

PAY-AS-YOU-GO SUMMARY

Program Description: The Pay-As-You-Go (PAYG) Budget provides funding for capital improvements using current year tax revenue, fund balance, state and federal grants, developer fees, and inter-jurisdictional revenue. Annual PAYG appropriations and voter approved bond financing fund the capital projects included in the Six-Year Capital Improvement Program (CIP). Detailed information concerning the County's bond financing is contained in the Debt Service section of the FY 2003 Adopted Budget.

Capital maintenance activities differ from operating maintenance activities in cost, size, nature, and frequency of occurrence of the maintenance activity. The Capital program includes the following types of governmental activities and program categories:

- Implementation of capital project activities such as engineering studies, land acquisition, construction, asset preservation, and acquisition of equipment (rolling stock is excluded) with a 10 year life and cost of more than \$25,000.
- Capital maintenance activities that are major upgrades, expansions, and renovations that significantly alter or extend the useful life of the assets.

The County's General PAYG categories, funded by current-year tax revenue, capital reserve funds, fund balance and state and federal grants, include Local Parks and Recreation, Transportation and Pedestrian Initiatives, Government Facilities, Information Technology Investments, Community Conservation, and Regional Partnerships.

The FY 2003 Utilities PAYG Budget is funded by utility operating revenue (shown as a transfer from the Utilities Fund), charges to neighboring jurisdictions for sewage treatment, developer "Hook-Up" fees, and state grants.

Background and Current Capital Program Status: Last spring the County Manager, with the County Board's approval, postponed the annual updating of the Six-Year CIP. The Manager commissioned a group of employees to research the best practices of other jurisdictions and develop recommendations to be implemented in the County's CIP policies, practices, and processes. Those recommendations were presented to the Board in January and are on the County's website for public review and comment. The Manager has designated a member of his staff to provide more strategic direction and leadership to the capital program.

Overview of FY 2003: The County Government's FY 2003 Adopted PAYG budget of approximately \$13.6 million is funded out of the prior year fund balance. This represents a \$5.0 million decrease when compared to the FY 2002 approved funding level of \$18.6 million. The average PAYG funding level for the proceeding three fiscal year's (1999 through 2001) was \$10.3 million, continuing the upward trend of PAYG funding over the last five years. The PAYG budget includes funding for continuing commitments for Information Technology Investments (\$3.0 million), Neighborhood Conservation (\$0.5 million), Facilities Capital Maintenance (\$1.0 million), Local Parks and Recreation (\$0.2 million), Transportation and Pedestrian Initiatives (\$2.2 million), and Regional Contributions (\$1.0 million). Additionally, the Adopted PAYG budget includes a capital contingency with Government Facilities in the amount of \$5.6 million. This one-time contingency was developed to fund previously approved projects for which firm construction cost estimates were not available at the time of budget adoption. Once costs are finalized, they will be evaluated and allocated at the discretion of the County Manager.

Several transportation programs are considered for and receive significant state and federal matching grant funding. Anticipated state and federal funding of \$19.6 million and developer contributions of \$4.0 million are not included in the PAYG summary charts because the award and receipt of state and federal funding takes place over several fiscal years. Although the funding is not reflected on the PAYG summary chart, descriptions of state approved transportation projects are presented along with anticipated revenue amounts for the following purposes:

- To incorporate the state funded transportation projects into the County's comprehensive infrastructure investment plan.
- To communicate the level of investment in Arlington's infrastructure to residents and Wall Street financial analysts.

