50/50 split of the total $40 million cost between the City and Arlington County. This proposal also assumes the City's share ($20 million) would be supported by an 80% federal match.

DASH Fleet Expansion **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$5.85	$0.0	$0.0	$2.6	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	$8.45
Operating	$0.0	$1.332	$1.332	$1.332	*$1.768*	*$1.933*	*$1.933*	*$1.933*	*$1.933*	*$1.933*	$15.429

Description: System-wide enhancements to DASH bus service along priority bus routes. This project would fund additional buses and operating costs to expand service on existing routes and provide new service citywide. This service will augment existing routes at capacity, and provide service for new employees (such as in the Mark Center) in the area. In FY 2015, further expansion is projected. New crosstown service will provide service connecting the east and west portions of the City connecting existing and new commercial uses and activity centers across the east-west corridor of the City. Additional expansion of service will include new bus routes and new types of bus service that may include circulators and express or limited-stop service.

Funding: Each DASH hybrid bus costs $650,000 and has a corresponding annual operating cost, which is dependent on the exact service provided.

Expanded Trolley/Circulator/Transit Service $ in millions

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$3.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$3.5
Operating*	$0.5	$1.0	$1.0	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$0.7	$7.4

Description: Trolley service expansion improvements that may include expansion of King Street Trolley service; new trolley/circulator connections between the Del Ray neighborhood, Metro station(s), and Old Town with possible future extension to Arlandria; or a new north-south route along Union Street from Old Town to Potomac Yard via the Braddock Metrorail station. Starting in FY 2012, new trolley/circulator service would begin on a pilot basis with the services contracted out. Service will be adjusted based on ridership demand and new trolleys will be purchased in FY 2014.

Funding: Each trolley costs $700,000 and has a corresponding annual operating cost, which is dependent on the exact service level provided. $0.7 million in annual operating costs have been assumed at this point.

*The operating funding planned in FY 2012 – FY 2014 includes a built-in portion for the amortization of capital charges.

Eisenhower Avenue Metro Station Platform Extension $ in millions

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

Description: Construction of station entrance north of Eisenhower Avenue, to support new development will provide a direct pedestrian access to the station from the north side of Eisenhower Avenue. This project will eliminate pedestrian movements across Eisenhower allowing Eisenhower to function more efficiently, and provide additional station capacity to support the approved development coming to the area. Much of the approved development in the vicinity of the station is anticipated to be under construction in the next number of years. Through use of a WMATA contract, the environmental and design work for this project is currently underway.

Funding: Estimated total project cost is $24.4 million. $1.8 million for Preliminary Engineering is funded with SAFETEA-LU funding and an additional $450,000 from VDOT Urban Funds is available for construction. Transportation Add-on Tax funding has been removed, which will delay project implementation indefinitely. The City will be considering reallocating the SAFETEA-LU and VDOT Urban Funds to other high-priority transportation projects.

Bradlee Transit Center $ in millions

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.0	$0.0	$1.0

Description: The project is for the construction of the Bradlee Transit Center. The project will provide bus facilities for a number of bus routes serving the area. The improvements will include bus shelters and enhanced service information, bus circulation, bicycle parking and transit amenities.

Funding: The transit center cost is estimated at $1.5 million of which $500,000 is funded through VDOT funds. However, the City will be considering reallocating the VDOT funds to a more immediate high-priority transportation project, which would require identification of additional funds in the future.

King Street Station Improvements **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$2.2	$0.0	$0.0	$0.0	*$1.0*	*$0.0*	*$0.0*	*$0.0*	*$1.0*	*$0.0*	$3.2

Description: The Washington Metropolitan Transit Authority (WMATA) and Alexandria are working together to construct multi-modal improvements to the King Street station. The project funded in the base CIP will improve safety for all users and improve station access for bicyclists and pedestrians, as well as reconfigure the parking lot to serve additional buses and improve bus safety and efficiency. This Transportation Add-On Tax funding will provide additional amenities, such as bus shelters with real time transit capability, bicycle parking and a site for a future relocated Old Town Transit Shop at a more prominent location to serve a larger population.

In addition, the project would provide local funding ($1.0 million) that would be combined with newly provided State funds to VRE for the construction of a tunnel connecting Union Station to the King Street Metro Station. This connection will provide more convenient and seamless access between VRE and Amtrak service at Union Station and Metro service at the King Street Station. The project has been included in the adopted State budget for FY 2012 and will require local matching funds.

Funding: The parking lot reconfiguration is fully-funded in the base CIP. The cost of the additional station amenities and City share of the connection to Union Station is estimated at $3.2 million.

Landmark Transit Station **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.0	$0.0	*$0.6*	*$2.7*	*$2.7*	*$0.0*	*$0.0*	*$0.0*	$6.0

Description: As part of the redevelopment of the Landmark Mall site and consistent with the City's 2008 Transportation Master Plan, this project is for the construction of an intermodal transit station at, or near, the intersection of transit corridors 'B' and 'C' (Duke Street and Beauregard) in the vicinity of Landmark Mall.

Funding: Project is estimated at $6 million and is contingent on substantial redevelopment and developer contributions.

Holmes Run Greenway/Eisenhower East **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.25	$3.3	$0.0	$0.0	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	$3.55

Description: This project is to construct significant upgrades to the existing facilities along the Holmes Run Greenway from North Ripley Street running north to beneath Interstate 395. The existing facilities currently provide access under Interstate 395 and Van Dorn Street via a tunnel, underpass, fair weather crossing and concrete trail system built into the concrete sidewall embankments lining the flood channel of Holmes Run. A study is expected to be completed by 2012 and is partially funded with VDOT funds.

Funding: The Holmes Run Greenway project is estimated to cost $5 million. $2.01 million in VDOT funds are currently available for construction of this project.

Transportation Technologies $ in millions

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$5.0

Description: This project will provide funding for transportation technologies that leverage existing infrastructure by improving system efficiencies, including signal operations, providing Transit Signal Priority (TSP), queue jumps where warranted and feasible, real time transit information and implementing parking technologies.

These technologies will help maximize efficiency of the existing transportation system without the need to make large investments in new infrastructure. These technologies will also provide real time information to users on the internet and on mobile devices including real time transit, traffic and parking information.

Funding: Project is budgeted at $500,000 per year.

Old Cameron Run Trail $ in millions

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.5	$3.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$3.5

Description: This project is to construct a bicycle/pedestrian trail between Eisenhower Avenue near Telegraph Road to the Mt. Vernon Trail. This project will address a major gap in the city's 'Green Crescent' trail system and ultimately provide a key link in the regional bicycle/pedestrian multi-modal transportation system.

Funding: This project is estimated at $3.5 million.

Backlick Run Multi-Use Paths $ in millions

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.2	$3.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$3.2

Description: Multi-use path project to provide increased bicycle connectivity (a trail along Backlick Run) through construction of a shared use path running from Boothe Park west to the Fairfax County line.

Funding: Estimated cost for this project is $3.2 million.

Van Dorn Metro Multimodal Bridge $ in millions

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.0	$1.0

Description: Construction of multimodal bridge from the Van Dorn Metro Station to Pickett Street. This project was identified in the Landmark/Van Dorn Small Area Plan and will provide improved access for bicycles, pedestrians and transit from Pickett Street to the Van Dorn Metro Station.

Funding: Estimated cost of the project is $22 million (in 2011 dollars). Project is contingent on substantial redevelopment and developer contributions.

King/Quaker/Braddock Intersection **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$1.1	$4.9	TBD	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$6.0

Description: This project provides funding to construct the intersection of King Street, Quaker Lane, and Braddock Road after a thorough review of the existing design and traffic flow and recommend steps for redesign to improve the intersection for both motorists and pedestrians. This intersection is currently one of the most congested areas in the City. The initial study of the intersection is fully funded and is expected to be complete in FY 2011.

Funding: The cost of construction of the intersection improvement is estimated at $6.0 million and is currently funded for preliminary design.

Mt Vernon Ave/Russell Road Intersection **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$1.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.0

Description: Construction of intersection improvements identified in the Arlandria Small Area Plan to include pedestrian upgrades and revised intersection alignment and geometry to improve functionality and safety. The project will include improvements to the roadways adjacent to the intersection.

Funding: Estimated cost of this project is $1.0 million.

Duke Street Complete Streets **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.31	$2.0	$2.31

Description: This project includes the construction of a fifth lane (center turn lane) along Duke Street from Wheeler Avenue to Jordan Street to accommodate safe left turns to adjacent residences and businesses along Duke Street. Raised medians should be used at various locations to protect left turning vehicles, to restrict some turning movements and to provide pedestrian safety refuges.

Funding: Estimated project cost of $2.31 million.

High Street Construction **$ in millions**

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Capital	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.0	$1.0

Description: Construction of new High Street west of and parallel to Van Dorn Street from West End Town Center to Pickett Street, including Duke Street grade separated crossing. This project was identified in the Landmark/Van Dorn Small Area Plan and would be completed along with the redevelopment of Landmark Mall.

Funding: Estimated cost of the project is $18.4 million (in 2011 dollars) and is contingent on substantial redevelopment and developer contributions.

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 10, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 13 : IMPACT OF FULLY FUNDING THE ACPS APPROVED FY 2012 – FY 2021 CIP

This memorandum is in response to Vice Mayor Donley and Councilman Smedberg's request to describe the ten-year impact on the City's debt guidelines and operating budget of fully funding the ACPS Approved FY 2012 – FY 2021 Capital Improvement Program. This memo also addresses Councilman Krupicka's question at the recent joint City Council – School Board meeting on February 28th about the impact of funding only the first three years of the ACPS Approved CIP.

Background

The total City Manager's Proposed FY 2012 – FY 2021 CIP, which was released on February 8, decreased by $25.2 million, or 2.6%, over the ten years compared to the Approved FY 2011 – FY 2020 CIP. The City Manager's Proposed CIP keeps the ten-year funding level for ACPS capital projects at $158.1 million, which is equal to what was planned in the FY 2011 – FY 2020 Approved CIP. The School Board's Approved FY 2012 – FY 2021 CIP includes a total of $372.6 million in capital projects over ten years, which represents an increase of $214.5 million (135.7%) over the City's Proposed CIP. Fitting this level of additional funding in the Proposed CIP was simply not possible if the CIP were to remain consistent with City Council budget guidance to not increase CIP bond or cash capital funding from current revenues.

FY 2012 City Manager Proposed to FY 2012 ACPS Approved			Difference	
	FY 2012 CM Proposed	FY 2012 ACPS Approved	$	%
School Capacity	$51.6	$199.3	$147.7	286.3%
Facilities Maintenance	$65.2	$75.1	$9.9	15.3%
Shared Programs	$0.0	$33.9	$33.9	N/A
All Other Categories	$41.3	$64.2	$22.9	55.5%
TOTALS	**$158.1**	**$372.6**	**$214.5**	**135.7%**

The request for additional debt issuance for ACPS comes at a time when state and local governments are under increased scrutiny by the bond rating agencies in regard to their overall finances, future pension fund projections, as well as existing debt and bond issuance plans. Some Wall Street analysts are also predicting a historic record volume of municipal defaults in the coming year. While the City's finances and economy are in better shape than most other local governments, the City's existing and planned debt have increased substantially in the last decade for City and School projects. This has resulted in the City meeting or exceeding the targets set in its adopted debt policy guidelines, as well as nearing the policy guideline debt limits. These debt policy guidelines were first adopted in 1987 (amended in 1997 and 2008) and are considered a "best practices" model by the bond rating agencies. These guidelines have assisted the City in obtaining and maintaining its AAA/Aaa ratings. As a result, the guidelines cannot be ignored or violated without negative consequences.

Funding Options Considered

In order to analyze and model the impact of this additional $214.5 million in projects, one could assume exclusive bond financing or a combination of bonds and cash. This memo will model both possibilities, with the combination of bonds and cash being a 75% / 25% mix. This bonds-to-cash ratio is equal to that of the overall existing City capital program. These two different financing options have differentiated and serious impacts on the City's long-term operating budget (and tax rates) and debt policy guidelines.

A third financing option that could be considered is the exclusive use of cash capital (i.e., "pay-as-you-go") to fund the full ACPS Approved FY 2012 – FY 2021 CIP. This option could also be considered to finance just the first three CIP years plus Patrick Henry, if that program was approved by City Council. Over the long-term a full cash option is the least costly financing option for the City, but all of the costs would be borne within the next ten years, rather than spread over the next thirty years. This option also has the most dramatic impact on the real estate tax rate over the next ten years since the costs are not being spread over the useful life of the ACPS capital assets.

The City could not afford a 100% cash capital option to fund ACPS capital needs. The impact on the real estate tax rate would be both annually volatile and extreme. In some of the larger program years, the tax rate would need to increase by between 10 and 16 cents to fund the additional projects and then drop to 4 or 5 cents the next year. Also, adopting such a strategy would go against the philosophy of generational equity (i.e., "pay-as-you-use"), which posits that the cost of capital assets should be spread over time to better align with those members of the public who are benefitting. In other words, a new school constructed in FY 2014 will benefit the community for upwards of 40 years or more, so the costs of that school should also be spread somewhat over time.

The following pages include numerous graphs illustrating the impacts on the City's Operating Budget and debt policy guidelines that various mixes of expenditure and financing options yield. In all these options, the impact in the early years is relatively minimal. However, it is very important to consider that the full impact of issuing bonds is felt over many years. For that reason, decisions should be focused on a multi-year analysis rather than simply the fiscal impact in the immediate one or two budget years. Another important consideration is that the assumed borrowing in these graphs does not include any Transportation Add-On Tax funded bonds, which would only serve to further increase the City's general obligation debt ratios in the next ten years.

Summary of Results for Different Options

	Total 10-year Additional Debt	10-year Additional Debt Service & Cash Capital	FY 2012 Increase in Operating Budget	FY 2021 Increase in Operating Budget	Peak of % of Assessed Value Debt Ratio (Year)	10-year Average Additional Real Estate Tax Rate
Funding Full ACPS CIP						
Option 1: 100% Bonds	$214.5 million	$68.5 million	$0.3 million	$13.6 million	1.66% (2015)	2.1 cents
Option 2: 75% Bonds / 25% Cash	$160.9 million	$106.1 million	$4.3 million	$9.6 million	1.59% (2015)	3.3 cents
Funding FY12-FY14 ACPS CIP[1,2]						
Option 3: 100% Bonds	$94.6 million	$36.1 million	$0.3 million	$4.8 million	1.62% (2015)	1.1 cents
Option 4: 75% Bonds / 25% Cash	$71.0 million	$51.8 million	$4.3 million	$3.7 million	1.56% (2015)	1.6 cents

[1] This option includes the FY 2015 funding to complete the Patrick Henry new school project and excludes the FY 2014 funding for the Minnie Howard classroom additions, MacArthur HVAC replacement, and Polk exterior play area. These are the four projects that have funding overlapping FY 2014 and FY 2015 that needed to be either fully included or excluded from the model.

[2] The assumptions used for Options 3 & 4 -- an increase over the C.M. Proposed CIP in fiscal years 2012 - 2014 and amounts below the School Board's request in fiscal years 2015 - 2021 -- do not imply School Board, School Staff, or City Staff agreement. This memo is simply giving Council an analysis that was requested on the multi-year impact of such options.

