



# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

## PROPOSED CIP OVERVIEW

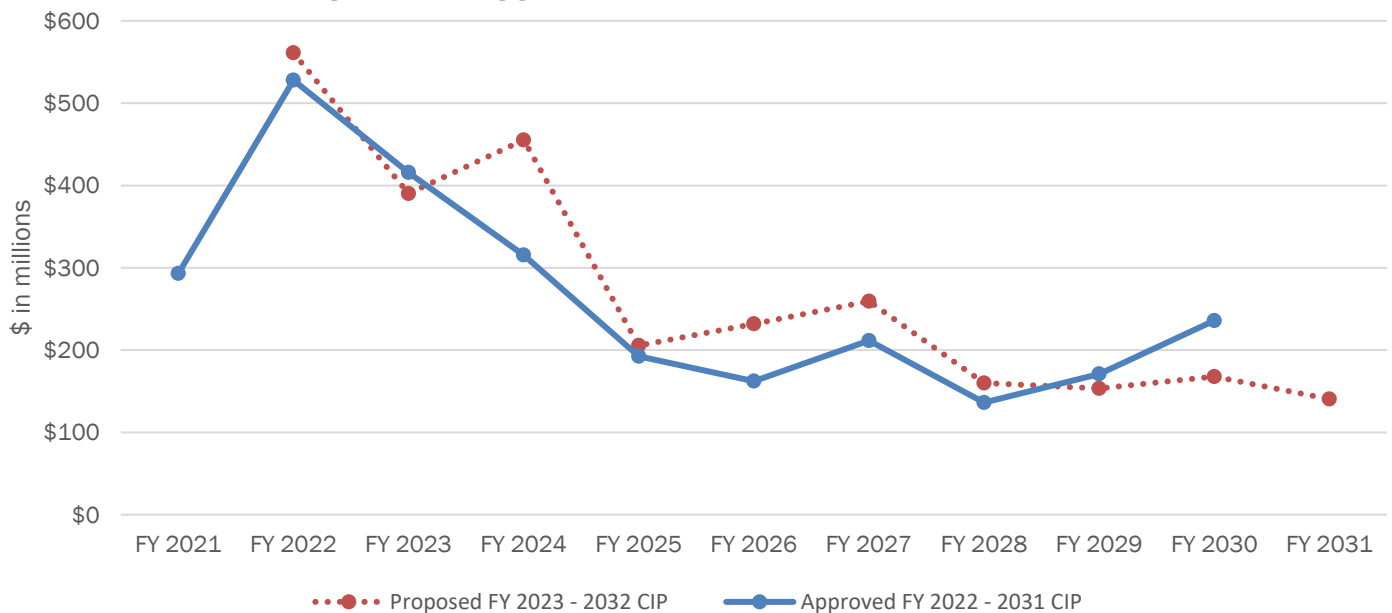
The City Manager Proposed FY 2023 - FY 2032 Capital Improvement Program (CIP) totals \$2.73 billion, which represents a \$63.5 million, or 2.4%, increase from the Proposed FY 2022 – FY 2031 CIP. The increase is largely driven by newly Proposed or anticipated State and Federal grants.

The Proposed CIP maintains the reserved 2.2 cents on the base real estate tax rate for the continuation of the City's Transportation Improvement Program (TIP) Proposed by City Council beginning in FY 2012 to support capital infrastructure needs and new operating costs associated with new transportation capital projects.

The Proposed CIP reflects the one percent increase in the restaurant meals tax (from 4% to 5%) that was approved by City Council beginning in FY 2019 and was dedicated to investments in Affordable Housing. For FY 2023 this equates to \$4.9 million and over the 10-year plan, this represents a \$53.7 million additional investment in Affordable Housing.

The City Manager Proposed FY 2023 - FY 2032 CIP represents a continued commitment and investment to numerous areas of critical City infrastructure, including increased investments in school facilities, maintenance of existing City assets and facilities, and continued substantial support of WMATA's capital improvement program. Each of these investments are discussed in greater detail on the following pages.

### Last Year's CIP Compared to Approved CIP





# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

## Supporting the City Strategic Structure

The City Manager Proposed FY 2023 - FY 2032 CIP supports the City's strategic plan and structure. In the Proposed FY 2023 – FY 2032 Capital Improvement Program document, each individual project provides information on the primary City Strategic Theme that the project supports. By supporting these Strategic Themes, the City ensures that capital investments are being prioritized and balances the future capital infrastructure needs in the City with available resources. The currently adopted strategic plan is nearing its expiration date and a new plan is currently under development.

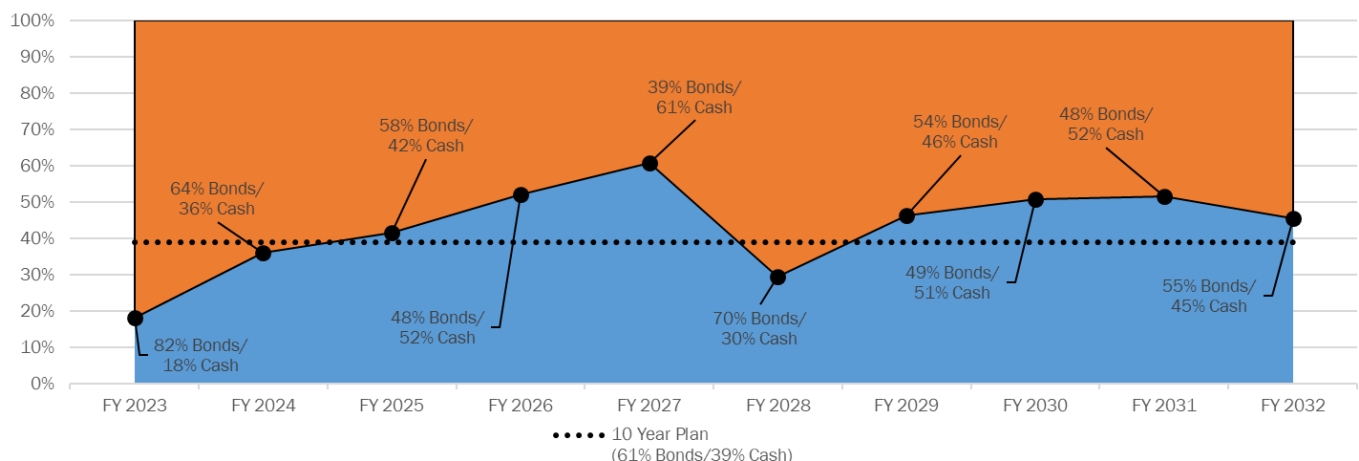
## Diversity of Capital Improvement Program Funding

The funding makeup of the City's capital program is growing increasingly diverse each year. To help organize this complexity (which also brings new opportunities), the Proposed FY 2023 – FY 2032 CIP divides revenue sources into three different types as noted below, with the table on the next page providing more detailed information.

- **Unrestricted City funds (\$1.705 billion)** - Includes general cash sources and General Obligation Bond revenues for the base CIP program.
- **Restricted City funds (\$589.1 million)** - Includes both cash and General Obligation Bond revenues associated with the Sanitary Sewer Fund, Stormwater Management Fund, Transportation Improvement Program, and other targeted sources. Because these restricted revenues all have legal restrictions on their available uses, it is beneficial to discuss financing issues with them separately.
- **Non-City funds (\$430.7 million)** generally include State and Federal grants (including NVTa funding), private developer capital contributions, and revenues from the City's telecommunication financial agreement with Comcast. These revenues are also restricted in their use.

The City's financing plan has a 39% cash / 61% borrowing structure in this year's Proposed 10-year plan.

## Cash vs. Borrowing Sources





# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

In municipal finance, there are no generally recognized specific mathematical benchmarks for cash capital funding. The bond rating agencies view of cash capital is positive, but the bond rating agencies do not set minimum threshold expectations. In general, the City considers having an overall CIP which is 25% cash capital from all cash sources as healthy. Therefore, the City's 10-Year CIP cash capital level of 38% exceeds the healthy level of 25%. Individual years may fluctuate percentage shares based on type and level of project funding for specific years. This reflects the City's commitment to both execute a large dollar volume of CIP projects, but at the same time also keep its debt at reasonable AAA/Aaa levels.