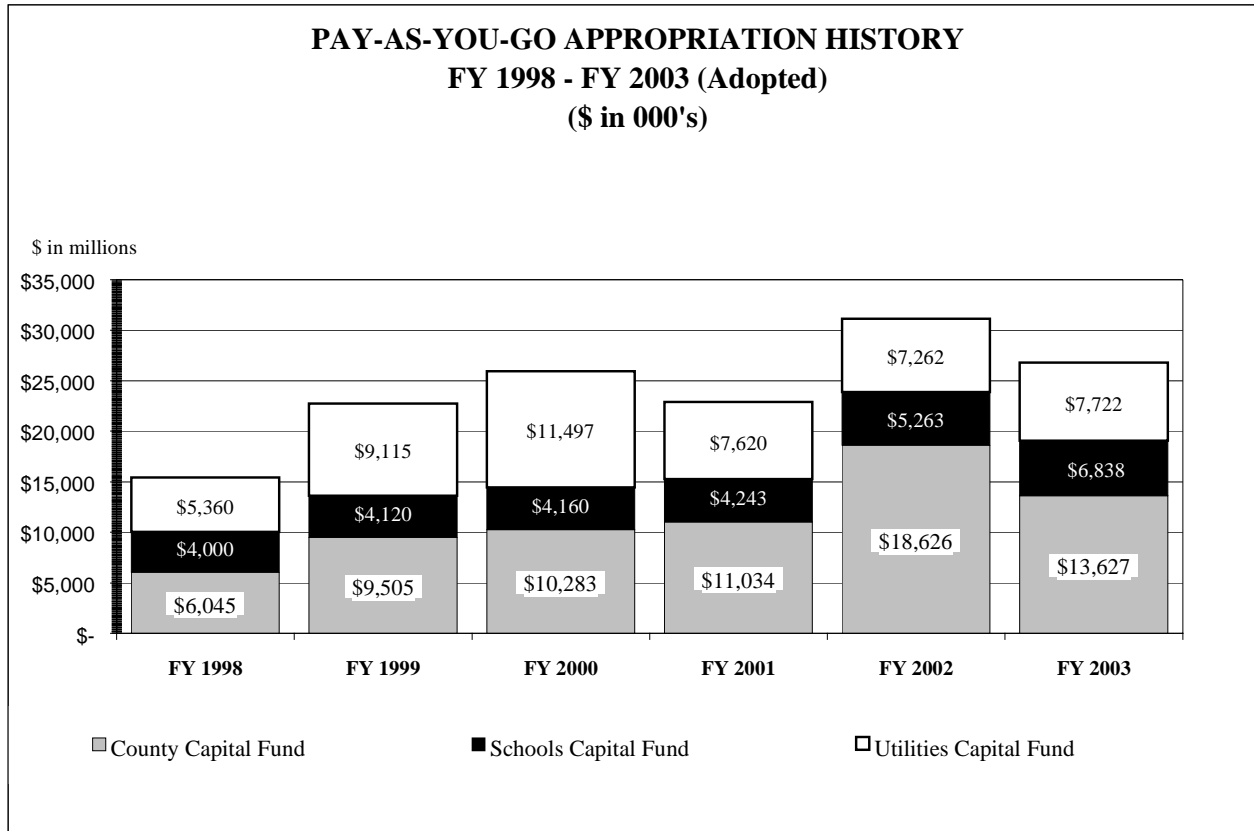
PAY-AS-YOU-GO SUMMARY

The Utilities Fund FY 2003 Adopted PAYG budget of \$7.7 million includes funding for plant capital maintenance and improvements to the Washington Aqueduct, which supplies the County with 100% of its drinking water.

The School Board's Adopted FY 2003 PAYG budget is \$6.8 million. The School Board's FY 2003 capital appropriation has been increased by \$1.4 million since the April 20, 2002 budget adoption to reflect Schools reallocation of funds between School operating and Schools capital. Details of School capital projects are included in School budget documents and on their website.

County capital project descriptions, PAYG appropriation charts, and fund statements are included on the following pages. Appropriations rather than actual expenditures are presented because appropriations indicate more about County Board priorities, decisions, and PAYG funding levels than actual expenditures.

PAY-AS-YOU-GO SUMMARY



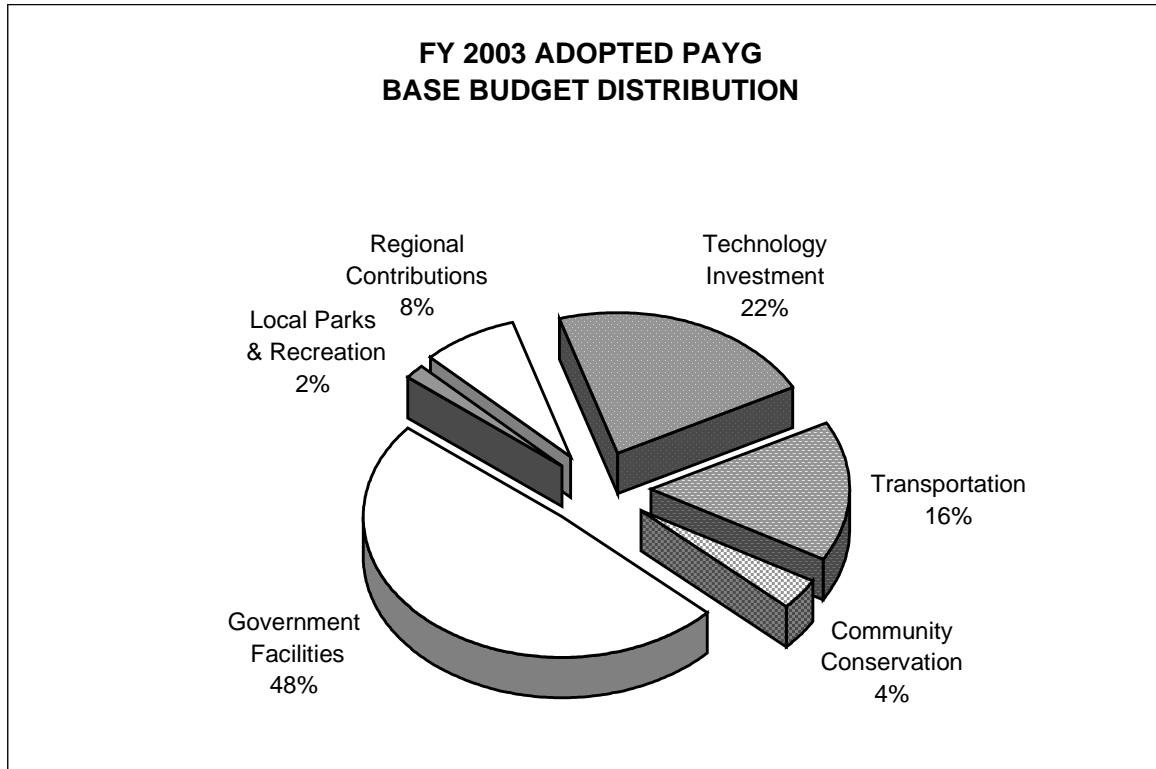
Program Category	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Parks and Recreation	\$ 80	\$ 80	\$ 55	\$ 151	\$ 1,532	\$ 240
Transportation and Pedestrian Initiatives	155	-	486	3,262	4,098	2,195
Storm Drainage	100	-	95	-	60	-
Community Conservation	320	-	725	40	660	500
Economic Development	-	-	-	500	1,525	-
Government Facilities	4,627	3,740	6,255	4,994	5,969	6,657
Technology Investment	-	5,190	2,135	1,250	3,750	3,000
Regional Partnerships	763	495	532	837	1,032	1,035
County Capital Fund (*)	6,045	9,505	10,283	11,034	18,626	13,627
Schools Capital Fund	4,000	4,120	4,160	4,243	5,263	6,838
Utilities Capital Fund (**)	5,360	9,115	11,497	7,620	7,262	7,722
Total All Funds Capital	\$ 15,405	\$ 22,740	\$ 25,940	\$ 22,897	\$ 31,151	\$ 28,187