There are a few key figures to focus on in the table. First, for both expenditure options (full ten years or first three years), using 100% bonds as the funding source would result in the City exceeding its debt policy guideline limits for Debt as a Percent of Real Property Value. This is the most important debt ratio statistic. Next, all of these options would result in a 10-year average real estate tax rate increase of at least 1.1 cents, and all but one option (Option 3) would have a peak real estate tax rate impact of over 4 cents. Finally, while both options using 100% bond financing cost less in the next ten years, the options using a mix of cash and bonds are significantly less expensive over the full life of the bonds (30 years).

Overall, for whatever ACPS CIP funding Council approves, City staff would recommend a financing plan that mixes cash and bonds (25% / 75%) because it is both less expensive in the long run and more in line with the City's practice of using diverse funding sources to maintain its AAA/Aaa bond ratings. This somewhat lesser dependence on borrowing would also allow the City's debt ratios to recover and again drop below the target levels in a more expedited manner. That being stated, while this memo details the financial impact of different project plans and financing strategies, City staff is not endorsing or making any recommendations on any of the options in this memorandum. This information is simply intended to provide information to City Council by modeling the impacts on future operating budgets and the debt policy guidelines of certain potential actions. Additional discussion on the merits of specific projects and specific year-to-year financing choices needs to occur before a final 10-year CIP is approved.

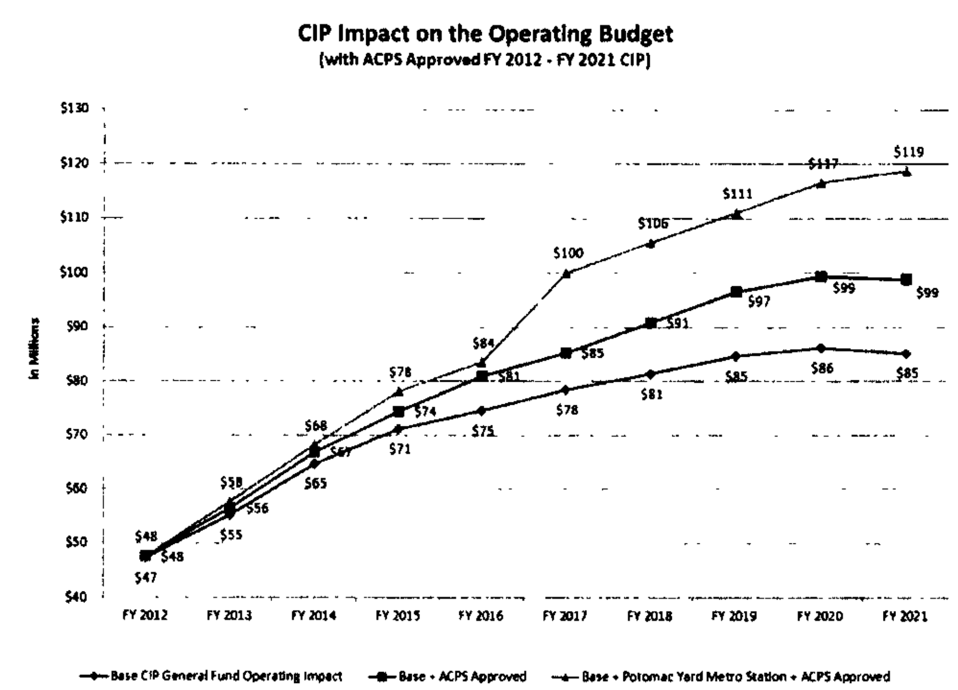
It should be noted that the City's current CIP does not reflect the potential capital needs impact (i.e., sports fields and recreation centers) of the ACPS current enrollment projections. These projections are driving much of the request for a substantial increase in ACPS capital funding over the next decade. At some point there will need to be a true-up of those youth-related City CIP needs, as City-wide planning will need to incorporate a larger rate of growth in school age population over the next few decades.

In viewing the various debt ratio charts in this memorandum the focus should be on the "Base CIP Debt" and "Base plus ACPS Approved" graph lines. The lines containing the planned debt issuance for the Potomac Yard Metrorail Station are not relevant to the ACPS capital analysis because that debt is considered outside the City's core debt and debt ratio policy targets and limits. The Metrorail Station debt is self-financed and does not draw upon existing general tax revenues to be repaid.

OPTION 1 - ACPS APPROVED FY 2012 – FY 2021 CIP (100% BOND FINANCING):

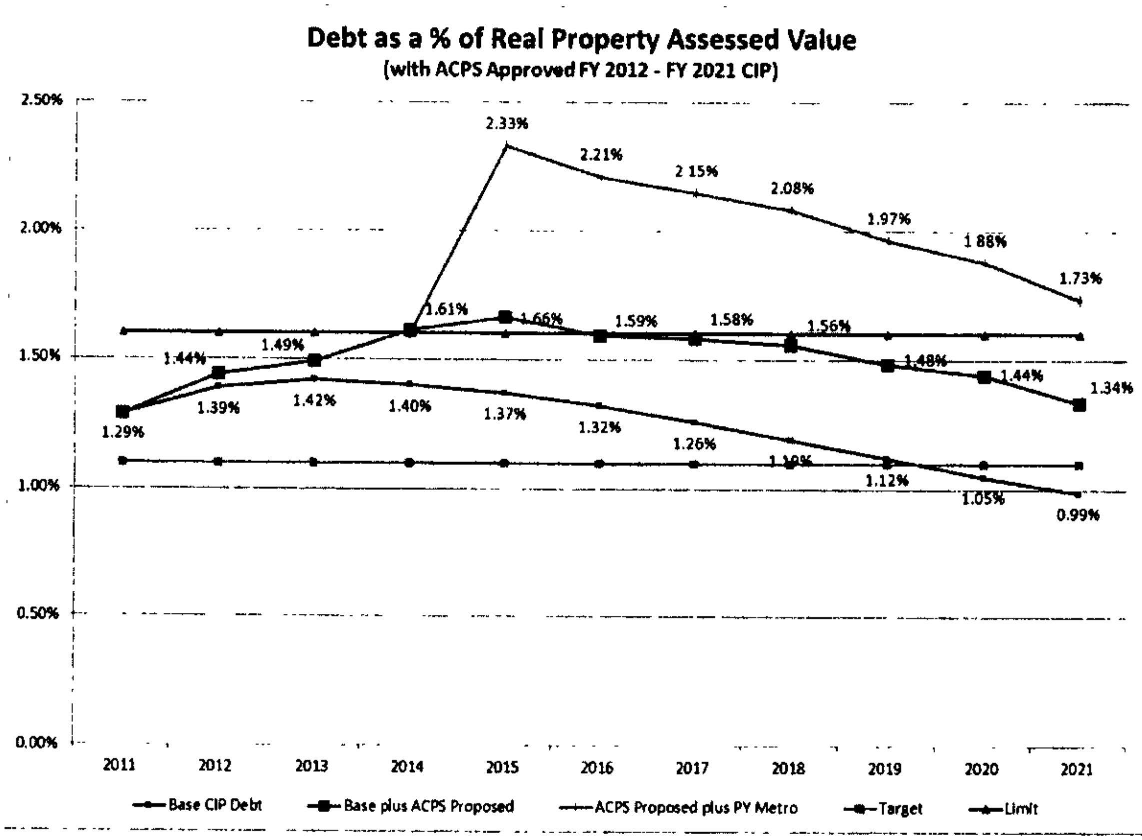
The first option for financing the additional ACPS projects in FY 2012 – FY 2021 would use entirely General Obligation Bond funding. These additional bonds would total $214.5 million over the ten years. Over the ten years, this debt would cost the City's Operating Budget a total of $68.5 million in additional debt service.

This method of financing would steadily increase the amount of funding needed in the City's operating budget. The middle line on the graph below represents the operating budget costs of implementing this financing option. By FY 2021, an additional $13.6 million would be needed for debt service payments over those required for the base capital program. The short-term impact of this option is relatively minor as it takes a few years for the full level of debt service payments to work their way into the budget.



In FY 2012, the additional operating budget expense would only be about $300,000, or 0.1 cents on the real estate tax. However, that number quickly grows and would require about 0.5 cents in FY 2013; 1 cent by FY 2015; 3 cents by FY 2018; and over 4 cents more on the real estate tax rate by FY 2020.

Beyond simply impacting the City's Operating Budget, this funding decision would negatively impact the City's debt guidelines and cause the debt limit ceiling to be breached. The graph below shows how the most important ratio, Debt as a % of Real Property Assessed Values, is impacted by this increase in planned borrowing.



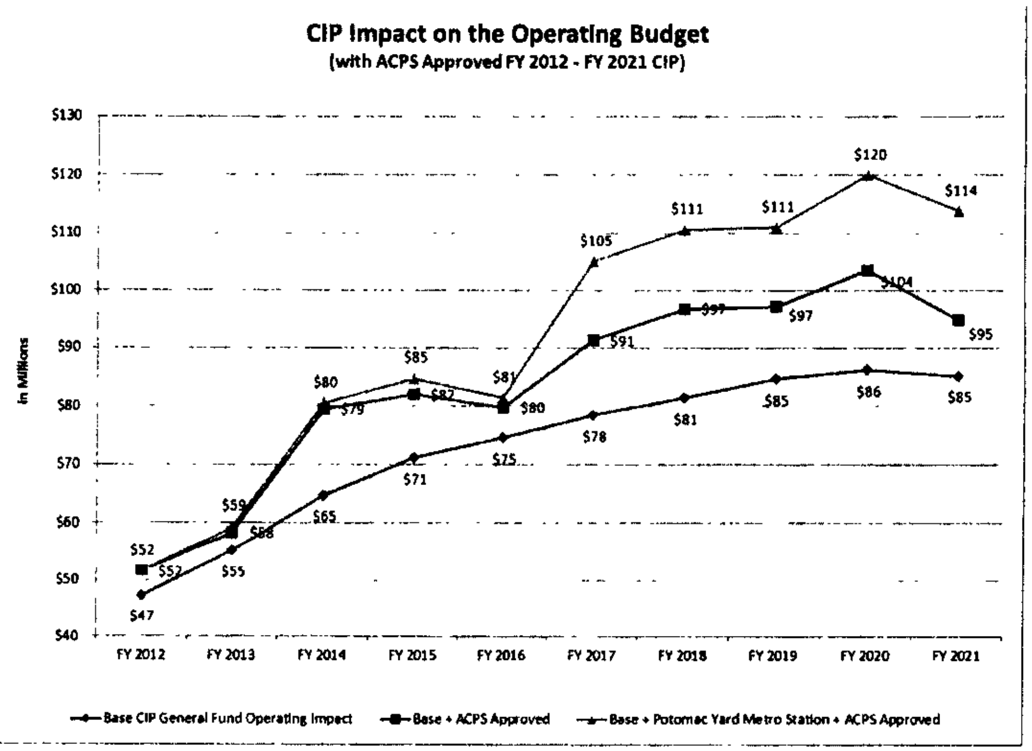
The middle line in this graph represents that impact of funding the base CIP and the additional ACPS capital projects. In FY 2014 and FY 2015 this plan would result in the City exceeding the limit for this ratio. Overall, this additional debt would increase this ratio fairly drastically through FY 2021 and beyond.

The other two debt guidelines, Debt as a % of Personal Income and Debt Service as a % of General Governmental Expenditures, are also negatively impacted by this additional debt. Neither guideline exceeds the City's limit in any year, but they are pushed much closer to the limits than the City would be otherwise. These two graphs can be found in Attachment 1 to this memo.

OPTION 2 - ACPS APPROVED FY 2012 – FY 2021 CIP (75% BOND FINANCING; 25% CASH):

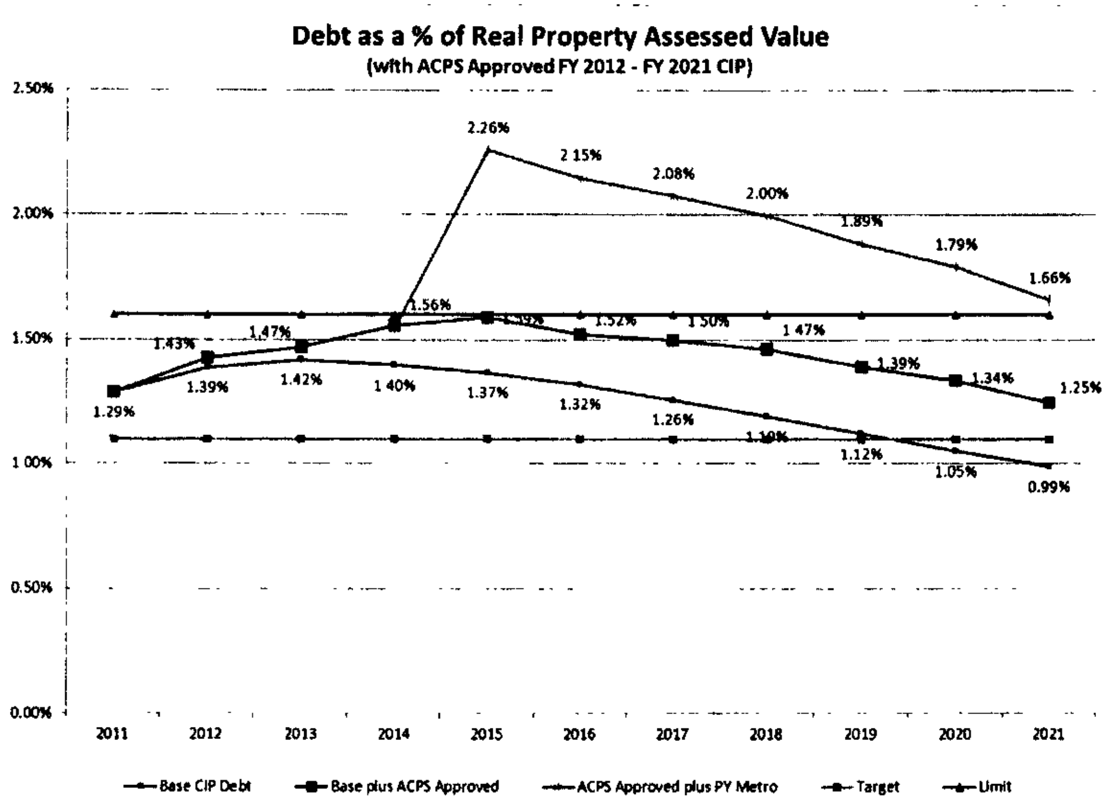
This option would include full funding of the ACPS Approved FY 2012 – FY 2021 CIP, but would use a financing combination of 75% bonds and 25% cash capital in each year of the plan. As is apparent in the graph below, this funding mechanism results in a somewhat more erratic, or volatile, impact on the City's Operating Budget. It is unlikely that the City would strictly use a financing strategy like this (would likely seek a smoother operating budget impact), but it is useful to model and examine the results. A more likely scenario would use the same overall amount of bonds and cash capital, but would more evenly distribute the cash across the ten years to smooth out this impact. The long-term cost to the City would not be significantly impacted.

This option would require additional 10-year debt issuances of $160.9 million. The overall cost to the City's Operating Budget over the next ten years would be $106.1 million, which is about $37.6 million more than if the additional projects were 100% bond-financed (due to more cash capital). However, looking over the next thirty years this combination of bonds and cash would be significantly less costly on a budgeting basis because there is less interest paid due to a lower amount of bonds being issued. By FY 2021, the impact on the City's Operating Budget would be $9.6 million.



Because the annual impact on the Operating Budget varies from year to year, the impact of this option on the City's real estate tax rate is also rather varied. FY 2012, the first year of the plan, would require an additional 1.3 cents on the tax rate. That number drops to 1 cent in FY 2013, but increases to 4.5 cents in FY 2014. In FY 2015 and beyond, the rate varies from 1.5 cents to 5.4 cents, but averages about 3.7 cents per year. Again, this option is more expensive that 100% borrowing in the first ten years, but less expensive over the full 30 year lifecycle of this debt.

