

# **BOARD OF SUPERVISORS WORK SESSION**

## **GOVERNMENT CENTER BOARD ROOM**

**FEBRUARY 24, 2009 - 4 P.M.**

**A. Call to Order**

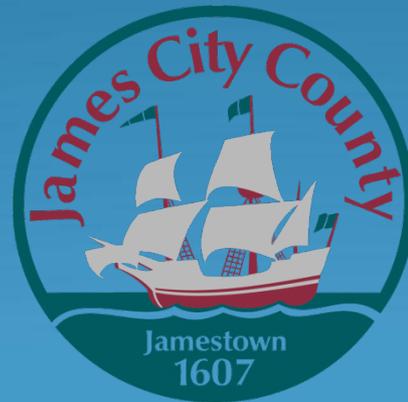
**B. Roll Call**

**C. Board Discussions**

1. Planning Commission (Presentation) (Memorandum 1)  
(Memorandum 2) (Attachment 1) (Attachment 2)
2. James City Service Authority – Investments and Revenues  
(Presentation 1) (Presentation 2)

**D. Break**

# Capital Improvement Planning James City County



Board of Supervisors/Planning Commission  
Work Session  
February 24, 2009

# James City County Statement of Fiscal Goals Adopted November 2000

FG #12 - To consider recommendations from the Planning Commission for a multiyear Capital Improvements Plan for public facility and infrastructure needs to include roads, water, sewer, land and land improvements, and building and building improvements, considered based upon need and consistent with the adopted Comprehensive Plan.

# Today's Goals

- Review Capital Improvement Program (CIP) Process Changes
- Answer questions on the presentation
- Receive endorsement on action items

# Policy Committee Review of Current Process

# Areas Examined

- Timeline
- Scope of CIP – Piecemeal vs. Comprehensive
- Role of Comprehensive Plan
- Nature of Projects – Maintenance vs. Capital Investments
- Nature of CIP Presentation – Separate and Distinct vs. Budget Subsection
- Prioritization Process

# Commission Adopted Recommendations

- Modify Timeline
- Present CIP Comprehensively
- Create a Public Facilities Plan Component of the Comprehensive Plan – a “needs assessment” which precedes the preparation of the Capital Improvements Program
- Create Capital Maintenance Program
- Create a separate CIP document with its center piece being a five year rolling budget

# Expedite Review Timeline

## *Fluvanna County*

**Please note the following:**

1. The forms are posted on the County web page under Budget/FY08 Budget.
2. Department Heads are required to sign the financial page of each CIP request.
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4. All forms are to be submitted electronically to [cbesecker@co.fluvanna.va.us](mailto:cbesecker@co.fluvanna.va.us) along with one hard copy to Crystal Besecker in the Finance Department.

***CIP BUDGET CALENDAR FOR FY 2006***

<u>Task Description</u>	<u>Due Date</u>
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# Take Comprehensive View

Incorporate all capital investments that are funded by the county or a county controlled public utility in the JCC's CIP.

## *Chesterfield County*

**COMPOSITION OF THE  
CAPITAL IMPROVEMENT PROGRAM  
FY2007 - 2012**

Chesterfield County's Capital Improvement Program is contained in three separate documents:

County Capital Improvement Program	\$266,212,400
School Board Capital Improvement Program	300,452,700
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<b>TOTAL CIP</b>	<b><u>\$721,393,100</u></b>

Summaries of the School Board Capital Program and the Utilities Department Capital Program are contained in this document

# Link to Comprehensive Plan –Create Public Facilities Plan

*(Model Chesterfield County)*

- The Public Facilities Plan provides facility recommendations based on an objective and equitable assessment of current and future needs throughout all county areas.
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- The Plan is designed to function as a needs assessment for the annual CIP.

# Create Capital Maintenance Program

“Maintenance Budgets of Necessity” vs.  
“Maintenance Budget of Dependability”

- Develop a JCC Capital Maintenance Program using Arlington’s Program as a model.

# Benefits Anticipated

- Greater predictability of project completion dates,
- A more rigorous analysis and vetting of CIP priorities,
- Enhanced transparency to citizenry,
- Creation of a rolling five-year capital outlay plan to improve financial management,
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# Five Year Rolling Budget

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## Fiscal Goals #11 & #14

- To establish for capital project requests an annual capital budget based upon the Capital Improvements Plan with "life cycle" costs including operating and maintenance coordinated with the operating budget.
- To develop financing plans for the multiyear improvement program based upon a five-year forecast of revenues and expenditures with advice and counsel from the County's Financial Advisor on proposed capital financing needs.

# Five Year Rolling Budget (Continued)

## Arlington

### 6 Year Capital Program Costs Summary (\$ in 000s)

<u>Program Category</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>6 Year Total</u>
Local Parks & Recreation	37,550	3,500	11,500	3,500	3,500	3,500	63,050
Transportation & Pedestrian Initiatives	9,165	4,500	9,500	4,500	9,500	4,500	41,665
Community Conservation	6,400	-	-	-	-	-	6,400
Public / Government Facilities	27,783	5,400	8,400	5,400	8,400	5,400	60,783
Information Technology Investments	-	3,000	3,000	3,000	3,000	3,000	15,000
Real Estate	6,600	-	-	-	-	-	6,600
Storm Drainage	-	-	-	-	-	-	-
Regional Partnerships	1,052	1,059	1,136	1,136	1,136	1,136	6,655
Metro	35,900	4,300	21,700	4,300	19,300	4,000	89,500
<b>Total County Capital</b>	<b>124,450</b>	<b>21,759</b>	<b>55,236</b>	<b>21,836</b>	<b>44,836</b>	<b>21,536</b>	<b>289,653</b>
Bond Issuance Expenses	-	-	-	-	-	-	-
Water & Sewer Infrastructure	113,851	103,207	62,045	20,093	11,550	11,050	321,796
Schools Capital (1)	73,760	6,763	68,139	6,985	TBD	TBD	155,647
<b>Total Program Cost</b>	<b>312,061</b>	<b>131,729</b>	<b>185,420</b>	<b>48,914</b>	<b>56,386</b>	<b>32,586</b>	<b>767,096</b>

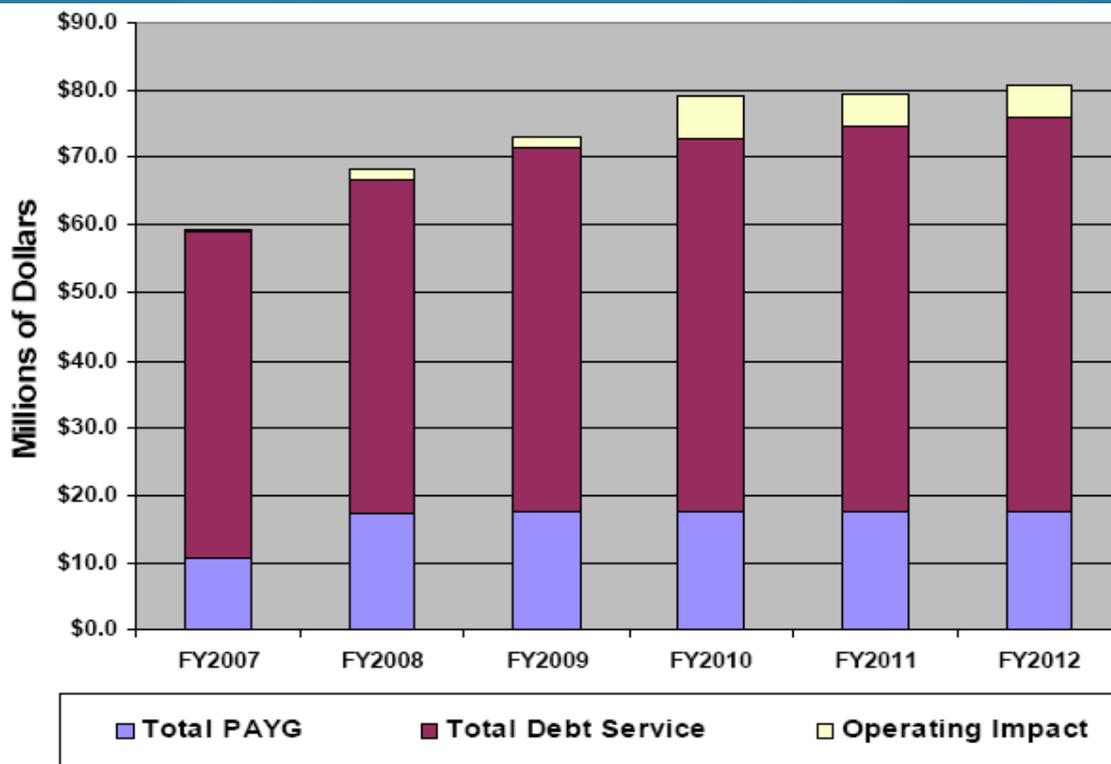
(1) Schools Capital includes estimates for FY 2007 - FY 2010 only as the APS FY2007-FY2012 CIP is currently in preliminary development.

