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 February 25, 2008
County of Fairfax
Fairfax, Virginia 22035

Chairman and Board Members:

I am pleased to forward for your review and consideration the Fairfax County *Advertised Capital Improvement Program (CIP) for Fiscal Years 2009 – 2013, with Future Fiscal Years to 2018*. The CIP is an important document which is linked strategically to the Comprehensive Plan and the County's Budget. The CIP will be released concurrently with the FY 2009 Advertised Budget Plan and will be available on compact disc (CD).

During the development of this year's CIP, the following primary objectives were accomplished:

- Reviewed the County's current debt and bond referendum capacities to determine the resources available to support identified CIP projects;
- Developed a new Public-Private Partnerships section in the CIP to begin to address potential Public-Private Educational Facilities and Infrastructure Act (PPEA) proposals or other partnerships and their impact on current CIP projects;
- Deferred several capital projects based on both the increase in required staff workload and the limited availability of General Fund revenues to support operating costs associated with opening new and expanded facilities;
- Addressed the impact of new NVTA transportation funds and included a list of projects proposed for funding;
- Incorporated the September 24, 2007 resolution affirming cooperation between the County and Schools to coordinate planning and delivery of space for public facilities;
- Identified a portion of the funding required to address capital renewal needs at County facilities; and
- Provided a prioritized project list as a framework for future requirements.
- ***Next Steps include:***
    - Incorporating new Sustainable Building policies into CIP project development; and
    - Developing criteria regarding public investment for private revitalization, redevelopment and reinvestment.

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1. **Reviewed the County's Debt and Bond Referendum Capacities**
A review of the County's debt and bond referendum capacities is conducted annually. The FY 2009 – FY 2013 CIP includes a target on annual sales of $275 million per year. The ratio of debt to taxable property value is projected to remain less than 3.0 percent and the ratio of debt service to General Fund disbursements is projected to remain less than 10.0 percent. Continuing discussions with bond rating agencies have reaffirmed the importance of maintaining strict adherence to these principles. As of June 30, 2007, the ratio of debt to taxable property value was 0.89 percent and debt service to General Fund disbursements was 8.0 percent.

Proposed Bond Referenda

In order to better plan for the future, I have continued to identify County bond referenda every other year. During the 5-year CIP period, referendums are proposed for County projects in fall 2008, fall 2010, and fall 2012. The fall 2008 referendum is proposed to total $100 million and support the County Park Authority capital program ($50 million), the County's annual capital contribution to the Northern Virginia Regional Park Authority ($11 million), and other public facilities ($39 million); the fall 2010 referendum is proposed to total $120 million; and the fall 2012 referendum is proposed to total $192 million.

The public facilities portion of the fall 2008 referendum ($39 million) is included in the CIP for planning purposes; however, this portion of the referendum may need to be deferred based on the County's ability to support the associated additional debt service requirements. If debt capacity is available to fund this portion of the 2008 referendum, specific recommendations for projects will need to be refined in the next several months. The need for both new and renovated facilities far exceeds the funding available, thus a strenuous prioritization process will be required for projects

Fairfax County Public Schools have also planned a referendum every other year in keeping with a robust program for school improvements. Within the 5-year CIP period, School Bond referendums are planned for fall 2009 and fall 2011. The exact amounts have not yet been determined, but have been reflected at the $280 million level for planning purposes.

2. **Developed new Public Private Partnerships Section in the CIP**
This new section of the CIP consolidates all projects partially or completely financed through partnership agreements. Partnerships may be developed with private entities, regional, state or federal involvement. Procurements involving some form of partnership with private or public entities have provided great benefit to the County in education, transportation, public safety and other areas. Undertakings that are being funded primarily through such partnerships are collected in this new section of the CIP to provide a more comprehensive view of partnership activity in the County. Many of these partnerships are a direct result of the passage of the Public-Private Partnership for Educational Facilities and Infrastructure Act (PPEA) in 2002. Since then, the County has been engaged in various analyses and negotiations of significant capital projects, both solicited and unsolicited. Currently, the County is reviewing and negotiating a number of projects that are expected to provide significant benefits when complete.

As part of last year's CIP, the Board adopted new guidelines for review of unsolicited PPEA proposals. This guidance provides additional project screening criteria and is primarily aimed at assisting the County in determining the desirability of the PPEA project in light of the County's current CIP, the affordability of the project within debt guidelines, and the unique benefits of the project's financial proposal being provided to the County.

As noted in my January 28, 2007 memorandum to the Board of Supervisors, due to the significant resources required to review and analyze these proposals and to engage in negotiations on them, it is my intention to return unsolicited PPEA proposals, unless it can be demonstrated with minimal analysis that the project provides a significant contribution to near term CIP goals, a significant savings to the General Fund, or a significant positive effect on our debt capacity. This action will not affect our ability to undertake solicited PPEA proposals or to respond to future Board priorities.