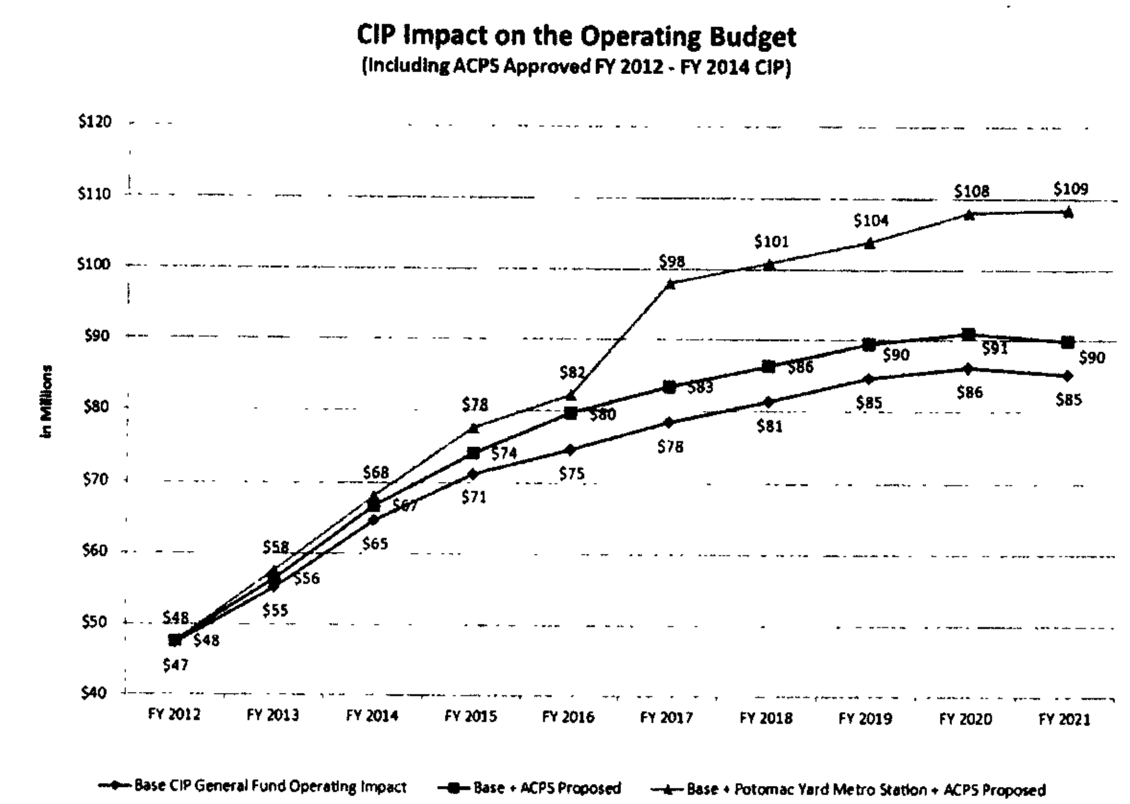
Unlike financing these projects completely with bonds, using this mix of 75% bonds and 25% cash does not push the City beyond the debt policy guideline limits. Debt as a % of Real Property Assessed Value bumps up just slightly below the limit in FY 2015 at 1.59% (limit is 1.6%). The real impact is keeping the City above the target ratio for a longer period of time (i.e., the entire 10-year period).



The graphs showing the other two debt ratios, Debt as a % of Personal Income and Debt Service as a % of General Governmental Expenditures, using this financing model can be found in Attachment 2 to this memo.

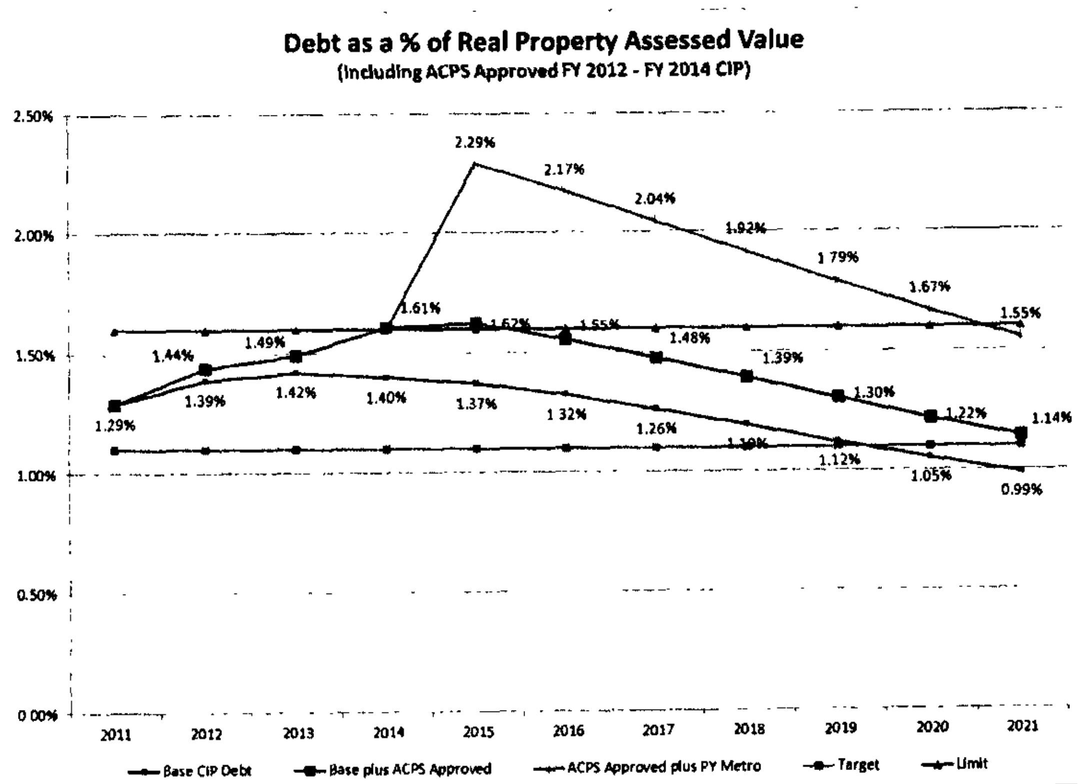
OPTION 3 - ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY NEW SCHOOL (100% BOND FINANCING):

If instead of funding the full ten-year CIP approved by ACPS, the assumption only included funding for the first three years (FY 2012 – FY 2014) of the ACPS plan plus the funding to finish the Patrick Henry new school in FY 2015, the total increment to debt finance is reduced from $214.5 million to $94.6 million. The total cost to the City's Operating Budget (increased debt service) over the next ten years would be $36.1 million. By FY 2021, the City's Operating Budget would increase by $4.8 million in this option. The graph below illustrates the impact that this option would have on the City's Operating Budget over the next ten years.



This option has almost the same impact on the City's Operating Budget and real estate tax rate through FY 2014 as funding the entire ten-year ACPS Approved CIP. This impact is about 0.1 cents in FY 2012 and grows to 0.6 cents in FY 2014. Starting in FY 2015, the impact is somewhat lessened. The approximate impact on the real estate tax rate would be about 1 cent in FY 2015 and 1.5 cents in FY 2016 through FY 2021.

The graph below shows the impact of funding the first three years of the ACPS Approved CIP plus the Patrick Henry new school in FY 2015 on the City's Debt as a % of Real Property Assessed Values. The impact through FY 2016 is very similar to funding the full ACPS ten-year plan, but in FY 2017 and beyond the negative impact is somewhat lessened. Ultimately, this borrowing would put the City in excess of the current limit for this policy in FY 2014 (1.61%) and FY 2015 (1.62%).



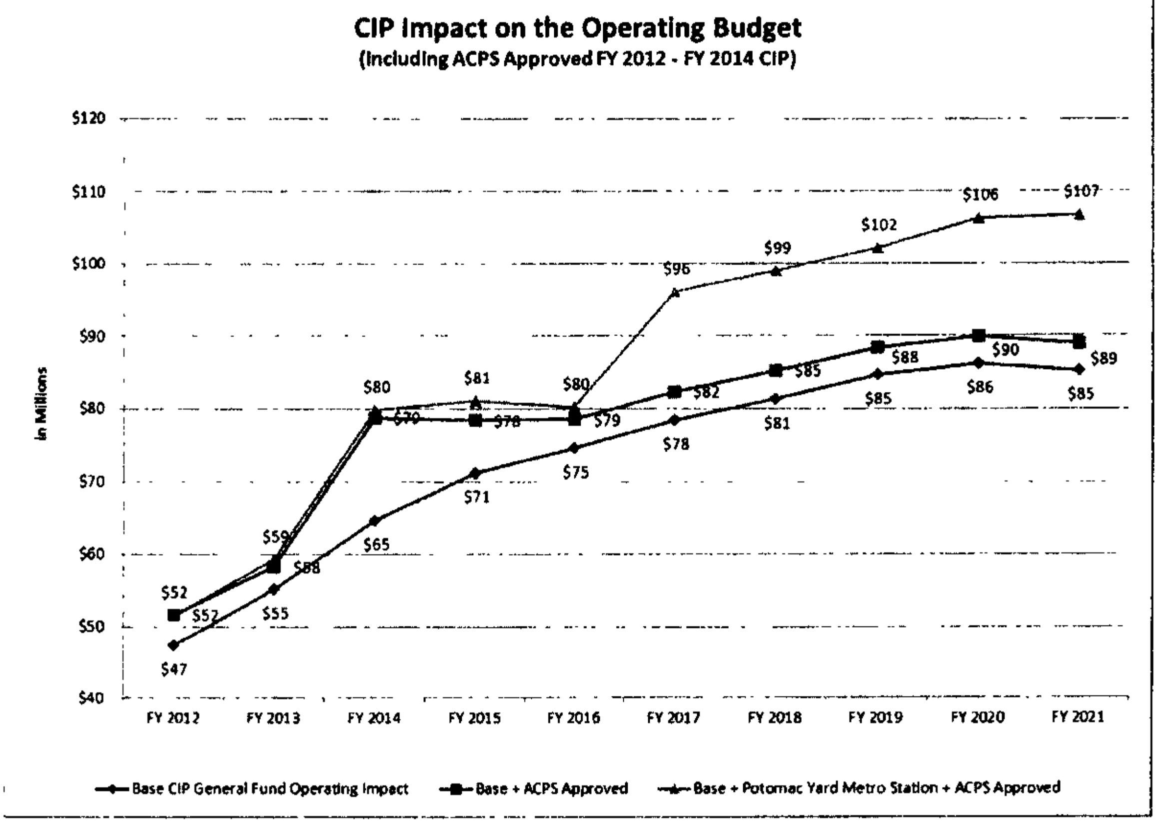
The other two debt ratios, Debt as a % of Personal Income and Debt Service as a % of General Governmental Expenditures, are also negatively impacted by this additional debt. Neither is projected to exceed the debt policy limits in the next ten years, but would be result in a somewhat weaker position. Both these graphs can be found in Attachment 3 to this memo.

It is important to note that the expenditure assumptions used for Options 3 & 4 -- an increase over the C.M. Proposed CIP in fiscal years 2012 - 2014 and amounts below the School Board's request in fiscal years 2015 - 2021 -- do not imply School Board, School Staff, or City Staff agreement. These Options are simply giving Council an analysis that was requested on the multi-year impact of such spending and financing choices.

OPTION 4 - ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY NEW SCHOOL (75% BOND FINANCING; 25% CASH):

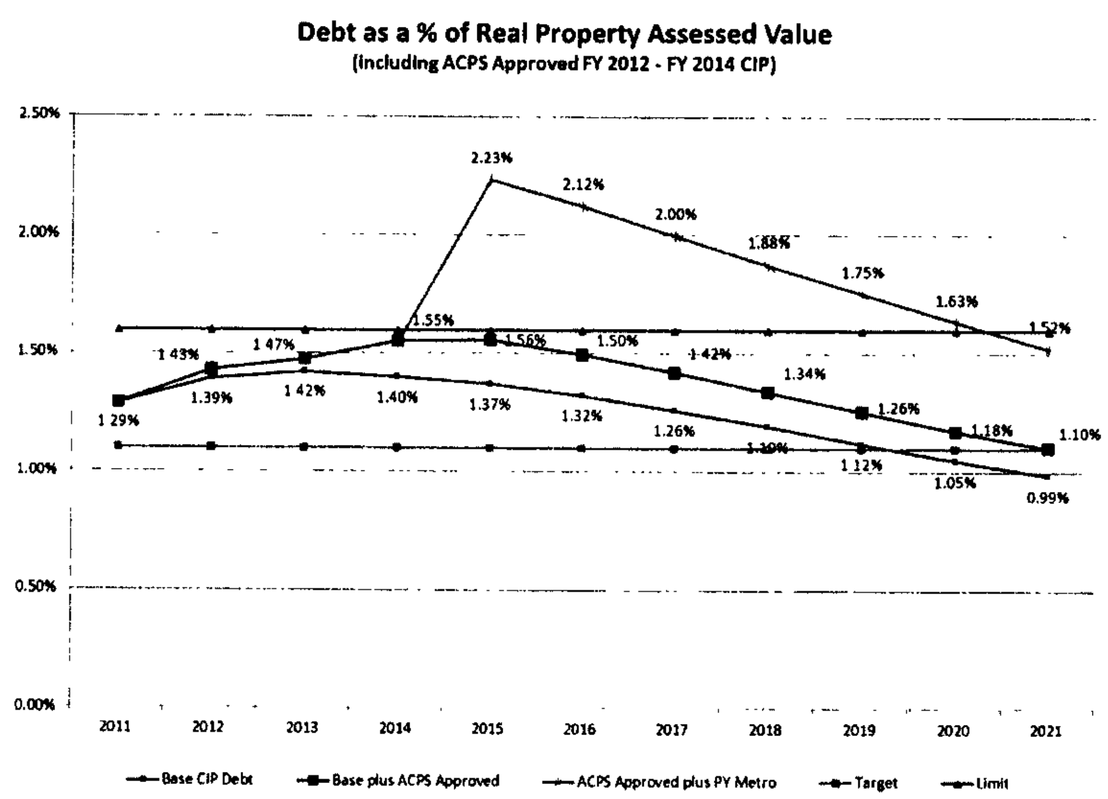
This next option again assumes that the City would only fund the first three years (FY 2012 – FY 2014) of the ACPS Approved plan plus the Patrick Henry new school in FY 2015. The financing strategy would include 75% bonds and 25% cash capital. Again, it is unlikely that the City would ultimately use a financing strategy that results in such a bumpy Operating Budget cost, but it is still a good exercise to model the results. A more likely scenario would spread the cash capital more evenly across the ten years to smooth out this impact. This option would require additional bond issuances totaling $71.0 million over ten years. The additional cost to the Operating Budget over these ten years would be $51.8 million. By FY 2021, the Operating Budget would be $3.7 million larger.

The graph below shows the impact on the City's Operating Budget using these expenditure and financing assumptions.



Because this financing involves combined cash and bonds, the impact on the Operating Budget and corresponding real estate tax rate is inconsistent from year to year. Over the ten years that tax rate would range from 1 cent (FY 2013) to 4.3 cents (FY 2014), and would average about 1.6 cents.