### 6 Year Capital Program Funding Sources Summary (\$ in 000s)

<u>Capital Funding Sources</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>6 Year Total</u>
County General Fund Transfer	2,600	17,459	17,536	17,536	17,536	17,536	90,203
County Bonds	77,200	-	33,000	-	23,000	-	133,200
County Other Sources - Grants (1)	44,650	4,300	4,700	4,300	4,300	4,000	66,250
Schools Fund Transfer (2)	10,134	6,763	6,872	6,985	TBD	TBD	30,754
Schools Bonds (2)	63,626	-	61,267	-	TBD	TBD	124,893
Utility Fund Transfer & Other Sources (3)	34,851	34,207	26,745	20,093	11,550	11,050	138,496
Utility Bonds	79,000	-	-	-	-	-	79,000
Utility VRL Financing (4)	-	69,000	35,300	-	-	-	104,300
<b>Total Program Funding</b>	<b>312,061</b>	<b>131,729</b>	<b>185,420</b>	<b>48,914</b>	<b>56,386</b>	<b>32,586</b>	<b>767,096</b>

# Present a Comprehensive View of the Impacts of Capital Expenditures

## *Arlington*



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## *Arlington*

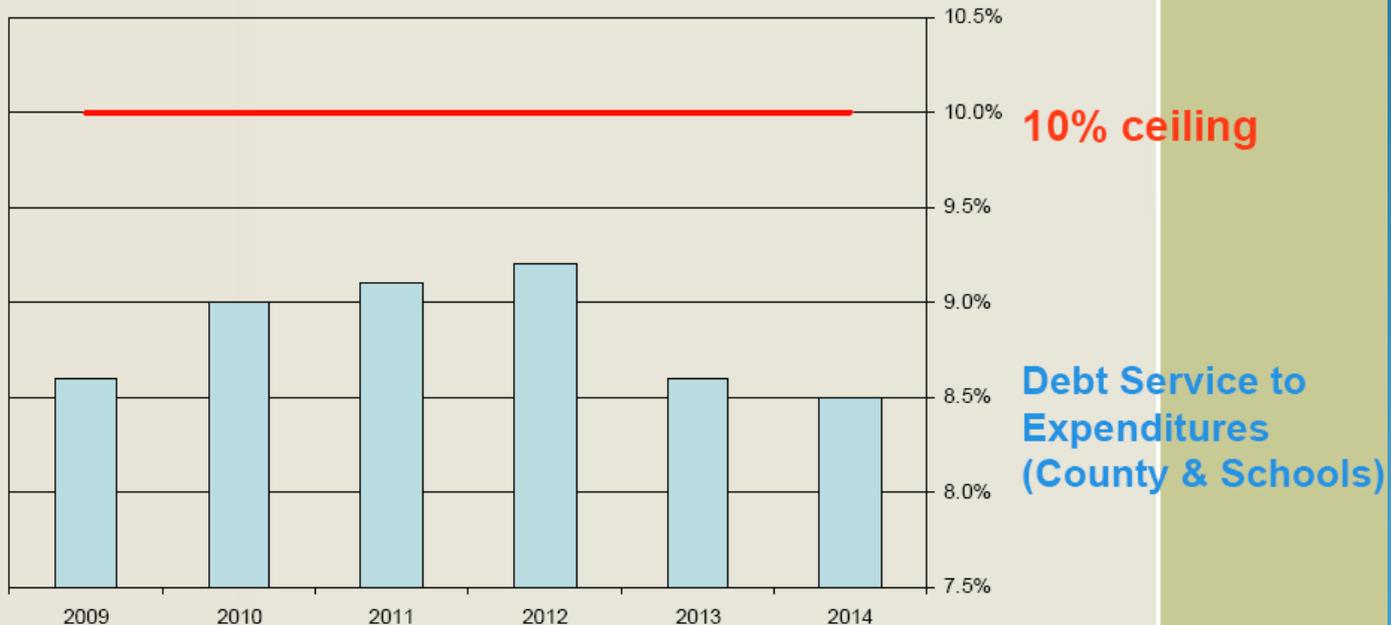
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
PAYG	\$10,868,000	\$17,459,000	\$17,536,000	\$17,536,000	\$17,536,000	\$17,536,000
Debt Service	\$47,964,367	\$49,291,954	\$53,878,602	\$55,494,017	\$57,021,635	\$58,477,172
Operating Impact	\$322,000	\$1,608,225	\$1,881,225	\$6,186,229	\$4,775,425	\$4,878,633
Total	\$59,154,367	\$68,359,179	\$73,295,827	\$79,216,246	\$79,333,060	\$80,891,805

# Keeping Plans Within Limits

## Debt Ratios and Financial Policies

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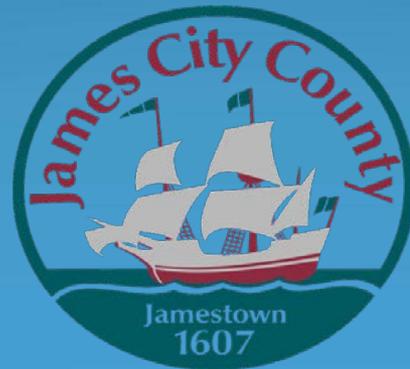
Ratio of debt service to general expenditures shall not be greater than 10%



# Action Items

- Modify timeline
- Present CIP comprehensively
- Create Capital Maintenance Program
- Create 5-year CIP rolling budget

# Questions / Comments?



**MEMORANDUM**

DATE: February 24, 2009

TO: The Board of Supervisors

FROM: Members of the Planning Commission

SUBJECT: Capital Improvements Program

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The James City County Planning Commission has recognized the need to more closely align the Capital Improvements Program (CIP) with the County's Comprehensive Plan. The benefits of such alignment are substantial and include greater predictability of project completion dates; a more rigorous analysis and vetting of CIP priorities; enhanced transparency to citizenry; creation of a rolling five-year capital outlay plan to improve financial management; identification and evaluation of project escrows carried over from year to year; more strategic utilization of debt to accomplish Comprehensive Plan objectives; and optimizing buying opportunities within the marketplace.

Accomplishing this objective will require fundamental changes to the CIP process. These changes will involve both governmental and non-governmental agencies. It is also anticipated that James City County will explore innovative procurement practices and rely more on Public-Private Partnerships to accomplish CIP and Comprehensive Plan objectives wherever practicable.

The Policy Committee has previously explored with staff the various time lines under the current CIP process. That process begins in the fall with requests for project funding coming from the various departments and non-governmental agencies and culminates in Board of Supervisor approval of an annual budget in May of each year. The Policy Committee reviews each request and assigns a priority to each that is reviewed by the entire Planning Commission and recommended to the Board of Supervisors.

The CIP process is the mechanism for planning, scheduling, implementing, and evaluating Capital projects. James City County should use the CIP process to support the objectives of the Comprehensive Plan through the calculated sizing, timing, and location of public facilities such as roads, schools, park and recreation facilities, attractions, water and sewer facilities, and drainage structures. Each project should meet a specific need identified in the Comprehensive Plan, compete with other projects for limited resources, receive funding in accordance with a priority rating system, and be formally adopted as an integral part of the biannual budget.

