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 28, 2012

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 2013 – 2017, with Future Fiscal Years to FY 2022*. The CIP is being released concurrently with the FY 2013 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 debt capacity in order to manage bond sales and the associated debt service payments within projected General Fund availability;
- Reviewed bond referenda schedules in light of critical requirements and projected resources;
- Developed a limited Paydown Program including funding to address Americans with Disabilities Act (ADA) compliance and other critical requirements;
- Continued to address and monitor capital renewal requirements based on the FY 2011 Board approval of a 3 year Short-Term Borrowing Plan to finance the program;
- Increased the Stormwater Service District Rate from $0.015 to $0.025 per $100 of assessed real estate value to continue to address increased stormwater management requirements; and
- Provided a prioritized project list as a framework for future requirements.

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1. **Reviewed the County's Debt Capacity**

A review of the County's debt capacity is conducted annually. The FY 2013 – FY 2017 CIP continues the annual sales target 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 assuming revenue levels as projected in the County Executive's Advertised budget. As of June 30, 2011, the ratio of debt to taxable property value was 1.25 percent and debt service to General Fund disbursements was 8.54 percent. The County's self imposed limit of 10 percent is designed to maintain a balance between essential operating program expenditures and those for capital needs while preserving the County's AAA credit rating. Rating reports for Fairfax County bonds, continue to mention the County's financial and debt management guidelines as strengths in achieving a AAA credit rating.

This debt analysis also included all projects proposed to be financed by Economic Development Authority (EDA) facility bonds. There are two large projects that are currently in the design phase for which construction funding will be financed using EDA bonds. The Public Safety Headquarters building is proposed to replace the Massey Building, which was constructed in 1967. The Massey building currently houses Public Safety staff and has many inefficiencies including obsolete building subsystems which caused two failures in 2009 that required staff in the building to vacate and relocate. An analysis of available private sector buildings was conducted and staff is now proceeding with a land development analysis of the B1 site at the Government Center Campus as a possible location for a replacement facility. The Willow Oaks (Mid-County) Human Services Center project includes the design and construction of a 200,000 square foot replacement facility for the current Woodburn Mental Health Center and a consolidation of Community Service Board programs currently located in lease space.

In addition, the FY 2013 CIP continues to provide the Fairfax County Public Schools (FCPS) with bond sales of $155 million for the entire five year period. In FY 2012, the FCPS bond sale amounts were increased from $130 million to $155 million. The School Board has requested an additional $25 million from $155 million to $180 million in annual bond sale capacity beginning in FY 2014. Given the current fiscal situation and the fact that the County continues to move closer to the 10 percent debt ratio limit, I do not believe there is room for significant changes to bond sales and have recommended level sales of $155 million per year over the 5-year CIP period for FCPS.

Although the County's real estate market is stabilizing, slow growth is expected for several years. This slow growth in General Fund revenues directly impacts the County's ability to support increasing debt service requirements. The FY 2013 CIP projected bond sales support the continuation of the current approved program and existing projects are progressing. However, it should be noted that any significant additions to the planned bond program would require additional General Fund support for debt service.

2. **Reviewed Bond Referenda Schedules**

Based on the current bond program analysis, I am recommending County bond referenda of $130 million in fall 2012 (FY 2013) to address increasing requirements at our parks and public facilities and $100 million in fall 2014 (FY 2015) to support the County's road construction program.

Specifically, the fall 2012 County bond referendum is proposed to include the following programs: $50 million for parks, including $12 million to support $3 million per year over a 4 year period for the County's capital contribution to the Northern Virginia Regional Park Authority (NVRPA) and $38 million for the County Park Authority; $55 million for prioritized Public Safety facilities (Herndon Fire Station, Bailey's Fire Station, Jefferson Fire Station and renewal of 22 existing Courtrooms); and $25 million for prioritized Library renovation projects.

I have also recommended maintaining a steady level of support for FCPS in the CIP period, with referenda of $250 million planned every other year. Within the 5-year CIP period, a referendum is proposed for FCPS in fall 2013 (FY 2014) and fall 2015 (FY 2016).