Revenues	Approved FY 2022 - FY 2031	Proposed FY 2023 - FY 2032	Difference
<b>Unrestricted</b>			
Cash Sources (Including G/F Transfer)	\$ 282,308,304	\$ 367,060,890	\$ 84,752,586
G.O. Bonds	\$ 1,451,119,129	\$ 1,318,177,160	\$ (132,941,969)
Use of CIP Designated Fund Balance	\$ 19,000,000	\$ 20,000,000	\$ 1,000,000
<b>Subtotal, Unrestricted City Revenues</b>	<b>\$ 1,752,427,433</b>	<b>\$ 1,705,238,050</b>	<b>\$ (47,189,383)</b>
<b>Restricted</b>			
Potomac Yard (Cash Sources)	\$ 2,425,500	\$ 2,546,500	\$ 121,000
Sanitary Sewer (Cash Sources)	\$ 64,670,000	\$ 84,105,100	\$ 19,435,100
Reprogrammed Project Balances (Sanitary)	\$ -	\$ 4,500,000	\$ 4,500,000
Stormwater Management (Cash Sources)	\$ 48,877,900	\$ 76,090,775	\$ 27,212,875
Stormwater Management (GO Bonds)	\$ 226,652,000	\$ 226,850,000	\$ 198,000
Use of Stormwater Fund Utility Balance	\$ 3,600,000	\$ 2,139,182	\$ (1,460,818)
Use of Stormwater Tax Dedication Fund Balance	\$ 1,765,000	\$ -	\$ (1,765,000)
Transportation Improvement Program (Cash Sources)	\$ 17,726,967	\$ 20,153,800	\$ 2,426,833
Meals Tax Dedication for Affordable Housing	\$ 55,772,000	\$ 53,718,000	\$ (2,054,000)
Landmark Redevelopment Supported Bonds	\$ 130,000,000	\$ 119,000,000	\$ (11,000,000)
<b>Subtotal, Restricted City Revenues</b>	<b>\$ 551,489,367</b>	<b>\$ 589,103,357</b>	<b>\$ 37,613,990</b>
<b>Non-City</b>			
NVTA 70%	\$ 77,200,000	\$ 75,000,000	\$ (2,200,000)
NVTA 30%	\$ 43,911,100	\$ 44,637,000	\$ 725,900
Other State and Federal Grants	\$ 196,983,437	\$ 308,708,671	\$ 111,725,234
Private Capital Contributions	\$ 37,500,000	\$ 1,400,000	\$ (36,100,000)
Comcast Revenues	\$ 2,000,000	\$ 961,000	\$ (1,039,000)
<b>Subtotal, Non-City Revenues</b>	<b>\$ 357,594,537</b>	<b>\$ 430,706,671</b>	<b>\$ 73,112,134</b>
<b>Total, All Revenue Sources</b>	<b>\$ 2,661,511,337</b>	<b>\$ 2,725,048,078</b>	<b>\$ 63,536,741</b>

## Notes:

1. The Proposed FY 2023 Capital Budget identifies \$458.5 million in projects that will be financed through borrowing. However, the City's next contemplated bond issuance may differ in size and timing, based on staff's analysis of the projected cash flow of existing on-going projects and through monitoring the schedules of newly planned projects. Additionally, future bond issuances will need to include the additional borrowing for these projects' cash flow needs in future borrowings (approximately \$204 million).



# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

## Project Categorization

The Proposed FY 2023 – FY 2032 CIP addresses four broad areas of expenditure:

- Protection of the City's investment in existing public facilities and infrastructure (physical assets) through capital maintenance or renovations;
- Planning and construction of major new public facilities and infrastructure, including new or replacement information technology systems;
- Planning and construction of major infrastructure related to the City's stormwater management systems; and
- Alexandria City Public Schools capital infrastructure needs.

The Proposed FY 2023 – FY 2032 CIP is consistent with capital plans from recent years in that it places a emphasis on maintaining the existing core facilities and infrastructure of the City, while utilizing new funding to provide support for projects that will provide new and expanded City facilities.

<b>Project Category</b>	<b>Total FY 2023 - 2032</b>
Category 1 - Asset Maintenance	\$ 883,915,088
Category 2 - Renovations/Existing Assets	\$ 319,322,800
Category 3 - New Facilities	\$ 733,218,371
Alexandria City Public Schools (Category 1, 2, & 3 Projects)	\$ 497,804,800
Information Technology Plan	\$ 103,971,262
Affordable Housing	\$ 76,218,000
CIP Development & Implementation Staff	\$ 110,597,757
<b>Total, All Categories</b>	<b>\$ 2,725,048,078</b>

Similar to FY 2022, the Office of Management and Budget (OMB) categorized projects into one of three categories, as well as Alexandria City Public Schools (ACPS) funding, the City's Information Technology (IT) Plan, CIP Development & Implementation Staff, and Affordable Housing. The distribution of funding across the different categories is shown above. Categories are defined as follows:

- **Category 1: Asset Maintenance** – funding streams that cover an ongoing maintenance need for an existing City asset;
- **Category 2: Renovations/Existing Assets** – specific large renovation or restoration projects that are necessary cyclically or periodically, but can be scheduled for a specific time period. These projects also pertain to existing City assets;
- **Category 3: New Facilities** – projects that result in a new or expanded facility or level of service and can be scheduled;
- **Alexandria City Public Schools (ACPS)** – represents the total of all Proposed funding for ACPS;
- **Information Technology Plan** – projects included in the ten-year plan that are Information Technology focused;
- **Affordable Housing** – represents the funding dedicated to Affordable Housing projects through the one percent increase in the restaurant and meals tax averaging about \$5.4 million per year, and the \$1 million per year for

# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



Affordable Housing that the City committed to as part Northern Virginia's efforts to attract the Amazon HQ2 campus to the Alexandria-Arlington area; and

- **CIP Development & Implementation Staff** – funding for City staff that are working directly on implementing capital projects that are charged to the CIP.

Beyond basic capital maintenance issues, the Proposed CIP reflects a vision for the City's future. The FY 2023 CIP decision making process included an initial effort to integrate the capital plan with City Council's guidance, the Strategic Plan and budget guidance, and many of these projects are considered new facilities, or Category 3 projects. Of the \$733.2 million in Category 3 projects, \$227.8 million (from both City and non-City sources) is for new and expanded transportation and transit infrastructure projects, including construction of the Beauregard/West End Transit Corridor, Duke Street Transit Corridor, and the DASH Facility and Fleet Expansion project.

Other significant Category 3 projects include:

- Funding for capital infrastructure improvements associated with the Waterfront Plan Implementation (\$83.2 million);
- Funding to renovate Four Mile Run Park (\$17.4 million); and
- Funding to purchase and outfit the City West End Service Center, which will collocate and consolidate the City's public health and human services, and provide additional City services to residents in the West End (\$73.2 million).

# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



## CIP PURPOSE & DEFINITIONS

The adoption of the CIP by the City Council is an indication of its support of both the capital projects that the City intends to pursue, and a plan for the anticipated levels of financing needed to fund these capital projects over the 10-year period.

The adoption of the 10-year CIP is neither a firm commitment to a particular project nor a limitation to a particular cost. As a basic tool for prioritizing and scheduling anticipated capital projects and capital financing, the CIP is a key element in planning and managing future debt service requirements. Only the first year of the CIP represents a funding commitment for the project to proceed to the next stage, or to be implemented depending on the level of funding provided.

The City defines capital project expenditures (as opposed to an operating expenditure) as:

***An expenditure of more than \$10,000 that acquires, expands, repairs, or rehabilitates a physical asset with a useful life of at least three years and typically much longer than three years. These also include technology related expenditures.***

It does not include day-to-day maintenance expenditures such as custodial or janitorial services, minor (less than \$10,000) carpentry, minor electrical and plumbing repairs, or repair or routine replacement of fixtures or furniture.

### CIP Priorities for FY 2023 – FY 2032

The Proposed FY 2023 – FY 2032 CIP is largely consistent with- and follows the guidelines outlined during the development of the Proposed FY 2022 – FY 2031 CIP. These guidelines included:

- Using the previously Proposed CIP as the “base” for the Proposed FY 2023 – FY 2032 CIP;
- Incorporating City Council guidance and policy directions into the plan;
- Accommodating off-cycle budget decisions made, like the purchase of the 1705 N. Beauregard Office Building and the inclusion of an aquatics facility as part of the High School project for ACPS;
- Working to align projects with the City’s Strategic Plan and City Manager’s budget priorities;
- Preserving and maintaining the City’s existing physical assets;
- Addressing ACPS capital needs; and,
- Addressing Washington Metropolitan Area Transportation Authority (WMATA) capital requests.

# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



## Development of Proposed CIP

The development of the Proposed FY 2023 – FY 2032 CIP began in June 2021, with the submission of project information and funding requests by departments. The Proposed CIP represents an 'on-year', where all projects are reevaluated for timing, cost, and scope. Additionally, new projects were able to be submitted for consideration.

Project submission forms were due in mid-September 2021.