The new CIP process will begin much earlier in the budget cycle, perhaps as early as February of the preceding budget year, with requests for funding. These requests will be vetted by staff and the Policy Committee to ensure compliance with the Comprehensive Plan. Each project will receive a ranking which will reflect its place in the overall CIP. A corresponding financial plan will be developed which details the sources of funding for the various projects as well as the projected timing of the availability of those funds, costs to construct, and estimated date of completion. A new five-year rolling CIP financing plan will account for all capital improvements in James City County debt regardless of funding source.

To effectively align the CIP with the Comprehensive Plan, significant revisions to the Comprehensive Plan will be required. The Planning Commission expects that such revisions will begin to be incorporated into the current update and that the new CIP process will be implemented for FY 2011. These revisions will require a high level of detail and specificity in the Comprehensive Plan. The Planning Commission intends to use the Comprehensive Plan process to identify community needs for new facilities and to develop community-wide consensus on CIP priorities.

Capital Improvement Program

February 24, 2009

Page 2

The Planning Commission recommends that Capital Repairs and Maintenance be identified as a separate budget category. A capital replacement plan should be developed for every capital asset owned by James City County using industry standards for life expectancy of each component. We expect opportunities for savings in this initiative and view it as an important component to overall project implementation and management.

Significant time and staff resources will be required to develop a plan of implementation for this initiative. We request your support in this initiative and look forward to its timely implementation.

LAR/gb

CIP\_mem

Attachments:

1. Additional summary of CIP process changes memorandum
2. Resolution of statement of fiscal goals, adopted by the Board of Supervisors November 14, 2000

MEMORANDUM

DATE: February 24, 2009  
TO: The Board of Supervisors  
FROM: John E. McDonald, Manager, Financial and Management Services  
SUBJECT: Capital Improvements Planning

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The Planning Commission has recommended changes in how the Commission reviews the five-year Capital Improvements Program (CIP) and makes its recommendations to the Board of Supervisors. Financial and Management Services staff members have been involved in this process and support the following changes to improve and enhance the process:

Modify Timeline

Currently the Policy Committee of the Planning Commission is appointed in early February after the annual organizational meeting of the Commission. Reviewing and ranking the CIP projects before a mid-March release of the budget recommendations by the County Administrator has not proven productive. The proposed change would change the CIP submissions/review process to a longer period in the fall and should allow the Commission additional time for public input and review.

Present the CIP comprehensively

Currently the CIP is presented in fragments and it is difficult to review the several components (County, Schools, JCSA, VDOT) in any consistent way against the expectations in the County's Comprehensive Plan. Reviewing each component of the CIP at the same time and in the same way should improve recommendations regarding the CIP for the Board of Supervisors.

Create a Capital Maintenance Program

The County, JCSA, and Schools currently have capital maintenance programs for many existing public facilities. Staff agrees that it would be beneficial to improve, combine, and publish a capital maintenance program that sets out expectations of future spending needed to protect and maintain all current public facilities. Capital maintenance items would not be part of the amended CIP review process by the Planning Commission which should further improve and streamline the CIP review process.

Create a separate CIP document with a five-year rolling budget

In the interests of making the CIP as understandable and as accessible to County residents as possible, staff agrees that a separate document that focuses on the CIP would be helpful. The County, JCSA, and VDOT already have multiyear budgets but combining them in a similar format with similar information is an appealing improvement.

One other recommendation adopted by the Planning Commission has to do with proposed changes to the public facilities plan component in the Comprehensive Plan.

Budget staff has not been involved in the discussions leading to that recommendation.

Conclusion

Improvements in the budget process that expand the opportunity for public input and improve the visibility of both the CIP and the process that creates it are welcome ones. These changes should improve the flow of information that the Board of Supervisors considers when it adopts the CIP.

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John E. McDonald

JEM/gb

CapImproPlan\_mem

MEMORANDUM

DATE: February 24, 2009

TO: The Board of Supervisors

FROM: Members of the Planning Commission

SUBJECT: Additional summary of CIP process changes (beginning with FY 2011 process)

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The Policy Committee has been developing a strategy to address process recommendations for the Capital Improvements Program (CIP) to begin with the FY 2011 CIP review. The following suggested changes were unanimously endorsed by the full Planning Commission on February 4, 2009:

1. Review of a smaller but more comprehensive list of public investments (County, VDOT, JCSA, and regional facilities) with a higher-dollar value cutoff than now exists.
2. Compilation of a separate CIP document – similar to what the schools now do for school facilities – that gives facility specifics, age, cost, recent investments, future CIP proposals, etc. This could be seen as part of item No. 3, expansion of the Public Facilities section of the Comprehensive Plan to include a Public Facilities Master Plan (PFMP) that may undergo more frequent updates than the full Plan, or may be attached as an addendum to the Comprehensive Plan in lieu of an annual update to the PFMP.
3. Upgrade/expand the public facilities component of the Comprehensive Plan in order to better review and evaluate CIP proposals. Note: if a major new facility that is not identified in the Comprehensive Plan has to be evaluated, it may involve an amendment to the Comprehensive Plan Public Facilities section or master plan.
4. Better documentation and understanding of funding sources, including the County's debt policies and debt options, in evaluating projects, project ranking, and project timing. Ideally, this would include a five-year rolling financing plan that detailed balances owed by the County and its borrowing ability.
5. Elimination of review of Capital maintenance and/or equipment requests (new or replacement), but will be set aside for information purposes (but will not be ranked). Development of a comprehensive inventory of public facilities and maintenance schedules for things like HVAC, roofs, and parking lots set out in a multiyear plan.
6. Start the review process earlier and do a comprehensive review with public hearings during 1st year of a two-year budget cycle. Every other year (2nd year of a two-year budget) would be exception only.
7. The fully revised process is proposed to start for FY 2012. In order to transition, the FY 2010 process would be on an exception-only basis. The FY 2011 two-year budget process would begin in fall 2009, giving the Committee the advantage of having a newly adopted Comprehensive Plan and also starting slightly earlier. The FY 2012 exception year review could begin in summer 2010 and all other CIP reviews are proposed to begin in the summer of year prior to the beginning of the fiscal year the CIP will be included with.
8. By conducting the full CIP review biannually, the process would coincide with the development of Virginia's State budget. Also, should the Board adopt the policy, it would coincide with two-year landbook valuations.

## RESOLUTION

### STATEMENT OF FISCAL GOALS

WHEREAS, the Board of Supervisors of James City County desires to establish a comprehensive statement of fiscal goals;

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors of James City County, Virginia, hereby endorses and adopts the following:

### STATEMENT OF FISCAL GOALS

#### General

1. To promote fiscal health of the County by encouraging a healthy diversified economy.
2. To establish minimally acceptable standards of quality for the County's various public services.
3. To take positive steps to improve productivity of County programs and employees.
4. To seek to eliminate duplicative functions within County government and semiautonomous agencies in the community.
5. At least every four years, to reassess services and service levels, utilizing service level standards of quality, seeking citizen advice and review in a zero-based budgeting process.

#### Accounting

6. To use accounting procedures and principles established by the Virginia Auditor of Public Accounts and Generally Accepted Accounting Principles (GAAP) and to annually apply to the Government Finance Officer's Association for its Certificate of Conformance in Financial Reporting.
7. To provide full disclosure in annual financial statements and bond representations.

#### Capital Improvements

8. To establish capital improvements as public investments, designed to effectively provide the highest net present value, both financially and in the determination of service needs.
9. To seek to maximize the expenditures that support capital investments in the provision of direct services to meet and maintain minimum standards of quality.
10. To annually inventory capital facilities, estimate actual value, and estimate remaining useful life and replacement cost.

11. To establish for capital project requests an annual capital budget based upon the Capital Improvements Plan with "life cycle" costs including operating and maintenance coordinated with the operating budget.
12. To consider recommendations from the Planning Commission for a multiyear Capital Improvements Plan for public facility and infrastructure needs to include roads, water, sewer, land and land improvements, and building and building improvements, considered based upon need and consistent with the adopted Comprehensive Plan.
13. To avoid capital facility or infrastructure investments outside of the Comprehensive Plan's Primary Service Area for residential growth.
14. To develop financing plans for the multiyear improvement program based upon a five-year forecast of revenues and expenditures with advice and counsel from the County's Financial Advisor on proposed capital financing needs.
15. To appropriate, at a minimum, 5% of the cost of major capital projects from recurring revenues.

