



CIP Overview and Annual Process

February 13, 2020
Planning Commission

Legal Basis for the CIP

The CIP is prepared pursuant to Article 5 of Section 15.2-2239 of the Code of Virginia, as amended, which reads:

“A local planning commission may, and at the direction of the governing body shall, prepare and revise annually a capital improvement program based on the comprehensive plan of the locality for a period not to exceed the ensuing five years. The commission shall submit the program annually to the governing body, or to the chief administrative officer or other official charged with preparation of the budget for the locality, at such time as it or he shall direct. The capital improvement program shall include the commission's recommendations, and estimates of cost of the facilities and the means of financing them, to be undertaken in the ensuing fiscal year and in a period not to exceed the next four years, as the basis of the capital budget for the locality. In the preparation of its capital budget recommendations, the commission shall consult with the chief administrative officer or other executive head of the government of the locality, the heads of departments and interested citizens and organizations and shall hold such public hearings as it deems necessary.”

Purpose of the CIP

- A guide for the efficient and effective provision of public facilities
- A five-year roadmap for creating, maintaining and funding current and future infrastructure requirements (Fairfax County's CIP includes an additional 5-year period, a 10-year perspective)
- Serves as a planning instrument to identify needed capital projects and coordinate the financing and timing of improvements
- Reviewed and revised annually based on current circumstances and opportunities (priorities may be changed due to funding opportunities or circumstances that cause a more rapid deterioration of an asset) as well as the needs of the community
- The CIP provides the framework for the County Executive, the Planning Commission and the Board of Supervisors for managing bond sales, investment planning and project planning

Linkages

- Fairfax County's capital project planning process has three essential components:
 - The Comprehensive Plan
(Long-term Element, 20-25 years)
 - The Capital Improvement Program
(Mid-term Element, 5-10 years)
 - The Capital Budget
(Short-term Element, 1 year)