(*) Net transfer from General Fund; does not include grants from state highway aid and others

(**) Includes Total Project Cost (Before deduction of Other Financing Sources such as hook up fees)

The Schools' FY 2003 PAYG appropriation has increased by \$1.4 million since the 4/20/02 budget adoption.

GENERAL CAPITAL PROJECTS FUND



**FY 2003 Adopted PAYG Budget
(\$ in 000's)**

PROGRAM CATEGORY	Base
Local Parks & Recreation	240
Transportation & Pedestrian Initiatives	2,195
Community Conservation	500
Government Facilities	6,657
Information Technology Investments	3,000
Regional Partnerships	1,035
Net Tax Support	13,627

GENERAL CAPITAL PROJECTS FUND

Adopted PAYG Budget

I. LOCAL PARKS AND RECREATION

Public Art Program Net tax support
\$80,000

This is the second year of the County's capital funded Public Art Program. This funding would enable the Department of Parks, Recreation and Community Resources to maintain one FTE and program support to continue to implement the strategies in the Public Arts Master Plan. Annually up to 0.5% of the following CIP program category appropriations (including outside funding sources) will be used to calculate the art program target funding level: Parks and Recreation, Transportation and Pedestrian Initiatives, Community Conservation, Public Safety Facilities and Government Facilities.

Small Parks Improvements Program **\$60,000**

This funding enables Arlington residents to continue the initiation of small capital improvements and beautification projects for parks, playground, and recreation facilities in their respective neighborhoods. This program encourages the community to support improvements in local public parks. Projects are reviewed and selected by the Arlington County Park and Recreation Commission from a pool of citizen requests. The Commission's recommendations are submitted to the County Board for final approval.

Thomas Jefferson Gymnasium Floor **\$100,000**

Arlington Public Schools and the County are sharing the cost for the Thomas Jefferson Middle School replacement of the 68,000 square foot gym floor. In FY 2002, \$250,000 was approved for the County's share of the project. The estimate for the County's share of the project has increased to \$350,000. The increase is partially due to low levels of mercury identified in the existing matting, the need to waterproof large areas of the existing concrete floor and the need to shot blast the entire floor to completely remove the adhesive associated with the old matting. Accordingly, an additional \$100,000 is needed to fund the County's share.

II. TRANSPORTATION AND PEDESTRIAN INITIATIVES

Paving (Capital Assets Preservation Program) **\$1,700,000**

This program provides for the regular resurfacing of streets throughout the County. There are three elements of the paving program: re-paving, slurry seal, and reconstruction. All three elements of the paving program are proposed for funding in this one program. Annually streets are assessed to determine which of the three elements is most appropriate to bring the pavement up to County standard. The program goal is to pave approximately 64-lane miles of roads each calendar year. Since FY 2001 the paving program has been programmed in the County's Pay-As-You-Go (PAYG) fund rather than bond funds.

Pedestrian Initiatives **\$495,000**

This program was established to create a more pedestrian friendly community. In addition to projects included in the FY 2003 bond, several pedestrian projects were approved for FY 2003 PAYG.

- Safe Routes to Schools projects including: (1) curb extensions at Walter Reed Drive at 7th Street South; (2) curb extensions, enhanced crosswalk and school zone warning flashers at Walter Reed Drive and 8th Street South; and (3) sidewalk widening at the NE and NW corners of N. George Mason Drive at Henderson Road. (\$75,000)
- Install one Columbia Pike pedestrian crossing and study impact on signal timing along Columbia Pike in order to "pilot" the remaining three pedestrian crossings that are in the approved Columbia Pike Plan. Funding for the remaining projects is included in the FY 2003 bond. (\$125,000)

GENERAL CAPITAL PROJECTS FUND

- Construct additional nubs and islands for pedestrian safety where they are determined to be appropriate. This would improve approximately four crossing areas. (\$80,000)
- Construct two in-road pedestrian crossing systems at mid-block crossings. These systems warn motorists of crossing pedestrians. The system consists of several intelligent road studs, placed along the full length of the crosswalk and along the center of the approaching road. They are programmed to flash a strobe toward on-coming traffic whenever a pedestrian arrives in the crosswalk. (\$40,000)
- Continue installation of pedestrian countdown signals. There are 25 additional intersections planned to be retrofitted with countdown signals. These funds provide for half of those pending. (\$50,000)
- Safety improvements at Walter Reed Drive and S. Glebe Road including pedestrian signal heads, islands for pedestrians and reworked curb ramps to improve the safety of pedestrian crossings and vehicular movements. (\$75,000)
- Continue the replacement of the traffic signal lights with light emitting diode fixtures. They are brighter to motorists and pedestrians and reduce the electricity requirements. (\$50,000)

Arterial Streets**\$0**

Projects approved for FY 2003 would improve segments of arterial and neighborhood-principal streets, consistent with the Transportation Master Plan. All of these projects include funding from state and federal sources for a combined total of \$5,412,000. Projects included in the Arterial program are funded 80% or 90% by federal funds allocated to the County (\$2.1 million), or funded 50/50 State/County with State revenue sharing funds (\$500,000); or totally funded by state or federal funds (\$1,777,000) allocated to County. The Arlington County matching fund requirement is estimated to be \$1,035,000; these local matching funds will be proposed in a future capital budget or reallocated from current match funds. The Northern Virginia Transportation Coordinating Council (TCC) endorses requests for state and federal funds that are ratified by the Transportation Planning Board (TPB). A County Board member represents the County on the TCC and the TPB. The state/federal funding included is slated for seven projects.

