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 16, 2016

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 2017 – 2021, with Future Fiscal Years to FY 2026*. The CIP is being released concurrently with the FY 2017 Advertised Budget Plan. During the development of this year's CIP, the following primary objectives were accomplished:

- Reviewed and revised the long-range Bond Referendum Plan based on each program area's prioritized future project requirements;
- Reviewed the County's debt capacity in light of the proposed Bond Referendum Plan and conducted an analysis of debt service requirements, sales limitations, and debt ratios to manage all of these factors within projected funding availability and the County's Ten Principles of Sound Financial Management;
- Developed a Paydown Program including increased funding for critical Americans with Disabilities Act Compliance, Infrastructure Maintenance, Athletic Field Maintenance, County Facility Planning and Reconfiguration Efforts, and other commitments;
- Developed a 10-year plan for funding turf field replacements, including an increase to the Athletic Service Fee and the General Fund contribution;
- Developed a plan for allocating the current balance of the Capital Sinking Reserve Fund to address reinvestment requirements for County Infrastructure. This proposal will be included in the *FY 2016 Third Quarter Review* for the Board of Supervisor's consideration;
- Enhanced the communication of the collaborative efforts underway on Public-Private Partnership and Joint Venture projects and included more details in the CIP on these complex projects; and
- Reviewed the 5-year Stormwater Service District Spending Plan, developing an FY 2017 program consistent with the recommended increase of ¼ penny in the tax rate per year to address increased stormwater management regulations.

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1. **Reviewed and Revised the Long-Range Bond Referendum Plan**

As part of the development of the *FY 2017 – FY 2021 Capital Improvement Program* (CIP), staff continued the successful process of meeting with each County agency to discuss future CIP project requirements. Agencies provided justification for future renovation/expansions of existing facilities and proposals for some new facilities. The continuation of this enhanced process led to a more detailed and rigorous review of each project and a clearer understanding of agency priorities. As a result of these meetings, the FY 2017 CIP includes a revised Bond Referendum Plan. This Plan includes County referenda proposed in fall 2016 (FY 2017), fall 2018 (FY 2019) and fall 2020 (FY 2021) within the five year CIP period. The Plan also maintains a steady level of support for FCPS in the CIP period, with referenda of $310 million in fall 2017 (FY 2018), and fall 2019 (FY 2020). This level of bond referendum is in keeping with the $155 million annual sale amount for FCPS. The Bond Referendum Plan can be found on page 28 of the CIP.

A fall 2016 County Bond Referendum totaling $312 million is proposed to include an $85 million Human Services/Community Development Bond, a $107 million Park Bond and a $120 million Metro Bond, as detailed below:

Human Services/Community Development: $85 million

There are several Human Service/Community Development projects proposed for the fall 2016 Bond Referendum. An amount of $48 million is proposed to renovate/expand four of the County's Community Shelters. The Patrick Henry, Embry Rucker, Eleanor Kennedy, and Bailey's Community Shelters are all aging facilities with building subsystems well beyond their intended life-cycle. The facilities were all built or last renovated approximately 30 years ago. All of these facilities are highly utilized and experience 24/7 wear and tear. In addition, these shelters can no longer meet "crisis/emergency" needs of homeless individual and families in the community. The County shelters are full to capacity every night of the week throughout the year. At any given time, there is a waiting list for shelter space.

An amount of $37 million has been proposed for the replacement of the Sully Community Center and a new Lorton Community Center. The current Sully Senior Center is located in the VDOT right-of-way that is currently being designed for a new interchange. The Senior Center provides social, recreational, and health/wellness activities and programs for older adults. Additional senior programming space, adult and youth services are also needed in the community. The Lorton Senior Center is currently housed in leased space that is scheduled to expire in 2018. A feasibility study was completed and recommends the co-location of services including the Lorton Community Action Center and the Lorton Senior Center and aligns with the strategic efforts to develop and promote multi-service sites. In addition, targeted youth programming is in great demand in the Lorton area and the presence of a community center would help meet that need.