#### Debt

16. To evaluate alternatives to financing on a pay-as-you-go basis, to include debt financing (pay-as-you-use) for needed services.
17. To not incur general obligation debt and lease revenue debt of more than 3% of assessed valuation of property with debt service costs not to exceed 10 to 12% of total operating revenues, including school revenue; debt per capita not to exceed \$2,000 and debt as a percentage of income not to exceed 7.5%.
18. To use revenue or other self-supporting bonds instead of general obligation bonds.
19. To avoid long-term debt to finance current operations and short-term debt except for bond anticipation notes.
20. To avoid financing if the term of the indebtedness exceeds the expected useful life of the asset.

#### Investments

21. To make a cash-flow analysis (disbursement, collection, and deposit) of all funds to ensure maximum cash availability. To produce monthly information concerning cash position and investment performance.
22. To pool cash, as permitted by law, from several different funds for investment purposes.
23. To review arrangements with financial institutions on a continued basis for a specified period of time and with specified fees for each service.

### Operating Budgets

24. To annually forecast revenues and expenditures for the next five years. Projections will include estimated operating costs of future capital improvements that are included in the capital budget.
25. To utilize workload measurements and performance ratings for all funds.
26. To maintain a budgeting control system that helps the County adhere to the budget, with monthly status reports comparing actual revenues and expenditures to budgeted amounts.
27. To provide for adequate maintenance of capital plant and equipment and develop from the fixed asset inventory records a capital asset replacement schedule.
28. To establish a risk management program to safeguard public assets held in trust and to minimize the financial liability arising from accidental injury or death.
29. To remain current in payments to the Virginia Retirement System and to pursue legislative options that reduce or eliminate unfunded pension liabilities.
30. To review operating policies and procedures and facility master plans adopted by the Board of Supervisors in detail at least every three years with proposed revisions accompanied by a financial impact analysis.
31. To annually increase the proportion of expenditures providing direct services to total budgeted expenditures and to annually decrease the proportion of expenditures supporting administration or other non-direct service activities.
32. To finance recurring expenses from recurring revenue sources and to not develop a dependency, within the operating budget, on nonrecurring revenue sources.

### Reserves

33. To keep the fund balance designated for Fiscal Liquidity at the end of the fiscal year, equal to no less than 8%, with a target of 12%, of the total operating budget (General Fund plus the County's share of the Component Unit Schools).
34. To establish a contingency reserve fund of two percent of the general fund operating budget to pay for needs caused by unforeseen events. The Board shall determine the amount of funds to be held in contingency. The contingency shall be held to help with the following three events: 1) Catastrophic reserves, to provide limited emergency funds in the event of natural or man-made disasters; 2) Operational reserves, to provide additional funds for limited unexpected needs; and, 3) Revenue reserves, to provide limited funds to smooth fluctuations in revenues caused by changes in economic conditions.
35. To maintain a ratio of cash on hand and short-term investments, divided by current liabilities, of at least 1:1.

36. To establish and, to the extent feasible, fund on an annual basis a capital equipment replacement fund.

#### Revenues

37. To maintain a stable revenue system to shelter the County from short-run fluctuations in any one revenue source.
38. To attempt to establish a diversified revenue system with the maximum local legislative authority to set and change rates and fees.
39. To utilize State and Federal funds in pursuit of County goals and objectives, whenever possible.
40. To the extent feasible, user fees which reflect the cost of service shall be utilized to support programs which may be characterized as special services to specific populations or users with the full costs, direct and indirect, of activities supported by user fees shall be recalculated at least every three years.
41. To pursue an aggressive policy of collecting property taxes with the level of uncollected property taxes not exceeding 5% and the rate of delinquency not rising more than one year in a row.
42. To the extent possible, the County shall attempt to decrease the dependency on real estate taxes to finance the County's operating budget.
43. To review and update all rates and fees at least every three years.
44. To maximize State and Federal entitlement revenues.

#### Economic Development

45. To have County staff provide an annual accounting of the net revenue impact from County supported economic development activities. Staff will provide the Board with a recommendation for the application of these revenues. The goal of the recommendation will be to minimize the future burden on the tax rate by providing a revenue stream toward future major capital projects.

The aforementioned goals represent long-term "strategies" on the part of the Board of Supervisors. The implementation of these goals will be at the discretion of the Board as it applies to individual budget years.

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Ronald A. Nervitt  
Chairman, Board of Supervisors

ATTEST:

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Sanford B. Wanner  
Clerk to the Board

Adopted by the Board of Supervisors of James City County, Virginia, this 14th day of  
November, 2000.

stfsgol02.res

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# Five Year Rolling Budget (Continued)

## Arlington

### 6 Year Capital Program Costs Summary (\$ in 000s)

<u>Program Category</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>6 Year Total</u>
Local Parks & Recreation	37,550	3,500	11,500	3,500	3,500	3,500	63,050
Transportation & Pedestrian Initiatives	9,165	4,500	9,500	4,500	9,500	4,500	41,665
Community Conservation	6,400	-	-	-	-	-	6,400
Public / Government Facilities	27,783	5,400	8,400	5,400	8,400	5,400	60,783
Information Technology Investments	-	3,000	3,000	3,000	3,000	3,000	15,000
Real Estate	6,600	-	-	-	-	-	6,600
Storm Drainage	-	-	-	-	-	-	-
Regional Partnerships	1,052	1,059	1,136	1,136	1,136	1,136	6,655
Metro	35,900	4,300	21,700	4,300	19,300	4,000	89,500
<b>Total County Capital</b>	<b>124,450</b>	<b>21,759</b>	<b>55,236</b>	<b>21,836</b>	<b>44,836</b>	<b>21,536</b>	<b>289,653</b>
Bond Issuance Expenses	-	-	-	-	-	-	-
Water & Sewer Infrastructure	113,851	103,207	62,045	20,093	11,550	11,050	321,796
Schools Capital (1)	73,760	6,763	68,139	6,985	TBD	TBD	155,647
<b>Total Program Cost</b>	<b>312,061</b>	<b>131,729</b>	<b>185,420</b>	<b>48,914</b>	<b>56,386</b>	<b>32,586</b>	<b>767,096</b>

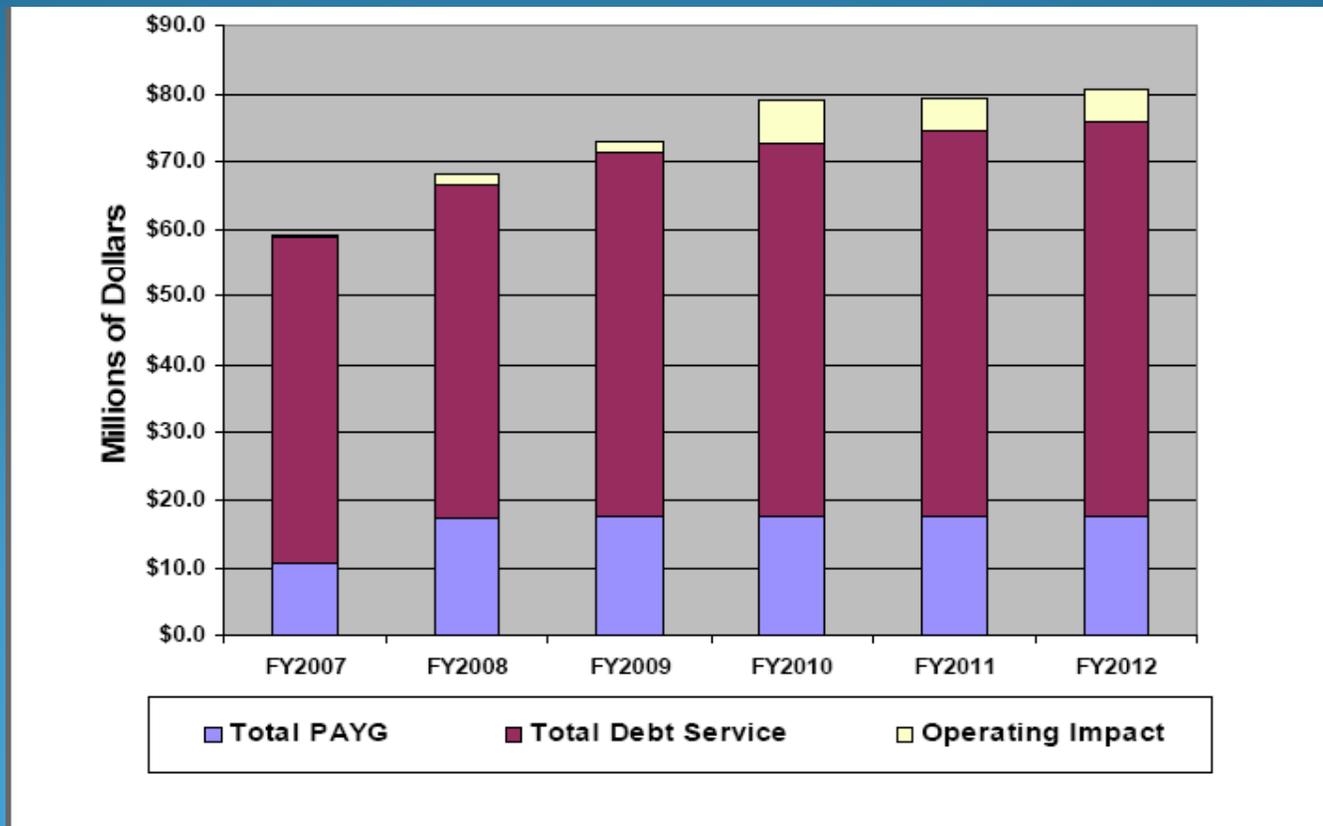
(1) Schools Capital includes estimates for FY 2007 - FY 2010 only as the APS FY2007-FY2012 CIP is currently in preliminary development.