- Federal Aid Secondary funds: \$2,000,000 is allocated for the continued improvement of the Columbia Pike corridor. This corridor remains a high priority in connection with the Columbia Pike Initiative. Preliminary design for Lee Highway at George Mason Drive (\$100,000) is also proposed. A twenty-percent (20% or \$525,000) County match will be needed for both projects.
- State Revenue Sharing funds: \$500,000 in state funds and the \$500,000 of County match funds will provide a million dollars of additional funding for the Columbia Pike Initiative.
- Surface Transportation Program Safety (STP-Safety) funds (\$90,000) are identified for engineering and construction of Walter Reed and South Glebe Road, which will require a \$10,000 County match.
- State Surface Transportation and Bridge programs: \$287,000 is identified for the Glebe Road Bridge over Arlington Blvd. County matching funds are not required for the Glebe Road Bridge over Arlington Blvd. project.
- National Highway System funds: \$100,000 is identified for preliminary design of I-66 ramp improvements at East Falls Church, both westbound on-ramp widening and a new eastbound on-ramp at Lee Highway. County matching funds are not required for the design of I-66 ramp improvement projects.
- State Surface Transportation Program: \$1,300,000 is identified for U.S. Route 1 intersection improvements. County matching funds are not required for the U.S. Route 1 intersection improvement project.

Transit**\$0**

This program funds projects that promote mass transit usage in Arlington. The seven transit projects included in this year's transit program total \$18,010,000. The anticipated sources of funding include state/federal grants at \$13,200,000, developer contributions of \$4,030,000, and \$780,000 in County tax support. Funding for the match required for the following transit projects is not included in FY 2003 PAYG, but will be included in a future capital proposal budget request.

GENERAL CAPITAL PROJECTS FUND

- Ballston Metro Station Access Improvement Project: The total project is estimated to cost \$23.7 million. This project would construct a new western entrance and elevator access to both the Qwest Corporation and Nature Conservancy buildings. Funding sources include the Congestion Mitigation/ Air Quality (CMAQ) grant of \$2.0 million, State bond funding of \$11.2 million, developer contributions of \$4.0 million, site plan developer contributions of \$0.5 million and unspecified funding of \$6.0 million. With a projected 50% increase in passengers at this Metro Station over the next several years, the improvements are geared to accommodate future demand and provide closer access to the new residential/business development.
- Commuter Information Kiosk Deployment Project: This \$30,000 project, funded with anticipated developer contributions, would fund phase II of last year's rider schedule information project.
- Rosslyn Metro Station Elevator Design Project: This \$300,000 project, funded entirely by a state/federal grant, would begin the design of a new northern entrance next to the Waterview development. Projected passenger increases at this Metro Station are due to the new residential/business developments slated for the Rosslyn area.
- Metrobus Transfer Center Improvement at Columbia Pike: This \$500,000 project funded by a state/federal grant (\$400,000) and the County match (\$100,000) to be included in a future capital budget proposal, would construct an on-street bus transfer station at the west-end of Columbia Pike in Arlington. This project will provide covered areas for passengers, benches, information displays, and other improvements to improve passenger comfort and safety.
- Commuter Assistance Program (CAP) Store Renovations project: This \$240,000 project, funded by a state/federal grant (\$120,000) and the County match (\$120,000) to be included in a future capital budget proposal, would completely renovate the Rosslyn and Crystal City Commuter Stores. Both of these stores are about 10-years old and need modernization to both the facility and equipment.
- CAP New Store Construction project: This \$180,000 project, funded by a state/federal grant (\$60,000) and the County match (\$120,000) that would be included in a future capital budget proposal, would build-out improvements associated with the planned relocation of the Commuter Store in Ballston. The store would be a modern facility with updated equipment.
- Arlington Division Bus Garage Relocation project: This \$1,000,000 allocation funded entirely with state and federal grants, would contribute to costs relating to the construction of a new Metrobus garage (Arlington Division) at the existing Ballston location. This project is a crucial component in the County's land use and development strategy and objectives.

Bikeways Program

\$0

This program provides funding to complete projects adopted in the 1994 Arlington Bicycle Transportation Plan. A grant application for transportation enhancement funds will be submitted to the Virginia Department of Transportation for Bike Lanes Implementation Project. If approved, the grant would provide 80% (\$120,000) of the project's cost and the 20% local share (\$30,000) will be reprogrammed from previously approved match funds. Funding would add approximately nine miles of bicycle lanes on the following streets:

- McKinley Road/North Ohio Street between Wilson Boulevard and North Washington Boulevard.
- John Marshall Drive between Lee Highway and Little Falls Road.
- Little Falls Road between Sycamore Street and North Kensington Street.
- Lorcom Lane between Old Dominion Drive and North Edgewood Street.
- North George Mason Drive between Wilson Boulevard and 10th Street North.
- Williamsburg Boulevard between North Westmoreland Street and North Glebe Road.
- Nelly Custis Drive between Lorcom Lane and Military Road.
- Yorktown Boulevard between North Kensington Street and North George Mason Drive.
- South Eads Street between 23rd Street South and 18th Street South.