Parks/Northern Virginia Regional Park Authority: $107 million

The County Park Authority is currently conducting a needs assessment to develop the next 5-10 year park capital plan. In anticipation of the completed needs assessment, the previously identified funding needs and the growing need to maintain the Park Authority's aging infrastructure, the Bond Referendum Plan includes an amount of $94.7 million. Projects could include land acquisition to ensure adequate parkland for future generations, new park facilities, including opportunities in the Laurel Hill area and continued renovation and replacement of aging and well-used facilities. Increasingly, citizens recognize that parks contribute highly to their quality of life in Fairfax County. Shifting and expanding leisure interests increases the demand for parks and park facilities. These shifts will be evaluated in preparation for the 2016 Bond and will likely be reflected in additional prioritized park and facility needs.

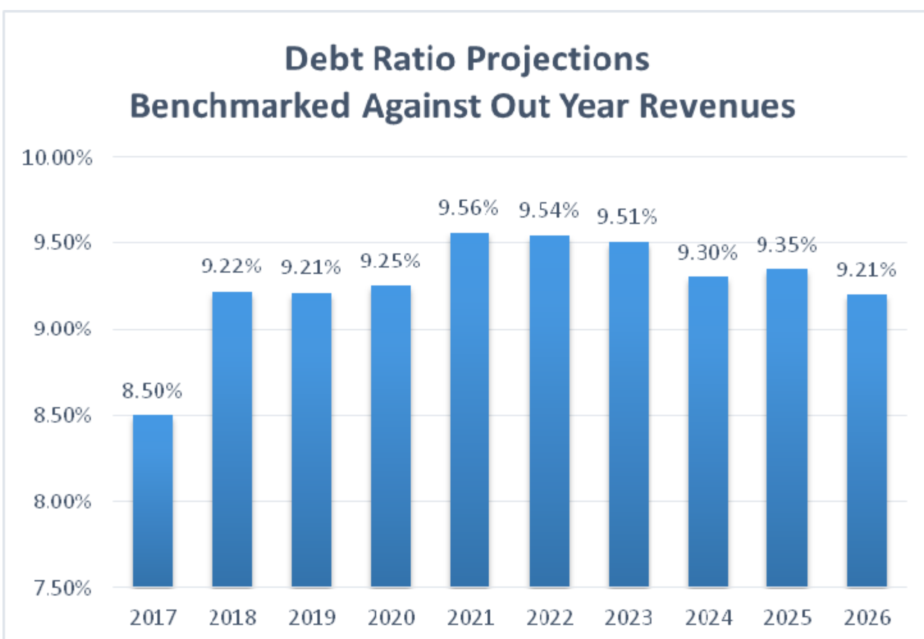
The Northern Virginia Regional Park Authority (NVRPA) owns over 8,500 acres in Fairfax County, most of which protects environmentally sensitive watersheds along the Potomac, Bull Run and Occoquan Rivers. The NVRPA's capital improvement and land acquisition costs are shared by its six member jurisdictions: the counties of Fairfax, Loudoun and Arlington, and the cities of Fairfax, Alexandria and Falls Church. The primary focus of NVRPA's capital program is to continue the restoration, renovation and modernization of existing park facilities, many of which were developed or constructed more than 20 years ago. Fairfax County has previously approved $12.0 million every four years to sustain an annual $3 million County capital contribution to the NVRPA. The 2016 Bond continues this effort of $12 million and includes an additional one-time amount of $300,000 to support the planned Packard Occoquan

Center, a multi-purpose center named for Jean Packard in honor of her outstanding contributions to the community. The NVRPA bond of $12.3 million in combination with the proposed Park Authority bond of $94.7 million would result in a total Park Bond Referendum of $107 million in fall 2016.

Transportation- Metro Capital Contribution
The Washington Metropolitan Area Transit Authority (WMATA) and its funding partners developed and adopted a strategic plan entitled "Momentum" to help guide the Authority over the next few decades. Part of that plan includes "Metro 2025" which is a subset of the Capital Improvement Program (CIP), and includes WMATA's capital expansion improvements between now and 2025. The Metro CIP includes new rail cars and power upgrades for running eight car trains, additional buses for operating Priority Corridor Networks, and rail station improvements to increase the capacity of the Metrorail system infrastructure. In anticipation of an increase in jurisdictional contributions to help fund the capital plan, I have included a Metro Bond Referendum of $120 million in fall 2016 to support a $30 million annual capital contribution for the next 4 years.