The graph below illustrates Debt as a % of Real Property Assessed Value assuming the first three years of the ACPS Approved plan plus the Patrick Henry new school in FY 2015 are funded using a combination of 75% bonds and 25% cash capital. This option results in a new peak for this ratio of 1.56% in FY 2015. Because there wouldn't be additional borrowing after FY 2015, the ratio begins recovering more quickly than if the full 10-year ACPS CIP was funded.



The graphs showing the other two debt ratios, Debt as a % of Personal Income and Debt Service as a % of General Governmental Expenditures, using this financing model can be found in Attachment 4 to this memo.

ATTACHMENTS:

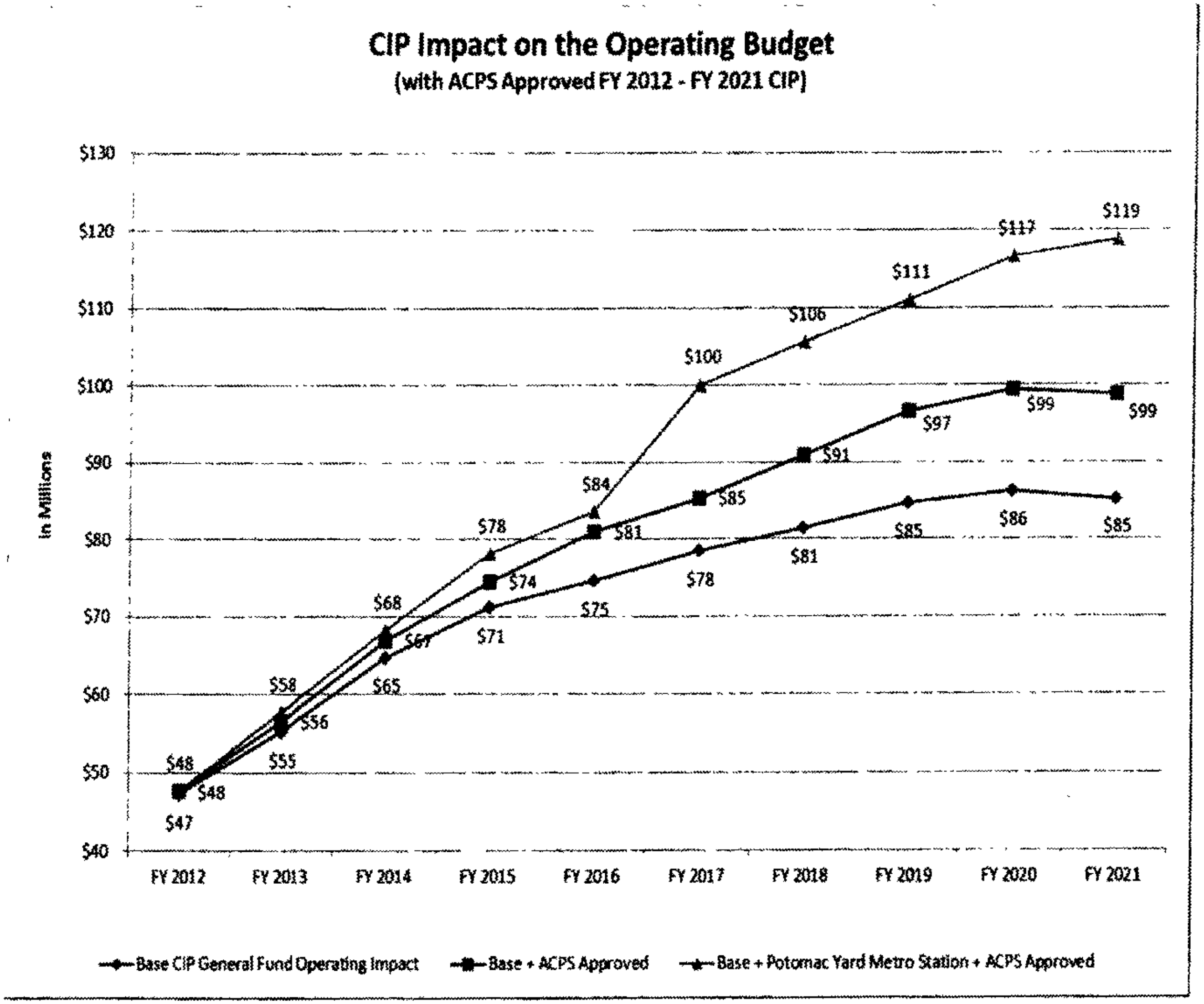
Attachment 1: Option 1 - Operating Impacts and Debt Ratios of funding the total ACPS Approved FY 2012 – FY 2021 CIP with 100% General Obligation Bonds

Attachment 2: Option 2 - Operating Impacts and Debt Ratios of funding the total ACPS Approved FY 2012 – FY 2021 CIP with 75% G.O. Bonds & 25% Cash Capital

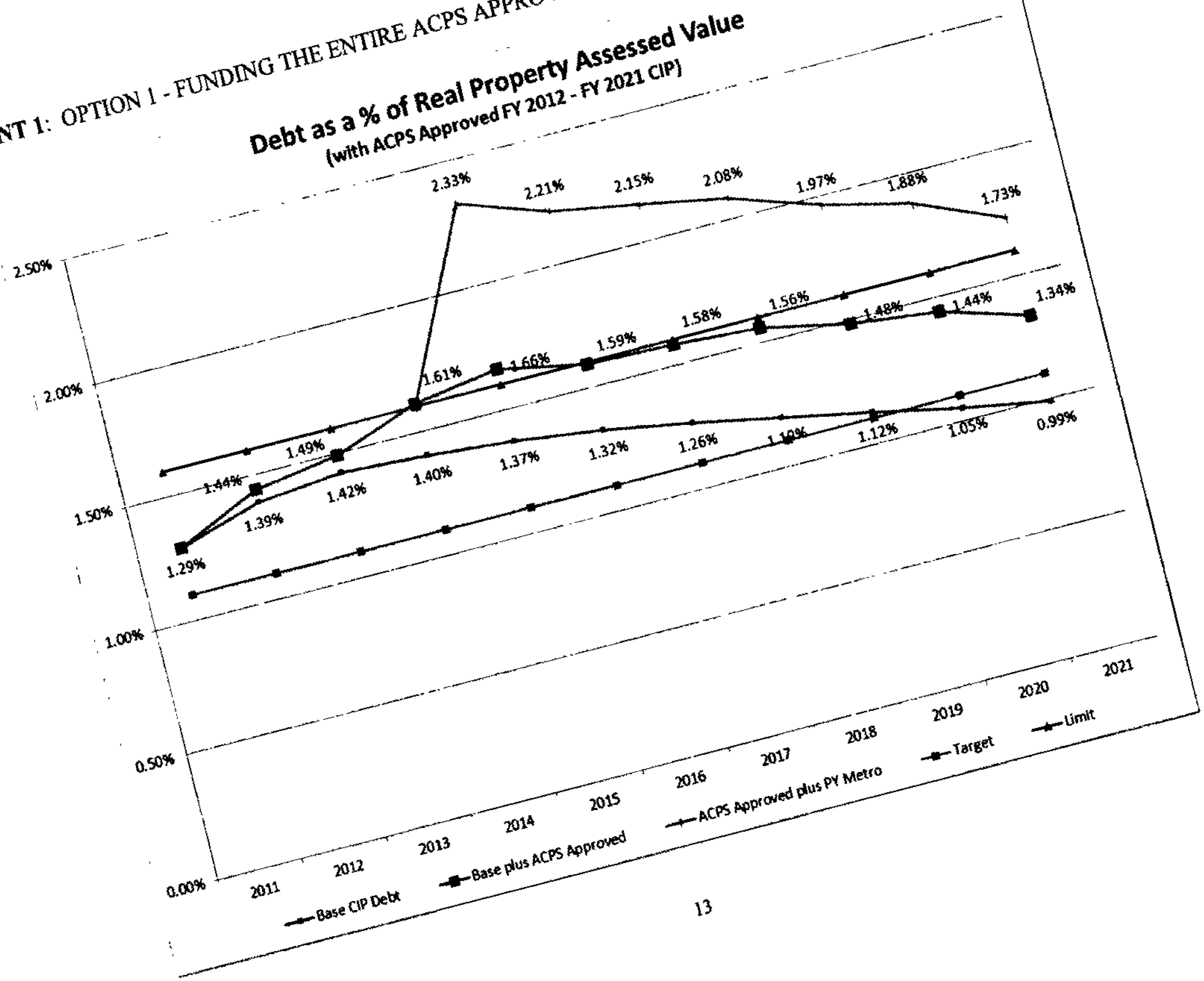
Attachment 3: Option 3 - Operating Impacts and Debt Ratios of funding the first three years of the ACPS Approved FY 2012 – FY 2021 CIP with 100% G.O. Bonds

Attachment 4: Option 4 - Operating Impacts and Debt Ratios of funding the first three years of the ACPS Approved FY 2012 – FY 2021 CIP with 75% G.O. Bonds & 25% Cash Capital

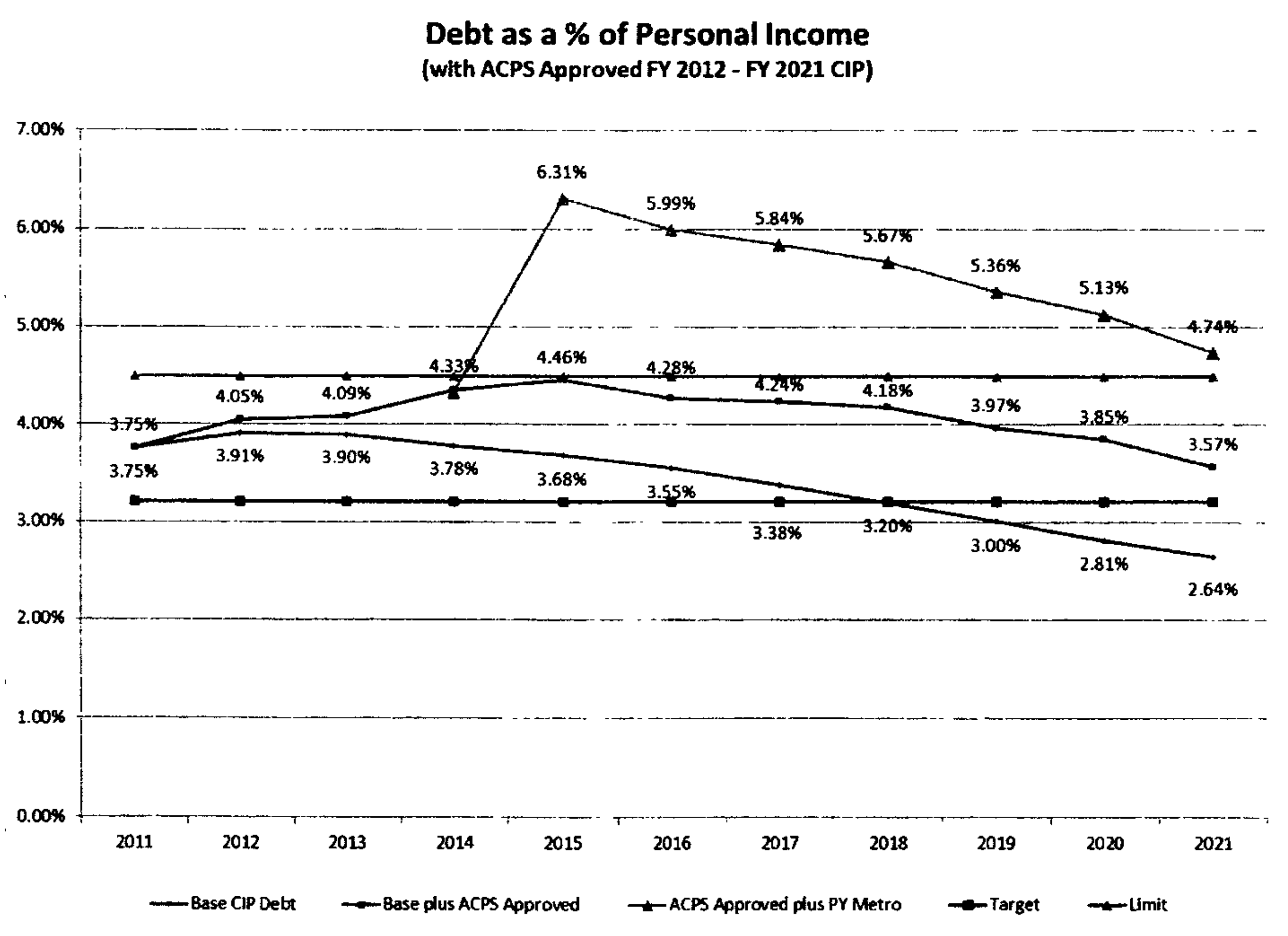
ATTACHMENT 1: OPTION 1 - FUNDING THE ENTIRE ACPS APPROVED FY 2012 – FY 2021 CIP; 100% BOND FINANCING



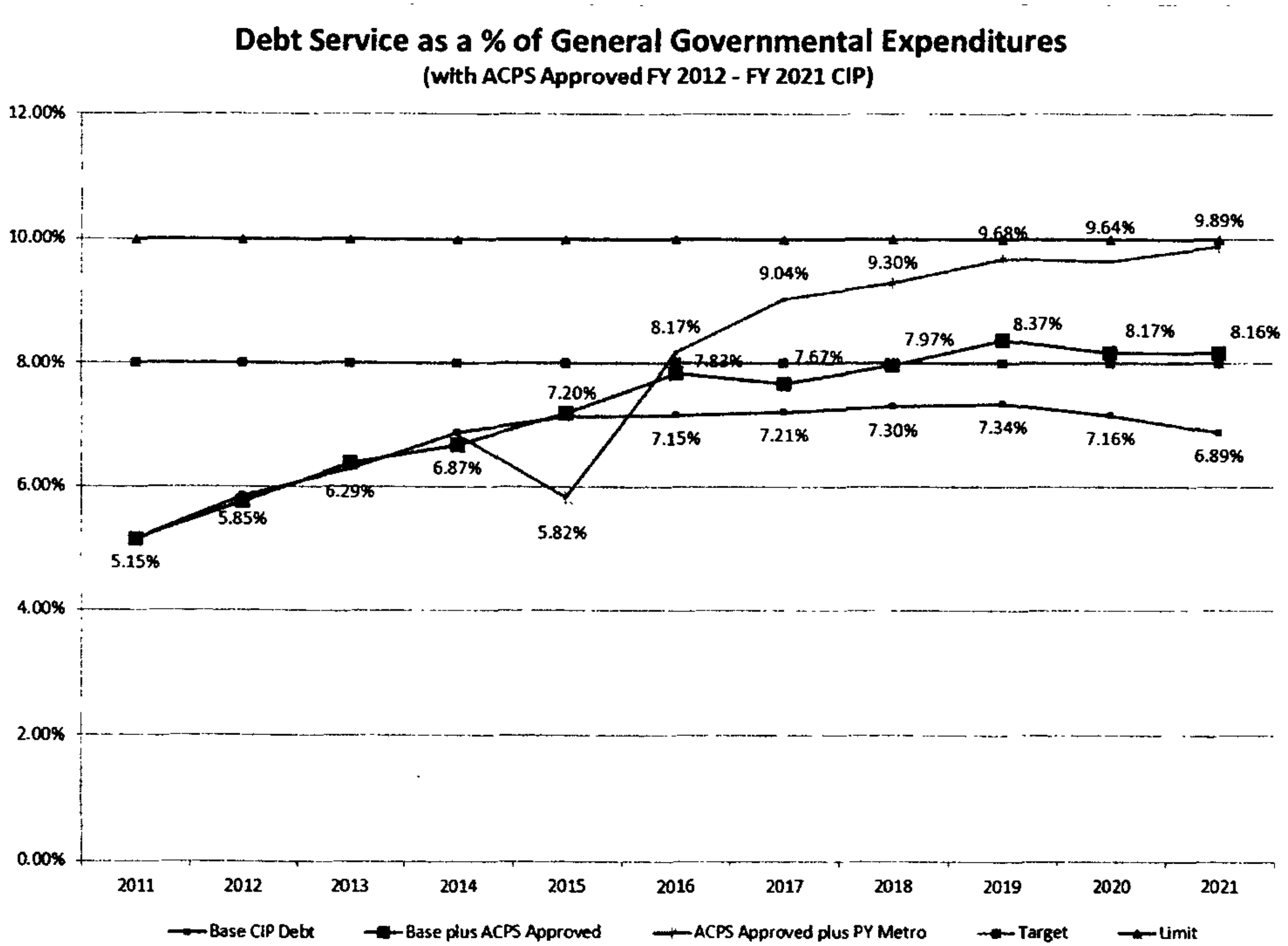
ATTACHMENT 1: OPTION 1 - FUNDING THE ENTIRE ACPS APPROVED FY 2012 – FY 2021 CIP; 100% BOND FINANCING