GENERAL CAPITAL PROJECTS FUND

- Military Road between Nelly Custis Drive and North Old Glebe Road.

III. COMMUNITY CONSERVATION

Neighborhood Conservation Program **\$500,000**

The Neighborhood Conservation (NC) Program funds public improvements in neighborhoods throughout the County for which the County Board has adopted Neighborhood Conservation Plans. Projects include installation of curb, gutter, sidewalk, street lights, neighborhood identification signs, fencing, retaining walls, street trees and other landscaping; correction of drainage problems; park and County facilities improvements; and reconfiguration of streets (including nubs, traffic circles, etc.) to address traffic management problems. Typically the County funds the NC program through bonds considered by voters every two years. The FY 2001 bond included \$5.0 million for the NC program and the FY 2002 PAYG budget included \$500,000 for the NC program.

The NC Program is a citizen initiated, comprehensive, and multi-year neighborhood planning process. With planning assistance from County staff, neighborhood groups develop comprehensive neighborhood plans that address the physical and social facilities and infrastructure in a neighborhood. NC Plans identify issues and recommend County action and projects to respond to these issues. Following extensive coordination and review with County staff, the NC Plans are adopted by the County Board as policy guides. Neighborhood residents then work with County staff to implement specific capital projects identified in NC Plans. Neighborhoods submit projects for funding two times each year. The Neighborhood Conservation Advisory Committee reviews the projects, and recommends to the County Board a list of priority projects for funding. Fiscal Year 2003 PAYG funding allows for approximately 3-4 additional neighborhood improvement projects.

IV. GOVERNMENT FACILITIES

Facility Maintenance (Capital Assets Preservation Program) **\$982,000**

This program reflects ongoing capital investments required to maintain and prolong the life of County facilities and structures. The County has capital maintenance responsibility for over 90 facilities, with some in service for as many as 40 years and in need of substantial capital maintenance. While normal maintenance funding is provided for in the operating budget, certain building systems and structures require major renovations or replacement.

Roof Replacements \$350,000

This program funds major repairs and replacements of roofs on County facilities, based on an analysis of roof conditions and the existence of serious deterioration that could result in structural damage. FY 2003 funding will replace or repair roofs at the following locations: WETA Building - \$165,000; Glencarlyn Library - \$105,000; Cherrydale Library - \$20,000; Fire Station 7 - \$12,000; Fire station 10 - \$40,000; and Fire Station 1 - \$8,000.

HVAC/Energy Conservation Program \$265,000

This program funds the rehabilitation and replacement of heating, ventilation, air conditioning (HVAC), and energy efficiency improvements in County facilities. These projects are undertaken as a result of deterioration and/or the opportunity for cost-effective replacements that will generate energy cost savings. FY 2003 funding is for the replacement of the boiler at the Drewry Center (\$40,000), replacement of ductwork and rooftop HVAC equipment at Fire Station #1 (\$50,000), and \$175,000 for upgrades of light fixtures to improve lighting quality and energy efficiency in County facilities.

Environmental Hazards Program \$105,000

This program provides for asbestos survey updates and the coordination of monitoring, containment, removal, and replacement of hazardous materials in County facilities and sites. The work is performed on a contractual basis. Funding provides for installation of monitoring equipment and overflow protection of tanks at the Equipment Division and environmental survey updates at three County facilities.

GENERAL CAPITAL PROJECTS FUND

Parking Lot Pavement Program \$42,000

The funds are for the repair of deteriorated parking lots at County facilities.

Facility Renovations \$220,000

Funding is for renovations to the exterior of the Woodmont Center. Work includes replacement and repairs to unstable stair footings, badly deteriorated masonry walls and rerouting and replacement of heating/cooling vents.

Disability Access Program \$25,000

This program is designed to identify and remove architectural barriers within County facilities that restrict the access of persons with disabilities. The program funds are used to modify facilities that would not be modified under existing programs, but which are part of the County's Americans with Disabilities Act (ADA) Transition Plan. Funding will provide for design and construction of improvements to the path of travel and restrooms for a one-of-a-kind program, the Shirlington Employment and Education Center (\$25,000).

Demonstration Voting Machines \$24,500

A critical component of voter education is to provide demonstration voting machines prior to an election to afford new voters an opportunity to become familiar with voting equipment. This funding will allow for demonstration voting machines to be available at the Arlington County Fair as well as five other County locations, including Courthouse Plaza, prior to the November election.

Capital Contingency \$5,625,501

The Adopted PAYG budget includes a capital contingency in the amount of \$5,625,501. This one-time contingency was developed to fund previously approved projects for which firm construction cost estimates were not available at the time of budget adoption. Once costs are finalized, they will be evaluated and allocated at the discretion of the County Manager.