2. Reviewed the County's Debt Capacity in Light of the Proposed Bond Referendum Plan
A review of the County's debt capacity is conducted annually. The FY 2017 – FY 2021 CIP continues the adherence to the Ten Principles of Sound Financial Management including three main debt principles: limiting annual bond sales to $275 million per year, maintaining net debt as a percentage of estimated market value under 3 percent, and maintaining debt service expenditures as a percentage of General Fund disbursements under 10 percent. As of June 30, 2015, the ratio of debt to taxable property value was 1.23 percent and debt service to General Fund disbursements was 8.42 percent. These self-imposed 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. In addition, staff continues to actively manage existing debt and regularly reviews refunding opportunities. On January 26, 2016, the County conducted a General Obligation bond sale for the Series 2016A bonds. The County achieved an interest rate of 2.45 percent, representing a differential of 0.92 percent under the Bond Buyer Index (BBI), which stood at 3.37 percent on the day of the sale. The Series 2016A also included a refunding bond sale which generated net present value savings of $12 million.

During the development of the FY 2017 – FY 2021 CIP Bond Referendum Plan, staff reviewed the Plan's effect on these three major debt principles. Although the Plan is aggressive and addresses true county facility needs, it will need to be managed and reviewed annually. The Plan maintains a level below the 3 percent market value ratio limit and under the 10 percent ratio limit as depicted below. This chart is based on the percentage of anticipated debt requirements to conservatively forecasted revenues at a 2 percent growth rate.



Lastly, this analysis is based on continued FCPS support of $155 million per year in sales and an average of $128 million in County bond sales during the 5-10 year CIP period. Although the Plan projects County cash needs exceeding the $275 million limit in some years, staff believes that this cash flow analysis is conservative and sales can be managed, so as not to exceed the $275 million annual limit and still support capital project cash requirements. I do believe that in the near future, it will be necessary to review and consider raising the $275 million sales limit. The sales limit was last raised from $200 million to $275 million 10 years ago in FY 2007. Raising the sales limits may be necessary in the near future to address growing FCPS and County capital requirements.

3. **<u>Developed a Paydown Program with Increased Capital Support</u>**

I have proposed an increase to the FY 2017 Paydown Program. Funding of $28,853,427 represents an increase of $6,811,659 over the <u>FY 2016 Adopted Budget Plan</u> level of $22,041,768. The Paydown Program includes increases to support ADA compliance projects, infrastructure maintenance of County and Park facilities, Trail/Sidewalks and Roads maintenance, as well as an increase for future planning and facility reconfigurations. Many of these areas were noted in the FY 2016 CIP and I have begun to address some of these requirements in FY 2017. The major categories of funded projects in FY 2017 are detailed below:

<u>Commitments:</u> Approximately $4.4 million or 16 percent of this year's Paydown Program funds annual commitments such as required payments associated with the purchase of the Salona conservation easement property, the County's capital contribution to the Northern Virginia Community College, and the annual contribution to the School Aged Child Care (SACC) Program.

*<u>Athletic Field Maintenance</u>***:** Funding of $6.1 million or 21 percent of the capital budget will support Athletic Field Maintenance. This level of funding is supplemented by $1,600,000 in Athletic Service Fee revenue and represents an increase of $1,000,000 over FY 2016, including an increase of $500,000 from Athletic Service Fee revenue and $500,000 from the General Fund. This increase is based on a recommendation to increase the Athletic Service Fee from the current rate of $5.50 per participant per season to $9.50 per participant per season (for rectangular field players only) and an increase from $15 to $25 per team per tournament (for rectangular fields players only). This increase would support a 10-year plan developed to address turf field replacement requirements. Fairfax County's Athletic Fee is currently the lowest in the region. Even with the proposed FY 2017 increase, the fee would remain in line with other jurisdictions.