Proposed Fall 2012 Referendum

Parks

In FY 2004, to address a growing population and evolving recreation desires of County residents, the Park Authority implemented a comprehensive Needs Assessment study that resulted in a 10-Year Action Plan, including a 10-year Capital Improvement Program. Indexed for inflation and adjusted land values, completion of this Plan requires $435 million. This amount includes funding required over the next 10 years to address the decline of facilities and infrastructure due to age, high usage, and limited resources to perform required life-cycle maintenance. The Needs Assessment was a significant part of the justification for the 2004, 2006, and 2008 voter approved park bond referendums totaling $155 million. "Great Parks, Great Communities," a comprehensive park planning effort to develop district-level long range plans, was initiated in 2007 and will continue to serve as a guide for future park development and resource protection to better address changing needs and growth forecasts through 2020. An amount of $38 million is proposed in the fall referendum to continue to address these requirements.

In addition, FY 2012 represented the last year of a four year bond program to sustain the County's contribution to the NVRPA capital budget for fiscal years 2009 through 2012. The fall 2012 bond referendum is proposed at $12.0 million to sustain the County's capital contribution to the NVRPA for an additional four years, beginning in FY 2013.

Public Safety

An amount of $55 million, including $35 million for three aging fire stations and $20 million to renovate 22 courtrooms at the Jennings Judicial Center is also proposed for fall 2012. The Bailey's Crossroads ($9 million), Jefferson ($14 million) and the Herndon ($12 million) Fire Stations are all aged facilities, requiring replacement of major building subsystems such as HVAC and electrical systems, which have reached the end of their useful life. In addition to the outdated major building systems, the building envelope systems and other infrastructure are aged and outdated, and the existing fire station spaces and layout are outdated. As a result, the three stations will be replaced to enable the Fire and Rescue Department to meet current operational requirements including equipment bays that provide the flexibility for future equipment, living and operations areas for larger station staff, and bunkroom and locker facilities for female personnel.

In addition, funding of $20 million in bond support is proposed to renovate 22 of the existing courtrooms within the original portion of the Jennings Judicial Center which were not renovated as part of the Judicial Center Expansion/Renovation Project. The original Jennings Building was completed in the early 1980's and the courtrooms have been in constant use by the public since that time. To keep them operational and enhance

efficiencies, these courtrooms require improved lighting, ductwork realignment, ADA upgrades, carpeting, wall and ceiling replacement/repairs, refinishing of the gallery benches, installation of security system elements, renovation of the jury rooms and technology upgrades.

Libraries

Four of the County's libraries are recommended to be renovated and are included on the fall 2012 referendum, including Pohick Regional ($5 million), John Marshall Community ($5 million), Tysons Pimmit Regional ($5 million) and Reston Regional ($10 million). Reston Regional Library is being considered for possible relocation. These existing facilities were built between 1974 and 1986 and are in need of renovations to meet the needs of the community and prolong the life of building and building subsystems. Renovations will provide for a more efficient layout and use of the available space, upgrades to the building systems for operations and energy efficiency, and updates to the power and technology capacity for more public access computers and wireless networking to meet the technological demands of patrons.

3. **Developed a Limited Paydown Program**

Once again a limited Paydown Program in the amount of $15,952,806 has been included in FY 2013. This level of support reflects a slight increase of $175,842 over the FY 2012 Adopted Budget Plan level of $15,776,964. General Fund support was reviewed critically on a project by project basis and funding was provided for only the most essential maintenance projects and legally obligated commitments.

One significant requirement in FY 2013 is funding of $3.0 million to continue to address Americans with Disabilities Act (ADA) improvements identified by the Department of Justice (DOJ) audit. In May and June 2007, the DOJ conducted an audit of County government facilities and programs to determine compliance with the Americans with Disabilities Act (ADA). DOJ has been conducting audits of various governments and private facilities across the country for the past decade, and Fairfax County was part of this national audit. The DOJ presented the County with the audit results in August 2009. The audit covered 78 buildings in the County and listed approximately 2,100 improvements as well as approximately ten program areas which needed adjustments in order to comply with the ADA. These improvements ranged from updating emergency management procedures, web-based services, and general communication procedures, to improving access to buildings, parking garages, restrooms and elevators. Identified improvements have been categorized by color: easy, inexpensive (green); more timely and costly (yellow); and difficult, time consuming, and/or expensive (red). In addition, the County and parks are required as part of the agreement to perform assessments at all remaining facilities. These assessments are currently being conducted and will result in increased retrofitting requirements. FY 2013 funding will continue to address green and yellow categories at both County and Park facilities. Future funding for red category projects and requirements resulting from the facility assessments will be required in the next several years.

