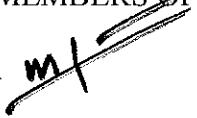


City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 8, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER 

SUBJECT: EXPLANATION OF PROPOSED USE OF 2018 GENERAL OBLIGATION BOND PREMIUM PROCEEDS FOR THREE TIME SENSITIVE CAPITAL PROJECTS

As part of the year-end close out this year and carryover from FY 2018 to FY 2019, there are three projects for which \$1.9 million in bond premium proceeds from the most recent 2018 general obligation bond sale (which took place last July) are proposed for appropriation at this time. Bond premium proceeds are proceeds received from the bond underwriters which are in excess of the bond amounts that the City has issued, and occur when underwriters want to have higher interest rates appear on the bonds themselves, but still need to win the bond bid by providing the lowest overall financial cost to the City. The provision of bond premiums is a common method of accomplishing this.

The City usually reserves bond premium proceeds when received and uses those as a funding source in the next CIP (such as the upcoming FY2020 to FY2029 CIP). However, at this time there are a number of projects where the timing of the funding need is before the next CIP is adopted. These are:

- 1. Fire Station 203 (Cameron Mills) (\$900,000):** This project entails the construction of a station replacement project including erecting a temporary fire station facility. Since the budget amounts were last set a year ago at \$12.4 million, construction prices (labor and materials) have increased substantially across the United States as well as in the Washington, D.C. metropolitan area. Value engineering has been undertaken and savings identified. Price escalation has been in the +6% to +8% this past year which requires additional funds (\$415,000). In addition, as the project has proceeded through final design and engineering, the storm water management system improvements (which will help the City achieve its state-mandated stormwater management goals) have proven more expensive than budgeted (\$225,000), as have the temporary living quarters (\$260,000) for onsite fire personnel who will staff the station during the construction period. In total, when adjusting upward by \$900,000 for these cost increases, the new budget for the station would be \$13.3 million.

2. **Union Station Walkway Emergency Slab Repairs (\$495,000):** During the structural inspection of the elevated walkways on the north and west end of this train station, a significant amount of deterioration to the walkway concrete frame and steel was discovered. To protect the area from collapse, an extensive grid of shoring supports has been installed underneath these elevated walkways. In order to make these walkways safe, an extensive rebuild of this cement and steel structure will be needed. Waiting increases the risk of further deterioration, so taking action to undertake this project immediately is recommended.
3. **Capital Emergency Repairs Contingent (\$525,000):** In recent months ACPS has been dealing with severe deterioration of the roof at Mount Vernon Elementary School, and with the resultant heavy rains this past year, with water damage and mold. At this point ACPS has been working on a roof fix solution as well as looking at the larger interior damage issue. The actual breadth of the project is not known at this time. The proposed two-phase roof fix to the Mount Vernon roof is estimated at a cost of \$1.4 million, however ACPS only has \$0.9 million on hand for this needed project. While the needed funds could be reallocated from other school maintenance projects, that means those other needed projects would not be undertaken as scheduled. Given the emergency nature of this situation and the need to protect the school building from further damage, setting aside \$525,000 in monies in an emergency repairs contingent is recommended until such time as a final ACPS repair plan for Mount Vernon is adopted by ACPS. Release of those funds from this emergency repairs contingent would then need approval by City Council. It is recognized that this is not a typical appropriation recommendation, but since appropriations come to Council only a few times a year handling this potential need via a contingent seems an appropriate way to handle the timing and funding situation.

Cc: Laura Triggs, Deputy City Manager
Jeremy McPike, Director, Department of General Services