

# CITY OF NEWPORT NEWS

## OFFICE OF THE CITY MANAGER

January 6, 2015

**TO:** The Honorable City Council  
**FROM:** City Manager  
**SUBJECT:** FY 2016 - FY 2020 Capital Improvements Plan (CIP)

A resolution has been submitted for City Council approval of the FY 2016 - FY 2020 Capital Improvements Plan (CIP). By ordinance, the City Manager is required to provide an updated capital improvements plan to City Council no later than November 1 of each year. This was done at your October 28 Work Session with the distribution of the City Manager Recommended Plan for FY 2016 - FY 2020, along with an overview presentation of the Plan. The presentation of more specific project information, and time for further City Council discussion and inquiry of the Recommended CIP were provided during the November 12, November 25, and December 9 Work Sessions.

The proposed FY 2016 - FY 2020 CIP will allow us to continue to satisfy the four Capital Financing and Debt Management Policies adopted in January 2007:

- i. Our debt burden (the ratio of outstanding debt to assessed value) will remain below 3%
- ii. General Fund Debt Service will not exceed 9.5% of combined City and School Revenue
- iii. Cash capital funding will exceed 20% of the Plan
- iv. Projected debt retirement rates will exceed the adopted goals of 30% in five years and 60% in ten years.

As important to its adherence to our adopted financial policies is the fact that the proposed plan supports the strategic initiatives of the City and provides funding for those capital projects identified as most critical.

Attached to this memorandum is a summary of the five-year, \$479.2 million financial plan, along with project details by category. Total General Fund supported spending for the CIP is projected at \$337.1 million that is comprised of General Obligation Bonds of \$143.7 million, Cash Capital of \$39.8 million, and Grant /Other Funding of \$153.6 million.

Total capital spending for User-Fee Funds is projected at \$142.2 million, consisting of Public Utilities projects totaling \$77.7 million, Sewer Rehabilitation projects totaling \$25 million, and Stormwater Drainage projects totaling \$39.5 million.

This proposed CIP reflects substantial investment in our transportation infrastructure and includes the construction of Atkinson and Independence Boulevards, replacement of bridges along Route 105 over the reservoir and Huntington Avenue, construction of Campbell Road and Chesapeake Avenue improvements, extension of streetscape improvements along lower Jefferson Avenue, and the reconstruction and resurfacing of arterial streets. Funding is identified for streetlight, roadway, intersection, and pedestrian improvements throughout the City.

Focus on development and redevelopment efforts in the Southeast Community and the Upper Warwick Boulevard/Denbigh area will continue with activities to include the acquisition of strategically located properties, streetscape and landscape enhancements to improve the visual aesthetic along major corridors in each area, and other targeted redevelopment and rehabilitation efforts. For the first time in several years, the CIP includes funding for Downtown Initiatives to support development and redevelopment efforts in the Downtown area. Relocation of the Newport News Public Schools SCOT (Service Center for Operations and Transportation) Center and public infrastructure associated with the expansion of Jefferson Lab is also proposed within the CIP.

Funding included for the School Division will provide for the purchase of buses and the replacement of HVAC units and related infrastructure at schools throughout the City.

The plan maintains programs to renovate and repair the City's public facilities, including buildings, equipment, and parks, and includes funding for sustainability efforts to allow us to continue to pursue opportunities to improve the efficiency of our operations and/or reduce our impact on the environment. Public building projects identified specifically in the proposed plan include construction of a replacement Grissom Library and design and construction of the aquatic facilities planned for the Denbigh Community Center.

Funding is proposed to replace mission critical fire department equipment and to complete our commitments to the Monitor Center, the Peninsula Fine Arts Center, and Sentara's Nightingale Regional Air Ambulance Service.

Significant investment is anticipated in our waterworks, sanitary sewer, and stormwater systems. The Sanitary Sewer Consent Order (Virginia Department of Environmental Quality) and Municipal Separate Storm Sewer System Permit (Environmental Protection Agency) are expected to have substantial impact on the sewer rehabilitation and stormwater categories, respectively.

There is one alternation to the Recommended Plan that I am including in the final proposal. In recent initial review of the draft next five year financial forecast it appears that, in general, our long range General Fund revenue receipts will improve in the coming years. We are preparing this to share prior to the budget process as we did last year. When we were developing the Recommended Capital Improvements Plan this past July, the affordability of future debt was tied to a relatively flat revenue projection with which we were working based on the previous fiscal years' financial activities.

After careful consideration, I am suggesting one revision to the City Manager Recommended CIP for FY 2016 to FY 2020. The suggested change will provide a total of \$4 million for the construction of the Cardinal Course in FY 2019 and FY 2020. Funding for the construction will be split equally at \$2 million between each of the fiscal years. This was one of the very last projects cut to make the expenditures fall in line with projected revenues. I would strongly recommend that we hold the line on further additions.

The Honorable City Council

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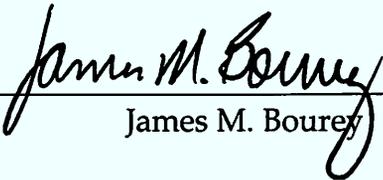
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As you know, our golf facility was constructed originally in the mid-1960's. While the facility has been well-maintained by the Department of Parks, Recreation, and Tourism, it is now in need of substantial renovation to improve playability and relieve the effort and cost required to maintain the course to a professional standard. The proposed scope of the project will include improvements to layout of the Cardinal Course, installation of more drought tolerant and disease resistant grasses, and repair and upgrade of drainage and irrigation infrastructure.

While the addition of the golf course renovation project will increase the Recommended CIP, I am confident that anticipated growth in General Fund revenue over the next several years will be sufficient to fund the debt service expense associated with the project. I believe the renovation of our golf courses is an important endeavor required to improve and most effectively manage a valuable and unique municipal asset.

I am confident that the CIP reflects the City's most critical capital projects and maintains general fund supported debt at a fiscally responsible level. I recommend approval of the proposed FY 2016 - FY 2020 Capital Improvements Plan.

  
James M. Bourey

JMB:LJC:cp

Attachment