During the fall of 2021, the CIP Steering Committee began meeting to discuss and make recommendations on the development of the CIP. The committee is responsible for recommending the project composition and funding levels of the Proposed CIP to the City Manager. This committee consists of members of the City Manager's Office and the department heads of the most capital project intensive departments in the City. For the FY 2023 – FY 2032 CIP Development process, the committee included department heads from the Department of General Services; Recreation, Parks & Cultural Activities; the Department of Transportation & Environmental Services; the Department of Information Technology Services; the Department of Project Implementation; and the Department of Planning & Zoning. The Steering Committee is chaired by a Deputy City Manager and coordinated through the Office of Management and Budget (OMB).

Additionally, during the fall of 2021, City staff held three CIP worksessions with City Council to provide additional time to deliberate on capital needs and discuss some of the major projects and policy issues facing the City's capital program. These worksessions included a Joint City Council/School Board session to discuss the Schools' capital needs.

The CIP Steering Committee met throughout fall 2021/winter 2022 to craft a CIP recommendation for the City Manager and to outline major policy issues facing the CIP. The committee presented its recommendations to the City Manager in January 2022. Subsequently, the City Manager worked with OMB to finalize the project composition and funding levels recommended in the Proposed FY 2023 – FY 2032 CIP for presentation to City Council on February 15, 2022.



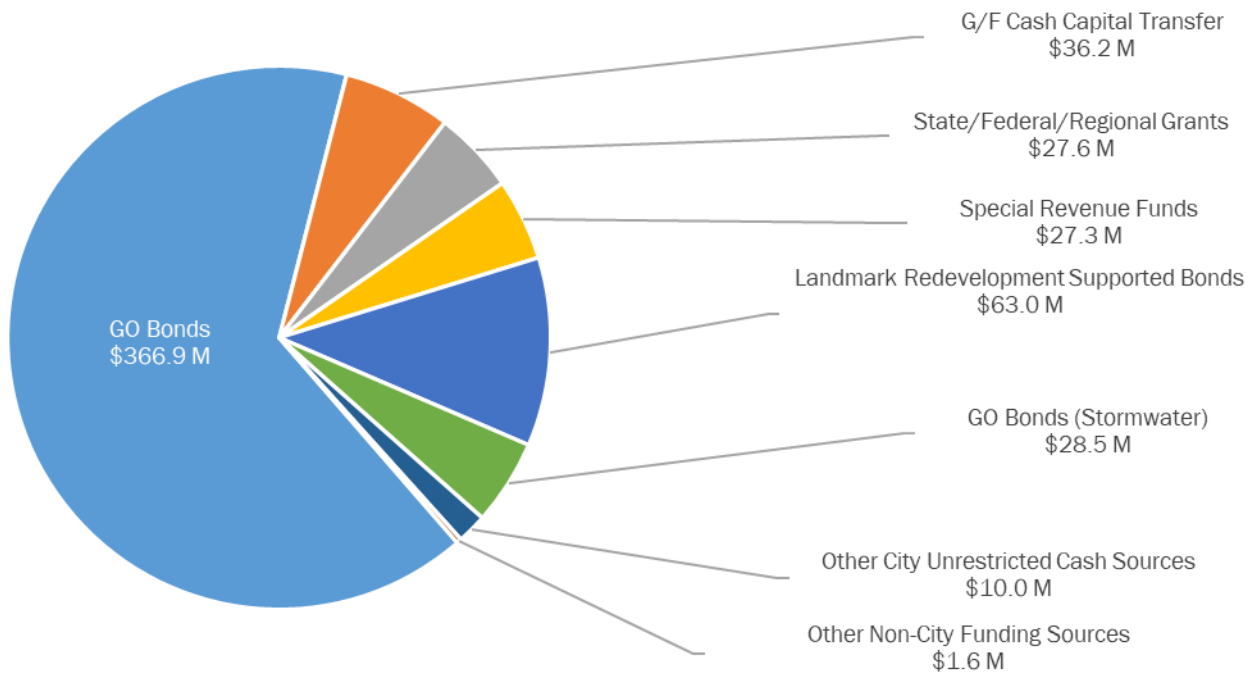
# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

## FY 2023 PROPOSED CIP SOURCES AND USES

### FY 2023 Capital Year Budget Revenues (Sources)

The total Proposed single year capital budget for FY 2023 is \$561.2 million; a \$33.3 million increase from FY 2022 in last year's Approved CIP, which is largely attributable to increases in the Schools' capital program for FY 2023. **A listing of all revenues included in the FY 2023 – FY 2032 CIP including the FY 2023 Capital Year Budget can be found in the Summary Funding Tables section of the Full CIP Document.**

### FY 2023 Capital Budget Revenues \$561.2 million





# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



Revenue highlights of the Proposed FY 2023 Capital Year Budget expenditures include:

- FY 2023 revenues are split between borrowing (82%) and cash sources (18%). In municipal finance, there are no generally recognized specific mathematical benchmarks for cash capital funding. In general, having an overall CIP which is 25% cash capital from all cash sources over time is considered healthy. While FY 2023 does not meet this threshold, the overall capital plan has a split of 61% borrowing sources and 39% cash sources.
- The General Fund Cash Capital Transfer (excluding dedicated TIP cash capital) amount is \$34.3 million, or 4.1% of General Fund Expenditures. In January 2015, City Council set a target of 2.5%, and a minimum of 2.0% (which would have been equal to \$16.6 million).
- The Proposed CIP continues to reflect the one percent increase in the restaurant and meals tax that was Proposed by City Council beginning in FY 2019 and was dedicated to investments in Affordable Housing. This dedication totals \$4.9 million in FY 2023.
- The Proposed FY 2023 CIP includes \$9.0 million in revenue from the Stormwater Utility fee in FY 2023 and \$28.5 million in GO Bonds, backed by Stormwater Utility fee revenue. Additionally, the Proposed FY 2023 capital budget includes the use of Stormwater Utility fund balance (\$2.1 million). The Proposed FY 2023 capital budget continues to reflect the increased investment in flood mitigation and stormwater infrastructure recommended to City Council in January 2021.
- Non-City revenue sources, including Comcast revenues, State/Federal grants and Northern Virginia Transportation Authority (NVTa) revenues total \$29.2 million.

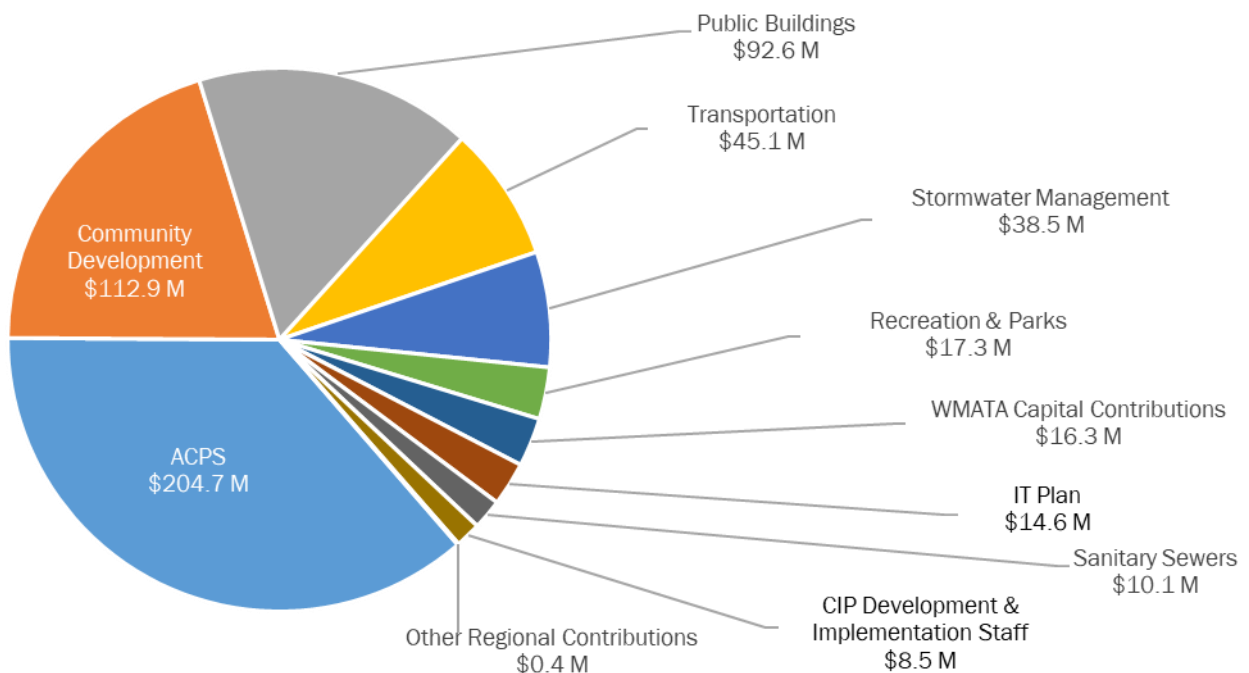
# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



## FY 2023 Capital Year Budget Expenditures (Uses)

The total Proposed single year capital budget for FY 2023 is \$561.2 million; a \$33.3 million increase from FY 2022 in last year's Approved CIP, which is largely attributable to increases in the Schools' capital program for FY 2023. **A listing of all projects included in the FY 2023 – FY 2032 CIP, including the FY 2023 Capital Year Budget, can be found in the Summary Expenditure Tables section of the full CIP document.** The chart below and the narrative below detail only FY 2023 Capital Year Budget highlights by CIP document section.