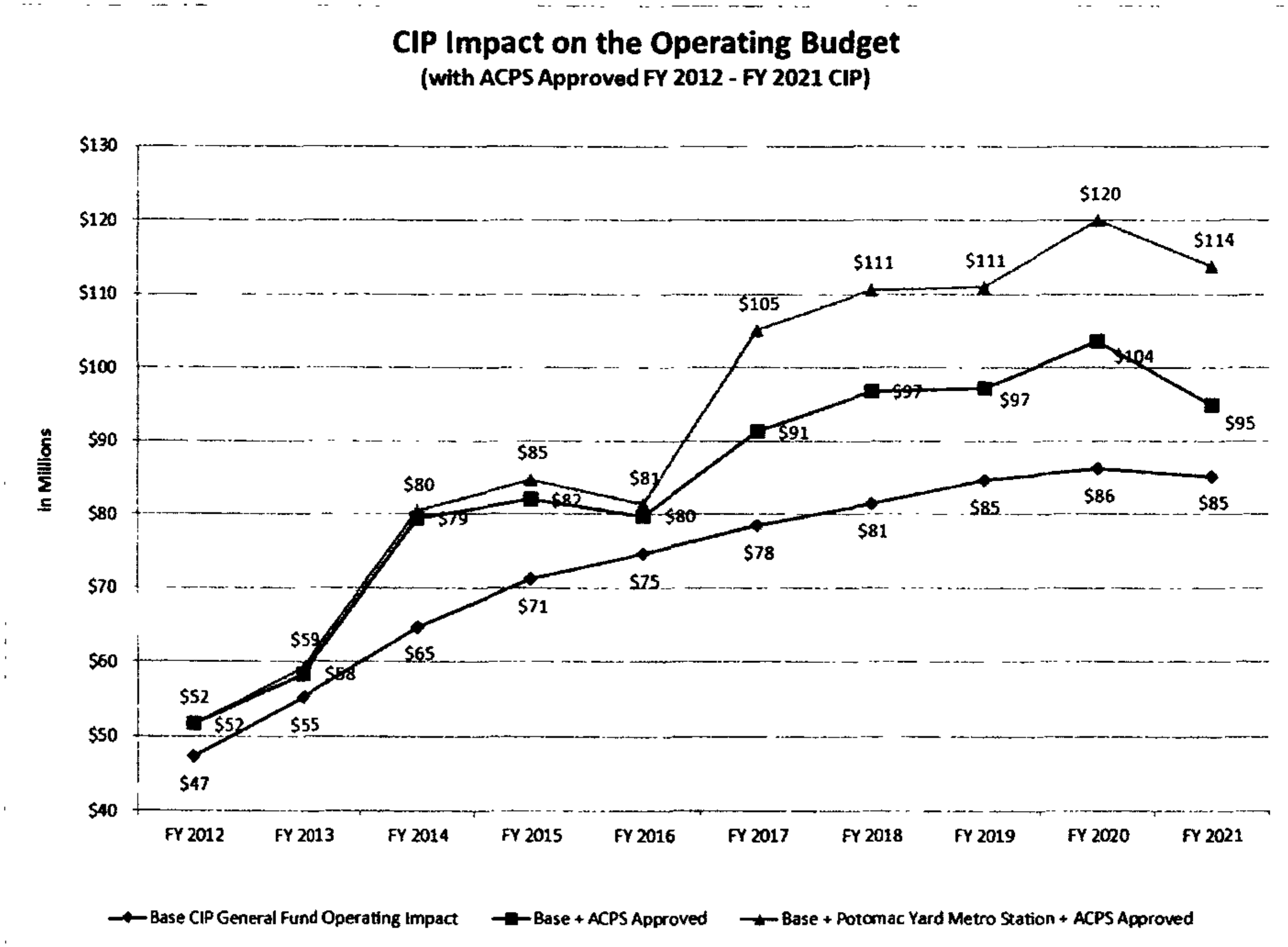
ATTACHMENT 1: OPTION 1 - FUNDING THE ENTIRE ACPS APPROVED FY 2012 – FY 2021 CIP; 100% BOND FINANCING



ATTACHMENT 1: OPTION 1 - FUNDING THE ENTIRE ACPS APPROVED FY 2012 – FY 2021 CIP; 100% BOND FINANCING



ATTACHMENT 2: OPTION 2 - FUNDING THE ENTIRE ACPS APPROVED FY 2012 – FY 2021 CIP; 75% BONDS, 25% CASH CAPITAL



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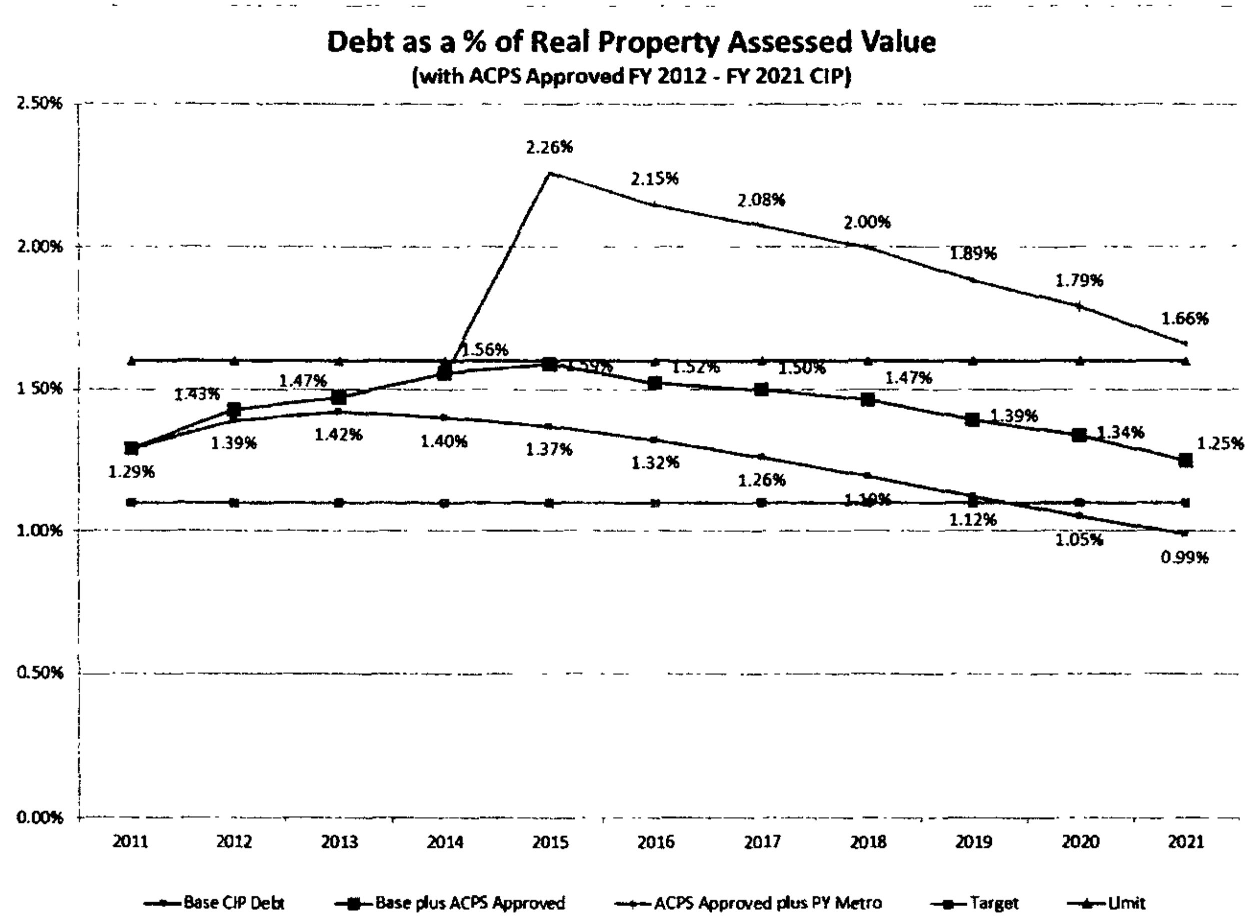

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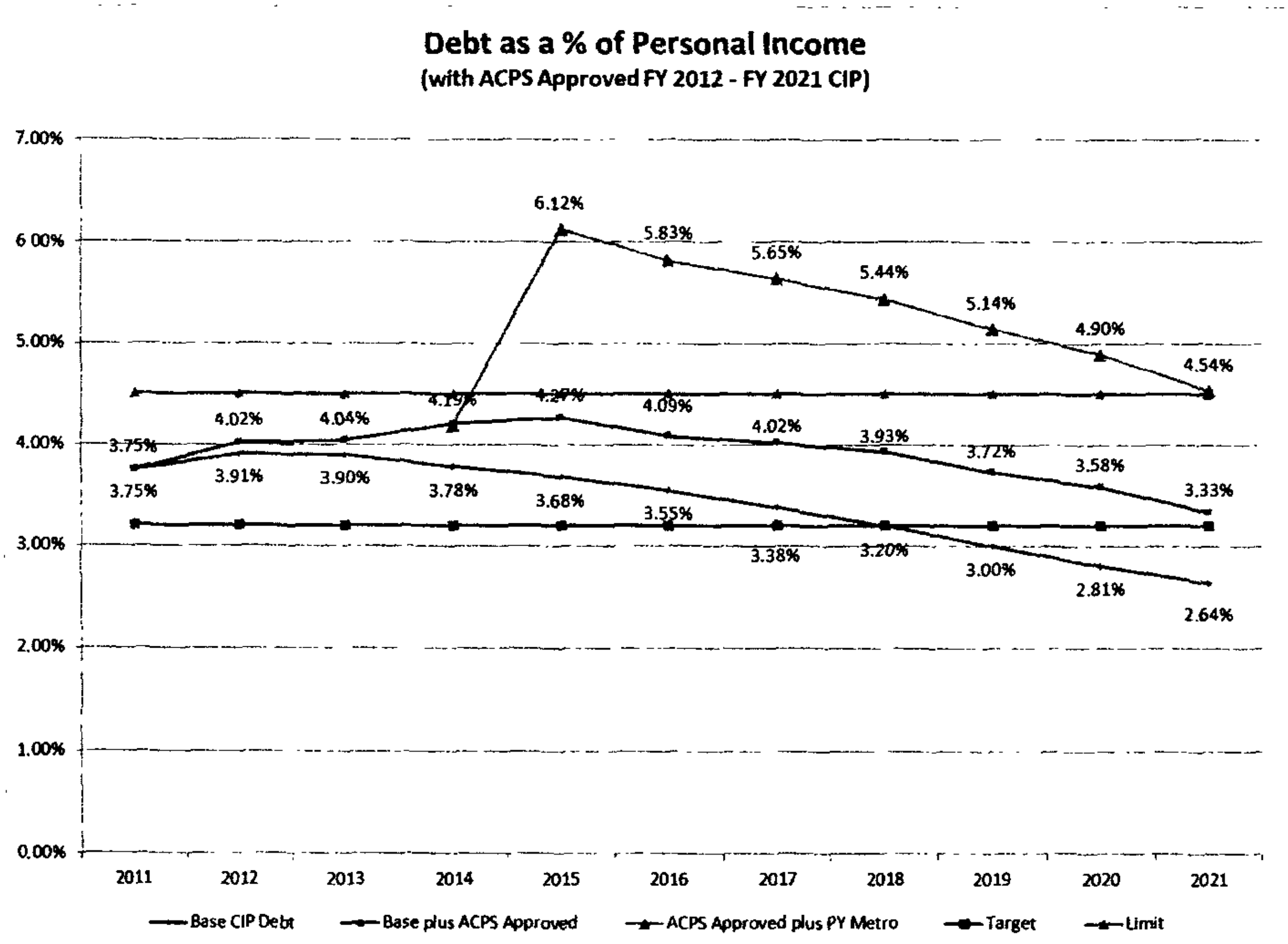

