

Town of Lovettsville

March 2, 2018

Mayor and Town Council
Town of Lovettsville
6 East Pennsylvania Avenue
Lovettsville, Virginia 20180

Subject: Town Manager's Recommended Five-Year Capital Improvement Plan and Fiscal Year 19 Capital Budget

Dear Mayor and Town Council:

I am pleased to submit for your review my Recommended Five-Year Capital Improvement Plan (CIP) and Capital Budget.

Introduction

Each year in conjunction with the preparation of the General Fund (GF) and Utility Fund (UF) Budgets, a Five-Year CIP and Capital Budget is prepared and presented to the Town Council for approval. The CIP is a plan which identifies capital projects, estimates the costs of those projects, identifies possible sources of funding, and identifies a schedule when such projects are planned to commence and be completed. Capital projects are those projects which result in the design, construction, or purchase of public infrastructure, facilities and/or equipment. New capital projects, as well as existing capital projects that require renovation, restoration and/or repairs are included in the CIP. Infrastructure improvements such as water, sewer, roads, trails, and bikeways are also addressed in the CIP. Water and sewer projects are funded in part by contributions or transfers into Utility Reserves which in turn are used to fund utility projects.

The CIP has two components: the planning component, which identifies priority projects and the timing of those projects; and the budget and financing component, which estimates the costs of those projects and sources of available funding.

The Town Manager believes that the single most important component of the CIP is the financing component. It contains the highest level of uncertainty. It relies on outreach by the Town to identify outside sources of available funding such as loans and grants from the County, State and Federal Government. If those sources of funding were not available or become unavailable, projects would either be delayed or cancelled due to lack of funding.

Financing also depends largely on the Town’s ability to match grants and loans or to fund capital projects from New Capital and 3RM Reserve Funds. In the same vein, it depends on a strong fiscal policy and the willingness on the part of the Town to fund those Reserves on an annual basis. The FY19 Recommended GF and UF Operating Budgets include contributions to GF and UF Reserves in the following amounts:

| | |
|--|-----------|
| GF New Capital Reserve Fund (NC) | \$ 50,000 |
| GF 3RM Reserve Fund (3RM) | \$ 80,000 |
| UF New Capital Availability Sewer Reserve Fund (AVS) | \$108,000 |
| UF New Capital Availability Water Reserve Fund (AVW) | \$150,000 |
| UF 3RM Reserve Fund (3RM) | \$ 50,000 |

These contributions or transfers are in line with the Town’s approved Fiscal Policy. GF and UF Reserves are used in part to fund capital projects. The two composite spreadsheets contained in this CIP show the sources of funding for all projects that are listed and described in the Project Summaries for the various projects. Many of the projects are funded, in part, from a combination of reserves, grants, and loans.

In addition, debt service on loans in both the GF and the UF are paid mainly from operating revenue. However, when there are insufficient funds in the operating budget to meet debt service obligations, money is held in two separate Debt Service Retirement Funds to supplement operating funds. The FY19 Operating Budgets include the following line item contributions from GF and UF Reserves to supplement operating funds in order to cover FY19 debt retirement:

| | |
|---------------------------------|----------|
| GF Debt Service Retirement Fund | \$ - 0 - |
| UF Debt Service Retirement Fund | \$ - 0 - |

These zero-dollar, line-item contributions for servicing debt in the Operating Budgets means that sufficient operating revenues are projected in both funds to meet expenditures and current debt service obligations. This is evidence of a strengthening of the financial position of the Town and will allow for maximum use of operating surpluses and reserve contributions for new capital and 3RM improvements.

Projects in the Short Run (FY19-FY23)

There are many projects in the CIP, not all of which will be commenced in the short run. Shown in the enclosed spreadsheets on a year-by-year basis are the projects to be funded and undertaken in each fiscal year.

During FY19, the Town will pursue two main projects in the GF portion of the CIP, as well as several smaller projects. The two main projects are the E. Broad Way 2A Improvement Project and the South Church Street, E. Pennsylvania Avenue Improvements Including the Town Office Expansion Project. During FY19, a total of \$666,500 has been included in the Budget of which \$248,000 is included for the Broadway 2A Improvement Project and \$350,000 for the South Church Street, E.

Pennsylvania Avenue Improvements Including the Town Office Expansion Project. Funding for these two projects, and the other smaller projects in the Five-Year CIP, are planned from a series of sources including \$98,000 New Capital Reserve, \$38,500 3RM Reserve Fund, \$180,000 County Grants, and \$350,00 in a proposed new loan. Project Summaries for each of the 14 projects in the FY19-FY23 GF CIP are enclosed.

In the UF portion of the CIP, the main projects in FY19 are the Water Line Replacement Work on Broad Way Phase 2A in the amount of \$10,000 and a proposed Water Meter Replacement Program in the amount of \$40,000 annually. There are several other smaller utility-related projects budgeted for in the FY19 CIP including both water and sewer projects. Funding for the Water Line Replacement Work on Broad Way Phase 2A is proposed to be funded with 3RM Reserve funds, and the Water Meter Replacement Program, if approved, will be amortized over a period of 15 years and is proposed to be funded with a combination of 3RM Reserve funds and if necessary from additional borrowing. Project Summaries for each of the eight projects in the FY19-FY23 UF CIP are included in this packet.

Projects in the Long Run (Beyond FY23)

There are numerous projects that are not included in the Five-Year CIP. These projects, although shown on the spreadsheets, are simply “place holders,” meaning they are projects that have been identified at one time or another as ***potential*** projects to consider in the future. Both GF and UF long-term projects are shown in the spreadsheet under the column labeled “Beyond FY23.” The cost estimates for these projects should only be used as a long-term planning tool for future CIP preparation. Project Summaries for the 16 proposed UF CIP projects Beyond FY23 are enclosed.

Schedule

The schedule for approval of the Five-Year CIP has been previously distributed and approved by Town Council. The CIP will be presented at the Town Council meeting on March 8, 2018 and discussed by the Mayor and Town Council at subsequent work sessions over the next several months. A public hearing on the proposed CIP is scheduled for May 31, 2018 and the final Budget and CIP adoption is scheduled for the Regular Town Council meeting on Thursday, June 14, 2018.

Respectfully,

Samuel A. Finz
Town Manager