County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County.

Chairman and Members of the Board of Supervisors
County of Fairfax
Fairfax, Virginia 22035

February 22, 2022

Chairman and Board Members,

I am pleased to forward for your review and consideration the FY 2023–FY 2027 Advertised Capital Improvement Program (With Future Fiscal Years to FY 2032). The Capital Improvement Program (CIP) is released concurrently with the FY 2023 Advertised Budget Plan. This year's CIP was developed with input from County agencies and to the extent possible, in accordance with the recommendations of the Joint County Board/School Board CIP Committee. During the development of this year's CIP, the following objectives were accomplished:

- Incorporated many of the recommendations of the Joint County Board/School Board CIP Committee as approved on December 7, 2021;
- Reviewed the timing and size of future County referenda included in the Bond Referendum Plan and recommended some delays and changes;
- Reevaluated future building project cost estimates based on the proposed delay of some referenda, recent inflation, and supply chain challenges;
- Reviewed the County's debt capacity and conducted an analysis of debt service requirements based on existing and future proposed bond sale limits, and debt ratios;
- Developed the annual General Fund Supported Capital Program, including funding for CIP feasibility studies to better define colocation opportunities, identify project costs and accelerate the pace of construction;
- Continued to implement projects using the Capital Sinking Fund and reviewed funding allocations in preparation for a revised increased year-end allocation which includes a portion for Fairfax County Public Schools;
- Reviewed the Stormwater Service District, developing an FY 2023 program with no recommended increase in the service district rate;
- Provided updates to co-location projects currently underway;
- Continued to work with the Department of Planning and Development to update the Public Facilities element of the Policy Plan to align the CIP and the Comprehensive Plan more closely;
- Provided a summary of major changes from the FY 2022 CIP; and
- Identified future challenges and efforts underway to improve the CIP.

I believe the County's proposed CIP reflects a program which provides specific project planning and a clear financing plan. Although this plan requires annual evaluation, it does provide a specific facility roadmap for the future.

Respectfully submitted,

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County Executive

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Joint CIP Committee

The FY 2023 – FY 2027 Capital Improvement Program (CIP) was developed with input from County agencies and to the extent possible, in accordance with the recommendations of the Joint County Board/School Board CIP Committee. In February 2020, the Board of Supervisors and the School Board established a joint CIP working group to allow for information sharing, prioritizations, and planning by both the County and Fairfax County Public Schools (FCPS). The Committee spent its time reviewing existing Financial Policies, considering the financing options available for capital projects, understanding the capital project requirements identified for both the County and FCPS, and evaluating the current CIP Plan and processes. Following these discussions, the Committee arrived at a series of recommendations, which include:

- ✓ Increasing the General Obligation Bond sale limit from $300 million to $400 million annually;
- ✓ Dedicating the equivalent value of one penny on the Real Estate tax for the capital program and splitting those funds between the County and FCPS to support infrastructure replacement and upgrade projects and debt service requirements on the increased annual sales; and
- ✓ Increasing the percentage allocated to the Capital Sinking Fund at year-end and including FCPS in the allocation.

These recommendations were approved by the Board of Supervisors on December 7, 2021, and when fully implemented, will provide significant funding for both capital programs in the future. This year's CIP reflects the plan to increase annual bond sales gradually to the revised limit, including an additional $50 million beginning in January 2023 and $50 million in January 2025, for a total increase of $100 million (evenly split between County and FCPS). It is anticipated that these increased bond sales will allow FCPS to design and construct an additional 1-2 schools per year and will allow the County to overcome several challenges in the current and future bond program. The challenges and proposed adjustments to the County Bond Referendum Plan are noted in detail below.

Although the FY 2023 budget does not fully dedicate the value of a penny of the Real Estate tax to the capital program, it does begin to set aside Paydown funding for both the County and FCPS. An additional $5 million has been included ($2.5 million each) in FY 2023. It is anticipated that additional funding may be available at budget quarterly reviews and increases to the Sinking Fund will supplement this funding. It is important to note that the County has dedicated $1.0 million of its $2.5 million allocation to conduct feasibility studies for projects planned in the CIP. These studies will help to better define project costs prior to voter approval, identify co-location opportunities, and accelerate the pace of projects. Staff is also exploring the development of future referendum questions that are more flexible and will allow for voter approval of colocation projects or County complexes with multiple users in one building/complex. These initiatives could change the Bond Referendum Plan in the next several years.