### FY 2023 Capital Budget Expenditures \$561.2 million



Project highlights of the Proposed FY 2023 Capital Year Budget expenditures include:

- **Alexandria City Public Schools (\$204.7 million FY 2023 Capital Year Budget)**
  - The Proposed FY 2023 – FY 2032 CIP includes funding for 100% of funding requested by the School Board as part of the regularly scheduled budget process (\$497.8 million). For FY 2023 the Proposed CIP reflects funding for all ACPS identified capacity and non-capacity needs, identified at the time of budget adoption.
- **Transportation (\$61.4 million FY 2023 Capital Year Budget)**
  - \$16.3 million to support the WMATA Capital Improvement Program. This funding level reflects the impact of legislation passed by the Virginia General Assembly in 2018 to provide a dedicated funding stream for WMATA's capital improvement needs.



# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

- \$7.1 million for Street Reconstruction and Resurfacing, which includes \$1.5 million in state grants to support street reconstruction and resurfacing. The planned investment will support the resurfacing of approximately 55 lane miles in FY 2023.
- \$9.5 million for bridge repairs and refurbishments. This includes \$2.5 million in repairs identified by the long-term bridge maintenance plan and assessment recently completed by the City, and \$7.0 million for the joint Alexandria-Arlington Four Mile Run Bridge Program cost sharing agreement, which supports the repair and replacement of the five-bridge inventory connecting the two jurisdictions over Four Mile Run.
- \$4.0 million to continue work on the Beauregard/West End Transit Corridor (Transit Corridor “C”).
- \$5.9 million to support DASH Bus Fleet Replacement and Electrification.
- **Recreation and Parks (\$17.3 million FY 2023 Capital Year Budget)**
  - \$5.6 million for improvements to Windmill Hill Park.
  - \$1.5 million to begin planning and design for renovations to the Old Town Pool.
  - \$1.5 million for capital maintenance of parks, playgrounds, recreation centers, and other public spaces.
  - \$0.6 million for the renovation and maintenance of trees planted along City Streets, in parks, and on school grounds and other public properties.
  - \$0.5 million to continue the study and planning of the Torpedo Factory Revitalization efforts.
- **Public Buildings (\$92.6 million FY 2023 Capital Year Budget)**
  - \$73.2 million to outfit and purchase the new DCHS/Health facility which will include a new West End Service Center.
  - \$12.1 million for space for collocated City services at the ACPS High School Project (Minnie Howard Campus).
  - \$2.7 million for a portion of identified maintenance and repair projects, as part of the City’s Capital Facilities Maintenance Programs (CFMPs).
- **Information Technology Plan (\$14.6 million FY 2023 Capital Year Budget)**
  - \$7.5 million in investments in Public Safety Systems, including \$3.8 million in radio system infrastructure for the City’s radio system that serves Police, Fire, T&ES, RPCA, ACPS and other City departments, and \$1.1 million to begin work on a joint Computer Aided Dispatch (CAD) system replacement with Arlington County.
  - \$2.1 million to invest in the City’s court records system (AJIS).
  - \$5.1 million is budgeted to maintain the City’s IT infrastructure, with \$1.0 million of those costs offset by Comcast revenue earmarked for specific network infrastructure improvements.

# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



- **Sanitary Sewers (\$10.1 million for FY 2023 Capital Year Budget)**
  - FY 2023 funding maintains the portions of the Sanitary Sewer system under the City's responsibility, along with supporting AlexRenew's efforts to construct Combined Sewer Outfall (CSO) overflow mitigation projects. In 2018, the City entered into an agreement with Alexandria Renew Enterprises (AlexRenew) to transfer ownership of the CSOs, along with responsibility for constructing and financing infrastructure to mitigate CSO overflows.
- **Stormwater Management (\$38.5 million FY 2023 Capital Year Budget)**
  - The proposed FY 2023 capital budget continues to reflect the increased investment in flood mitigation and stormwater infrastructure recommended to City Council in January 2021. This includes:
    - \$26.4 million for major capacity improvements to address flooding at the intersection of Commonwealth Avenue and East Glebe Road and Ashby Street and East Glebe Road.
    - \$5.9 million for Storm Sewer System Spot Improvement projects
    - \$1.3 million for inspection, cleaning, and repair of existing stormwater infrastructure
    - \$0.9 million to continue Stream & Channel Maintenance projects
    - \$0.8 million to continue the Floodproofing Grant Program to assist private property owners with efforts to mitigate flooding impacts
- **Community Development (\$112.9 million FY 2023 Capital Year Budget)**
  - \$8.4 million for investments in Affordable Housing. This includes \$4.9 million in funding from the restaurant and meals tax dedication Proposed by City Council in 2018, an additional \$1 million committed to Affordable Housing by the City as part of the region's efforts to attract the Amazon HQ2 campus to Northern Virginia, and \$2.5 million of funds received by the City as part of the American Rescue Plan Act (ARPA).
- **Other Regional Contributions (\$0.4 million FY 2023 Capital Year Budget)**
  - \$0.44 million in capital improvements for the Northern Virginia Regional Parks Authority (NVRPA).

# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



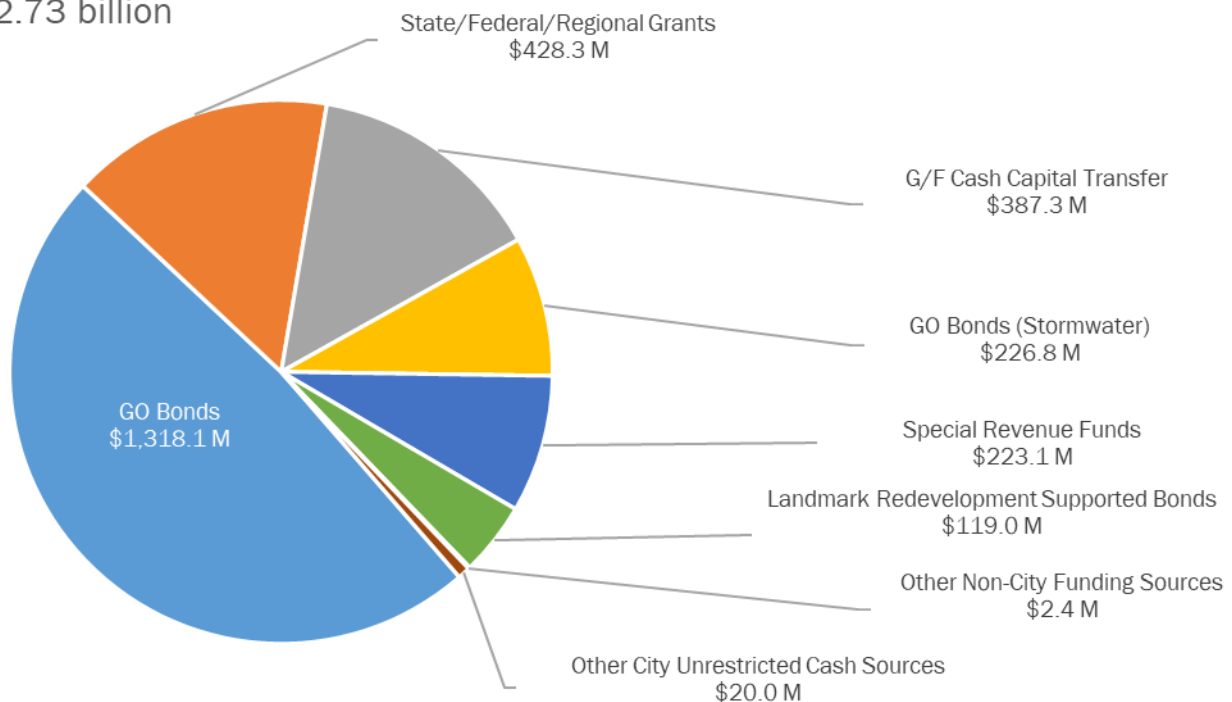
## FY 2023 – FY 2032 PROPOSED CIP SOURCES AND USES

### FY 2023 – FY 2032 Capital Improvement Program – Ten-Year Sources and Uses Overview

The total Proposed CIP for FY 2023 – FY 2032 is \$2.73 billion, a \$63.5 million increase from last year's Proposed CIP. This represents a 2.4% increase over last year's plan, which is largely attributable to increased amount of approved or contemplated state, federal, and regional grants for transportation projects. **A listing of all funding sources included in the FY 2023 – FY 2032 CIP can be found in the Summary Funding Tables section of the full CIP document.** The narrative below provides only highlights of the 10-year plan revenues and expenditures.