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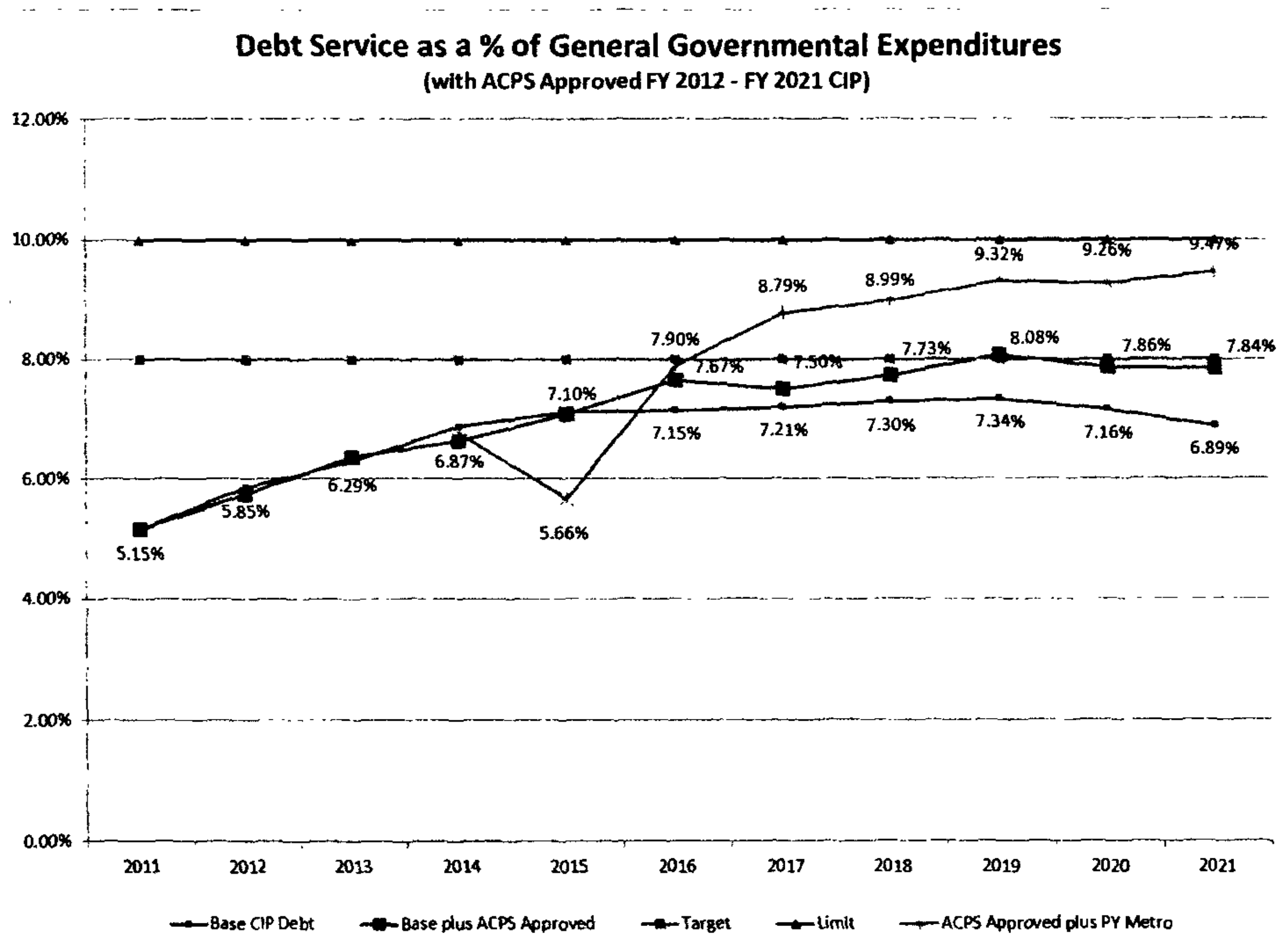
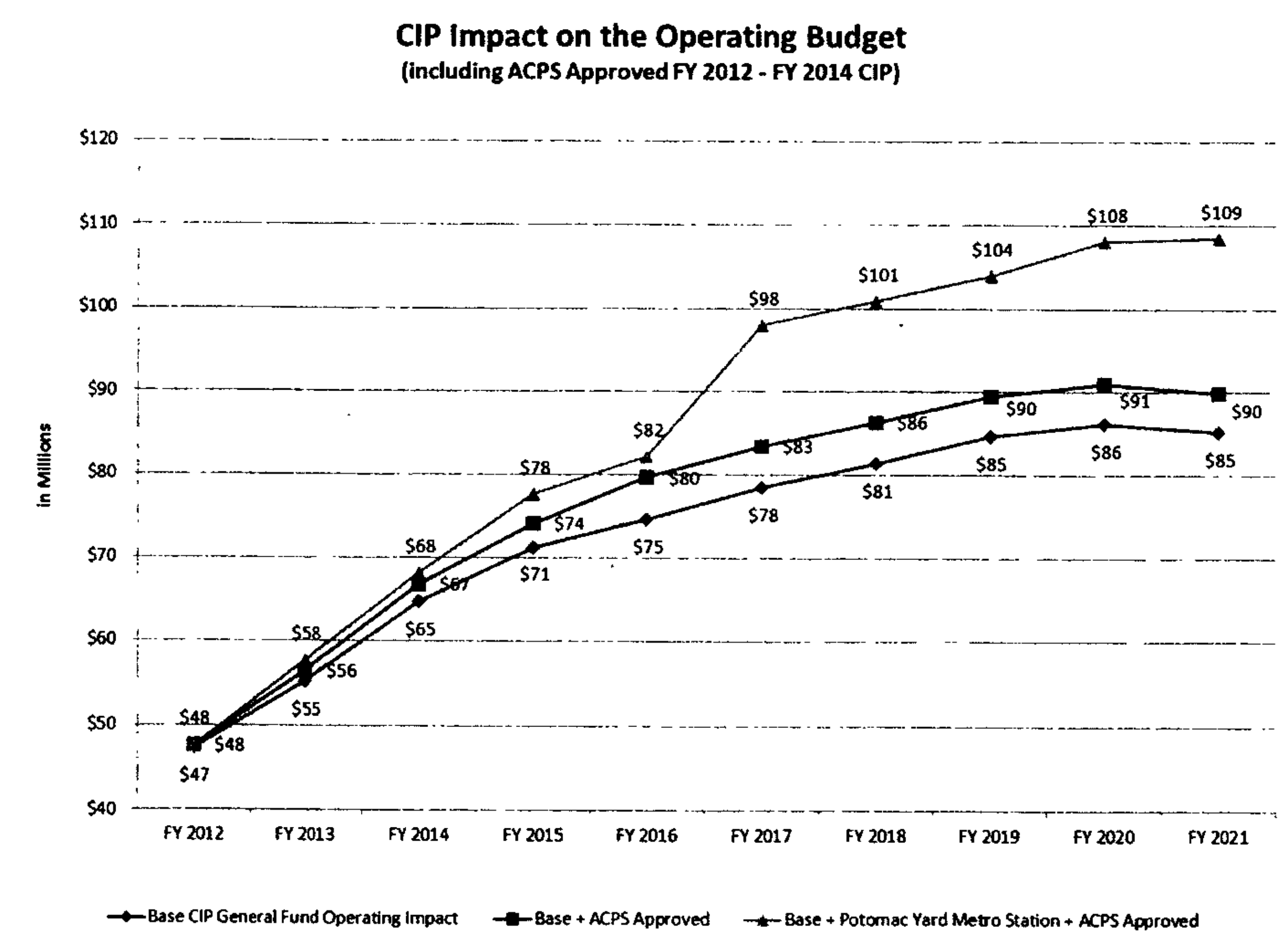


ATTACHMENT 3: OPTION 3 -FUNDING ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY SCHOOL; 100% BOND FINANCING



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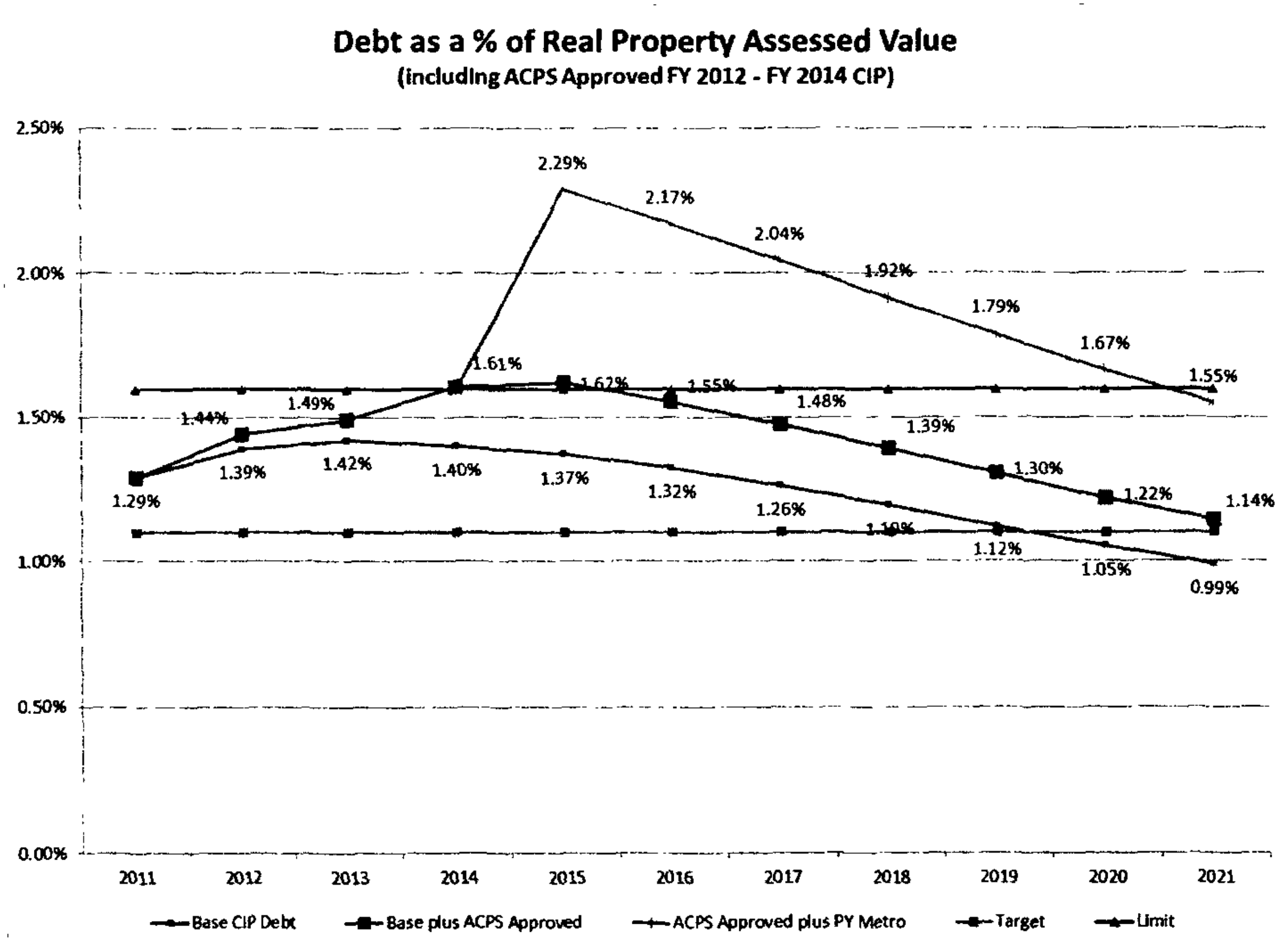
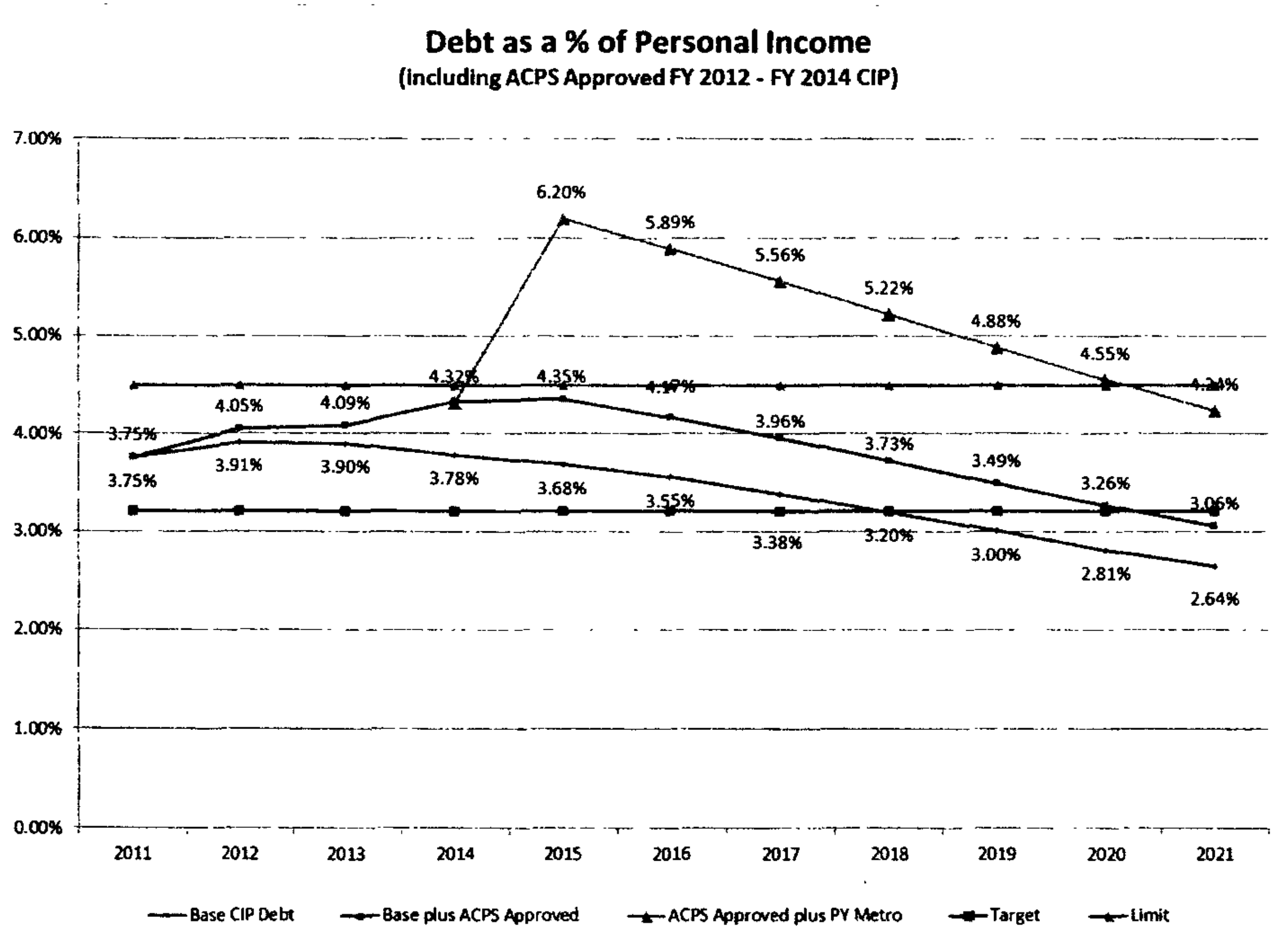
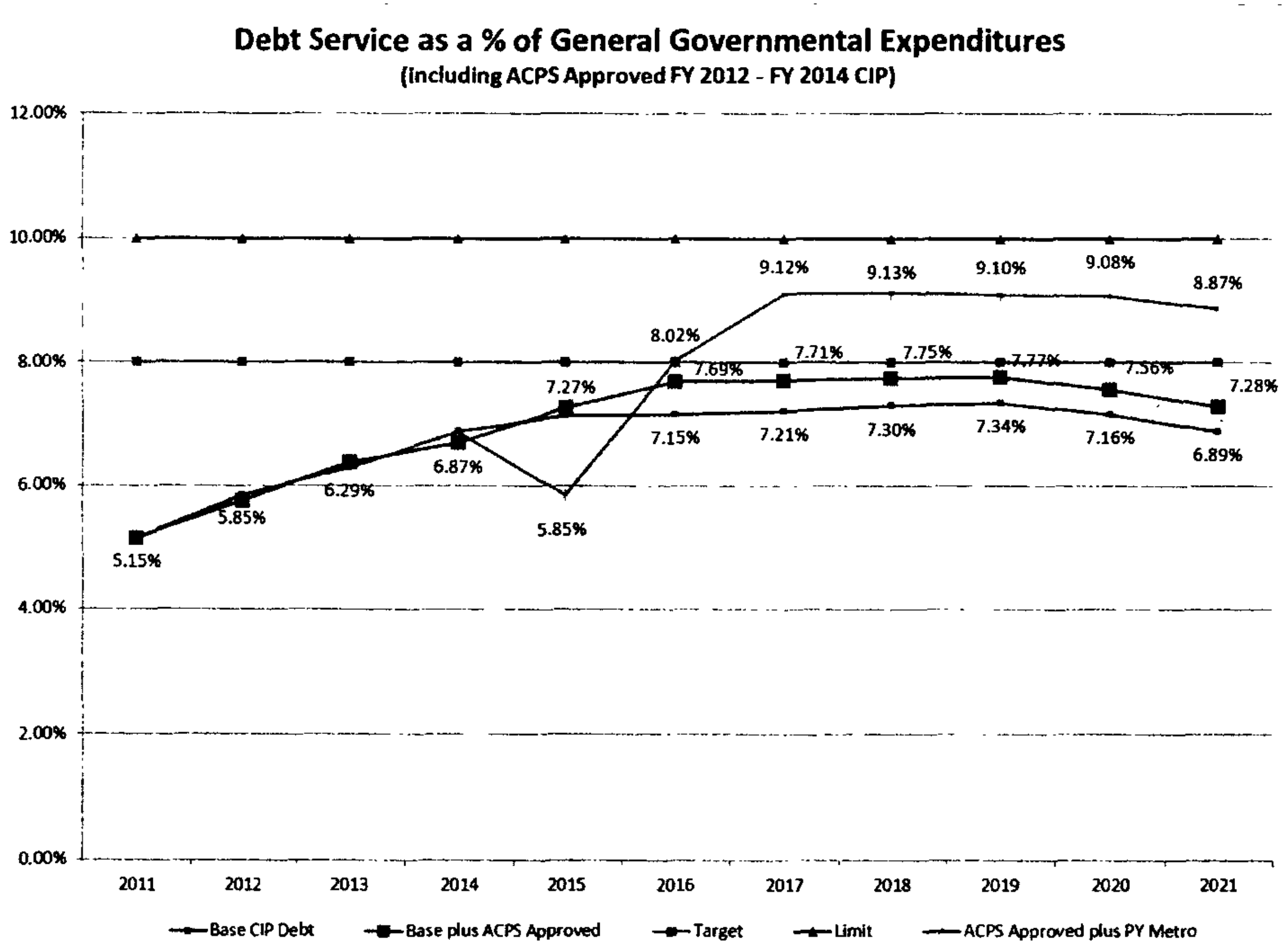