### 6 Year Capital Program Funding Sources Summary (\$ in 000s)

<u>Capital Funding Sources</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>6 Year Total</u>
County General Fund Transfer	2,600	17,459	17,536	17,536	17,536	17,536	90,203
County Bonds	77,200	-	33,000	-	23,000	-	133,200
County Other Sources - Grants (1)	44,650	4,300	4,700	4,300	4,300	4,000	66,250
Schools Fund Transfer (2)	10,134	6,763	6,872	6,985	TBD	TBD	30,754
Schools Bonds (2)	63,626	-	61,267	-	TBD	TBD	124,893
Utility Fund Transfer & Other Sources (3)	34,851	34,207	26,745	20,093	11,550	11,050	138,496
Utility Bonds	79,000	-	-	-	-	-	79,000
Utility VRL Financing (4)	-	69,000	35,300	-	-	-	104,300
<b>Total Program Funding</b>	<b>312,061</b>	<b>131,729</b>	<b>185,420</b>	<b>48,914</b>	<b>56,386</b>	<b>32,586</b>	<b>767,096</b>

# Present a Comprehensive View of the Impacts of Capital Expenditures

## *Arlington*



# Present a Comprehensive View of the Impacts of Capital Expenditures

## *Arlington*

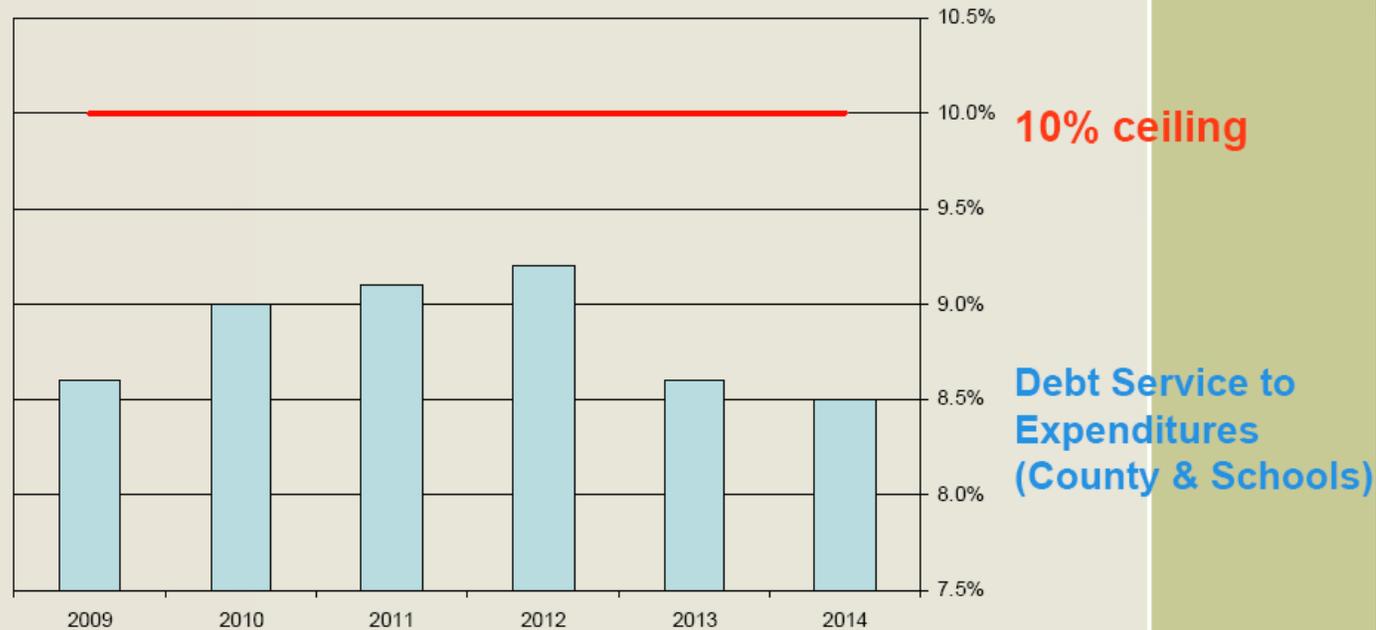
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
PAYG	\$10,868,000	\$17,459,000	\$17,536,000	\$17,536,000	\$17,536,000	\$17,536,000
Debt Service	\$47,964,367	\$49,291,954	\$53,878,602	\$55,494,017	\$57,021,635	\$58,477,172
Operating Impact	\$322,000	\$1,608,225	\$1,881,225	\$6,186,229	\$4,775,425	\$4,878,633
Total	\$59,154,367	\$68,359,179	\$73,295,827	\$79,216,246	\$79,333,060	\$80,891,805

# Keeping Plans Within Limits

## Debt Ratios and Financial Policies

5

Ratio of debt service to general expenditures shall not be greater than 10%



# Action Items

- Modify timeline
- Present CIP comprehensively
- Create Capital Maintenance Program
- Create 5-year CIP rolling budget

