FAIRFAX COUNTY PLANNING COMMISSION
CAPITAL IMPROVEMENT PROGRAM (CIP) COMMITTEE
WEDNESDAY, MARCH 14, 2012

COMMITTEE MEMBERS PRESENT:
Frank A. de la Fe, Hunter Mill District
Ellen J. Hurley, Braddock District
John L. Litzenberger, Jr., Sully District
James T. Migliaccio, Lee District
Peter F. Murphy, Springfield District
Timothy J. Sargeant, Commissioner At-Large, Chairman

OTHER COMMISSIONERS PRESENT:
Walter L. Alcorn, Commissioner At-Large
James R. Hart, Commissioner At-Large

STAFF PRESENT:
Martha Reed, Capital Programs Coordinator, Department of Management & Budget (DMB)
Joe I. LaHait, Debt Coordinator, DMB
Katayoon Shaya, Building Design and Construction Division, Department of Public Works and Environmental Services (DPWES)
Teresa Lepe, Building Design and Construction Division, DPWES
Barbara J. Lippa, Executive Director, Planning Commission Office
Jeanette Nord, Deputy Clerk to the Planning Commission

ATTACHMENTS:
A. FY 2013 – FY 2017 Summary of CIP Issues
B. "Fairfax County: Debt Capacity and the Capital Improvement Program" presentation

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Planning Commission Vice Chairman Walter L. Alcorn convened the Capital Improvement Program Committee at 7:31 p.m. in the Board Conference Room of the Fairfax County Government Center, 12000 Government Center Parkway, Fairfax, Virginia 22035, pursuant to Section 4-102 of the Commission's *Bylaws & Procedures*. He indicated that the first order of business was to elect a Committee chairperson.

Commissioner Litzenberger MOVED TO ELECT TIMOTHY J. SARGEANT AS CHAIRMAN OF THE 2012 CAPITAL IMPROVEMENT PROGRAM COMMITTEE.

Commissioner Migliaccio seconded the motion which carried unanimously.

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Martha Reed, Capital Programs Coordinator, Department of Management and Budget (DMB), said the purpose of this meeting was to discuss the FY 2013 - FY 2017 Advertised Capital Improvement Program (CIP) (With Future Fiscal Years to 2022), as outlined in Attachment A.

In addition, Ms. Reed shared a presentation entitled "Fairfax County: Debt Capacity and the Capital Improvement Program," which had been delivered to the Board of Supervisors at their Budget Committee meeting held on Tuesday, March 13, 2012, as shown in Attachment B. She provided a brief overview of the CIP and noted the County's success in maintaining its Triple A bond rating by strictly adhering to sound financial principles and maintaining a low debt ratio. Ms. Reed noted, however, that the County was projecting a three percent revenue growth rate for the next several years and would therefore need to prioritize operational and capital needs (*Note: The CIP is available online at http://www.fairfaxcounty.gov/dmb/fy2013/advertised/cip*).

In response to a question from Commissioner Litzenberger, Ms. Reed explained that the projected revenue growth was from expansion of the tax base, not an increase in taxes.

Joe LaHait, Debt Coordinator, DMB, briefly discussed the County's projected general obligation bond sales, adding that the funds would be needed for the previously approved Woodburn Mental Health Facility and the new Public Safety Headquarters. Mr. LaHait stated that although the County's bond rating remained strong because of its ability to pay down its debt aggressively and quickly, its debt capacity had been increasing steadily in recent years. Consequently, he said that staff recommended no changes to the various components, current bond sales, and priorities in the CIP.

In reply to a question from Commissioner Litzenberger, Mr. LaHait explained that interest rates projected for future years were conservative, based on the Federal Reserve rate and advice provided by the County's financial advisors.

Answering questions from Commissioner Alcorn, Mr. LaHait confirmed that Moody's Investors Service had placed the County's bond rating on negative outlook because of its close ties to the federal government. He explained that despite the fact that Moody's was given detailed information demonstrating the County's strong, diversified economy, Moody's chose to retain both Fairfax County and the Commonwealth of Virginia on negative outlook because their economies were closely linked with federal procurement and employment and therefore vulnerable to dramatic changes in these factors.

Chairman Sargeant, Mr. LaHait, and Ms. Reed briefly discussed the causes and solutions for the rise in the debt ratio. Ms. Reed indicated that the ratio has been increasing a little over the last five years from 8.2 percent to the current estimate of 8.6 percent. Mr. LaHait noted that the highest the debt ratio has ever been is slightly higher than nine percent in the early 1990's.

Mr. LaHait noted that $45 million was included as a placeholder for requirements associated with the Tysons Corner redevelopment plan beginning in FY 2018.

In response to questions from Chairman Sargeant, Mr. LaHait said that this amount was just a placeholder, not a recommendation; however, it was based on what seemed realistic without increasing the County debt ratio over nine percent. In response to a question from Commissioner de la Fe, Mr. LaHait stated that $40 million of the $45 million would be for road transportation

needs, with the remaining $5 million allotted for other related capital projects, such as parks, associated with the redevelopment.