### FY 2023 - FY 2032 CIP Revenues

\$2.73 billion



# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



## **FY 2023 – FY 2032 CIP Revenue (Sources) highlights include:**

- Continued use of Northern Virginia Transportation Authority (NVTA) for both regional (Transit Corridor “C” – West End Transitway) and local (DASH bus replacements) projects. A total of \$129.6 million is budgeted from NVTA sources in the FY 2023 – FY 2032 Proposed CIP.
- The General Fund Cash Capital Transfer is above the City Council adopted target of 2.5% of General Fund expenditures annually, averaging 3.7% over the ten-year plan. The percentage as it relates to total General Fund expenditures in FY 2023 is 4.1%.
- The Proposed CIP reflects the one percent dedication of the restaurant meals tax to investments in Affordable Housing. This dedication, along with additional committed funds, totals \$63.7 million over the 10-year plan.
- Private capital contributions supporting capital infrastructure projects throughout the City totals \$2.4 million.
- Stormwater Utility Fees will provide an estimated \$76.1 million in cash funding for the Proposed CIP and an additional \$226.9 million in utility fee backed GO Bonds.
- State and federal grant sources provide \$281.9 million over the 10-year plan to support investments in the City’s transportation infrastructure, including improvements to streets, bridges, and intersections (\$63.7 million), public transit (\$111.5 million), and the City’s Smart Mobility Program (\$16.5 million).

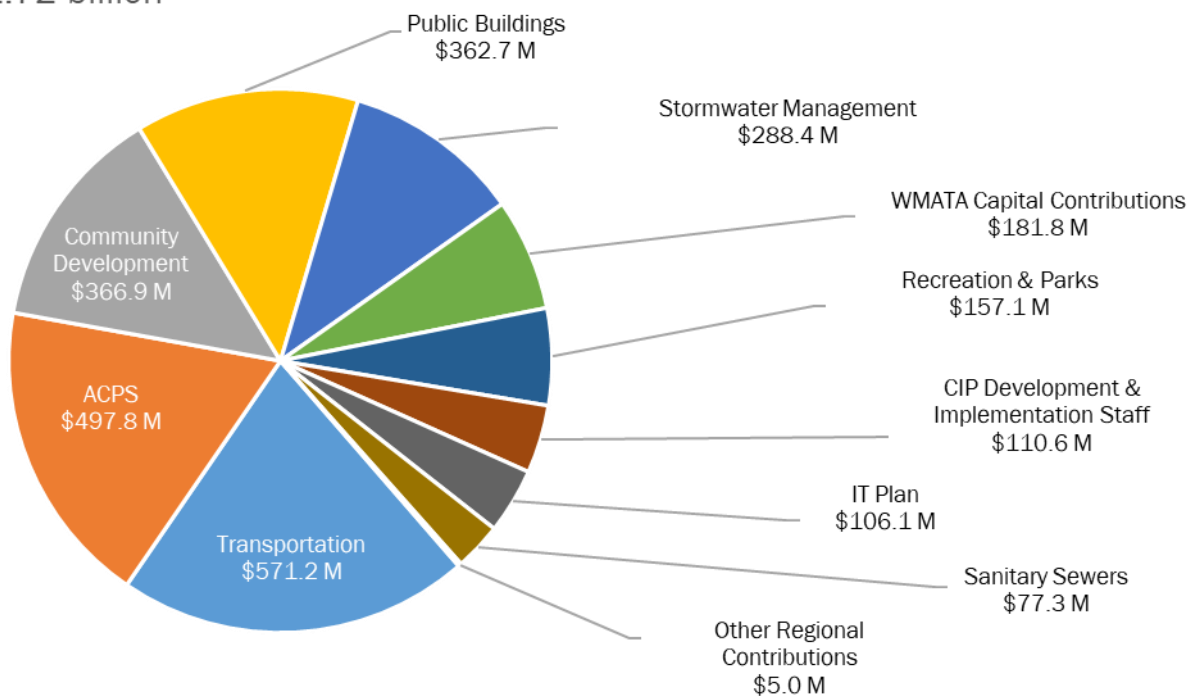
# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



**FY 2023 – FY 2032 CIP Project (Uses) highlights include:**

## **FY 2023 - FY 2032 CIP Expenditures**

\$2.72 billion



- The City Manager Proposed CIP provides \$497.8 million for Schools capital projects. This provides funding for 100% of the School Board's Proposed CIP request adopted in December 2021.
- The Proposed CIP includes \$203.3 million to fund the City's Capital Facility Maintenance Programs (CFMPs) and other major renovations (i.e. City Hall).
- Stormwater funding totals \$288.4 million and is inclusive of the expanded and accelerate work program to address flood mitigation and stormwater infrastructure that was presented to City Council in January 2021.
- Funding for the Waterfront Plan and to construct flood mitigation infrastructure, totaling \$83.2 million. As the City continues to refine scope and design for this project, it is likely that the funding for this project will need to be revisited.
- Funding for implementation of the Transit Corridor "C" – West End Transitway totals \$66.2 million in the ten year plan.
- Funding to continue the City's Street Reconstruction and Repaving program totals \$63.4 million over the ten year plan.
- DASH Bus Fleet Replacements total \$105.0 million over the ten-year plan, which will allow DASH to begin electrification of the bus fleet.
- WMATA capital funding totaling \$181.8 million. This capital support includes the City's local match required as part of the recently enacted State dedicated funding. This amount does not include the planned use of NVTC proceeds from State and gas tax funding which the City will use to offset some of the capital costs.





# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

## DEBT RATIOS, CASH CAPITAL, & DEBT SERVICE

The Proposed FY 2023 – FY 2032 Capital Improvement Program assumes borrowing in the amount of \$1.67 billion to fund the capital infrastructure needs identified throughout this document. Included in that amount are \$226.9 million in bonds for Stormwater Management projects backed by the Stormwater Utility and \$119 million to fund land acquisition and infrastructure investments to support redevelopment at the Landmark Mall site. A total of \$1.32 billion in bonds are planned over the ten years for other City projects, including Alexandria City Public Schools capital infrastructure needs (borrowing comprises \$474.2 million of future ACPS capital costs in the ten-year plan, primarily associated with school capacity projects).

While the ten-year CIP includes additional borrowing, the plan also assumes the re-payment of \$969.4 million in principal payments on prior year and planned bond issuances. Of this \$938.1 million in principal payments, \$89.0 million will be paid through Sanitary Sewer fees, Stormwater Utility fees, and Potomac Yard generated tax revenues. The debt service on the remaining bonds is paid back through the City's General Fund. This amount of debt planned is consistent with debt ratios that support the City's hard-earned AAA/Aaa bond ratings. Additional borrowing will impact the annual operating budget through increased debt service payments.

### City Council Approved Debt Ratios

City Council passed a set of debt-related financial policies on June 9, 1987. During FY 1998, the Budget and Fiscal Affairs Advisory Committee (BFAAC), a City Council appointed citizen committee, analyzed these debt-related financial policies, and examined the City's financial condition in comparison to other jurisdictions with superior credit ratings (other double-triple A rated jurisdictions). The BFAAC and the City manager recommended that City Council reaffirm the updated debt-related financial policies, incorporating BFAAC's recommended updates to the policies to establish a consistent set of appropriate relationships between debt targets and limits.

City Council reaffirmed its commitment to sound financial management and adopted the updated debt-related financial policies on December 9, 1997. City Council amended the policies on October 26, 1999, to allow priority consideration for an increase in the assignment of fund balance for capital project funding. On June 24, 2008, City Council adopted the City manager's recommendation, endorsed by BFAAC, to revise the target and limit upward, reflecting the ratio of debt as a percentage of total personal income.