# Questions / Comments?





# James City Service Authority, Virginia

*Board Workshop Investment Report*

February 24, 2009

**PFM Asset Management LLC**

4350 N. Fairfax Drive, Suite 580

Arlington, VA 22203

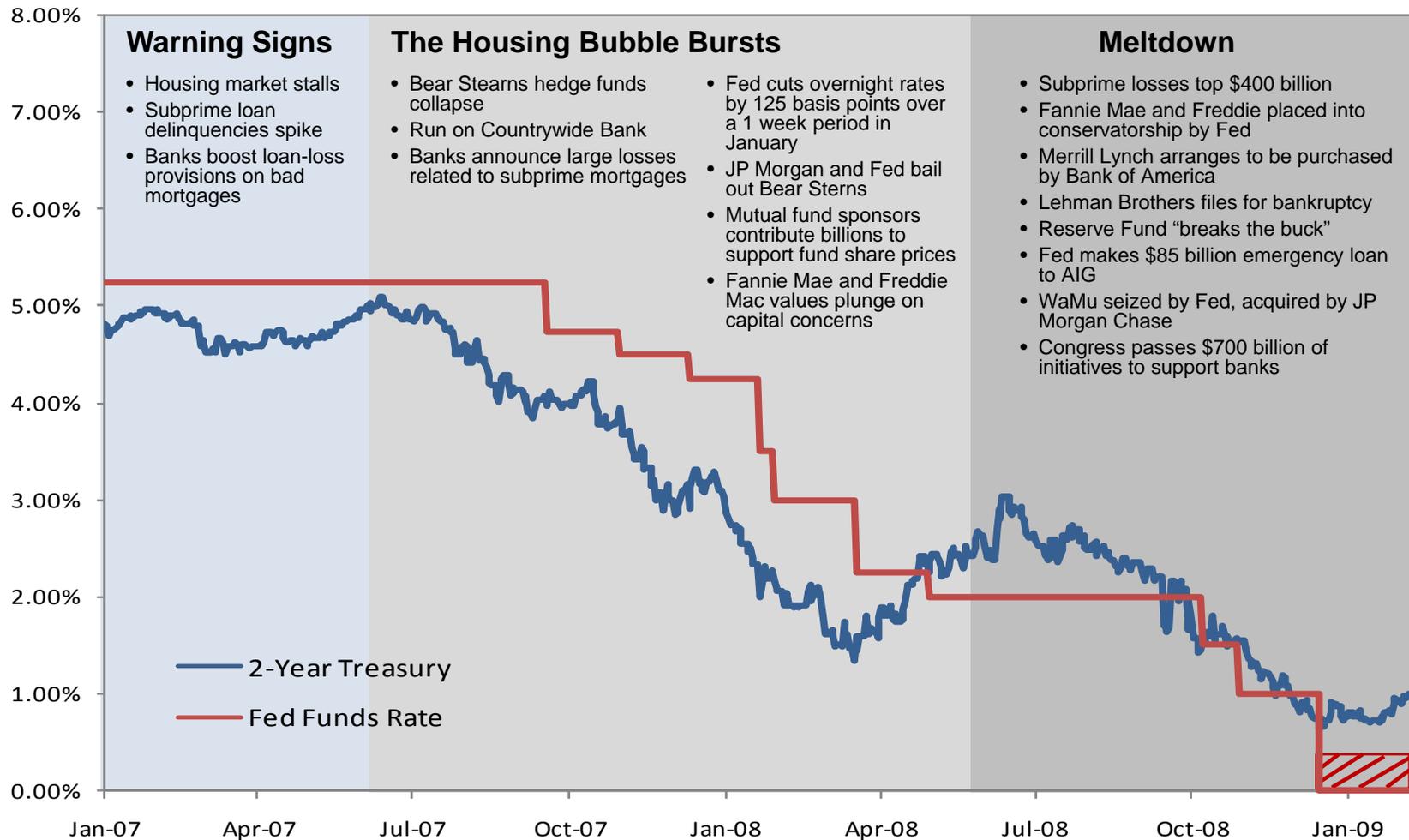
(703) 741-0175

(703) 516-0283 fax

[www.pfm.com](http://www.pfm.com)



# Market Turmoil



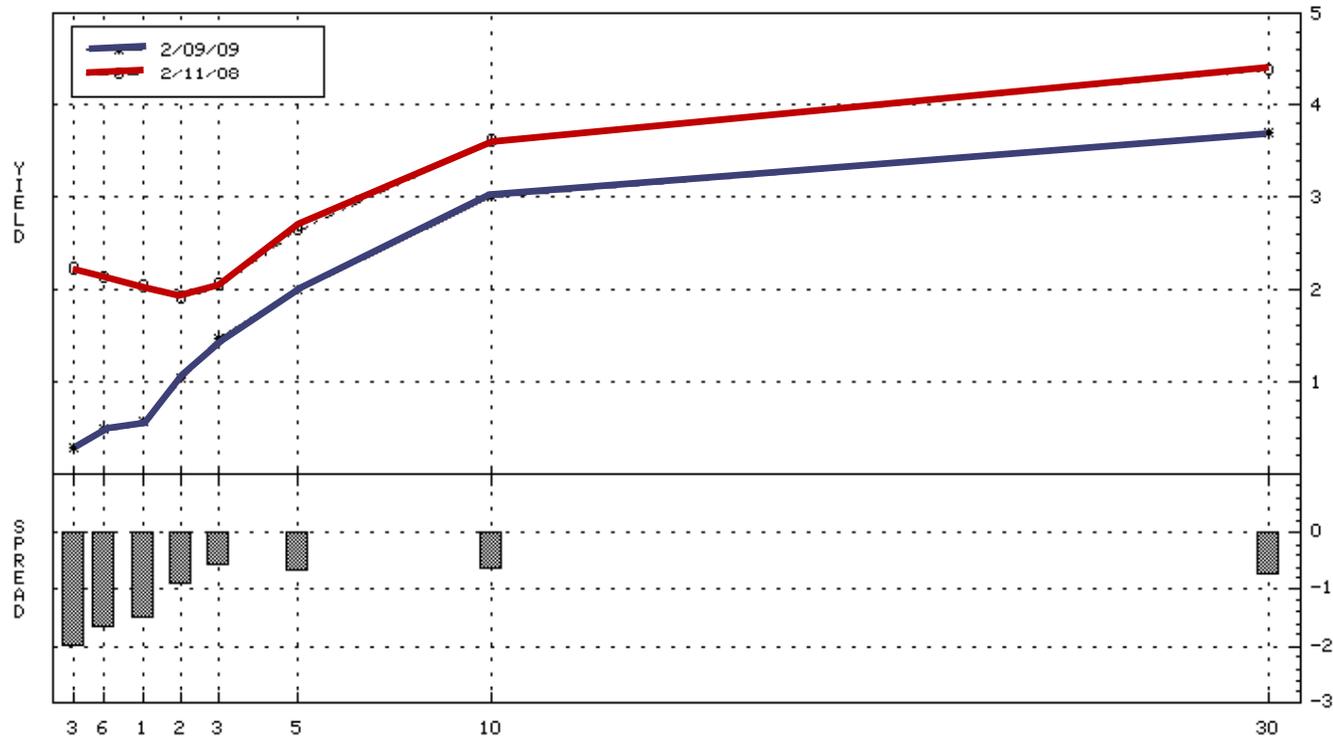
Source: Bloomberg

PFM Asset Management LLC

# Treasury Yields Drop Dramatically

- The yield on the 2-year Treasury Note decreased by nearly 90 basis points over the past year.

**U.S. Treasury Yields**  
February 11, 2008 versus February 9, 2009



Source: Bloomberg

PFM Asset Management LLC

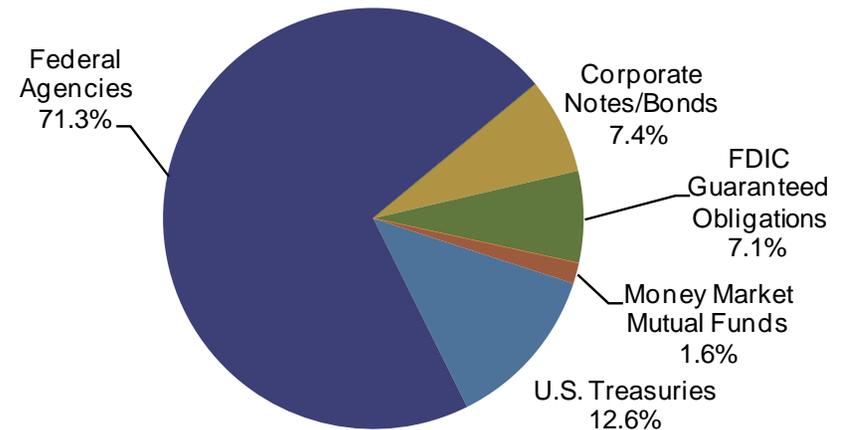
# Operating Fund Portfolio Holdings



## James City Service Authority Operating Fund Portfolio Composition December 31, 2008

<u>Security Type</u>	<u>Investment Amount</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$4,252,791.19	12.6%
Federal Agencies	24,022,484.83	71.3%
FDIC Guaranteed Obligations	2,373,084.98	7.1%
Commercial Paper	0.00	0.0%
Certificates of Deposit	0.00	0.0%
Bankers Acceptances	0.00	0.0%
Repurchase Agreements	0.00	0.0%
Municipal Obligations	0.00	0.0%
Corporate Notes/Bonds	2,474,891.53	7.4%
Money Market Mutual Funds	531,419.21	1.6%
<b>Totals</b>	<b>\$33,654,671.74</b>	<b>100.0%</b>

**Portfolio Composition**  
(as of 12/31/08)



PFM Asset Management LLC

# Debt Service Reserve Funds Holdings



**James City Service Authority  
2008 Debt Service Reserve Fund Portfolio Holdings  
December 31, 2008**

Security Description	Par	Rating	Maturity Date	Accrued Interest	Market Value
John Deere Capital Corporate Note (FDIC-Guaranteed)	1,500,000.00	AAA	6/19/2012	1,437.50	1,542,736.50