During a discussion with Commissioner Hurley, Ms. Reed confirmed that the Stormwater Services rate would increase. She also said that she would ask Jeanette Cummins-Eisenhour, Investment and Development Manager, Fairfax County Community Services Board, to contact Commissioner Hurley to discuss County services for people with intellectual disabilities who were to be transitioned to the County from State training centers. There was a brief discussion regarding capital monies versus bonds to fund different projects for Fairfax County Public Schools in addition to current stopgap resolutions for making repairs at County parks due to the severe flooding in 2011. In addition, Commissioner Hurley expressed concern that there was only one existing turf field in the Braddock District and stated that additional space could be identified if the funding were made available.

Commissioner de la Fe expressed concern about how little property the Park Authority would gain and suggested an increase to the proposed $38 million bond referendum for land acquisition.

There was a brief discussion between Chairman Sargeant and Mr. LaHait about upcoming Laurel Hill construction and associated financing. Mr. LaHait noted that while a working group was being assembled to meet with stakeholders to close the existing financial gap, no economic analysis on the potential increase in associated local taxes had yet been performed.

Commissioner Murphy announced that although he had not been present for the CIP Workshop on Thursday, March 1, 2012, he would view the recording of the meeting and vote at the CIP Markup scheduled on Wednesday, March 21, 2012.

A brief discussion ensured during which Chairman Sargeant requested that Commissioners submit any comments prior to the Markup.

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Chairman Sargeant MOVED THAT THE CIP COMMITTEE RECOMMEND THAT THE PLANNING COMMISSION RECOMMEND TO THE BOARD OF SUPERVISORS AN INCREASE TO THE PROPOSED $38 MILLION BOND REFERENDUM FOR THE FAIRFAX COUNTY PARK AUTHORITY TO BE DESIGNATED FOR LAND ACQUISITION, SUBJECT TO ADHERENCE TO THE COUNTY'S PRINCIPLES OF SOUND FINANCIAL MANAGEMENT AND DEBT CAPACITY RATIOS.

Commissioner Migliaccio seconded the motion which carried by a vote of 4-0-1 with Commissioner Murphy abstaining.

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The meeting was adjourned at 8:07 p.m.
Timothy J. Sargeant, Chairman

An audio recording of this meeting is available at the Planning Commission Office, 12000 Government Center Parkway, Suite 330, Fairfax, Virginia 22035.

Minutes by: Jeanette Nord

Approved on: March 20, 2013

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Kara A. DeArrastia, Clerk to the
Fairfax County Planning Commission

FY 2012 – FY 2016 Summary of CIP Issues

- Continues to fund projects underway
- Increases School bond sales for FY 2013 and beyond from $130m to $155m per year (attachment)
- Includes County Bond Referenda in fall 2012 for $120 million (attachment)
- Fall 2014 includes $100 million for roads in light of the transformation of the Tyson's area
- Includes steady level of School Bond Referenda at $240 million in fall 2011, fall 2013 and fall 2015
- Funds limited Paydown Program for critical projects and begins to address Department of Justice requirements for ADA improvements
- Continues 3-year short-tem borrowing plan to address capital renewal backlogs
- Identifies significant future requirements including: Public Safety Headquarters to replace the Massey Building, requirements associated with the Tyson's Corner redevelopment plan and support for the Dulles Rail project

County-Schools Bond Sales
(millions)

Year	Annual Limit County	Annual Limit Schools	Total	
FY 1997	$75	$75	$150	Avg. management practice; No specific policy
FY 1999	$50	$100	$150	New policy: 1/3 County; 2/3 Schools
FY 2000	$50	$130	$180	$30M increase for Schools from State lottery fund
FY 2001	$50	$130	$180	$30M increase for Schools from State lottery fund
FY 2003	$70	$130	$200	Sales limits increased
FY 2007-2012	$120	$155	$275	New sales limits*
FT 2013 and Beyond	$120	$130	$250	

*Temporary increase in annual School sales of $25 million per year for 6 years in exchange for return of surplus school property to County control. School sales revert to $130 million per year in FY 2013.