Bond Referendum Plan

The majority of capital projects in the CIP require financing and are supported by the General Obligation Bond Program. The CIP includes a Bond Referendum Plan which identifies future referenda for both the County and FCPS. The Bond Referendum Plan proposed in the CIP was developed following discussions with the Joint CIP Committee when staff recommended a more thorough review of the timing and size of future referenda. Based on current bond program challenges, staff is recommending adjustments to most future County referenda.

The bond program has been experiencing several challenges in recent years that have led to a backlog in unsold bonds. This backlog is based on several factors: limits on bond sales timeframes (8 years with possible 2-year extension), restrictions on annual bond sale amounts, changes in project scopes after voter approval, higher Metro contribution requirements, project delays associated with co-location opportunities, supply chain issues, and COVID.

Although the Committee recommended an increase in the annual bond sale amount from $300 million to $400 million, this increase will be gradual over several years and does not address the current challenges or the current CIP plans. Staff is proposing a delay in bond referenda to help with these program challenges. Most referenda are proposed to be delayed 2 years and program areas are proposed for voter approval every 6 years rather than every 4 years. This adjustment should help with the backlog of bonds needed to be sold and position the County to better take advantage of the increased sale limits in the future. The table below outlines the changes proposed in the Bond Referendum Plan:

Proposed Changes to Bond Referendum Plan

	Current Plan	Proposed Plan
Schools	2023, 2025, 2027	No change
Public Safety	2022, 2026	Move to 2024, 2030
Human Services	2024	Move to 2026
Early Childhood	2022, 2024, 2026, 2028	Move to 2026
Libraries	2026	No change*
Parks	2024, 2028	2026, 2032
NVRPA	2024, 2028	Move to General Fund
Metro	2024, 2028	No change
Roads	2026	No change*

** Libraries and Roads referenda were not previously on a 4 year plan.*

An analysis of the current program and the challenges facing both the pace of bond sales and construction timelines indicates that bonds associated with referenda planned in the next several years would likely not be sold for 3 to 5 years after voter approval. Asking for voter approval on projects that would not be able to be supported by bond sales for several years would set unrealistic expectations. Therefore, staff is recommending that the bond program be slowed for a period of time to catch up and be able to move forward more realistically.

Also proposed in this plan is the movement of Northern Virginia Regional Park Authority capital contribution to the General Fund. This annual contribution of $3 million could be supported by the General Fund and eliminate bond financing costs. General Fund support would also allow for the County to fully support the Regional Park Authority's per capita requests which slightly exceed the annual bond allocation.

In addition, the Bond Plan proposal includes the consolidation of Early Childhood referenda, previously planned at $25 million every other year through 2028 (a total of $100 million). This year's CIP proposes one referendum in the amount of $50 million in 2026. A reduction in the amount is made possible based on the funding already available for Early Childhood Education facilities. For example, funding for the childcare facility at the Kingstowne Complex was approved as part of the *FY 2021 Carryover Review* based on year-end balances available in the General Fund and the Early Childhood Birth to 5 Fund. Additionally, it is anticipated that childcare centers at the Original Mount Vernon High School site and the Joseph Willard Center Complex will be funded within those project budgets.

Finally, although the delays proposed in the Referendum Plan will allow for some time to catch up on bond sales and reexamine the timing of voter approvals, the cash available through the sale of bonds is expected to remain unchanged and even increase as sales limits are increased.