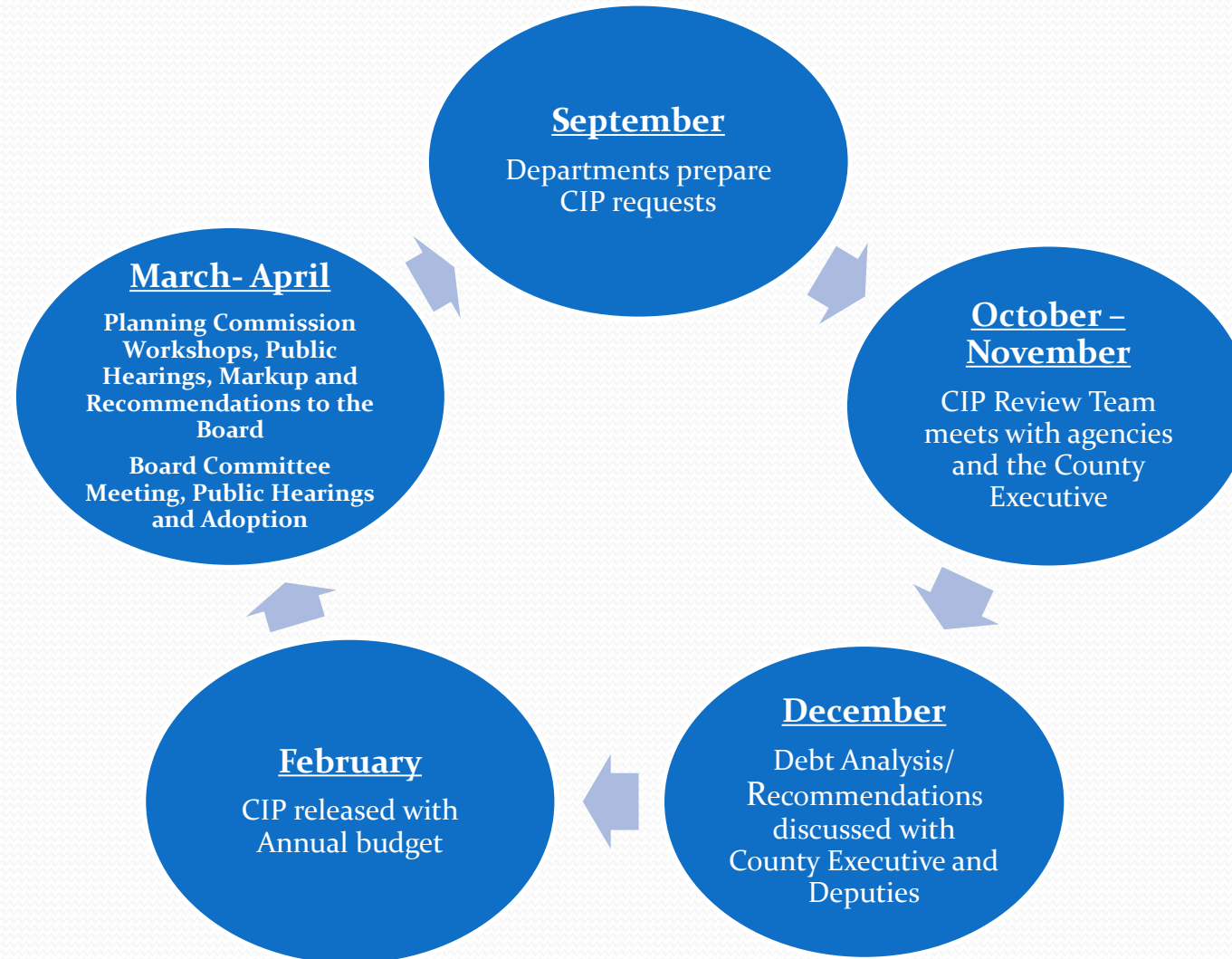
Principles of Sound Capital Planning

- Comprehensive Plan is the basis for capital planning
- Public participation in the CIP process is essential
- Criteria shall guide the selection and prioritization of CIP projects
- Guided by the principles of life cycle planning to ensure that long-term maintenance, renewal and replacement requirements are adequately addressed
- Includes the fiscal impact of each project and identifies unfunded capital requirements
- Supports the County's efforts to promote economic vitality and high quality of life and spur private reinvestment and revitalization
- Supports the development of affordable and effective multi-use public facilities as feasible
- Developed to provide facilities that are cost effective and consistent with appropriate best practice standards
- Executes projects as approved and scheduled (Value Engineering principles applied and changes in project scope, cost and scheduling are subject to close scrutiny)
- Guided by the County's adopted Ten Principles of Sound Financial Management

CIP Process

- The CIP is a key element in planning and controlling future debt service requirements
- In general, the first year of the CIP reflects annual project funding levels. Future year estimates are included but do not receive expenditure authority until they are approved by the Board of Supervisors
- Projects financed by Bonds reflect the estimated cash needed per year and help determine the level of annual bonds sales

CIP Annual Calendar



Options to Finance Capital Projects

- Paydown/Pay As You Go (PAYGO)
 - Cash provided to fund select projects
 - No debt incurred on a project
- Issuing Bonds
 - A form of borrowing commonly used by municipal and state governments and large corporations
 - A series of low face value promissory notes, usually of 1 to 30-year duration, at a fixed interest rate
 - Interest on municipal and state bonds may be tax-exempt from federal and state taxes
 - Spreads the cost over multiple generations
- Special Revenue funds
 - Self-supporting funds such as Sanitary Sewers, Stormwater fund capital improvements through revenues or user fees

CIP Development

- Rates for self supporting funds developed (Stormwater, Wastewater, Solid Waste) as part of the Annual Budget
- General Fund supported Capital Program developed as part of the Annual Budget
 - For several years the Annual Paydown Program has included the use of one-time savings identified at the Third Quarter or Carryover Reviews to fund the Program
 - Annual Baseline funding has not increased significantly
 - Sinking Fund established in FY 2014 has been extremely successful in bridging the gap and addressing major maintenance needs (approved as part of the Carryover Review by committing 20 percent of Carryover balances not needed for critical requirements)

General Obligation Bond Program

- The General Obligation Bond Referendum Plan is developed as part of the CIP and is based on priority projects and adherence to the *Ten Principles of Sound Financial Management*
 - Details the long-range facility plan, outlining specific projects and schedules
 - Includes County/FCPS bond referenda in alternate years
 - Includes FCPS bond referenda at \$360 million every other year, reflecting the current FCPS annual bond sales limit of \$180 million
 - Ensures that future plans are affordable and adhere to the *Ten Principles*
 - A more predictable plan for the Board, County agencies, and the public
 - Approval gives staff authorization to develop a Bond Resolution prior to the upcoming fall referendum