V. INFORMATION TECHNOLOGY INVESTMENTS

Technology Projects \$3,000,000

The technology projects continue the investment in technologies that provide the foundation for the implementation of e-government and other strategic initiatives. Funding to enhance network reliability, replace equipment, upgrade critical County systems, and expand the County's Internet capacity are included in the FY 2003 budget. Specifically, projects for FY 2003 include the following:

- Provide enhanced security for e-government and the expansion of the Network to protect County hardware and data resources from intrusion and damage due to viruses, and to create a Virtual Private Network (VPN) to provide secure remote access to the Network. (\$125,000)
- Continue the building of a scaleable, reliable Network infrastructure that extends the fiber optic Institutional Network (I-Net) to additional County sites. (\$350,000)
- Continue the implementation of a consolidated Network Operation Center (NOC) to create a unified management and support facility for current and future County data, voice, and video network services. (\$325,000)
- Upgrade the Columbia Ultimate Business System (CUBS) Treasurer's delinquency tracking and collection system to meet the standards of the County's Network Operation Center and to be supported by County staff. (\$90,000)

GENERAL CAPITAL PROJECTS FUND

- Supplement the desktop (PC) replacement program to maintain a replacement cycle that now extends beyond three years. (\$660,000)
- Expand both hardware and technical service support for the County's Intranet to provide information relevant to all County employees in an electronic, rather than paper form. (\$225,000)
- Assess the County's needs to manage data and information privacy for mandated compliance with the Health Insurance Portability and Accountability Act (HIPPA). (\$250,000)
- Remediate the Revenue Collection System including redesigning and rewriting the system so that it will be easier to maintain and enhance as needed and to ensure efficient interfaces of data with the County's financial system. (\$500,000)
- Evaluate the feasibility of upgrading the current financial system (Advantage) to a complete Enterprise Resource Planning (ERP) tool. (\$250,000)
- Define the County's Mainframe Computer's role for Enterprise Applications (Revenue Collection, Human Resources Information Systems (HRIS) and Financial Management). (\$100,000)
- Implement a Content Management tool to ensure that the items presented on the County's website are timely, current, accurate, and easily managed. (\$125,000)

VI. REGIONAL PARTNERSHIPS

Northern Virginia Community College \$190,000

This appropriation represents the County's ongoing capital contribution to the Northern Virginia Community College (NVCC) program to construct a community center at each of its five campuses and to contribute to NVCC's overall capital program. Arlington is one of nine jurisdictions that NVCC's capital program receives funding from based on population.

Northern Virginia Regional Identification System \$27,000

These funds represent the County's FY 2003 share of improvements made to the regional fingerprint identification system's image and retrieval capability. This upgrade was financed as a multi-year, lease-purchase agreement with the County's share of the FY 2003 payment included in this budget. The upgrade provides Northern Virginia's law enforcement agencies with a more efficient, accurate, and cost-effective means of identification.

Peumansend Creek Regional Jail Authority \$220,000

This capital funding for FY 2003 represents the County's proportional share of the FY 1992 decision to design, construct, and operate a low-to-medium security regional jail in Caroline County on land (Fort A. P. Hill) transferred by the Department of Defense. Arlington is one of six jurisdictions that provide funds based on the allocated beds. This is part of an overall strategy for housing local prisoners in a cost-effective manner. This \$220,000 funds the debt service payment of the bond financing. Legislation in the 1996 General Assembly provides for a state reimbursement of 50 percent of allowable construction costs. Arlington's annual share of the capital cost is based on current bed allocation and is projected at 18.46 percent for the 60 beds allocated to Arlington. The County has provided a moral obligation, "joint and several" pledge on this financing and will have capital commitments from this bond financing through the year 2017 as well as ongoing operating commitments as a member of this Authority.

Northern Virginia Regional Park \$440,000

The Northern Regional Park Authority (NVRPA) is a multi-jurisdictional agency comprised of Arlington County, Fairfax County, Loudoun County, Alexandria, Falls Church, and the City of Fairfax. The Park Authority owns and operates 11,000 acres of parklands with 18 major parks, including Potomac Overlook, Upton Hill and the W&OD Regional Parks in Arlington. This capital funding for FY 2003 represents Arlington's annual contribution to NVRPA's capital program is based on the percentage of population of the six jurisdictions.

GENERAL CAPITAL PROJECTS FUND

Northern Virginia Criminal Justice Academy **\$158,000**

In FY 1993, the participants in the Northern Virginia Criminal Justice Academy (NVCJA) agreed to purchase a building in Loudoun County at Routes 7 and 28 to house the NVCJA's programs. Previously, the NVCJA occupied leased space in Claremont School in Arlington that was reclaimed by Arlington Public Schools. This capital funding for FY 2003 represents Arlington County's share of the lease-rental payments for the facility. The local debt service shares will gradually decrease now and end in FY 2008.

