

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 2, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 41 : DOUBLE COUNTING OF \$2.1 MILLION IN THE
FY 2011 – FY 2020 CAPITAL IMPROVEMENT PROGRAM

This memo describes the double counting of \$2.1 million in project funding in FY 2012 of the FY 2011 – FY 2020 Proposed Capital Improvement Program. This double counting was previously disclosed to City Council at the Budget Work Session on February 24, 2010. The \$2.1 million error, which was made by City staff, occurs within the Schools section of the Proposed CIP, specifically within the Intermediate Capacity Solutions project.

The ACPS FY 2011 Proposed CIP included a total of \$50.1 million in funding requests to help manage rapidly increasing enrollment in Alexandria Public Schools. Of this \$50.1 million request, \$7.6 million was for immediate and intermediate solutions (primarily modular space), \$21.0 million was for Patrick Henry School, and \$21.5 million was for a second elementary school site to-be-determined.

The City's FY 2011 – FY 2020 Proposed CIP included a total of \$53.7 million in funding to handle ACPS enrollment growth, or \$3.55 million more than the total ACPS request. Of this \$3.55 million, \$2.0 million was intentionally added to the request for Patrick Henry (increasing the project from \$21 million to \$23 million) to deal with complex site work and utility requirements, as well as to aid in the complex design process needed to coordinate both ACPS and RPCA functions in shared space (resulting from the pre-K through 8th grade community school model). At the same time, \$0.55 million was reduced from the request for the second elementary school project so that the base assumptions for construction costs per square foot for this other school and Patrick Henry remained the same. The net addition to the capacity projects by City staff was \$1.45 million. An additional \$2.1 million in funding was mistakenly included in the "other capacity" or "intermediate capacity projects" line item. If the \$2.1 million is removed from this line item, the Proposed CIP still funds the identified solutions to the current capacity issue. See the table below for more details on this double-counting.

The additional \$2.1 million was scheduled for use in FY 2012 of the Proposed CIP. The funding source for this expenditure is the use of surplus FY 2010 General Fund revenues, which result from the additional revenue from the effects of the 7-cent real estate tax rate increase on the second FY 2010 tax payment. Because this one-time funding source is cash and not bond proceeds, City Council can consider options that are somewhat flexible in its re-use. The current proposed CIP would have these revenues sitting in the General Fund as a designation through FY 2011, which would provide some short-term help for the General Fund balance through the end of FY 2011.

Some potential options for using the \$2.1 million include:

1. Leave in the undesignated General Fund to help the overall fund balance and ratios;
2. Plan to use for another capital project in FY 2011 (e.g. recreation center components of the Patrick Henry Community School project) or beyond as a designated fund balance for the CIP;
3. Use to pre-fund part of a one-time economic development incentive currently under discussion; or
4. Reduce planned CIP borrowing in FY 2011, FY 2012, or FY 2013 by \$2.1 million.

This \$2.1 million is a one-time source of funds, and would therefore not be recommended to fund any ongoing, operating budget costs in FY 2011 or beyond. City Council may use the Add-Delete process in April to determine the use of these funds. If no new designation is proposed, the City Manager's proposed designation of this fund balance for CIP purposes would stand, and the use will be determined as part of the FY 2012 CIP planning process.

**Difference between the FY 2011 ACPS Proposed CIP and City Proposed CIP
- Capacity Related Projects -**

ACPS Request							
Project	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	TOTAL
<i>Other Capacity Projects</i>							
Systemwide Capacity Projects	\$420,000						\$420,000
John Adams	\$1,144,000						\$1,144,000
Charles Barrett	\$2,736,000						\$2,736,000
Douglas MacArthur	\$120,000						\$120,000
James Polk	\$2,616,000						\$2,616,000
William Ramsay	\$120,000						\$120,000
Samuel Tucker	\$120,000						\$120,000
School Bus Fleet Expansion	\$320,000						\$320,000
Jefferson Houston							\$0
Subtotal Other Capacity (Modulars, etc.)	\$7,596,000						\$7,596,000
Patrick Henry School		\$2,101,250	\$18,911,250				\$21,012,500
Elementary School #2			\$2,153,781	\$19,384,031			\$21,537,812
TOTAL	\$7,596,000	\$2,101,250	\$21,065,031	\$19,384,031	\$0	\$0	\$50,146,312

City Managers Proposed CIP							
Project	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	TOTAL
Other Capacity (Modulars, etc.)	\$7,596,000	\$2,100,000					\$9,696,000
Patrick Henry School		\$3,500,000	\$19,500,000				\$23,000,000
Elementary School #2					\$500,000	\$20,500,000	\$21,000,000
TOTAL	\$7,596,000	\$5,600,000	\$19,500,000	\$0	\$500,000	\$20,500,000	\$53,696,000

Difference							
Project	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	TOTAL
Other Capacity (Modulars, etc.)	\$0	\$2,100,000	\$0	\$0	\$0	\$0	\$2,100,000
Patrick Henry School	\$0	\$1,398,750	\$588,750	\$0	\$0	\$0	\$1,987,500
Elementary School #2	\$0	\$0	-\$2,153,781	-\$19,384,031	\$500,000	\$20,500,000	-\$537,812
TOTAL	\$0	\$3,498,750	-\$1,565,031	-\$19,384,031	\$500,000	\$20,500,000	\$3,549,688