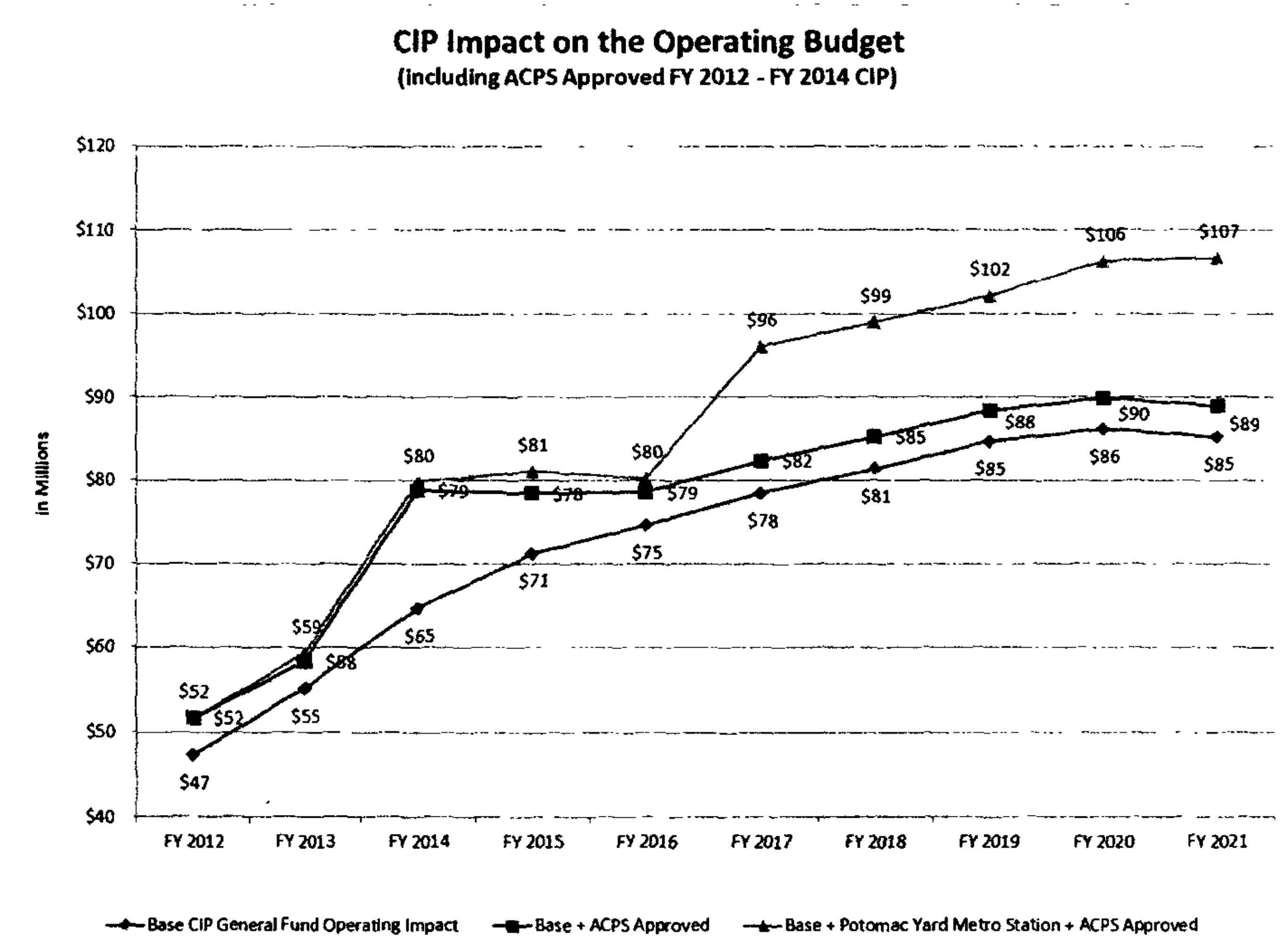
ATTACHMENT 3: OPTION 3 -FUNDING ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY SCHOOL; 100% BOND FINANCING



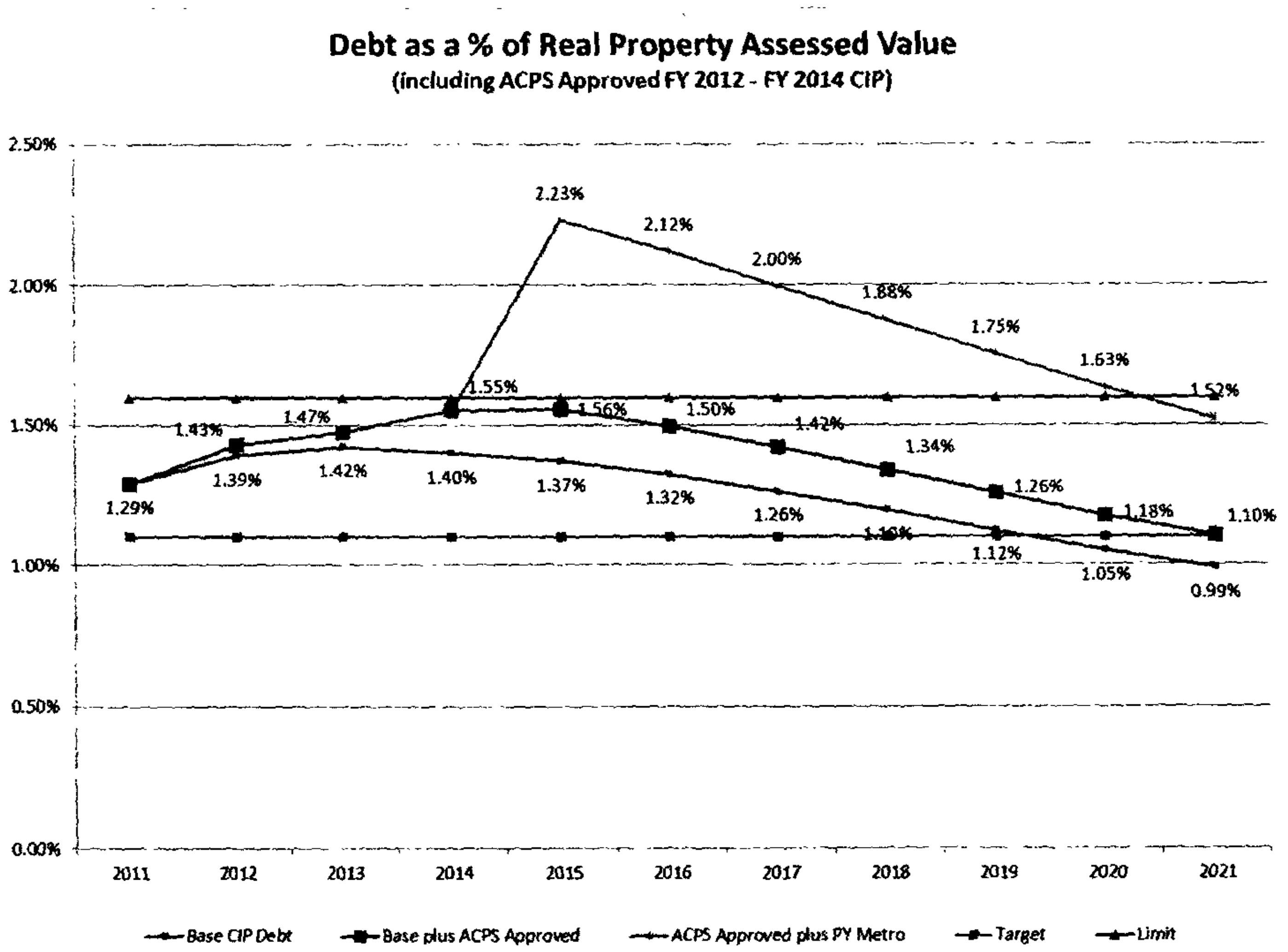
ATTACHMENT 3: OPTION 3 -FUNDING ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY SCHOOL; 100% BOND FINANCING



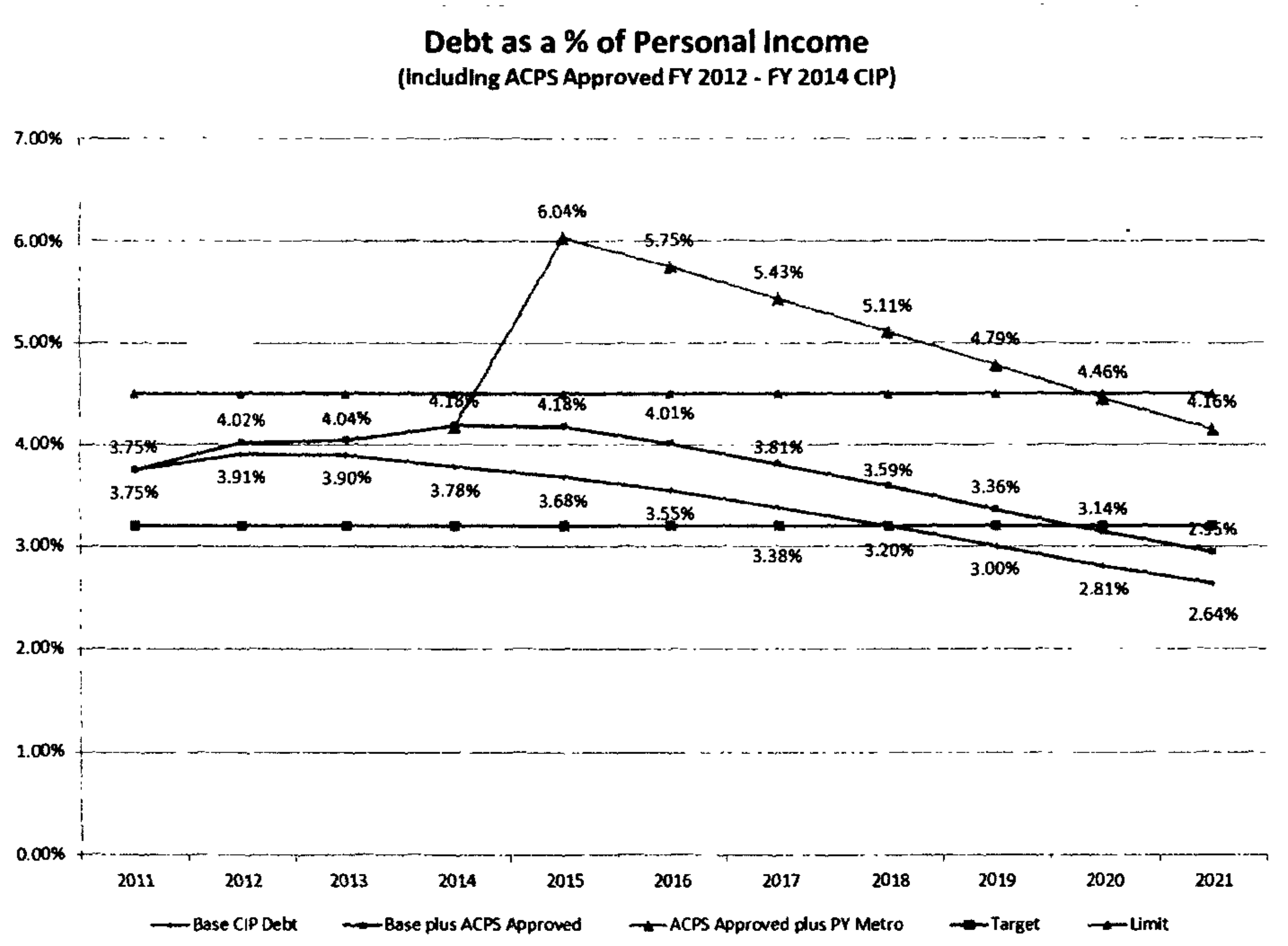
ATTACHMENT 4: OPTION 4 - FUNDING ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY SCHOOL; 75% BONDS, 25% CASH



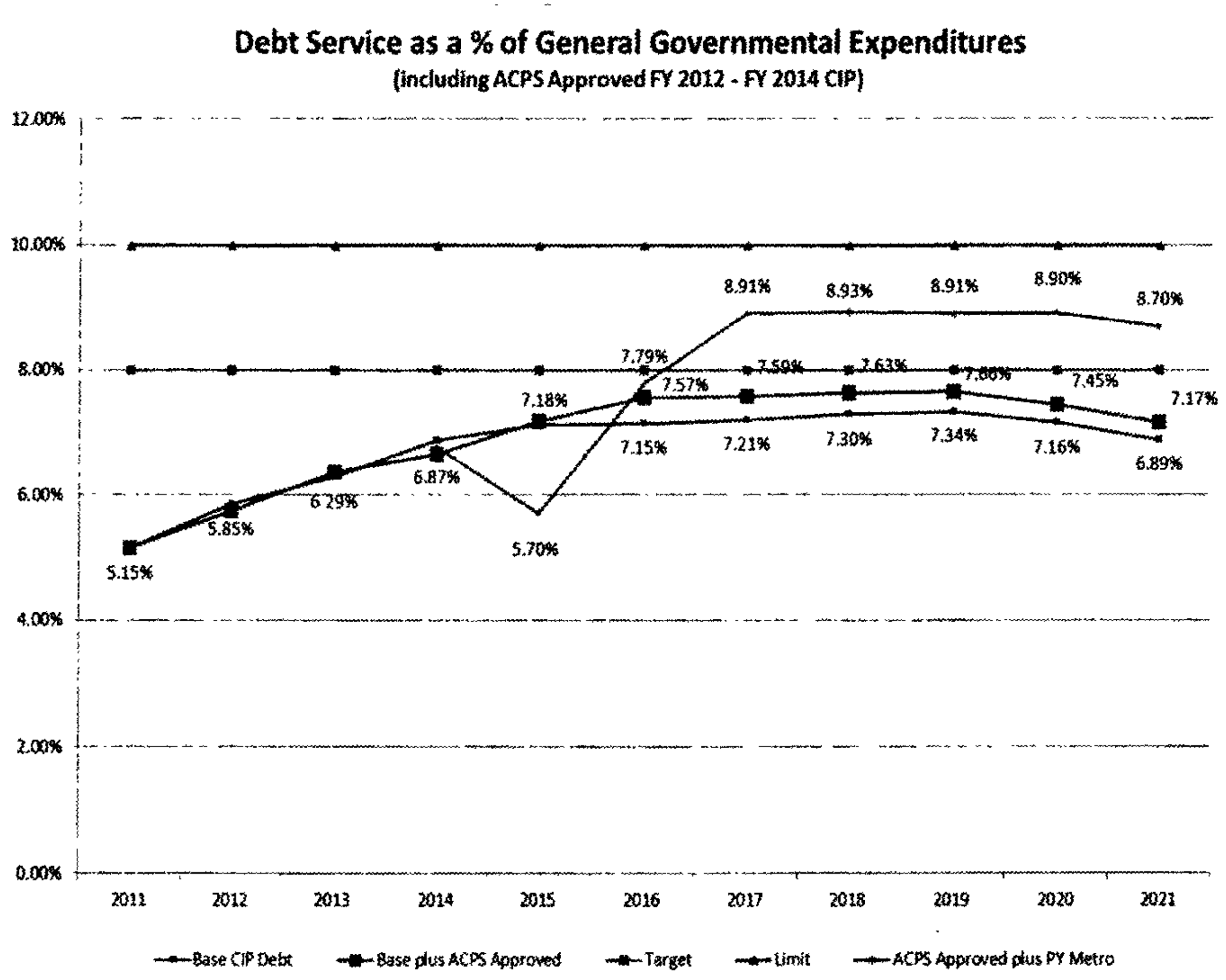
ATTACHMENT 4: OPTION 4 - FUNDING ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY SCHOOL; 75% BONDS, 25% CASH