**James City Service Authority  
2003 Debt Service Reserve Fund Portfolio Holdings  
December 31, 2008**

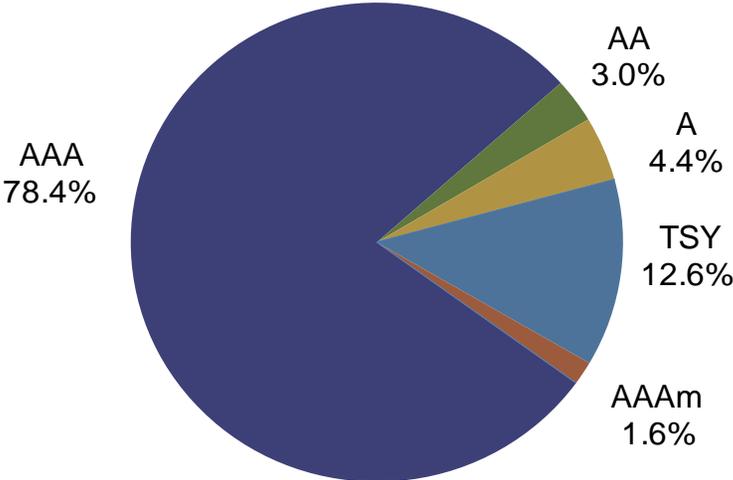
Security Description	Amount
Financial Security Assurance Surety Policy (Insurance)	1,385,443.76

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# Operating Fund Portfolio Credit Quality

**Operating Fund Credit Quality Distribution**  
(as of 12/31/08)



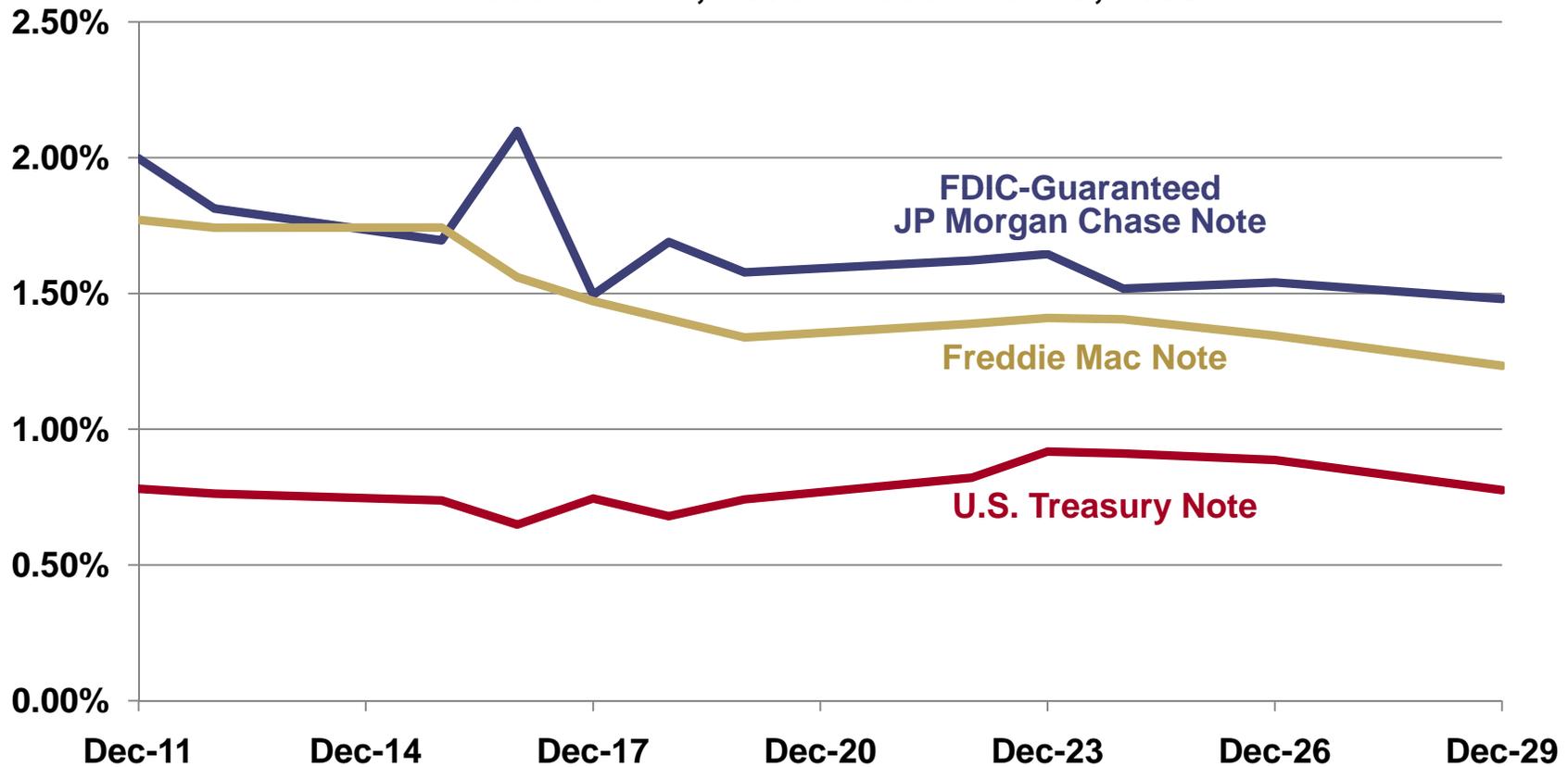
<u>Issuer</u>	<u>% of Portfolio</u>	<u>S&amp;P Rating</u>
Fannie Mae	29.7%	AAA
Federal Home Loan Banks	17.3%	AAA
Freddie Mac	12.9%	AAA
United States Treasury	12.6%	TSY
Federal Farm Credit Banks	11.4%	AAA
JP Morgan Chase (FDIC-Guaranteed)	3.8%	AAA
Wells Fargo	3.0%	AA
Bank of America*	2.9%	A+
Morgan Stanley (FDIC-Guaranteed)	2.3%	AAA
PFM Funds - Prime Series	1.6%	AAAm
Wachovia**	1.5%	A+
PNC Bank (FDIC-Guaranteed)	0.9%	AAA
<b>Totals</b>	<b>100.0%</b>	

\*Rated AA at the time of purchase  
\*\* Rated AA- at the time of purchase.