As part of the FY 2018 – FY 2027 CIP, City Manager Proposed modifications to the City's Adopted Debt Ratios, endorsed by BFAAC, that (1) accommodate the City's current capital needs, (2) give the City the flexibility to meet future/unanticipated capital needs, and (3) maintain a fiscally moderate position for the City that is in line with regional comparators and what bond rating agencies would view as acceptable. The changes outlined as follows will continue to support the City's status as an AAA/Aaa bond rated jurisdiction.



# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



Debt Ratio	City Council Changes Adopted Debt Management Policies		
	Target	Limit	Exclusions
Debt as a Percentage of Fair Market Real Property Value	Set by CIP	2.50%	Sanitary Sewer & Stormwater Debt
Debt Service as a Percentage of General Government Expenditures	Set by CIP	12.00%	Sanitary Sewer & Stormwater Debt
10-Year Debt Payout Ratio	65.00%	50.00%	Debt Issuances Specific to Assets with a 20+ year Useful Life

Staff recommended changes to the Debt as a Percentage of Real Property Value and Debt Service as a Percentage of General Government Expenditures policies after comparing the City's current policy and forecasted capital needs to the adopted policies and actual practices of relevant comparator jurisdictions. The ratios' limits were adjusted to a level that was sufficient to address anticipated future needs, provide additional capacity for unanticipated needs, remain compatible with each other, and avoid another adjustment in the near future, while being considered reasonable by the rating agencies. The methodology for selection of the proposed rate included review by the City's financial advisors.

The establishment of a 10-Year Debt Payout Ratio target of 50% formalizes the City's current practice of structuring debt with level principal payments. Highly-rated jurisdictions such as the City of Alexandria often structure debt using level principal payments.

**Each year of the 10-year plan stays within these limits** for the Debt as a Percentage of Fair Market Real Property Value, Debt Service as a Percentage of General Government Expenditures, and the 10-Year Debt Payout ratios.

## Planned FY 2023 Borrowing

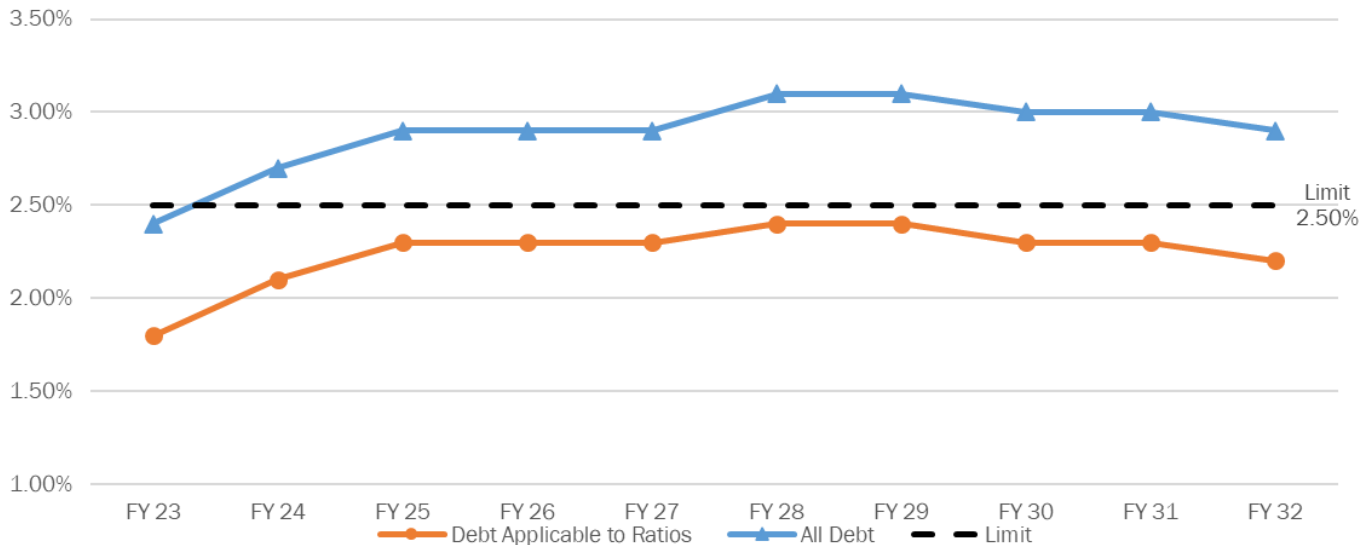
The Proposed FY 2023 Capital Budget identifies the use of \$458.5 million in authorized borrowing to support critical investments in City facilities, School Facilities, and transportation and environmental infrastructure. The City's next contemplated bond issuance will differ in size and timing, based on staff's analysis of the projected cash flow of existing on-going projects and through monitoring the schedules of newly planned and appropriated projects. Additionally, future bond issuances will need to address borrowing deferred based on previous cash flow forecasts (approximately \$204 million). As such, the debt ratio projections on the following pages and the debt service expenditures included in the Proposed Operating Budget reflect a borrowing schedule that accounts for both previously deferred borrowing and the assumption that the cash-flow needs of newly appropriated project may not require all of their bond proceeds during FY 2023.



# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

## Debt as a Percentage of Fair Market Real Property Value

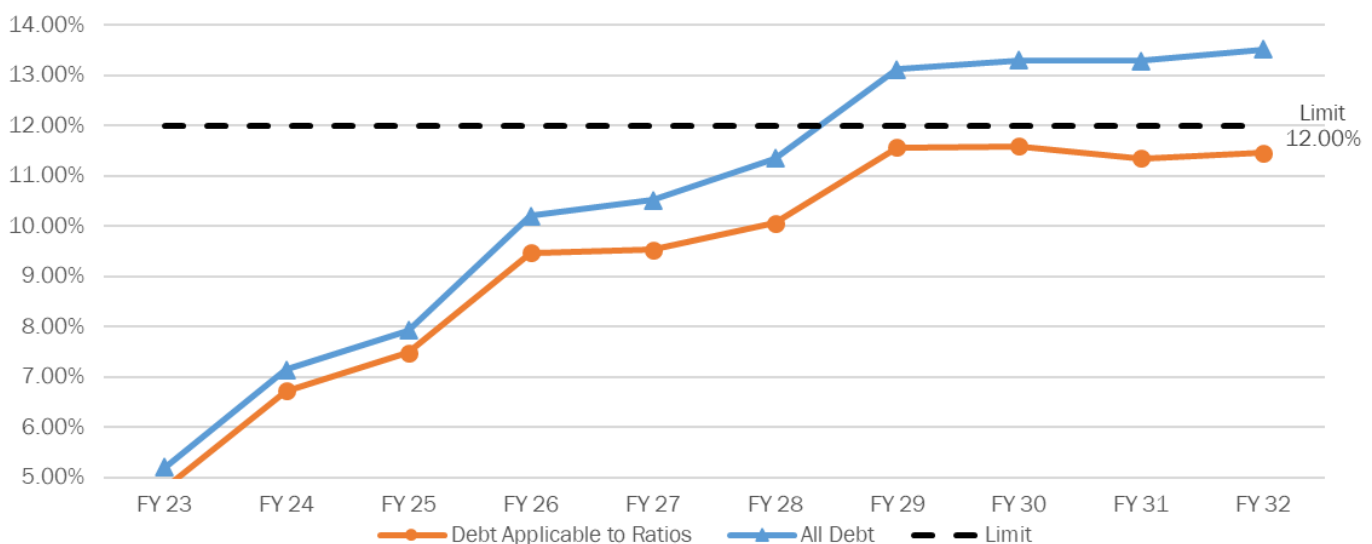
Limit = 2.50 percent; FY 2023 = 1.8 percent



This ratio indicates the relationship between the City's debt and the full value of real property in the City as assessed annually at fair market value. It is an important indicator of the City's ability to repay debt because real property taxes are the primary source of the City's revenues used to repay debt. A small ratio is an indication that the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations. The City will be in compliance with this debt ratio for all 10 years of the plan.

