

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

January 22, 2009

TO: The Honorable City Council
FROM: City Manager
SUBJECT: Fiscally Constrained FY 2009 Capital Improvements Plan

I am pleased to present to City Council a resolution to approve the revised Fiscally Constrained FY 2009 Capital Improvements Plan (CIP).

In my CIP transmittal memorandum of October 31, 2008, I outlined the need to make substantial reductions in capital spending over the next two years due to the current economic climate and financial market volatility. I believe that the Fiscally Constrained FY 2009 CIP achieves this goal by allowing us to move forward with those projects that have been identified as the most critical, while at the same time, curtailing capital spending by 63%. The second year of this two year reduction is reflected in the first year of the FY 2010 - FY 2014 CIP, which I will be asking you to approve by way of a separate memorandum.

This year's CIP process has not been an easy one. Many difficult decisions were made that could potentially impact future year funding of projects. However, the process achieved the intended result of delivering to you a Fiscally Constrained FY 2009 CIP that is affordable within our debt capacity.

The recommended Fiscally Constrained FY 2009 CIP adheres to our Financial Policies adopted in January of 2007. These policies state that we will reduce our debt burden (ratio of outstanding debt to assessed value) to 3% or less by FY 2012. The FY 2009 CIP has a debt burden of 2.9%. The policy also states that we will not exceed a debt service ratio (ratio of outstanding debt to City and School revenues) of 9.5%. The FY 2009 CIP has a debt service ratio of 8.3%.

The Honorable City Council

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The summary of the Fiscally Constrained FY 2009 CIP, along with the project detail by category, also accompanies this memorandum. You will note that although the FY 2009 CIP has been reduced, we were still able to provide funding for major projects such as the Hornsby Tire Company Relocation, the E911 Telephone & Logging Replacement system, School Renovations and Repairs, and Arterial Street Reconstruction and Resurfacing.

As you will note from this summary, the total amount of new bonding authorizations called for in FY 2009 will be \$10,090,000. This is the amount of new bond issuance authority for which I will seek City Council approval in February when the FY 2009 Bond Authorization is presented for a public hearing and action. If this \$10,090,000 in bonding authorization is approved next month, it will help establish the size of the next bond sale in July or August of 2009. This \$10 million will be added to the \$16 million in bonds authorized but unissued from FY 2007 and FY 2008 to produce an upcoming bond sale of about \$26 million.

I am confident that the Fiscally Constrained FY 2009 CIP will provide us with the means to move forward on our most critical projects, and I recommend approval.


Randy W. Hildbrandt

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Attachments