Other funded programs include: Athletic Field Maintenance of $4.64 million; Park Authority Grounds, Building and Equipment Maintenance of $1.47 million; continued revitalization maintenance and support of $0.92 million; funding associated with the County's Environmental Improvement Program of $0.35 million; ongoing development such as Laurel Hill development, emergency road repairs and developer defaults of $1.93 million; and obligations and commitments to the School-Age Child Care (SACC) program, the Northern Virginia Community College, and the annual Salona property payment of $3.64 million.

4. Continued to address County Capital Renewal Requirements

The County infrastructure continues to age and the renewal of building subsystems requires increasing attention. In FY 2013, the County will have a projected facility inventory of over 8.7 million square feet of space which requires the planned replacement of building subsystems such as roofs, electrical systems, HVAC, plumbing systems, carpet replacement, parking lot and garage repairs, fire alarm replacement and emergency generator replacement that have reached the end of their useful life. In FY 2011, the Board of Supervisors approved a 3-year short-term borrowing plan to address renewal backlogs. A total of $35 million over 3 years is available to eliminate the current backlog. This should allow for a more preventative and proactive maintenance program, increase the life cycle of County buildings, and enable the renewal program to reach a fairly consistent level of annual funding.

Borrowing will be based on actual project completion schedules and cash flow requirements and will be achieved through the establishment of a variable rate line of credit in order to take advantage of very low short-term interest rates. Short-term borrowing for capital renewal has been included in the debt capacity estimates in the CIP and can be accommodated within established debt limits for general fund supported debt.

5. Increased the Stormwater Service District Rate to Continue to Address Increased Stormwater Management Requirements

In FY 2013, I am proposing that the stormwater service rate increase by $0.010 for a total of $0.025 per $100 of assessed real estate value. The current stormwater service rate of $0.15 per $100 of assessed real estate value has been in place since FY 2011. A rate increase is required to meet the increasing federal and state regulatory requirements pertaining to the Municipal Separate Storm Sewer System (MS4) Permit, and State and Federal mandates associated with the Chesapeake Bay.

As you know, the County is required by Federal Law to operate under the conditions of a state issued Municipal Separate Storm Sewer System (MS4) Permit, which allows the County to discharge stormwater into state and federal waters. The current permit was issued in 2002 and expired in 2007, and the County has been operating under a state issued administrative extension, while the state and the EPA agree to new permit requirements. A draft permit has been prepared for the County which indicates that significant enhancements to all facets of the program will be required.

It should be noted that the FY 2013 budget recommendation is a phased approach for funding and staffing to support the anticipated regulatory increases. The FY 2013 levy of $0.025 will generate $49.75 million, supporting $14.59 million for staff and operational costs, and $35.16 million for capital project implementation and infrastructure reinvestment, regulatory requirements, dam safety and facility rehabilitation, stream and water quality and emergency flood response. This dedicated capital funding support will allow the County to implement capital projects in a more efficient manner and begin to address state and EPA stormwater requirements.

6. Prioritized Project List as a Framework for Future Requirements

Although the FY 2013 CIP continues to be constrained by the fiscal environment in the County, it is a strong planning tool, providing a list of prioritized projects for future consideration. Looking ahead to the future, the County's capital program will be challenged by several future developments, some of which include:

- Funding for the Dulles Rail project is moving forward in two phases. Fairfax County's share of Phase I, in the amount of $400 million, will be primarily funded through a special transportation improvement district established in 2004. The current tax rate for the Phase I district is $0.22 per $100 of assessed value. For Phase II, landowners in the western part of the rail line petitioned the County to

form a special district to provide up to $330 million. The special tax to provide financing for construction started at an initial tax rate of $0.05 per $100 of assessed value for FY 2011, with annual increases of $0.05 until the rate reaches $0.20 per $100 of assessed valuation in FY 2014. The tax rate for FY 2013 will be $0.15 per $100 of assessed value. The balance of the funds owed by the County, for both phases of the project, are expected to be paid from future commercial & industrial tax revenues or another source as determined by the Board of Supervisors.