TOTAL BASE BUDGET **\$13,627,001**

GENERAL CAPITAL PROJECTS FUND

FY 2003 GENERAL FUND CAPITAL STATEMENT

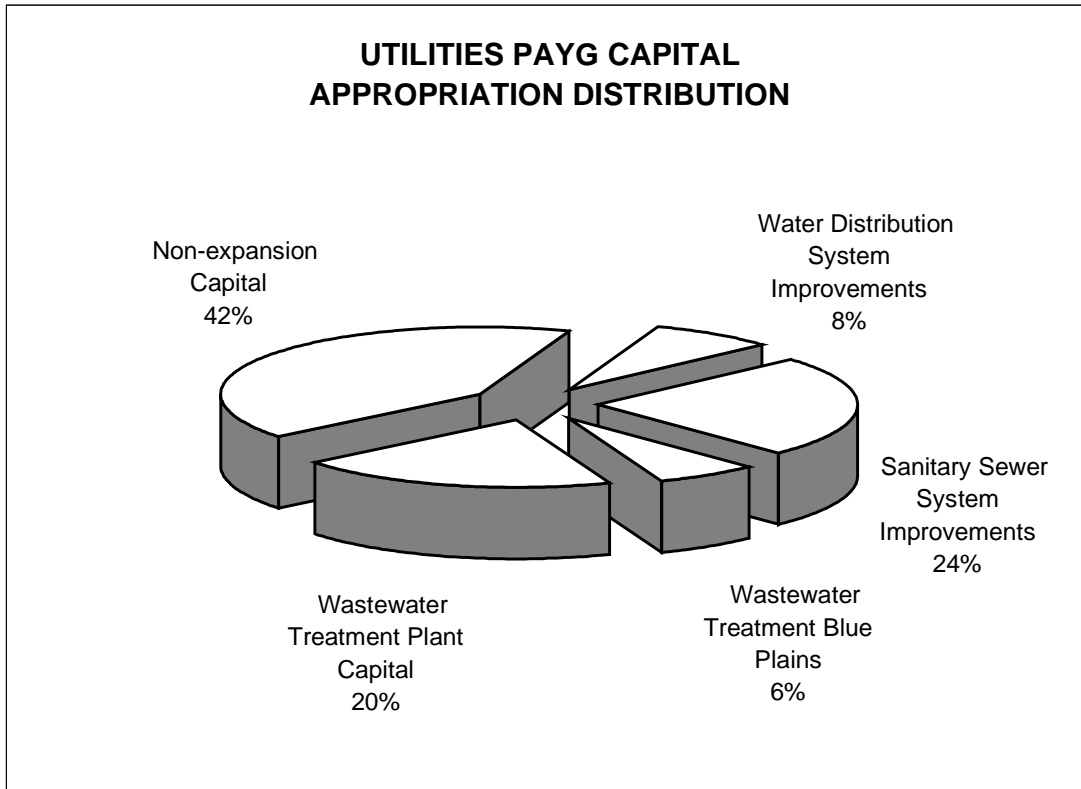
	<u>FY 2001 ACTUAL</u>	<u>FY 2002 ADOPTED</u>	<u>FY 2003 ADOPTED</u>
ADJUSTED BALANCE, JULY 1	\$ 18,941,872	\$ 31,153,547	\$ -
REVENUES:			
Commonwealth of Virginia	-	-	-
Revenue Sharing (State Primary)	644,656	-	-
Charges for Services	2,263,639	-	-
Miscellaneous Revenue	1,144,646	-	-
Proceeds from Capital Lease	<u>3,138,900</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	7,191,841	-	-
Transfers In (Out):			
Transfer In from General Fund	<u>11,154,381</u>	<u>18,626,000</u>	<u>13,627,001</u>
TOTAL TRANSFERS IN	11,154,381	18,626,000	13,627,001
TOTAL BALANCE, REVENUES and TRANSFERS IN	<u>37,288,094</u>	<u>49,779,547</u>	<u>13,627,001</u>
EXPENDITURES:			
Capital Projects -Current Year	6,134,547	18,626,000	13,627,001
Capital Projects -Carry-Over	<u>-</u>	<u>31,153,547</u> ¹	<u>-</u>
TOTAL CAPITAL EXPENDITURES:	6,134,547	49,779,547	13,627,001
BALANCE, JUNE 30	<u>\$ 31,153,547</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES:

¹ For illustrative purposes only. Unobligated funds, and some portion of obligated but unexpended funds would exist and be carried over to the next fiscal year.

UTILITY CAPITAL PROJECTS FUND

The Department of Public Works and the Department of Environmental Services are responsible for managing the Utilities Fund which includes providing water and maintaining a water distribution system, a sewage collection system, and a wastewater treatment plant. The FY 2003 Utility Fund PAYG Budget Summary, program budget appropriation distribution graph, project descriptions, and fund statement is included on the following pages.



FY 2003 PAYG Budget Summary (\$ in 000's)

PROGRAM CATEGORY	AMOUNT
Utilities	
Water Distribution System Improvements	\$600
Sanitary Sewer System Improvements	1,880
Wastewater Treatment Blue Plains	500
Wastewater Treatment Plant Capital	1,538
Non-expansion Capital	3,204
Total Project Cost	\$7,722
Less: Hook-Up Fees & Other Revenue	2,480
Net Utilities Funds Support	\$5,242

UTILITY CAPITAL PROJECTS FUND

FY 2003 ADOPTED UTILITIES BUDGET

Water Distribution Improvements **\$600,000**

The water main projects in this program are designed to improve overall capacity or operation of the water distribution system. These projects are part of the Water Master Plan. Funding for these projects is generated from hook-up fees charged to new users who increase demands on the water distribution system. In FY 2003, projects include:

Construction funds for a new water main in Shirlington Road from 25th Street South to Four Mile Run Drive, to increase capacity in the Shirlington area (\$400,000) and design planning for Minor Hill Pressure Zone Improvements (\$200,000).

