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 26, 2013

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 2014 – 2018, with Future Fiscal Years to FY 2023*. The CIP is being released concurrently with the FY 2014 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. County staff are beginning to fine tune and prioritize projects for inclusion in the fall 2016 public facilities referendum;
- Continued to monitor the requirements for facility Capital Renewal and plan for other infrastructure maintenance requirements;
- Developed a limited Paydown Program including funding to address Americans with Disabilities Act (ADA) compliance and other critical requirements;
- Maintained the Stormwater Service District Rate at $0.020 per $100 of assessed real estate value. Over the next year a 5-year rate plan to address increased stormwater management and staff requirements will be developed; 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 2014 – FY 2018 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 the revenue levels projected in the County Executive's Advertised budget. As of June 30, 2012, the ratio of debt to taxable property value was 1.32 percent and debt service to General Fund disbursements was 8.43 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. The County's most recent General Obligation bond sale yielded one of the lowest interest rates in the County's history with a rate of 2.23 percent. The rating agencies continue to mention the County's financial and debt management guidelines as strengths in achieving the AAA credit rating.

This year's debt analysis also included all projects proposed to be financed by Economic Development Authority (EDA) facility bonds. There are currently three projects 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 requiring staff in the building to temporarily relocate. This project is currently in the preliminary design phase and is expected to reach construction in 2014. The 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. Finally, the Providence Community Center, a new 30,000 square foot facility, including the Providence District Supervisors Office, will be built on a site that was proffered by the Metro West developer, and is funded through a combination of proffered funds and EDA bonds. The EDA bonds for both the Mid-County Human Services Center and the Providence Community Center were issued on May 15, 2012.

In addition, the FY 2014 CIP continues to provide the Fairfax County Public Schools (FCPS) with bond sales of $155 million for the entire five year period. In FY 2007, the FCPS bond sale limit was temporarily raised from $130 million to $155 million for a 6-year period in exchange for the return of surplus school property to County control. In FY 2012, at the end of the 6 year period, the Board of Supervisors approved the continuation of $155 million as the annual level of support. The School Board has requested that the Board of Supervisors increase their capital bond sale limit by $25 million, from $155 million to $180 million per year, effective in FY 2015. This would enable renovations and construction to be completed sooner in order to accommodate the growing number of students and to address the schools in significant need of renovation. 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 2014 CIP projected bond sales support the continuation of the current approved program and existing projects are progressing. However, the entire capital/debt program is reviewed annually and FY 2015 will again include a review of both County and School requirements and sales limits.

2. **Reviewed bond referenda schedules**

The FY 2014 CIP continues the practice of scheduling County and School bond referenda on alternate years. As you know, the voters approved a fall 2012 referendum for County projects in the amount of $185 million including $25 million for Library facilities $55 million for Public Safety facilities, $63 million for Parks, $12 million for the Northern Virginia Regional Park Authority capital program, and $30 million for Stormwater. I am recommending County bond referenda of $100 million in fall 2014 (FY 2015) to support the County's road construction program and fall 2016 (FY 2017) in the amount of $250 million. Staff is currently working to prioritize requirements throughout the County and to enhance the CIP planning process to include a more robust review of capital needs and their potential impact on the County's operational budget. Staff has already begun to analyze and study several facilities for improvement and/or expansion, such as the development of the North County area of the County, the location for a Community Center in the Lorton area, the expansion of the Boys Probation House, improvements to the Adult Detention Center security system, improvements to the Courthouse records and computer center, and the renovation of several Police and Fire Stations which are requiring increasing attention to building subsystems. In addition, projects will be prioritized based on the need for facilities in the Tysons area.

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), fall 2015 (FY 2016), and fall 2017 (FY 2018).

3. **Continued to monitor the requirements for facility capital renewal and plan for other infrastructure maintenance requirements**

The County infrastructure continues to age and the renewal of building subsystems requires increasing attention. In FY 2014, the County will have a projected facility inventory of 8.8 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. The 3-year plan was designed to eliminate the backlog and enable staff to determine the required level of annual funding for the program in the future. The Facilities Management Department (FMD) continues to work on this $35 million backlog. Many of these backlogged capital renewal projects required multiple years to complete both design and construction and many are still underway. In addition, current staffing levels, the complexity of some of the projects, and staff requirements in other areas has delayed the completion of renewal projects.

Project Management staff has been involved in several time intensive programs which have reduced their capacity to work on capital renewal projects. FMD staff has been heavily involved in the retrofitting of County facilities to meet Americans with Disabilities Act (ADA) requirements. These improvements, required as part of the Department of Justice (DOJ) audit and identified in the settlement agreement signed by the Board of Supervisors on January 28, 2011, are in various stages of completion. In addition, FMD staff has also been working to complete project associated with an Energy Efficiency and Conservation Block Grant (EECBG) awarded to the County as a result of the American Recovery and Reinvestment Act of 2009 (ARRA). Some of these projects included: heating, ventilation and air conditioning systems, energy management control systems and lighting and lighting control systems.

Based on this additional workload, capital renewal project completion has fallen behind. In FY 2014, no additional funding is included and staff will work to complete existing projects and develop a plan to address future renewal needs on an annual basis.