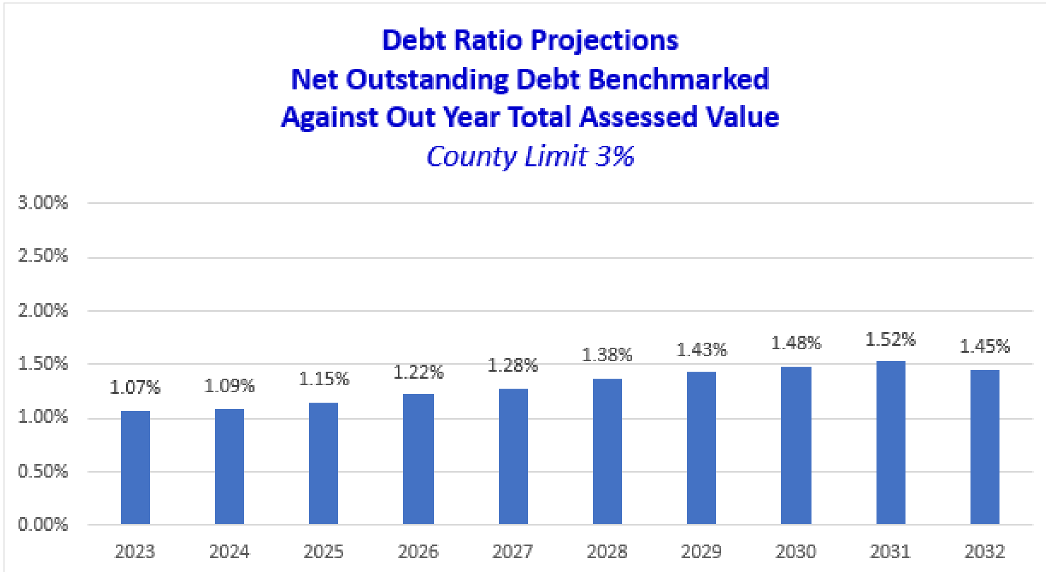
Project Cost Increases

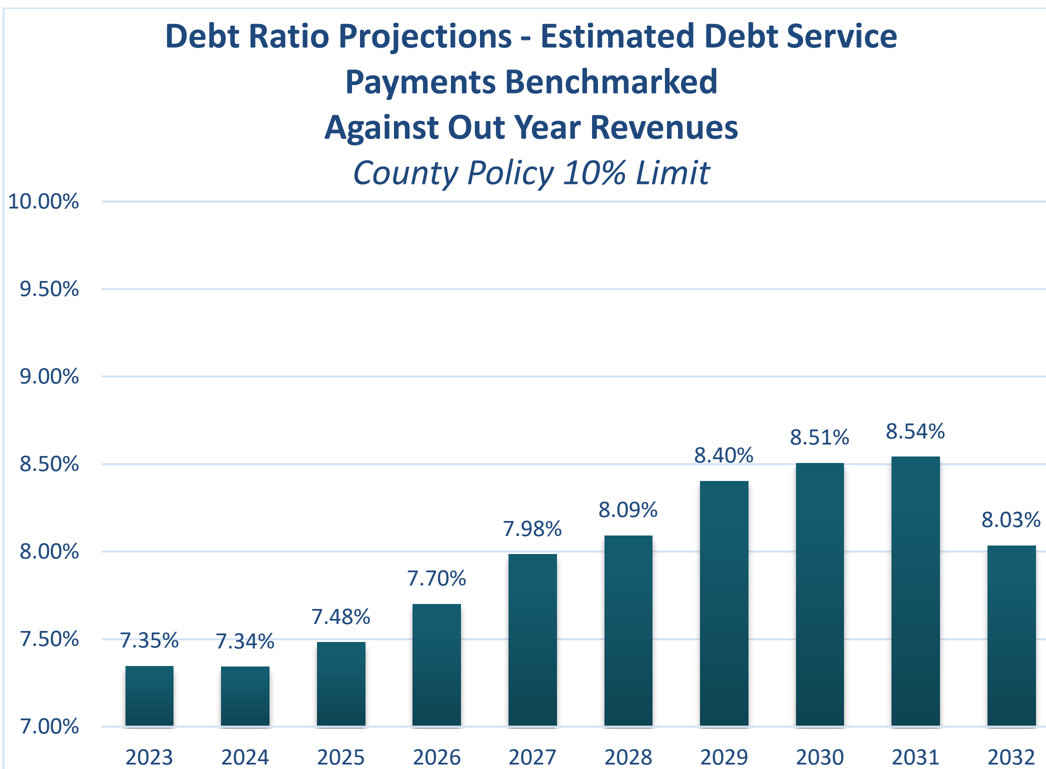
Based on the proposed delay of several referenda and current experience with cost increases in building projects, staff has adjusted the Total Project Estimates (TPEs) for future projects planned in the CIP. Project costs have been increasing recently due to disruptions to global supply chains for most basic raw materials. Price increases have been experienced in many commodities and materials utilized in construction projects, such as lumber, steel, copper, plastics, and metal products. These increased material costs and delays in receiving supplies have also resulted in contractor backlogs. Project costs may also be impacted by requirements associated with the Board of Supervisors updated Sustainable Development Policy and the Operational Energy Strategy. Finally, there may be impacts associated with the new County ordinance approved in January 2022 requiring payment of prevailing wages on projects over $250,000.