Sanitary Sewer **\$1,880,000**

The sanitary sewer improvements proposed are intended to provide additional capacity to existing sanitary sewer lines to accommodate new development in Arlington County. These projects were identified in the 1992 Sanitary Sewer Master Plan. Funding for this program is generated from hook-up fees charged to new users who increase demands on the sewer system. The FY 2003 projects include:

- Infiltration and Inflow (I &I) program (\$1,350,000) (This is a first year the I & I program is presented as part of the Sewer Improvements program, as a means to simplify and consolidate CIP programs);
- Projects that are focused on improvements required to support future or current development throughout the County (\$50,000);
- Doctor's Run project (\$40,000) to increase the capacity for existing and future flows;
- Arlington Branch from I-395 West project (\$30,000), to provide additional capacity;
- Design funds for Westover sewers project (\$10,000), from Reed Elementary to south of Washington Blvd;
- Gulf Run from 36th Road North project (\$100,000) from Military Road to North Nelson Street;
- Engineering funding (\$300,000) for the establishment of a parallel main for the Potomac Interceptor through the Pentagon City area.

Wastewater Treatment **\$1,538,413**

The Water Pollution Control Plant's non-expansion capital program provides annually for the repair and replacement of current plant equipment and infrastructure at the Plant and lift stations. Major components of this program include refurbishing or replacing equipment to prevent premature failure, infrastructure improvements and automating treatment processes to increase operational efficiency. Non-expansion capital, in conjunction with daily Plant operations and the on-going expansion program, ensures continued operations and compliance with the National Pollution Discharge Elimination System (NPDES) Permit and Virginia Department of Environmental Quality (VDEQ) Operating Permit. The program is completely funded through the Utilities Fund with no general fund impact.

The Water Pollution Control Plant on-going expansion capital program is currently being developed through the 2001 Update to the Master Plan. The Master Plan will address future capacity and regulatory requirements. Funding for the program will be requested in bond funding beginning in the FY 2003-2008 Capital Improvement Program (CIP). No PAYG funding is being requested in FY 2003 for Expansion Capital.

As the Plant's management team adopts an operating paradigm that sharply reduces reactive maintenance and moves to proactive maintenance services as an essential component of becoming a model wastewater treatment facility, expenditures for maintenance in both the operating and non-expansion capital budgets will increase. A model wastewater treatment facility should have a proactive maintenance program that includes preventative maintenance

UTILITY CAPITAL PROJECTS FUND

inspections and planned equipment overhauls to prevent the risk of premature equipment failure. Proactive approaches to maintenance include failure analysis, maintenance planning, effective preventative maintenance, employee development, predictive maintenance and the use of performance measures. The non-expansion Plant capital program includes funds to continue to automate treatment processes. Automating processes helps support reduced staffing levels in Plant Operations staff while increasing the efficiency of plant operations and ensuring compliance with state and federal mandates. Staffing levels have decreased by 34% since FY 1998 from 140 FTEs to 92.6 in FY 2002 and FY 2003.

The conversion to a proactive maintenance program is an essential component in preventing non-compliance with permit regulations, allows for better risk management and progresses work towards the goal of becoming a model facility in the community.

Blue Plains Capital **\$500,000**

This program also funds Arlington's annual payment through Fairfax County to the District of Columbia Water-Sewer Authority Blue Plains Plant for capital improvements, as the Blue Plains Plant processes a portion of the County's sewage (\$500,000). Blue Plains is continuing to implement their Solids Management Plan along with extensive upgrades to the plant, so the County's annual payment will increase through FY 2004 before declining.

Non-Expansion Capital **\$3,204,000**

Projects that do not provide system expansion are not eligible for hook-up fee funding. The funding for these projects comes from a transfer from the Utilities Operating Fund, which is an enterprise fund. The revenues for this enterprise fund are derived primarily from water/sewer rates (based on consumption), water service connection fees, and other fees for services.

The following projects and programs to address water main problems:

- Construction funds (\$475,000) for the highest ranked Four-Mile Run Drive project, along George Mason Drive to Walter Reed Drive on the residential side. Twelve-inch mains would be installed to replace undersized aging and maintenance intensive pipes.
- In addition, this funding continues four ongoing programs:

Four-inch and smaller water main replacement program (\$125,000).

Cleaning and Re-lining projects (\$600,000).

Large diameter water main rehabilitation (\$300,000).

Washington Aqueduct capital annual payment (\$1,704,000) for capital improvements to their infrastructure. The County pays approximately 16% share for this regional facility.

TOTAL UTILITIES BUDGET **\$7,722,413**

PAY-AS-YOU-GO CAPITAL

UTILITY CAPITAL PROJECTS FUND

FY 2003 UTILITIES CAPITAL PROJECTS FUND STATEMENT

	FY 2001 ACTUAL	FY 2002 ADOPTED	FY 2003 ADOPTED
ADJUSTED BALANCE, JULY 1	\$ 29,287,146	\$ 30,952,660	\$ -
REVENUES:			
Hook-Up Fees - Current Period	4,162,397	2,000,000	2,000,000
Sewage Treatment Service Charges	1,885,030	-	-
Interest	1,845,783	548,000	480,000
Miscellaneous Revenue	800		
Project Revenue	98,507		
Commonwealth of Virginia - State Aid	7,413,946	-	-
Transfer In from Utilities Operating Fund	4,030,000	4,714,000	5,242,413
TOTAL REVENUES AND TRANSFERS IN	19,436,463	7,262,000	7,722,413
OPERATING EXPENSES			
Capital Projects	17,770,949	7,262,000	7,722,413
Capital Projects Funded by Carryover	-	30,952,660	-
TOTAL OPERATING EXPENSES	\$ 17,770,949	\$ 38,214,660	\$ 7,722,413
BALANCE, JUNE 30	\$ 30,952,660	\$ -	\$ -

NOTES:

¹ For illustrative purposes only. Unobligated funds, and some portion of obligated but unexpended funds would exist and be carried over to the next fiscal year.