## Debt Service as a Percentage of General Government Expenditures

Limit = 12.0 percent; FY 2023 = 4.8 percent



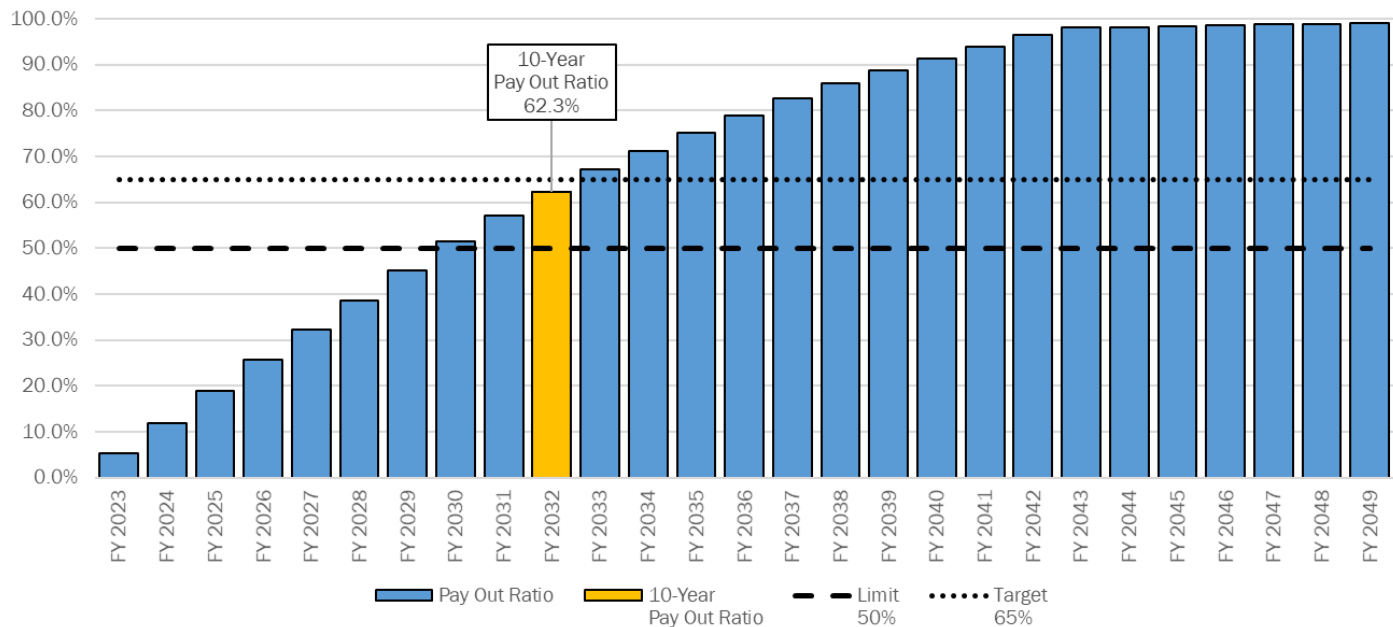
This ratio is a measure of the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget. The City will be in compliance with this debt ratio for all 10 years.



# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

## 10-Year Debt Payout Ratio

Limit = 50.0 percent; Target = 65.0 percent; FY 2023 = 62.3 percent



This ratio compares how much debt is structured to be paid off in a given period of time. A more aggressive repayment structure results in a higher ratio. The speed of the repayment of outstanding debt is one of the areas in which local governments are evaluated by the bond rating agencies. A payout ratio at or greater than 50 percent is typically viewed favorably and as best practice for municipal debt management.

# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



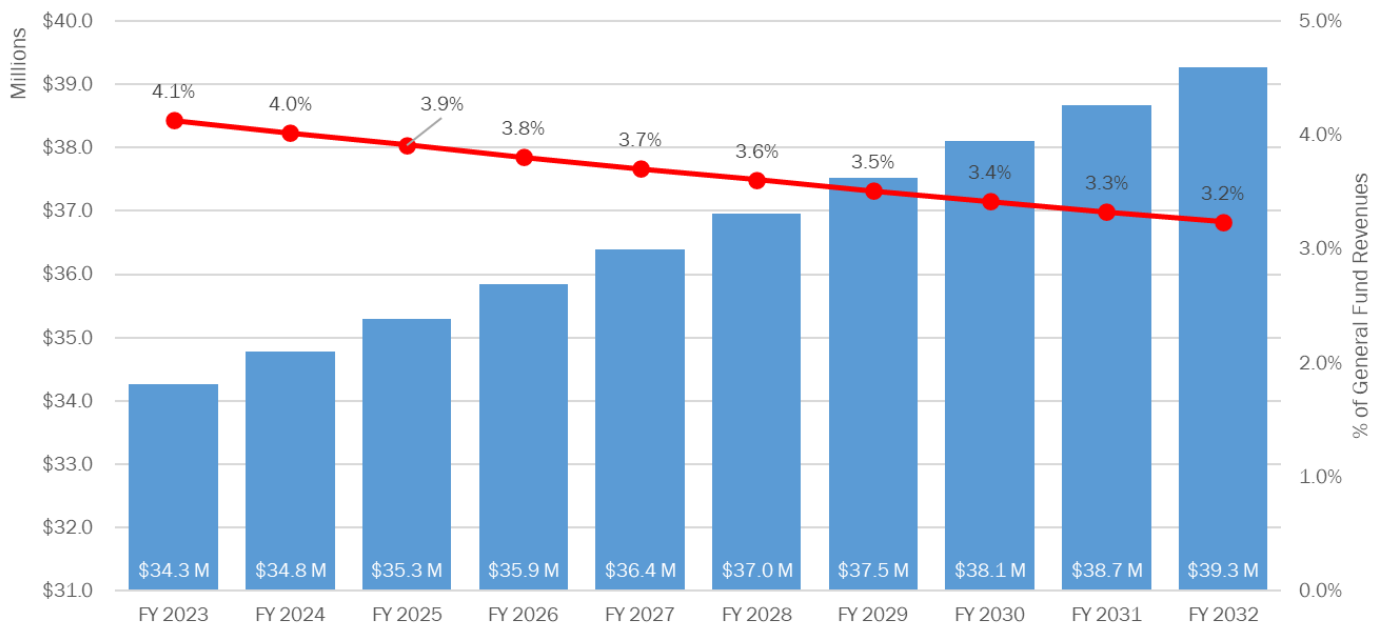
## General Fund Cash Capital Transfer

City Council adopted, in January 2015, a General Fund Cash Capital Transfer target of 2.5% and a “floor” of 2.0% of General Fund expenditures to support the CIP. Providing a minimum and a target helps ensure that cash capital will be maintained at a healthy level, while maintaining flexibility in setting budget priorities between the annual General Fund Operating Budget and annual cash capital transfer from the General Fund to the CIP.

This cash capital policy provides City staff the flexibility to develop sustainable and affordable General Fund support to the CIP through debt service paid on General Obligation Bonds and a recurring cash capital transfer supporting City Council capital infrastructure priorities in the ten-year CIP. Furthermore, this policy ties the cash capital closely to the General Fund, and allows cash capital to grow or decrease proportionally with the General Fund, while still providing the necessary resources to maintain the City's capital infrastructure. The Proposed 10-year CIP reflects a cash capital transfer equal to 3.7% of General Fund expenditures.

The chart below details the planned level of the General Fund Cash Capital Transfer in each year of the CIP along with the percentage of estimated General Fund expenditures comprised by the General Fund Cash Capital Transfer. The General Fund Cash Capital Transfer represents 34.6% of all cash sources used to finance the ten-year plan.

**General Fund Cash Capital Transfer - FY 2023 - 2032**





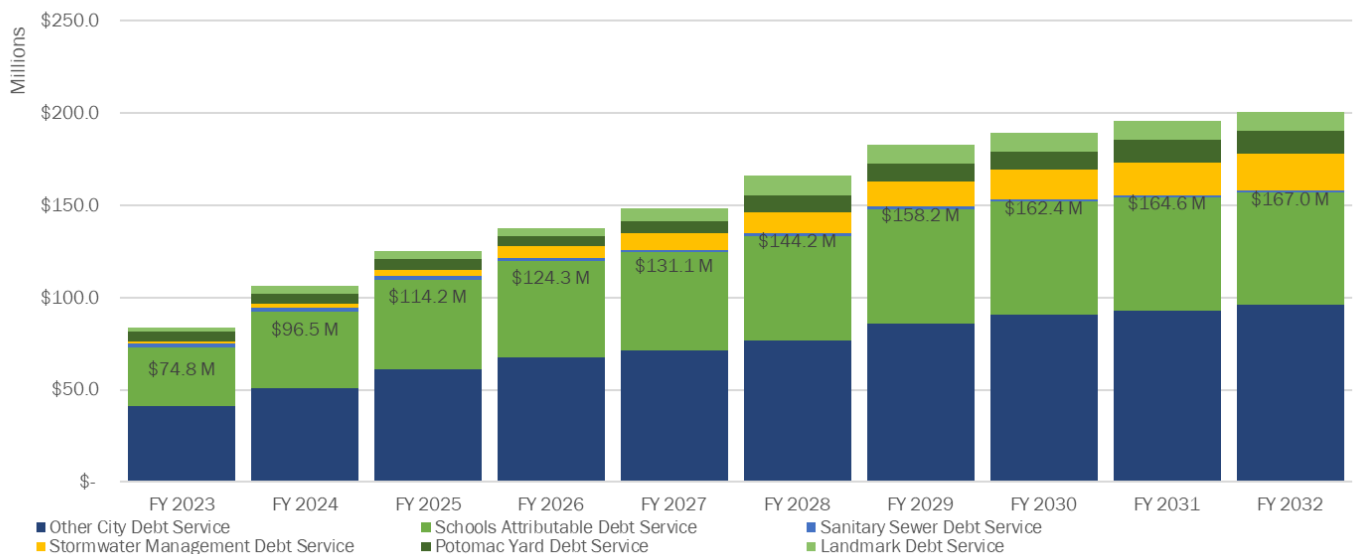
# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview

## Debt Service

While the City stays within fiscally prudent debt guidelines for General Fund supported projects, debt service payments will continue to grow in order to fund the debt service on previously issued and planned debt issuances. As debt service continues to grow (as evidenced in the chart below), and City revenues continue to experience minimal to moderate growth, the City will be facing a tax rate increase versus a capital/operating funding set of decisions. The chart below provides details on the projected debt service payments for both existing debt (issued through FY 2022) and planned debt (FY 2023 through FY 2032). It should be noted that the charts below accurately depict the large long term increase of debt service needed to fund currently planned projects, however near-term debt issuances (FY 2023 – FY 2025) will need to be further smoothed out by closely monitoring cash-flow needs or reconsidering project scopes and timing, to make year to year increases more sustainable.

Debt service is broken down into six categories – General Fund Supported Debt Service, Sanitary Sewer Debt Service, Stormwater Management Debt Service, Potomac Yard Debt Service (which is paid for by Potomac Yard generated tax and developer revenues), and Landmark Debt Service. In FY 2023, \$85.1 million is estimated for debt service payments, of which \$2.9 million will be paid from the Sanitary Sewer Fund and the Stormwater Utility enterprise funds.

### FY 2023 - 2032 Debt Service Attribution



Debt Service (\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
General Fund Supported Debt Service	\$74.8	\$96.5	\$114.2	\$124.3	\$131.1	\$144.2	\$158.2	\$162.4	\$164.6	\$167.0
Potomac Yard Debt Service	\$5.7	\$5.7	\$5.7	\$5.7	\$6.8	\$9.3	\$9.5	\$9.6	\$12.2	\$12.3
Sanitary Sewer Debt Service	\$1.8	\$1.8	\$1.7	\$1.5	\$1.4	\$1.5	\$1.6	\$1.5	\$1.3	\$1.3
Stormwater Management Debt Service	\$1.1	\$2.2	\$3.7	\$6.2	\$8.7	\$11.2	\$13.7	\$15.8	\$17.7	\$19.9
Landmark Debt Service	\$1.7	\$4.1	\$4.4	\$4.3	\$6.5	\$10.7	\$10.6	\$10.5	\$10.4	\$10.3
<b>Total Debt Service</b>	<b>\$85.1</b>	<b>\$110.3</b>	<b>\$129.7</b>	<b>\$142.0</b>	<b>\$154.6</b>	<b>\$176.9</b>	<b>\$193.5</b>	<b>\$199.8</b>	<b>\$206.2</b>	<b>\$210.8</b>
Total \$ Change Over Prior Year		\$25.2	\$19.4	\$12.3	\$12.6	\$22.3	\$16.6	\$6.3	\$6.4	\$4.6
Total % Change Over Prior Year		29.6%	17.6%	9.5%	8.9%	14.4%	9.4%	3.3%	3.2%	2.2%

# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



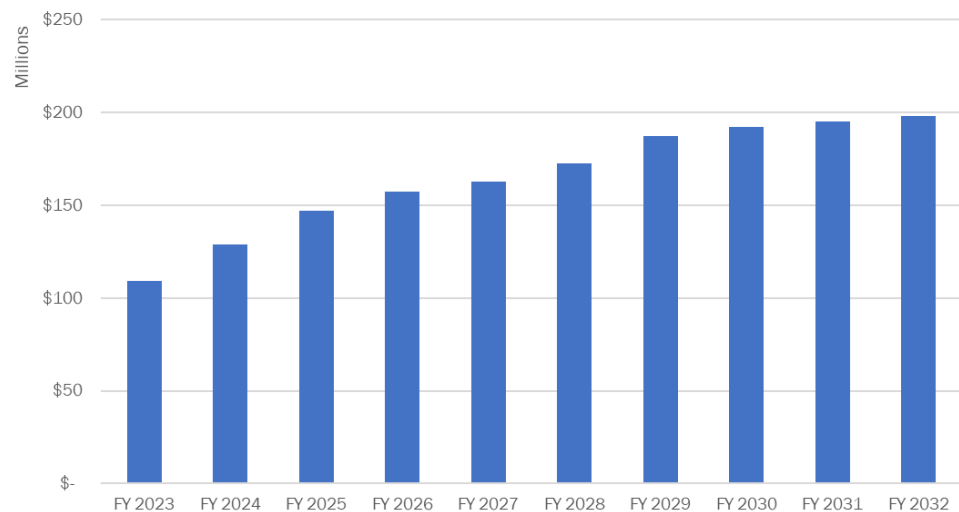
## GENERAL FUND SUPPORT OF CAPITAL PROGRAM

The Proposed FY 2023 – FY 2032 CIP represents a substantial commitment and investment in the City and School's capital needs. This results in a total Proposed CIP for FY 2023 – FY 2032 of \$2.73 billion, a \$63.5 million (+2.4%) increase from last year's Proposed CIP. This includes funding to support the Schools' capital program, which represents a large portion of this required general fund support. Of the City unrestricted funding sources in the CIP (General Fund cash capital and general obligation bonds), the Schools Capital Program will use 29.2% of identified sources. Additionally, the School Board Proposed FY 2023 – FY 2032 CIP is frontloaded, with \$322.2 million out of \$497.8 million in planned expenditures occurring in the first three years of their CIP. This early and large allocation of CIP sources will require the use of borrowing and creates a substantial amount of pressure on the City's General Fund through increases in debt service.

Although the City continues to pursue a diversified funding stream for the CIP, including \$430.7 million in Non-City funds in the Proposed 10 year plan, financing the capital program will require a significant investment of both cash capital from- and borrowing serviced by the City's General Fund. The Proposed CIP contemplates a use of direct cash capital and borrowing (and the debt service that this requires) that will result in \$1.7 billion of general fund operating budget expenditures over the course of the 10 year plan.

In addition to the 5 cent increase in the real estate tax rate approved in the FY 2017 and FY 2018 budgets for capital investment, the Proposed FY 2021 – FY 2030 CIP included a 2-cent tax rate increase to support the CIP. Subsequently, the Approved FY 2021 – FY 2030 CIP removed this proposed tax rate increase, as part of the City's response to the COVID-19 public health emergency. The tax increase was deferred from consideration again in the FY 2022 budget, which in combination with new priorities from the community have resulted in the deferral or descoping of some projects.

**General Fund Operating Budget Support of Capital Program**



While the environment in which the FY 2023 budget was developed continued to be inappropriate to contemplate a tax rate increase to support increased investment in the CIP, executing the Proposed 10-year capital investment plan will ultimately require additional tax rate increases and/or significant reductions in the General Fund operating budget. Subsequent capital investment plans will address the need for- and timing of future tax rate increases to support School and City capital projects, beginning as early as FY 2024 (CY 2023).

# Proposed FY 2023 – FY 2032 Capital Improvement Program Overview



## ADDITIONAL OPERATING IMPACT

In addition to the General Fund impacts of both the Cash Capital transfer and debt service payments, the CIP also has operating impacts based on the actual projects implemented. These costs can be as simple as additional operating funding to maintain a new park, to additional staffing required to operate a new Computer Aided Dispatch System, to utility costs and staffing costs associated with operating a new City facility.

As part of the Proposed FY 2023 – FY 2032 CIP, an additional operating analysis was performed for each project and impacts are noted on each individual project page of the Capital Improvement Program document. While not all impacts will be charged against the General Fund, the estimated operating impact could be as much as \$21.6 million in additional resources needed in FY 2032 as a result of City capital projects (excluding the operating impacts of ACPS capital projects).

**In some cases, these additional increases noted may be offset with new revenues or transitioning from shifting priorities or changing business practices within the City. Additional operating impacts are updated annually and are refined as the project moves closer to the current capital year budget.** The chart below indicates the additional operating impact by fiscal year. Year 1 of the Capital Improvement Program does not identify any additional operating budget impacts, as these costs will be reflected in departmental operating budgets.

**FY 2023 - FY 2032 CIP Annual Operating Impact (All Funds)**