To address these cost challenges, all future building projects have been increased by 5 percent for planning purposes. These estimates will be reevaluated and may need to be adjusted annually. Existing and previously funded building projects are being reviewed on a case by case basis as construction bids are analyzed. The Board of Supervisors did approve an initial Construction Escalation Reserve of $5 million as part of the *FY 2022 Mid-Year Review* to help offset some of the cost challenges on existing projects.

County Debt Capacity

A review of the County's debt capacity is conducted annually. The CIP is analyzed for adherence to the *Ten Principles of Sound Financial Management*, specifically as it relates to several debt ratios. As of June 30, 2021, the ratio of debt to taxable property value was 1.04 percent, well below the 3 percent limit and the ratio of debt to General Fund disbursements was 7.16 percent, well below the 10 percent limit. These two self-imposed debt ratio limits are designed to maintain a balance between essential operating program expenditures and those for capital needs while preserving the County's AAA credit rating. The debt to General Fund disbursements projection is based on the anticipated debt requirements to conservatively forecasted revenues at a 2 percent growth rate.





Although these projected debt ratios are well below the Board's self-imposed limits, the *Ten Principles of Sound Financial Management* also sets a ceiling on annual bond sales. The current sales limit is $300 million annually. The Board had previously agreed to an annual sale amount for FCPS of $180 million, with the remaining $120 million dedicated to all other County requirements. As noted above, the annual sales limit has been creating capacity challenges for both the County and FCPS and these challenges are expected to continue into future years. The Joint CIP Committee recommended a change to the *Ten Principles of Sound Financial Management* in FY 2023 which would allow additional flexibility by increasing the annual bond sale limit to $400 million. The above charts assume a gradual increase to the sales amounts as recommended by the Joint CIP Committee.

Certainly, even when the Bond Program remains within all of the County's self-imposed debt ratios and sales limits, the affordability of the debt service payments is critical. Funding debt service for both the County and FCPS capital programs is only one of the many operational demands on the County budget.

Finally, bond sales continue to benefit from the County's triple-A bond rating. On January 19, 2022, the County conducted a General Obligation bond sale at an interest rate of 1.75 percent. This rate is further evidence of the County's ability to capitalize on the continued low interest rate environment in the municipal bond market, and the diverse mix of investors seeking highly rated municipal bonds. In preparation for this bond sale, the County requested a bond rating from Standard and Poor's Corporation, Moody's Investors Service, and Fitch Ratings and the County's triple-A bond rating was affirmed by all three agencies. All three rating agencies cited the County's commitment to the *Ten Principles of Sound Financial Management*, including fully funded reserve levels.

General Fund Supported Capital Program

The review of the CIP must also include a review of the Paydown Program and an examination of the County's commitment to cash funded projects. The proposed FY 2023 General Fund Supported Capital Program is $25,495,773, representing an increase of $6,817,728 over the FY 2022 Adopted Budget Plan. A large portion of this increase is based on funding of $3,948,694 primarily associated with maintenance and snow removal programs previously budgeted in Agency 87, Unclassified Administrative Expenses, being moved to capital projects. This budgetary adjustment will provide more transparency and the carryforward of balances at year-end and has no net impact to the General Fund. In addition, the General Fund Supported Capital Program includes $2.5 million associated with the Joint CIP Committee recommendations and $369,034 in other projects adjustments. Other increases include: $89,000 for Park Authority athletic field maintenance requirements at the new Patriot Park North Complex, $150,000 to support additional Youth Sports Scholarships, and $201,000 for Park Authority maintenance of 165 acres in additional park land acquired since FY 2018 for which there was no corresponding increase in maintenance funding. These increases are partially offset by a reduction of $70,966 in other project requirements.