<u>ADA Compliance:</u> Funding of $4.4 million or 15 percent represents the County's requirements associated with ADA improvements identified by the Department of Justice (DOJ) audit. County agencies, primarily the Park Authority and the Facilities Management Department (FMD) continue to implement improvements to facilities identified both by the DOJ and through required self-assessments. Future funding will be necessary to complete these improvements as identified in the settlement agreement signed by the Board of Supervisors on January 28, 2011.

<u>Infrastructure Maintenance:</u> Funding of $4.0 million or 14 percent of the capital budget will support Park Authority Maintenance ($1.9 million), Revitalization Area Maintenance ($1.2 million) and Road and Trail Maintenance ($0.9 million). The FY 2017 funding level for road and walkway infrastructure maintenance represents an increase of $450,000 over the <u>FY 2016 Adopted Budget Plan</u> based on the recommendations of the 2013 and 2015 Rinker Studies. These studies were conducted in order to build an accurate inventory and condition assessment of County walkways and County maintained roads and service drives. In addition to recommending increased annual funding for walkway maintenance, the study revealed that there are approximately 10 miles of trails in extremely poor condition requiring $3 million in reinvestment. The Roadway study identified 43 miles of roadways and service drives not maintained by VDOT that are currently the responsibility of Fairfax County. An amount of $4 million is estimated in reinvestment funding requirements for the roadways with the most hazardous conditions, as well as increases for annual emergency repairs. Annual funding for walkways and roadway maintenance has been increased based on the studies, and it is anticipated that initial funding for reinvestment work will be supported by the allocation of the Capital Sinking Reserve Fund, anticipated as part of the *FY 2016 Third Quarter Review*.

Building Infrastructure Replacement and Upgrades: An amount of $5.0 million or 17 percent represents infrastructure replacements and upgrades required at County facilities. The replacement of building subsystems requires increasing attention. In FY 2017, the County will have a projected facility inventory of over 9 million square feet of space all of which require the planned replacement of roofs, electrical systems, HVAC, plumbing systems, elevators, windows, parking lots and garage repairs, fire alarms and emergency generators that have reached the end of their useful life. The County's requirement for infrastructure replacement is estimated at $26 million per year. This estimate is based on current assessment data, as well as industry standards (2 percent of the current replacement value). Based on current staffing levels, the complexity of many of the projects, and the timeline for completing renewal projects, it is estimated that approximately $12-15 million per year would be a good funding goal. An amount of $5.0 million has been included in FY 2017 and additional funding is proposed to be allocated as part of the *FY 2016 Third Quarter Review* from both existing Public Safety bond funds and the Capital Sinking Reserve Fund for a total of $12,417,153. All of the funding sources proposed to address the FY 2017 requirements will fund only 10 of the top priority Category F projects. FMD has identified to date an additional 146 Category F and 45 Category D projects. The funding required to address the remaining Category F and D projects is in excess of $78 million. Analysis of these requirements is conducted annually and projects may shift categories, become an emergency and be funded by the emergency systems failures project, or be eliminated based on other changes, such as a proposed renovation project.

Development and On-Going Maintenance Projects: Funding of $1.7 million or 6 percent is associated with on-going development projects, such as, developer default projects, requirements associated with property management of the Laurel Hill area, and emergency directive projects.