- Staff is continuing to assess the requirements associated with the Tyson's Corner redevelopment plan which includes proposals for mixed-use development clustered around the four Metro stations with infrastructure connections such as a network of trolleys, sidewalks, and bike paths. The redevelopment plan will result in infrastructure requirements including transportation networks, stormwater management facilities, public safety support and a variety of other support structures. Staff is evaluating both the capital infrastructure and operating requirements associated with this proposed development. Funding these requirements will present an extraordinary challenge in the coming decades. A certain amount of investment in public infrastructure will be necessary both up front and in concert with private sector investment to create an environment that will encourage development at a reasonable pace. The Planning Commission is currently holding a series of meetings/hearings on the issue of public and private infrastructure improvements to develop recommendations for the Board of Supervisors expected to be ready Spring 2012.

- With anticipated population growth of almost 100,000 or 9 percent by 2025, cost-effective transportation throughout the County will continue to be one of the most pressing needs and challenges. Fortunately, the Board continues to financially support and meet these challenges by way of sound policy decisions and allocation of resources. Staff has developed a comprehensive inventory of all identified needs including transit, roads, and pedestrian initiatives and has noted $3.0 billion in transportation improvements over the next decade. Staff is currently working on a transportation plan for the Board of Supervisors' consideration. The details of this plan will be formally included in the FY 2014 CIP. In addition, there is the possibility of devolution, that is, the refusal of the state to fulfill its obligations to provide maintenance of our secondary roads. If local jurisdictions are left to absorb these costs, it would result in an enormous obligation for Fairfax County with no clear funding source. The careful, deliberate development of transportation plans with associated funding sources has proven to be an extremely effective model in the past and one that will need to be maintained in the future to continue to make progress.

- Additionally, I have long been concerned about the maintenance requirements associated with the County's existing transportation related infrastructure. Annual funding for this maintenance has been available to perform repairs on a complaint basis only, and has been limited to addressing only emergency and safety related requirements. The Department of Public Works and Environmental Services (DPWES) is responsible for maintaining approximately 220 miles of asphalt trails, 420 miles of concrete sidewalk, 65 pedestrian bridges, 17 miles of roadway service drives, and 4 miles of unimproved roads. Maintenance service levels have significantly fluctuated within these various maintenance programs based on funding constraints. In FY 2013, I have included an amount of $200,000 to perform a condition assessment of existing trails, sidewalks, roadways and service drives maintained by the County. Currently, this critical pedestrian transportation network does not have an accurate condition assessment. This assessment will more accurately predict future financial needs, and create a more proactive reinvestment program to replace the current complaint/failure driven program delivery.

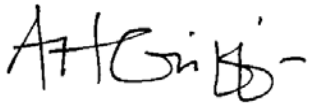
- Finally, County staff is also reviewing the potential for a future Fairfax County Conference Center in the Tysons Corner area. The facility construction would be financed by the County and the operations of the facility would be contracted out to a private entity. The County could request an increase in the Transient Occupancy Tax (ToT) from four percent to six percent to cover the annual debt service costs associated with facility construction. The ToT increase would be subject to legislative approval from the General Assembly.

In addition, approximately 100 capital projects (i.e., fire stations, libraries, human service facilities) and capital programs (i.e., upgrading streetlights, facility security upgrade programs) have also 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 57 percent. For planning purposes, these preliminary estimates indicate a projected requirement of over $779 million. Concept design for the remaining projects and programs is required and when 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.

Conclusion

I believe the County's proposed FY 2013 – FY 2017 CIP reflects a constrained program which continues efforts on the current program, addresses both FCPS and County critical bond requirements, addresses increased requirements for stormwater management, and identifies some of the future capital construction challenges facing the County. The CIP provides 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 5-year program will provide the guidance necessary for the efficient and timely provision of services to the citizens of Fairfax County.

Respectfully submitted,



Anthony H. Griffin
County Executive