The total General Fund capital program includes an amount of $18,438,773 for commitments, contributions, and facility maintenance and $7,057,000 for Paydown projects. The Paydown program has been redesigned at the request of the Board of Supervisors to exclude those projects that are on-going maintenance projects or annual contributions. Paydown only includes infrastructure replacement and upgrades, ADA compliance, athletic field improvements and other facility improvements. In addition, funding of $8,385,000 to support the remaining projects in the FY 2023 infrastructure replacement and upgrade program is proposed to be funded as part of a future quarterly review. In recent years, it has been the Board of Supervisors' practice to fund some or all of the annual infrastructure replacement and upgrade project requirements using one-time funding as available as part of budget quarterly reviews. The following table provides a summary of the General Fund Supported Capital Program.

FY 2023 Capital Construction/Paydown Summary*			
	Commitments, Contributions, and Facility Maintenance	**Paydown**	**Total General Fund Support**
ADA Improvements	$0	$350,000	$350,000
Athletic Field Maintenance and Sports Projects	$5,279,338	$1,700,000	$6,979,338
Developer Defaults	$0	$200,000	$200,000
Environmental Initiatives	$1,298,767	$0	$1,298,767
Maintenance, Snow Removal, and Contributions	$3,948,694	$0	$3,948,694
Other Payments and Contributions	$4,407,974	$0	$4,407,974
Park Inspections, Maintenance, and Infrastructure Upgrades	$1,094,000	$1,807,000	$2,901,000
Reinvestment/Repairs to County Roads and Walkways	$0	$1,500,000	$1,500,000
Revitalization Area Maintenance	$1,410,000	$0	$1,410,000
Subtotal	$17,438,773	$5,557,000	$22,995,773
Joint CIP Committee Recommendations			
CIP Feasibility Studies	$1,000,000	$0	$1,000,000
County Infrastructure Replacement and Upgrades	$0	$1,500,000	$1,500,000
Subtotal	$1,000,000	$1,500,000	$2,500,000
Total General Fund Support	**$18,438,773**	**$7,057,000**	**$25,495,773**

* Reflects General Fund support. Other funding sources, such as dedicated revenue and bond funding, are not included in these totals.

Capital Sinking Funds

In addition to funding approved as part of the annual budget, the Board has allocated a portion of available year-end balances to the Capital Sinking Fund. The Capital Sinking Fund is populated each year as part of the Carryover Review based on 20 percent of available year-end balances. Funding provides for infrastructure replacement and upgrades, such as roofs, HVAC and electrical systems, and reinvestment in trails, pedestrian bridges, and other infrastructure improvements. The current Board approved formula for the allocation of these dollars is 55 percent for FMD, 20 percent for Parks, 10 percent for Walkways, 10 percent for County-owned Roads, and 5 percent for revitalization improvements. Since FY 2014, a total of $89,324,102 has been dedicated to the capital sinking fund and allocated for infrastructure replacement and upgrades in the following areas:

FMD	$49,128,260
Parks	$17,864,821
Walkways	$10,286,834
Roads	$8,159,557
Revitalization	$3,884,630
Total to Date	**$89,324,102**

The Capital Sinking Fund allocations have enabled agencies to continue much of the important annual replacement and upgrade work required for infrastructure and facilities throughout the County. Status updates regarding the use of sinking funds are provided to the Board of Supervisors periodically.

Based on the recommendations of the Joint County Board/School Board CIP Committee, beginning at the *FY 2022 Carryover Review*, the Capital Sinking Fund is proposed to be increase to 30 percent of available year-end balances not needed for critical requirements. The allocation of these dollars is also proposed to include FCPS for the first time. In addition, the allocation of the funds is proposed to change slightly to 45 percent for FMD, 25 percent for FCPS, 15 percent for Parks, 7 percent for Walkways, 5 percent for County-owned Roads and 3 percent for revitalization improvements. It is anticipated that with the increased 30 percent allocation, the total dollar amount allocated to each County program area will not change significantly and the 25 percent for FCPS will positively impact the infrastructure replacement and upgrade/major maintenance program at school facilities.