Planning and Facility Reconfiguration Initiatives: An amount of $2.7 million or 9 percent has been included in FY 2017 for costs related to master planning and redevelopment efforts throughout the County. Funding of $350,000 will support negotiations, development agreements, and other costs associated with Public-Private Partnerships and Joint Venture projects that are not yet funded, as well as design support, financial consultation, and real estate analysis for the advancement of project proposals. These projects are highly complex and require a significant amount of concept planning prior to the project's approval for financing. Funding of $350,000 is also included for study and concept planning associated with the original Mount Vernon High School facility. Planning efforts are underway to determine interim occupancy and long-term development potential for this facility. An amount of $100,000 is included to evaluate potential land use alternatives for the Massey Complex subsequent to the Massey Building being vacated and demolished. The master planning effort will include assessment of priority County uses for the site, including future criminal justice, public safety and human services' needs, as well as City of Fairfax and George Mason University interest in the site. In addition, funding of $1,000,000 for facility reconfigurations is included for space reconfiguration projects that will maximize owned space, potentially eliminate leased space and facilitate hoteling of office spaces. An amount of $600,000 is included for the design phase of the demolition of the Massey Building. The Massey Building will be vacated upon occupancy of the Public Safety Headquarters anticipated in June 2017. The scope of the project includes removal of asbestos/hazardous materials, demolition of the building (Massey Building, Cooperative Computer Center, and Massey Annex), and the restoration of the site to an open grass area. The total cost is approximately $20 million. Finally, an amount of $300,000 is included for the design costs associated with renovations of the Burkholder Building. The Burkholder Building will also be vacated upon occupancy of the Public Safety Headquarters. Once vacated, the outdated mechanical, electrical, and plumbing systems and elevator will be replaced, the building envelop will be repaired, and basic tenant fit-outs will be required.

Environmental Improvement Program: The remaining $0.5 million or 2 percent has been included for environmental initiatives. Funding will provide for the Invasive Plant Removal Program, Community Outreach and Education, the Green Purchasing Program, Water Smart web-based irrigation controllers, lighting retrofits/upgrades at Fairfax County Park Authority facilities, Variable Frequency Drives (VFD) at RECenter pools, and a protected bike lane demonstration project.

4. **<u>Developed a 10-year Plan for Funding Turf Field Replacements</u>**
   Staff has developed a 10-year replacement plan for the current inventory of turf fields. There are a total of 86 synthetic turf fields throughout the County, of which 23 are FCPS stadium fields and 63 are County Parks/FCPS non-stadium fields. There are over 130,000 youth and adult participants (duplicated number) on rectangular fields that benefit from turf fields annually. Increased funding is needed to begin to address the growing need for field replacement and to establish a replacement schedule over the next 10 years. If turf fields are not replaced when needed, they may need to be closed for safety reasons. The first turf field replacement efforts began in 2013 for the first two fields developed. Most manufacturers provide an eight-year warranty for a properly maintained synthetic turf field; however, it is a generally accepted practice to assume a synthetic turf field life expectancy of no more than 10 years. For planning purposes, the County adopted an annual budget estimate of a little more than half of the installation funding, which is a generally accepted practice for the industry. However, based on a projected ten-year replacement cycle and the current 63 County field inventory, replacement funding requires a regular financial commitment. The current projected replacement cost per field is approximately $450,000. Current funding levels, which include anticipated partner field support contributions, will not support the replacement needs and requires additional funding to continue to plan for the gradual replacement of County turf fields as they reach the end of their useful life. An amount of $2,250,000 is included for the turf field replacement program in FY 2017. Funding of $800,000 is supported by Athletic Service Fee revenue and $1,450,000 is supported by the General Fund. This level of funding represents an increase of $1,000,000, including an increase of $500,000 from Athletic Service Fee revenue and $500,000 from the General Fund. This increase is based on a recommendation to increase the Athletic Service Fee from the current rate of $5.50 per participant per season to $9.50 per participant per season (for rectangular field players only) and an increase from $15 to $25 per team per tournament (for rectangular fields players only). Even with the proposed FY 2017 increase, the fee would remain in line with other jurisdictions.

5. **<u>Developed a Plan for Allocating the Capital Sinking Reserve Fund</u>**
   In April 2013, the County and School Board formed a joint committee, the Infrastructure Financing Committee (IFC), to collaborate and review both the County and School's Capital Improvement Program (CIP) and infrastructure upgrade requirements. One of the goals of the Committee was to develop long-term maintenance plans for both the County and Schools, including annual requirements and reserves. The committee conducted a comprehensive review of critical needs and approved recommendations to support the development of a sustainable financing plan to begin to address current and future capital requirements. A Final Report was developed and approved by the Board of Supervisors on March 25, 2014, and the School Board on April 10, 2014. One of the Report recommendations is the establishment of a capital sinking reserve fund. As part of the *FY 2014 Carryover Review,* the Board approved an amount of $2,850,000 for the Sinking Fund and as part of the *FY 2015 Carryover Review*, the Board approved an amount of $5,526,639. As a result, the capital sinking fund is now funded at a total amount of $8,376,639. Staff has been working together to recommend the allocation of these dollars and will present this recommendation to the Board of Supervisors as part of the *FY 2016 Third Quarter Review.* The allocation of dollars is recommended to be based on the percent of each program area as it relates to the total requirement presented to the IFC. It is anticipated that the breakdown would be as follows: FMD at 55 percent, Parks at 20 percent, walkways at 10 percent, roads at 10 percent and revitalization maintenance at 5 percent.