ATTACHMENT 4: OPTION 4 - FUNDING ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY SCHOOL; 75% BONDS, 25% CASH



ATTACHMENT 4: OPTION 4 - FUNDING ACPS APPROVED FY 2012 – FY 2014 CIP + PATRICK HENRY SCHOOL; 75% BONDS, 25% CASH



City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 23, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #23: REPORT ON CITY/SCHOOLS STAFF DISCUSSIONS ON SHORT TERM SCHOOLS CAPITAL IMPROVEMENT PROGRAM REQUEST

At the March 21, 2011 Joint Budget Work Session with the City Council and the School Board, City and Schools staff were directed to discuss and attempt to reconcile differences in the City Manager's proposed Capital Improvement Program (CIP) for at least the first 3 years (FY 2012 through FY 2014) with the School Board's Approved CIP for the same period. The direction to staff was to focus on meeting the immediate capacity needs of the schools, but also to sort through what essential repair, renovation, and maintenance items may be most important to address during this period as well. The remainder of the 10 year CIP plan did not necessarily have to be addressed at this time. Both City and Schools staff have agreed to form a joint work group that will examine long term Schools capital needs.

This memorandum reports on the results of those discussions and the development of a joint staff proposal that covers the first 4 to 5 years of the CIP for consideration by City Council and the School Board at their joint Budget Work Session on March 30, 2011.

Major Objectives of a Joint Proposal

Schools and City staff have agreed on the outlines of a joint proposal. City staff believes the joint staff proposal addresses immediate capacity needs and other essential and immediate non-capacity needs.[1] The joint proposal limits the potential impact on the operating budget to the equivalent of 1 cent on the real estate tax rate over the next 3 years (recognizing that revenue reestimates or expenditure reductions may offset some or all of the need for a potential tax rate increase) and no more than 1.5 cents in the peak year (FY 2015), 1.3 cents in FY 2016 and returns to about 1 cent a year in the following years for the continuing costs of debt service.

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[1] Non-capacity projects include such activities as ADA projects, asset loss prevention, asset replacement, Ecocity, Equipment and Systems Replacements, Facility Maintenance, Instructional Environment, and Shared Program Priorities.

Key Features of the Joint Staff Proposal

The joint staff proposal has the following key features:

- Through FY 2015 the joint staff proposal provides $109.2 million for Schools CIP projects. See the attached **Table A** for a 4 year summary of the joint proposal on a year-to-year basis.

- The joint staff proposal provides funding for School system capacity needs over 4 years through FY 2016 as follows:

    - It provides funding for 20 additional modular classrooms at 3 elementary schools in FY 2013 -- Charles Barrett ($2.0 million), James Polk ($2.0 million), and Patrick Henry ($4.1 million).
    - It provides $39.6 million in funds for a new K-8 school at Jefferson-Houston to replace the existing school.
    - It provides $36.3 million in funds for a new K-8 school at Patrick Henry (including $24.9 million in FY 2016 to complete construction).

- Based on ACPS priorities the joint staff proposal assumes Jefferson-Houston to be constructed first with construction starting in FY 2013 and the Schools hope for completion in time for opening in September 2014. Patrick Henry construction would begin in FY 2014 or FY 2015 and would open in September of 2016.

- City staff note the following issues raised by this proposed sequencing.

    - An accelerated schedule developed by Planning Zoning) would have a DSUP approved by the Planning Commission at the end of this calendar year, but an additional 6 to 9 months would be necessary for site plan approval and construction permits to be issued. (A separate budget memo is planned on this topic for discussion at the March 30th work session.)
    - There is no guarantee that City staff, the Planning Commission, and the City Council will be able to approve the necessary permits and site plans for either project in time for architectural and engineering services to be completed and construction to start in FY 2013 for the first project.
    - The Jefferson-Houston facility may be more difficult to move through the planning and zoning process, given its location in more densely populated area of the City with a very high level of interest from immediate neighbors and others in Old Town.
    - Patrick Henry would have a much bigger impact on the Schools ability to handle additional capacity (adding space for approximately 840 additional K-8 students on the West end where capacity needs are greatest.
    - Jefferson-Houston adds capacity for fewer students since the current building will be demolished. Current enrollment at Jefferson Houston is projected to be 307 students in FY 2012 in School budget documents, but in the past the current

facility has held as many as 669 students (in the 1999/2000 school year). With a new K-8 facility adding space for approximately 840 additional students, the net increase in capacity is no more than about 270 students.

  - o Although City Staff take no position on whether the Jefferson-Houston or Patrick Henry facility should be constructed first, we do believe that City Council and the School Board should discuss this issue on March 30th.

- The joint staff proposal provides a total of $59.4 million for capacity projects through FY 2015. It provides a total of $49.9 million for non-capacity capital projects through FY 2015. See attached **Table B** for a year-by-year listing of the categories of uses contained in the joint proposal through FY 2015.

FY 2016 Agreement and Differences

- The joint proposal includes an additional $24.9 million in FY 2016 for completing a new K-8 school at the Patrick Henry site.
- The joint proposal also includes an additional $11.5 million in non-capacity projects in FY 2016.
- The City and Schools staff have not been able to come to agreement on other costs in FY 2016, except for start-up costs totaling $6.4 million for 3 additional capacity projects in FY 2016.
  - o $0.8 million in preliminary funding for a transportation facility in FY 2016 (with an additional $9.1 million requested for FY 2017).
  - o $3.4 million in architectural and engineering services for a new K-8 school at Cora Kelly (with an additional $40.0 million in total requested in FY 2017 and FY 2018).
  - o $2.0 million in architectural and engineering services for an expansion of Minnie Howard campus (with an additional $25.3 million in total requested in FY 2017 and 2018).
- As a result, Schools staff and City staff still have different proposals in total for FY 2016 – the City staff proposal would provide $36.4 million in FY 2016, and Schools staff would provide $42.7 million.

Ten Year Totals Agreement and Differences

- o The City staff proposal for CIP projects for the Schools totals $211.1 million over 10 years. This compares with the original City Manager's proposed CIP of $158.1 million.
- o The Schools staff proposal for CIP projects over 10 years totals $345.0 million. This compares with the School Board approved request of March 3, 2011 of $372.6 million.
- o **Table C**, which is attached, shows the 10 year comparison of the Schools staff proposal and the City staff proposal. Assuming the joint staff proposal as common ground, note that the differences in the two alternatives are only found in FY 2016 through FY 2021.

- Before the March 30 joint work session, City staff will provide an additional budget memorandum that analyzes the impact of the joint staff proposal and these two 10 year alternatives on future General Fund Operating Budgets and debt policy guidelines similar to the analysis contained in Budget Memorandum #13.

Schedule for Consideration of the Joint Staff Proposal

This joint proposal will be discussed at the monthly City Council/School Board Subcommittee meeting on March 28th, and at the Joint Budget Work Session on March 30th with the School Board. City Staff recommends that City Council consider the joint proposal recommended funding levels through FY 2016 as a possible "add" during the add-delete process (including alternative amounts for FY 2016). City Staff recommends that City Council note the differences in FY 2016 through FY 2021 between the City and Schools staff recommended levels, but continue to reflect the City Manager's proposed funding levels for Schools project in the adopted CIP (including adjustments in FY 2016 for the completion of the new Patrick Henry facility). These FY 2016 through FY 2021 CIP numbers would then be the subject of the joint staff review outlined below.

Joint Staff Review of FY 2016 through FY 2022 Schools CIP Needs

Assuming City Council concurrence, City Staff recommend the Mayor formally request of the Schools for the two staffs to prepare a memorandum of understanding that outlines a work plan to jointly examine the remaining differences in FY 2016 through FY 2017. City staff recommends that his joint analysis include:

- A review of student enrollment projections for the latter half of this decade and beyond through 2030 given demographic forecasts for school age children;
- The potential economic development activity in City and the potential effects on student enrollment through this time period;
- The potential impact of effects of efforts to reduce the drop-out rate among secondary students;
- The effects of educational policies such as class size, space utilization, modified open enrollment on future capacity needs;
- Facility siting, planning, architectural design, construction management and cost estimates;
- Impacts on student transportation needs of potential alternatives; and
- Review of all other non-capacity needs and proposed project spending in FY 2017 through FY 2022.

Such a work plan should include representatives from the following City departments:

- The Department of Planning and Zoning,
- The Department of General Services,
- The Department of Recreation, Parks and Cultural Affairs, and
- The Office of Management and Budget.

Schools staff does not agree with the scope of this review, and recommend it be limited to enrollment projections and their impact on school capacity projects.

The scheduled completion of this joint review should be in time for consideration by City Council and the School Board in October, leading to adoption of budget guidance for the FY 2013-2022 CIP by City Council in November of 2011 and development of a School Board proposed CIP by the first week in February, 2012.

Attachments:

Table A: Comparison of Different CIP Plans for School Capital Projects: FY 2012 to FY 2015
Table B: Joint Staff Proposal ACPS CIP Plans by Project Category: FY 2012 to FY 2015
Table C: Comparison of 10 Year Alternative Plans for School Capital Projects: FY 2012 to FY 2021

Comparison of CIP Plans for School Capital Projects
FY 2012 - FY 2015

TABLE A

	Funding Version	FY 2012	FY 2013	FY 2014	FY 2015	Total
A	ACPS Board Request	$ 30,037,516	$ 34,716,383	$ 60,957,676	$ 45,462,690	$ 171,174,265
B	City Manager Proposed	$ 13,694,616	$ 26,613,000	$ 9,000,000	$ 11,865,000	$ 61,172,616
C	Joint Staff Proposal	$ 21,986,475	$ 30,949,356	$ 24,930,211	$ 31,371,027	$ 109,237,069

DIFFERENCE	FY 2012	FY 2013	FY 2014	FY 2015	Total
A to C	$ 8,051,041	$ 3,767,027	$ 36,027,465	$ 14,091,663	$ 61,937,196
B to C	$ (8,291,859)	$ (4,336,356)	$ (15,930,211)	$ (19,506,027)	$ (48,064,453)
A to B	$ 16,342,900	$ 8,103,383	$ 51,957,676	$ 33,597,690	$ 110,001,649

Joint Staff Proposed ACPS CIP Plan by Project Category
FY 2012 - FY 2015

TABLE B

ACPS Source	FY 2012	FY 2013	FY 2014	FY 2015	Total
Non-Capacity					
ADA Projects	$ 1,860,090	$ 310,726	$ -	$ -	$ 2,170,816
Asset Loss Prevention	$ 1,103,722	$ 276,774	$ 210,408	$ 286,717	$ 1,877,621
Asset Replacement	$ 419,000	$ 377,000	$ 405,896	$ 447,104	$ 1,649,000
EcoCity	$ 1,976,417	$ 736,895	$ 849,241	$ 1,153,003	$ 4,715,556
Equipment & Systems Replacements	$ 1,440,125	$ 938,576	$ 285,376	$ 866,493	$ 3,530,570
Facility Maintenance	$ 10,016,495	$ 7,603,143	$ 5,080,367	$ 7,772,314	$ 30,472,319
Instructional Environment	$ 1,235,000	$ 756,452	$ 2,015,945	$ 662,288	$ 4,669,685
Shared Program Priorities	$ 675,625	$ 63,552	$ 21,015	$ 21,541	$ 781,733
subtotal non-capacity	**$ 18,726,474**	**$ 11,063,118**	**$ 8,868,248**	**$ 11,209,460**	**$ 49,867,300**
Capacity					
Jefferson-Houston	$ 3,120,000	$ 11,752,652	$ 14,422,986	$ 10,353,239	$ 39,648,877
Patrick Henry	$ -	$ 4,066,792	$ 1,638,977	$ 9,808,329	$ 15,514,098
Barrett Modulars	$ -	$ 2,033,397	$ -	$ -	$ 2,033,397
Polk Modulars	$ -	$ 2,033,397	$ -	$ -	$ 2,033,397
Other Minor Capacity	$ 140,000				$ 140,000
subtotal capacity	**$ 3,260,000**	**$ 19,886,238**	**$ 16,061,963**	**$ 20,161,568**	**$ 59,369,769**
TOTAL	**$ 21,986,474**	**$ 30,949,356**	**$ 24,930,211**	**$ 31,371,028**	**$ 109,237,069**

Comparison of 10-year Alternative Plans for School Capital Projects
FY 2012 - FY 2021

TABLE C

	Negotiated Period				Transition Year	Unnegotiated Period					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Negotiated Totals	$ 21,986,475	$ 30,949,356	$ 24,930,211	$ 31,371,027							
Transition Year											
City Staff					$ 36,386,123						
ACPS Staff					$ 42,652,481						
Unnegotiated Totals											
City Staff						$ 12,000,000	$ 13,000,000	$ 13,500,000	$ 13,366,000	$ 13,564,267	
ACPS Staff						$ 49,353,624	$ 56,890,042	$ 33,698,383	$ 37,845,290	$ 15,354,062	
GRAND TOTALS											
City Staff	**$ 21,986,475**	**$ 30,949,356**	**$ 24,930,211**	**$ 31,371,027**	**$ 36,386,123**	**$ 12,000,000**	**$ 13,000,000**	**$ 13,500,000**	**$ 13,366,000**	**$ 13,564,267**	**$ 211,053,459**
ACPS Staff	**$ 21,986,475**	**$ 30,949,356**	**$ 24,930,211**	**$ 31,371,027**	**$ 42,652,481**	**$ 49,353,624**	**$ 56,890,042**	**$ 33,698,383**	**$ 37,845,290**	**$ 15,354,062**	**$ 345,030,951**
Difference	***$ -***	***$ -***	***$ -***	***$ -***	***$ 6,266,358***	***$ 37,353,624***	***$ 43,890,042***	***$ 20,198,383***	***$ 24,479,290***	***$ 1,789,795***	***$ 133,977,492***