# FDIC-Guaranteed Obligations



2 Year Obligations  
December 11, 2008 – December 29, 2008

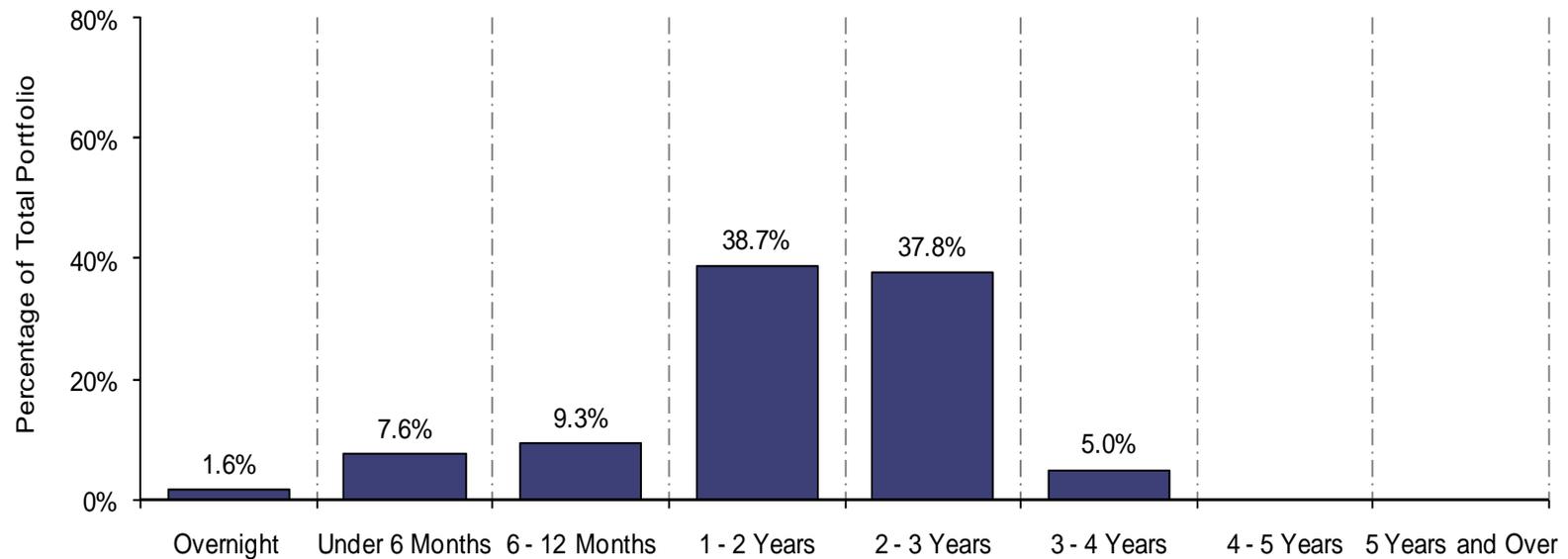


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# Operating Fund Portfolio Maturity Distribution



## James City Service Authority Operating Fund Portfolio Maturity Distribution December 31, 2008



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# Operating Fund Portfolio Performance



<b>Total Return<sup>1, 3, 5</sup></b>	<b>Quarter Ended December 31, 2008</b>	<b>Annualized Quarterly Return<sup>4</sup></b>	<b>Last 12 Months</b>	<b>Last 24 Months</b>	<b>Since Inception Total Return<sup>3,6</sup></b>
<b>Operating Fund</b>	<b>3.68%</b>	<b>15.41%</b>	<b>7.06%</b>	<b>6.95%</b>	<b>4.51%</b>
Merrill Lynch Treasury Index Benchmark <sup>2,3</sup> (currently Merrill Lynch 1 - 3 Year U.S. Treasury Index)	2.69%	11.09%	6.61%	6.95%	4.29%
<b>Portfolio Yields<sup>5</sup></b>					
	<b>December 31, 2008</b>				
Yield at Market	<b>1.66%</b>				
Yield on Cost	<b>3.44%</b>				
	<b>Projected Earnings<sup>7</sup></b>	<b>Projected Yield<sup>7</sup></b>			
July 1, 2009 - June 30, 2010	<b>\$ 872,745</b>	<b>2.52%</b>			

Notes:

1. Performance on trade-date basis, gross (i.e., before fees) in accordance with standards of the CFA Institute's Global Investment Performance Standards (GIPS).
2. Merrill Lynch Indices provided by Bloomberg Financial Markets.
3. Since inception to to July 1, 2006, the performance benchmark used was the Merrill Lynch 1-Year Treasury Note Index. Beginning July 2006, the performance benchmark is the Merrill Lynch 1-3 Year Treasury Note Index.
4. Quarterly returns are presented on both an unannualized and annualized basis. The annualized return assumes the quarterly return is compounded at the same rate for four quarters and is presented for reference only.
5. Includes money market fund in performance, yield, and duration computations.
6. Since inception performance is calculated from December 31, 2003, to present.
7. Projected earnings are based on a reinvestment rate assumption of 1.50%.

PFM Asset Management LLC

# **JAMES CITY SERVICE AUTHORITY**

**FY 09-10 BUDGET OVERVIEW**

# Budget Review Assumptions

- No Employee Salary Adjustments
- No New Employee Positions
- No Water & Sewer Rate Changes
- Reduced Number of Water & Sewer Facility Charges

## FY 09 Current Year Operating Fund Revenue

Operating Fund Revenue	FY 09 Budget	Current Estimate	Variance
Water Service Charge	\$6,113,154	\$6,113,154	\$ 0
Sewer Service Charge	5,382,398	5,382,398	0
Interest Income	1,050,000	1,500,000	+ 450,000 (+42.9%)
Other	926,109	743,609	- 182,500 (-19.7%)
Total	\$13,471,661	\$13,739,161	+ \$ 267,500 (+2.0%)

## FY 10 Planning Year Operating Fund Revenue

Operating Fund Revenue	FY 10 Budget	Revised Estimate	Variance
Water Service Charge	\$6,589,308	\$6,220,595	- \$368,713 (-5.6%)
Sewer Service Charge	5,521,552	5,432,837	- 88,715 (-1.6%)
Interest Income	1,050,000	910,000	- 140,000 (-13.3%)
Other	946,056	772,056	- 174,000 (-18.4%)
Total	\$14,106,916	\$13,335,488	- \$771,428 (-5.5%)

## FY 09-10 Operating Fund Revenue Comparisons

Operating Fund Revenue	FY 09 Estimate	FY 10 Estimate	Variance
Water Service Charge	\$6,113,154	\$6,220,595	+ \$107,441 (+1.8%)
Sewer Service Charge	5,382,398	5,432,837	+ 50,439 (+.9%)
Interest Income	1,500,000	910,000	- 590,000 (-39.3%)
Other	743,609	772,056	+ 28,447 (3.8%)
Total	\$13,739,161	\$13,335,488	- \$403,673 (-2.9%)

## FY 09-10 Operating Fund Expenditure Comparisons

Operating Fund Expenditures	FY 09 Estimate	FY 10 Estimate	Variance
Personnel	\$5,850,447	\$5,884,130	+ \$ 33,683 (+.6%)
Operating Costs	6,178,932	5,794,489	- 384,443 (-6.2%)
Capital Equipment	325,350	271,850	- 53,500 (-16.4%)
Debt Service (2003)	1,384,432	1,385,019	+ 587 (0%)
Total	\$13,739,161	\$13,335,488	- \$403,673 (-2.9%)

# FY 09-10 Rate Summary

## No Change Proposed

### Water Consumption Charge

	<u>Current Rate</u>	<u>Range</u>
<u>Residential</u>		
1 <sup>st</sup> Blk	\$2.85/1,000 gallons	<15,000
2 <sup>nd</sup> Blk	\$3.45/1,000 gallons	>15,000 - <30,000
3 <sup>rd</sup> Blk	\$9.80/1,000 gallons	>30,000

#### Commercial

Flat Rate \$3.45/1,000 gallons

### Sewer Consumption Charge

#### All Customers

Flat Rate \$2.80/1,000 gallons

## FY 08 Year End CIP Revenue

CIP Revenue	FY 08 Budget	FY 08 Actual	Variance
Water Facility Charges	\$3,393,600	\$2,019,429	-\$1,374,171 (-40%)
Sewer Facility Charges	1,832,040	1,409,950	- 422,090 (-23%)
Hose Bid/Irrigation Fees	525,000	292,450	- 232,550 (-44%)
Total	\$5,750,640	\$3,721,829	-\$2,028,811 (-35%)

## FY 09 Current Year CIP Revenue

CIP Fund Revenue	FY 09 Budget	FY 09 Estimate	Variance
Water Facility Charges	\$3,113,200	\$1,556,600	-\$1,556,600 (-50%)
Sewer Facility Charges	2,227,680	1,113,840	- 1,113,840 (-50%)
Proffers	1,000,000	1,000,000	0
Hose Bid/Irrigation Fees	478,000	294,000	- 184,000 (-39%)
Total	\$6,818,880	\$3,964,440	-\$2,854,440 (-42%)

## FY 10 Planning Year CIP Revenue

CIP Fund Revenue	FY 10 Budget	FY 10 Estimate	Variance
Water Facility Charges	\$3,234,000	\$1,680,000	-\$1,554,000 (-48%)
Sewer Facility Charges	2,328,480	1,344,000	- 984,480 (-42%)
Proffers	0	500,000	+ 500,000
Hose Bib/ Irrigation Fees	500,500	307,500	- 193,000 (-39%)
Total	\$6,062,980	\$3,831,500	-\$2,231,480 (-37%)

# FY 09-10 Facility Charge Summary

- Water System Facility Charge:

Charge per bathroom fixture - No Change \$500

- Sewer System Facility Charge:

Charge per bathroom fixture – No Change \$400

**Conclusion**

-

**Questions**