6. **<u>Enhanced Public-Private Partnership and Joint Venture Collaboration</u>**
   Staff continues to enhance communication of the collaborative efforts underway on Public Private Partnership and Joint Venture projects. The Public Private Partnership and Joint Ventures section of the CIP has been enriched to include additional information about these projects. Projects discussed in this section include all approved and on-going projects, as well as new projects currently at the conceptual stage. In addition, staff is ensuring that collaboration is occurring more frequently on the growing number of these highly complex projects.

7. **Reviewed the 5-year Stormwater Service District Spending Plan**

In FY 2017, the stormwater service rate is recommended to increase from $0.0250 to $0.0275 per $100 of assessed real estate value. In October 2013, the Board of Supervisors endorsed a Stormwater Program rate increase of ¼ penny per year over the next 5-years in order to address regulatory requirements. The FY 2017 rate is consistent with the 5-year plan.

The 5-year spending plan includes approximately $225 million in required projects and operational support; therefore, the plan includes an annual increase in the rate of ¼ penny each year. This increase will support a number of goals. First, it will provide for constructing and operating stormwater management facilities, including stream restorations, new and retrofitted ponds, and installation of Low Impact Development (LID) techniques, required to comply with the federally mandated Chesapeake Bay Program. This program requires the County to reduce Phosphorus, Nitrogen, and sediment loads to the Potomac River and Chesapeake Bay. MS4 Permit holders must achieve 5 percent of the required reductions in the first five years; 35 percent of the required reductions in the second five years; and 60 percent of the required reductions in the third five years. The Capital Improvement Program includes a gradual increase that will help meet these requirements. Second, the increase will aid in the planning, construction, and operation of stormwater management facilities required to comply with state established local stream standards by reducing bacteria, sediments, and Polychlorinated Biphenyl (PCB) entering local streams. It is estimated that between 70 and 80 percent of the streams in the County are currently impaired. Third, the increase will support the federally mandated inspecting, mapping, monitoring, maintaining, and retrofitting of existing stormwater facilities. The County currently owns and maintains over 1,800 stormwater management facilities valued at $500 million. Fourth, the increase will aid in collecting stormwater data and reporting the findings; providing community outreach and education, supporting new training programs for employees; and developing new Total Maximum Daily Loads (TMDL) Action Plans for impaired streams related to the MS4 Permit requirements. Fifth, the increase will improve dam safety by supporting annual inspections of 20 state-regulated dams in the County and by developing Emergency Action Plans required by the state. The Emergency Action Plans are updated annually and a new plan will be prepared for each dam every six years. In addition, these plans include annual emergency drills and exercises, and flood monitoring for each dam. Finally, the increase will facilitate the maintaining, rehabilitating, and reinvesting in the County's conveyance system. The County's conveyance system includes over 60,000 structures and 1,400 miles of pipes and paved channels, and valued at more than $1 billion. The FY 2017 rate of $0.0275 per $100 of assessed real estate value is consistent with the 5-year plan. Staff will continue to review the 5-year Stormwater spending plan on an annual basis.

Conclusion

I believe the County's proposed FY 2017 – FY 2021 CIP reflects a program which provides specific project planning and a clear financing plan. Although this plan will need to be evaluated annually, it will provide a specific facility roadmap for the future. Staff continues to improve and develop this important tool for addressing the County's capital requirements, managing existing capital facilities, and completing important new capital projects.

Respectfully submitted,

Edward L. Long Jr.
County Executive