EDA Bond Program

- The Bond Program also includes some projects that are financed by Economic Development Authority (EDA) Bonds
 - Provides opportunities for the County to leverage public and private sector funds to advance major capital investments
 - Many of these projects do not coincide with a planned bond referendum year and often include complex financing with extensive development agreements or petitions initiated by landowners in specific areas in the County
 - Using this alternate financing method does not displace those projects already planned through a future General Obligation Bond Referendum and all prior and future EDA bond projects are included in the County's future year debt ratios
 - These projects are proposed annually in the CIP, discussed in budget committee meetings and in individual Board member briefings. A formal plan of finance is then formally approved by the Board of Supervisors

Agency Staff Process

- Agency staff prioritize capital projects based on their individual Capital Plans for facilities and infrastructure
- The CIP evaluation process is evolving to include not only infrastructure conditions, regulatory mandates and project readiness factors, but County values which will be identified through the Strategic Planning process and other social factors, such as equity and economic opportunity
 - All Agency staff will be working to link programs to the new Strategic Plan once approved by the Board (anticipating guidance from the Board on future CIP/SP links)
 - Staff are working to review project prioritization with a One Fairfax Equity Lens
 - Considering equity in all planning and decision making
 - Each agency's "Equity Lead" is currently building their understanding of equity concepts, considering opportunities for impact, determining intended results in the community and developing outcomes/metrics to be achieved
- Capital plans are discussed with the County Executive, Chief Financial Officer and CIP Review Team

CIP Review Team

- The CIP Review Team is comprised of technical staff from the Department of Management and Budget, Department of Planning and Development and the Department of Public Works and Environmental Services, with input from all user agencies
- Ensures that the CIP Adheres to the *Ten Principles of Sound Financial Management*
 - Statement of Board's commitment to the County's financial policies
 - Essential for maintaining the Triple A credit rating
- Reviews Agency requests
- Conducts analysis to ensure:
 - Debt to market value ratio is below 3% (currently 1.09 percent)
 - Debt to General Fund Disbursements is below 10% (currently 8.03 percent)
 - Total bond sales do not exceed \$300 million per year
 - Debt Service is affordable

Planning Commission Review Process

- Conducts Workshop for agencies to present their capital programs. Allows PC to hear details of agency prioritized capital programs and ask questions
- Reviews CIP for consistency with Comp Plan
 - The scope of Planning Commission review is to determine and comment to the Board of Supervisors on the consistency between the CIP projects and the adopted Comprehensive Plan, Policy Plan and its functional elements
- Provides an opportunity for the public to comment on the CIP
- Forwards recommendations to the Board of Supervisors regarding the CIP

Planning Commission Review Guidance

- Do projects in my District execute the goals and objectives of the Comp Plan? (CIP current and future projects are listed by functional area and by District)
- Do the proposed projects in the CIP support the goals of the community?
- Does the CIP meet the agency capital plan goals in a timely fashion?
- Are CIP projects consistent with the adopted capital improvement program?
- Do the projects in the CIP increase the efficiency of the service delivery?
- Does the project promote equity?
- Does the CIP support the County's efforts to encourage development of effective multi-use public facilities and co-located facilities?

Board of Supervisors Process

- Receive and provide feedback on capital projects and debt financing at Committee meetings
- Meet with staff on respective district capital projects and financing
- Consider staff recommendations for revisions to the County's *Ten Principles of Sound Financial Management*
- Review proposed County and School bond referenda
- Review proposed bond sales
- Approve the CIP

CIP Trends

- The County's infrastructure is aging and is requiring more reinvestment and capital renewal and less new construction
- Public Private Partnership opportunities continue to grow
- Economic redevelopment in the County is impacting CIP requirements
- Board of Supervisors has asked staff to consider shared-use of FCPS and County programs and co-location opportunities for complimentary County programs

Next Steps for CIP

- CIP on County website February 25
- PC CIP Committee Meeting February 27
- PC Workshop/Public Hearing March 12
- CIP Discussed at BOS Committee TBD
- PC CIP Committee Meeting March 26
- PC CIP Mark-up April 1
- BOS Public Hearings April 14,15,16
- BOS Mark-up/CIP Adoption April 28