3**. Deferred several CIP projects**

I have also recommended the deferral of several capital projects based on significant workload increases within the Department of Public Works and Environmental Services, as well as the impact of the operating cost requirements related to opening new and renovated/expanded facilities. The Office of Capital Facilities is experiencing recruitment difficulties and operating with only 70 percent of Engineering staff positions filled. Current staff is working at maximum levels with increased workloads based on the passage of the last several County bond referendums which include, but are not limited to, projects such as: Wolf Trap Fire Station, Reston Police Station, Mclean Police Station, Fair Oaks Police Station, Great Falls Volunteer Fire Station, West Ox Animal Shelter Renewal, Burke Center Community Library, Richard Byrd Community Library, Thomas Jefferson Community Library, Dolly Madison Community Library, Martha Washington Community Library, projects associated with the 2004 Human Services Bond Referendum, various PPEA proposals and a variety of transportation projects associated with the passage of the Fall 2007 Transportation Bond Referendum. Work also continues on two of the largest County construction projects, the McConnell Public Safety and Transportation Operations Center (MPSTOC), and the Jennings Judicial Center Expansion/Renovation project. In addition, operating cost increases are anticipated with the opening of many of the new or expanded facilities and General Fund monies may not be available in the next several years to support these additional costs.

Where possible, I have let natural delays in project construction slow progress and have taken action to delay the following projects, not yet under construction.

- Wolftrap Fire Station – delayed 2 years
- Reston Police Station – delayed 2 years (natural delay has occurred pending the results of the North County land study)
- McLean Police Station – delayed 1 year
- Fire and Rescue Academy – delayed 9 months
- Newington DVS Garage – delayed 6 months

4. **Addressed the impact of new NVTA Transportation funds**

As you know, transportation legislation and federal public transportation grants continue to change the way that Fairfax County programs and implements transportation projects. With the April 4, 2007 General Assembly passage of House Bill 3202 (HB 3202), and the taxing authority granted to the Northern Virginia Transportation Authority (NVTA), over $300 million per year will be dedicated for Northern Virginia. From these funds, NVTA will set-aside $25 million annually for VRE operating and capital expenses and $50 million for Metro capital expenses. It will utilize 60 percent of the balance of raised funds for regional projects, and will return the remaining 40 percent to the jurisdiction where the funds were raised. The <u>FY 2009 Advertised Budget Plan</u> includes a projected $60.0 million in revenue associated with the 40 percent returned to Fairfax County from this NVTA distribution. In addition, HB 3202 enables Northern Virginia jurisdictions to increase the commercial real estate tax, which was previously held to the same value as the residential real estate tax, by as much as 25 cents per $100 assessed value in support of transportation. The <u>FY 2009 Advertised Budget Plan</u> includes a recommended commercial real estate tax rate increase of 12 cents which will generate a projected $52.8 million.

Additional revenue from these sources presents a unique opportunity for the County to accelerate the implementation of projects on its long term transportation plan and address transportation requirements that have been long unaddressed due to funding constraints. The CIP includes a preliminary list of transportation projects planned for FY 2008, FY 2009, and FY 2010 combined.

In addition, it is my belief that in the next several years the County may need to begin reviewing the possibility of taking responsibility for road maintenance, currently the responsibility of the Virginia Department of Transportation (VDOT). This would have a significant impact on County resources and planning should begin early to consider the most appropriate course of action.

5. **Incorporated new County and School resolution**
On September 24, 2007 the Board of Supervisors adopted a resolution to affirm cooperation between the Fairfax County Board of Supervisors and the Fairfax County School Board to coordinate planning and delivery of space for County and school services in their respective facilities. In order for administrative, maintenance, and educational facilities to provide services in the most cost effective, efficient, and customer friendly manner possible, collocation of services within both County and School buildings offers the potential to reduce administrative, construction, and maintenance costs. During the development of this year's CIP, discussions began between County and School staff to consider joint and compatible uses for recommendation to both Boards. It is my intention to formalize this approach in the coming year and include the Park Authority in order to share and consider the mutual benefit of all three parties. This resolution has been incorporated into the FY 2009-FY 2013 CIP.

6. **Identified a Portion of the Funding Required to Address Capital Renewal**
As you know, the County infrastructure is aging and the renewal of the County's building subsystems such as roof replacement, plumbing, and HVAC/electrical systems requires increasing attention. Excluding schools, parks, revenue facilities, leased space, housing and human services residential facilities, Fairfax County currently owns and manages 170 buildings with approximately 7.8 million square feet of space. With such a large inventory, and the possible construction and acquisition of additional space, it is important that a program of facility repair and renewal be adequately supported.

At the end of 2007, an estimated 58 percent of County maintained facilities were over 20 years old. Based on the inventory age, an estimated $22-25 million is required annually for reinvestment in building sub-systems. Due to budget constraints, the FY 2009 budget for the capital renewal program is approximately $7 million. As the County's facilities continue to age, additional funding must be identified to avoid system failures that disrupt County services. In recent years, the capital renewal program has been supplemented by bond funding. For instance, the fall 2004 bond referendum for libraries and human service/juvenile facilities included $5.0 million in general obligation bonds for capital renewal efforts. The fall 2006, public safety bond referendum included an additional $14.0 million to address capital renewal for major system upgrades at older public safety and court buildings. I remain committed to addressing capital renewal requirements for aging facilities by including funding for prioritized renewal in the annual Paydown program and including renewal funding in planned bond referendums as appropriate.