Stormwater Service District Rate

In FY 2023, the stormwater services rate will remain at the FY 2022 approved level of $0.0325 per $100 of assessed real estate value. The Stormwater service district provides a dedicated funding source for both operating and capital project requirements. Since the establishment of this service district, staff has made significant progress in the implementation of watershed master plans, public outreach efforts, stormwater monitoring activities, water quality improvements, and flood mitigation. In addition, staff has made progress in operational maintenance programs related to existing stormwater conveyance systems and has been able to satisfy regulatory requirements. An ultimate rate of $0.0400 per $100 of assessed value has been estimated to be required to fully support the stormwater program in the future; however, staff is currently evaluating the long-term requirements for the program to address other community needs.

Some of the additional community needs under evaluation include debt service to support the dredging of Lake Accotink, the anticipation of additional flood mitigation requirements, and strengthening the role and financial support for the implementation of stormwater requirements associated with FCPS sites under renovation. This enhanced program may require incremental changes to the rate over time and may result in a higher ultimate rate to fully support the program. Staff continues to evaluate these requirements annually and analyze the impact of increased real estate values on Stormwater revenue projections.

Shared Use/ Co-location Opportunities

Several colocation and shared use projects are now underway, and the County and FCPS continue to explore future opportunities. A list of future potential shared use facilities has been updated and included in the CIP. This list is sorted by both projected project implementation year (project timeline) and by Supervisory District. Colocation sites offer a way to maximize limited space, locate complementary programs and services together, reduce reliance on leased space, address gaps in service delivery, and improve efficiencies. It is anticipated that CIP feasibility study funding will support the evaluation of additional co-location opportunities. Some of the projects underway include:

Early Childhood Education Initiatives:
As facilities are renovated or new facilities are planned, staff is evaluating the possibility of including Early Childhood Education space. There are currently plans to include Early Childhood Education space at the Original Mount Vernon High School site, the Kingstowne Complex, and the Joseph Willard complex. Additional sites are being evaluated for Board consideration.

Kingstowne Complex:
The Kingstowne Complex will co-locate the Franconia Police Station, the Lee District Supervisor's Office, the Franconia Museum, the Kingstowne Library, an Active Adult Center, and a childcare center into one comprehensive facility. The complex will also include garage parking and a County fueling station. The Kingstowne Library and Active Adult Center are currently occupying leased space. The renovation/replacement of the Franconia Police Station and District Supervisor's Office were approved by the voters as part of the fall 2015 Public Safety Bond Referendum. Co-location of these facilities at this site will support a single, multi-agency building and maximize the use of the space, provide efficiencies, and enhance services for the community. The co-location also allows the Police Station and Supervisor's Office to remain operational during construction without the need for temporary space or disruptions to operations.

Lorton Complex:
The expansion and renovation of the existing Lorton Community Library has been designed for co-location with the Lorton Community Center which was approved by the voters as part of the 2016 Human Services and Community Development Bond Referendum. The site will also provide for space associated with the Lorton Community Action Center and the Lorton Senior Center. One site will provide a multiple-agency building, maximizing the use of the space, providing efficiencies, and leveraging synergies among community services.

Original Mount Vernon High School:
A variety of programs and functions are being reviewed for possible inclusion in the phased redevelopment of the Original Mount Vernon High School site, as coordinated with the Mount Vernon and Lee District communities. The building was constructed in 1939 and the adaptive reuse potential programming and design phase of the project is underway. It is anticipated that the facility will provide pathways to opportunity for the community through a wide range of programs and spaces. The Teen/Senior Program from the Gerry Hyland Government Center relocated to the renovated space near the gym in spring 2020.

Wastewater and Stormwater Facility:
This co-located facility will combine the functions of the Stormwater Planning Division, Maintenance and Stormwater Management Division, Wastewater Planning and Monitoring Division, and Wastewater Collection Division to maximize efficiencies of all operations. The Maintenance and Stormwater Management Division's current site is restricted, and the facility is inadequate, outdated, and cannot accommodate the current and future staff required to support the stormwater program. The new facility will also address building and space deficiencies at the current Wastewater Collection facility. EDA bonds financed the project and Stormwater and Wastewater revenues will proportionately provide for the annual debt service requirements.