In addition, the maintenance of transportation related infrastructure continues to be a challenge for the County. Reinvestment is becoming more critical as existing infrastructure ages and additional infrastructure is required in areas such as Tysons. Maintenance service levels have significantly fluctuated based on funding availability. Repairs are often performed on a complaint basis only, and are limited to addressing only emergency and safety related requirements. Staff is working to develop a plan to fully identify and fund the on-going needs for operational maintenance as well as renewal and replacement efforts. It is anticipated that the plan will include the development of a better inventory, condition assessments and future funding plans for all transportation operations, including: commuter rail stations and park and ride lots, bus transit stations, bus shelters, roads and service drives not currently maintained by VDOT, trails, sidewalks, street name signs and landscaping services within Commercial Revitalization districts. The County is currently responsible for approximately 279 bus shelters, 4 miles of unimproved roads, 17 miles of service drives, 38,000 street signs, 653 miles of walkways, and 64 pedestrian bridges. Without the proper maintenance, repair costs escalate, customer service levels deteriorate and redevelopment efforts can be negatively impacted.

Through the years, the County has maximized efforts to reduce maintenance costs by employing the Community Labor Force, designing projects with more durable and longer lasting materials, and increasing natural landscaping. In FY 2013, funding was provided to conduct a condition assessment of trails, sidewalks and pedestrian bridges in the County. The results of this assessment are nearly complete and will provide condition ratings for all walkways in the County inventory as well as initial cost estimates for both reinvestment and on-going maintenance. Staff hopes to conduct a similar condition assessment of County-owned roads and service drives in the near future and present a comprehensive plan for on-going maintenance to the Board of Supervisors within the next year.

4. **Developed a limited Paydown Program**

A limited Paydown Program in the amount of $13,933,202 has been included in FY 2014. This level of support reflects a decrease of $1,504,604 from the FY 2013 Adopted Budget Plan level of $15,437,806. 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 2014 is funding of $3.0 million to continue to address Americans with Disabilities Act (ADA) improvements identified by the Department of Justice (DOJ) audit. The DOJ conducted an audit of County government facilities and programs to determine compliance with the Americans with Disabilities Act (ADA) and presented the County with the 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 2014 funding is supported by a General Fund transfer of $1.9 million to continue to address County projects managed by FMD. It should be noted that a transfer of $1.1 million from Fund 80300, Park Capital Improvement Fund is also included to support Park projects. Future funding for requirements resulting from the facility assessments will be required in the next several years.

Other funded programs include: Athletic Field Maintenance of $4.65 million; Park Authority Grounds, Building and Equipment Maintenance of $1.27 million; revitalization maintenance of $0.40 million; funding associated with the County's Environmental Improvement Program of $0.50 million; ongoing development such as Laurel Hill development, emergency road repairs and developer defaults of $1.3 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 $3.91 million.

5. <u>Maintained the Stormwater Service District rate at $0.020 per $100 of assessed real estate value</u>

In FY 2014, I am proposing that the Stormwater Service District rate remain at the FY 2013 Adopted level of $0.020 per $100 of assessed real estate value. The FY 2014 levy of $0.020 will generate $41.2 million, supporting $17.6 million for staff and operational costs, and $23.6 million for capital project implementation. Capital project work includes: infrastructure reinvestment, stream and water quality improvements, regulatory requirements, and dam safety requirements. Stormwater staff is currently evaluating the future funding levels 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. In the next year, staff will develop a long term funding and staffing plan to be presented to the Board of Supervisors. It is anticipated that this long range plan will include a five-year rate plan, a phased approach for funding and staffing, and a public outreach plan to support the anticipated regulatory increases.

6. <u>Prioritized project list as a framework for future requirements</u>

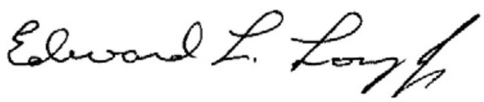
Although the FY 2014 CIP continues to be constrained by the fiscal environment in the County, it is a strong planning tool, providing a list of prioritized projects for future consideration. As I mention above, one of the critical elements of the CIP is maintaining the infrastructure that exists throughout the County. In addition, the County needs to look forward and comprehensively identify what infrastructure and facility gaps exist. That is a difficult process in a period of limited resources but it is necessary to clearly articulate to the Board and community what the needs are and how and when they should be financed. The policy discussion that ensues will determine the course of action, but it is essential that this policy discussion is fully informed and that all requirements, not just schools and transportation, are laid out. The Deputy County Executive for Community Development will lead, in coordination with the Departments of Planning and Zoning and Management and Budget, a CIP refinement process. The process will strengthen linkages to the Comprehensive Plan and land use planning process to prepare the County for the development and redevelopment that is on-going. Looking ahead to the future, the County's capital program will be challenged by several initiatives, including continued support for the Dulles Rail projects, development in the Tyson's area, significant transportation requirements and reinvestment in existing facilities and infrastructure.

In addition, approximately 91 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 58 percent. For planning purposes, these preliminary estimates indicate a projected requirement of over $759 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 2014 – FY 2018 CIP reflects a constrained program which continues efforts on the current program, conservatively addresses both FCPS and County bond requirements, and begins to identify significant future capital construction challenges facing the County. The CIP provides a road map for continuing to address the County's capital requirements, managing existing capital facilities, and completing important new capital projects. Over the next year, this important planning tool will be enhanced and strengthened in order to provide the guidance necessary to protect County assets and provide for the efficient and timely provision of services to the citizens of Fairfax County.

Respectfully submitted,



Edward L. Long Jr.
County Executive