7. **Provided prioritized project list as a framework for future requirements**
Although the CIP is a strong planning tool, it must also provide the Board of Supervisors with the ability to further prioritize projects and schedules. It is recognized that funds will be extremely limited in the next several years, and capital project requirements must be prioritized.

Overall, approximately 119 capital projects (i.e., fire stations, libraries, human service facilities) and capital programs (i.e., athletic field maintenance, dam safety programs) have been identified for future requirements beyond the 5-year CIP period. Of this amount, preliminary order of magnitude cost estimates have been developed for approximately 65 percent or 77 projects and programs. For planning purposes, these preliminary order of magnitude estimates indicate a projected requirement of over $978 million. Concept design for the remaining 35 percent of the projects and programs is required and if possible, cost estimates are being developed. Cost estimates for long-term CIP projects are based on preliminary project descriptions provided by the requesting agency and assumed site locations, and include estimated costs for land acquisition, permits and inspections, project management and project engineering, consultant design, construction, utilities, fixed equipment, and information technology infrastructure. Preliminary scoping and concept work have not been completed for these projects and estimates are in today's dollars. Therefore, each estimate is considered an Estimate - No Scope, No Inflation (ENSNI). It is expected that total funding requirements will grow as these cost estimates are refined.

8. **Next Steps for the CIP**

Even as the current CIP is being released, staff is working on next steps for CIP development in future years. Two significant issues currently in progress are the incorporation of the sustainable development polices into the CIP and policies for reinvestment in revitalization areas.

Sustainable development

On February 11, 2008, the Board of Supervisors adopted a Sustainable Development Policy applicable to building development projects. The purpose of the Sustainable Development Policy is to demonstrate the Board's commitment to environmental, economic, and social stewardship through sustainable development practices for County facilities and buildings. This Policy is intended to further the County's established goals for environmental stewardship as defined by the Board's Cool Counties Initiative, the Environmental Agenda, the County Vision Element for Environmental Stewardship, and the Comprehensive Plan goals for Environmental Protection and Energy Conservation. In keeping with these established County goals, the Policy provides a framework to preserve natural resources; to meet or exceed federal, state and local standards for water quality, ambient air quality and other environmental standards; to promote energy efficiency and energy conservation; to seek ways to use all resources wisely and to protect and enhance the County's natural environment and open space. The Policy also provides a framework within which to yield cost savings to County taxpayers through reduced operating costs; to provide healthy work environments for County employees and visitors to County facilities; to protect, conserve and enhance the region's environmental resources; and to help establish a community standard of sustainable development in Fairfax County. This Policy establishes the Leadership in Energy and Environmental Design (LEED) program and rating system as the standard for design, construction, renovation, and operations of County facilities and buildings.

Consistent with the project scope and intent as identified in the approved CIP, this Policy is intended to be implemented and ensure cost effective implementation of sustainable development principals. The LEED sustainable development principles and existing County goals and policies shall be evaluated and implemented using the most cost effective means to achieve the appropriate balance of environmental benefits. The impact to County capital projects is estimated to result in a 2-4 percent increase in CIP costs. Some of this cost can be absorbed within existing contingencies depending on other factors (escalation, site issues, changing requirements) and future project cost estimates will include this cost impact.

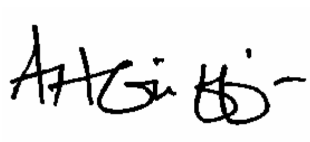
Public Investment for Private Revitalization/Redevelopment/Reinvestment

Staff is currently working to develop policies/guidelines should the Board of Supervisors wish to pursue public financing options to assist in implementation of private redevelopment proposals. Timely implementation of plans to achieve the County's vision for redeveloping its commercial areas will be dependent to a significant extent upon whether the County is willing to expend public funds toward these improvements. Guidelines may include a review of the following: Potential liability to the County; Expected level of sureties to protect the County; Impact on the County's bond rating; Relationship to County's debt capacity; Tangible and intangible benefits to the County; Return on investment and an analysis of which financing tools are best used in which circumstances.

Conclusion

I believe the County's proposed FY 2009 – FY 2013 CIP will continue to provide substantial benefits to the County's financial and comprehensive planning efforts and provide a course for continuing to address the County's capital requirements, managing existing capital facilities, and completing important new capital projects. Your action on this five-year program will provide the guidance necessary for the efficient and timely provision of services to the citizens of Fairfax County. I look forward to working with the Board of Supervisors, boards and commissions, the County staff, and the community to complete this important work.

Respectfully submitted,



Anthony H. Griffin
County Executive