Other shared complexes in the planning stages include the Reston Town Center North redevelopment, the Judicial Complex redevelopment, the development of the Herndon Monroe Park and Ride/Herndon Monroe Metro Station Garage site, the Penn Daw Fire Station/Permanent and Supportive Housing/Affordable Housing at Beacon Hill and several other sites proposed for Affordable Housing.

Public Facilities/ Policy Plan Update

On July 14, 2020, the Board of Supervisors authorized a plan amendment to update the Public Facilities element of the Policy Plan to more closely align the CIP and the Comprehensive Plan. The Department of Planning and Development has been working closely with the Department of Management and Budget, the Office of Capital Facilities, as well as stakeholder agencies that are responsible for planning and implementing public facilities. The updated Public Facilities element of the Policy Plan will incorporate the Countywide Strategic Plan, One Fairfax Policy and other countywide policies to better align the Public Facilities element of the Comprehensive Plan and CIP.

Summary of Changes from FY 2022 CIP

In addition to the annual updates to capital projects approved by the Board of Supervisors as part of budget quarterly reviews and minor adjustments to bond project cashflow timelines based on actual project progress, the following changes are noted since the adoption of the FY 2022 – FY 2026 Adopted Capital Improvement Program.

Changes to the FY 2022 CIP	
Joint CIP Committee Recommendations	Although the FY 2023 budget does not fully dedicate the value of a penny of the Real Estate tax to the capital program as recommended by the Joint CIP Committee, it does begin to set aside funding for Paydown Projects for both the County and FCPS. An additional $5 million has been provided ($2.5 million each) in FY 2023. As part of the County allocation, funding of $1.0 million has been allocated to conduct feasibility studies for projects planned in the CIP to better define costs prior to voter approval, examine co-location opportunities and accelerate the pace of projects.
General Fund Capital Program	The proposed FY 2023 General Fund Supported Capital Program is proposed to increase $6,817,728 over the FY 2022 Adopted Budget Plan. Most of this increase is associated with funding of $3,948,694 for maintenance and snow removal previously budgeted in Agency 87, Unclassified Administrative Expenses. This funding is being moved to capital projects to provide more transparency and the carryforward of balances at year-end and has no net impact to the General Fund. In addition, the General Fund Supported Capital Program includes $2,500,000 associated with the Joint CIP Committee recommendations and $369,034 in other projects adjustments.
Self-Supporting Funds Capital Programs	Rates proposed in the FY 2023 Advertised Budget Plan will support proposed capital programs.
Changes to the Bond Referendum Plan	Most referenda are proposed to be delayed 2 years and program areas are proposed for voter approval every 6 years rather than every 4 years. This adjustment should help with the backlog of bonds needed to be sold and position the County to better take advantage of increased bond sale limits in the future.
Projects supported by EDA Bonds or Other Financing Methods	The proposed Original Mount Vernon High School Redevelopment project is scheduled for FCRHA bond support in FY 2023. Additional projects proposed during the 5 year CIP period include the Lake Accotink Dredging project, the Reston Town Center North Library/Community Space project and the Judicial Complex Redevelopment project.
Capital Sinking Fund	All Sinking Fund projects have been updated to reflect the allocations approved as part of the *FY 2021 Carryover Review*. The total amount approved for the Sinking Fund to date is over $89 million. It is anticipated that the Joint CIP Committee recommendation to increase the Sinking Fund and include FCPS in the allocation will be approved as part of the *FY 2022 Carryover Review*.

Future CIP Efforts and Challenges

The CIP evaluation process is evolving and must be adjusted annually to accommodate infrastructure conditions, regulatory mandates, and project cost factors. In addition, the CIP is developed based on the County values identified in the Strategic Plan and other social factors, such as equity and economic opportunity. The CIP process includes the One Fairfax Initiative in decision making. One Fairfax, a joint social and racial equity policy of the Fairfax County Board of Supervisors and School Board is an important factor in determining future capital projects. County and FCPS staff continue to work together to identify opportunities and strengthen the links between the two capital programs. Staff is also providing on-going project monitoring and will identify additional project funding required for previously approved building project budgets in order to support potential increases associated with inflation, supply chain issues, the Board of Supervisors' Sustainable Development Policy requirements, and the Prevailing Wage ordinance. Finally, staff will work to further address the recommendations of the Joint Board of Supervisors/School Board CIP Committee as approved in December 2021.