Proposed Bond Referenda in FY 2012 – FY 2016 CIP:

Fall 2011	Schools	$240 million
Fall 2012	County	$120 million
	$38 million	County Park Authority
	$12 million	Northern Virginia Regional Park Authority
	$10 million	Bailey's Fire Station Renovation
	$10 million	Herndon Fire Station Renovation
	$10 million	Jefferson Fire Station Renovation
	$20 million	Renovation of 22 Courtrooms at Judicial Center
	$20 million	Library Renovations (Potentially Reston, Pohick, Tyson's Pimmit, John Marshall)
Fall 2013	Schools	$240 million
Fall 2014	Roads	$100 million
Fall 2015	Schools	$240 million
Fall 2016	County TBD	$250 million

Attachment B

Fairfax County:
Debt Capacity and the Capital Improvement Program

BOARD OF SUPERVISORS BUDGET COMMITTEE MEETING

MARCH 13, 2012

Debt Capacity

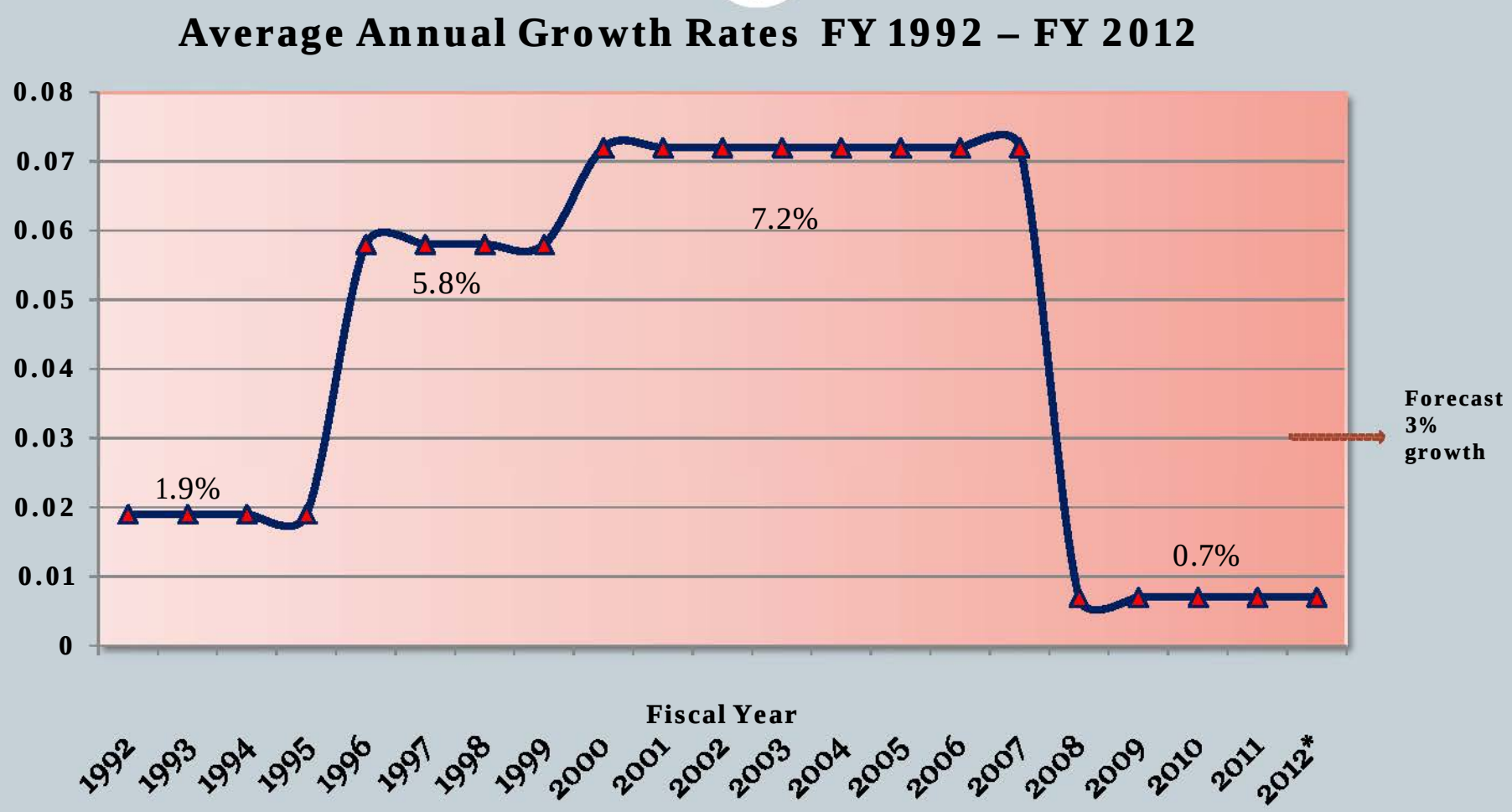
- Affordability of Debt Service
- Adherence to the County's Principles of Financial Management – Debt Ratios
- Constant oversight and management of all Capital Projects in terms of timing and cash flow
- Monitor all refunding opportunities to capitalize on market conditions and low interest rates

Affordability

- Balance requirements with available resources
  - Revenue growth projected at ~ 3% for next several years

- Prioritize operating and capital needs
  - Compensation
  - Benefits
  - Enrollment growth
  - Inflation
  - Transportation
  - Capital

Affordability: General Fund Revenue



*Projected

Affordability: Where Does That Leave Us?

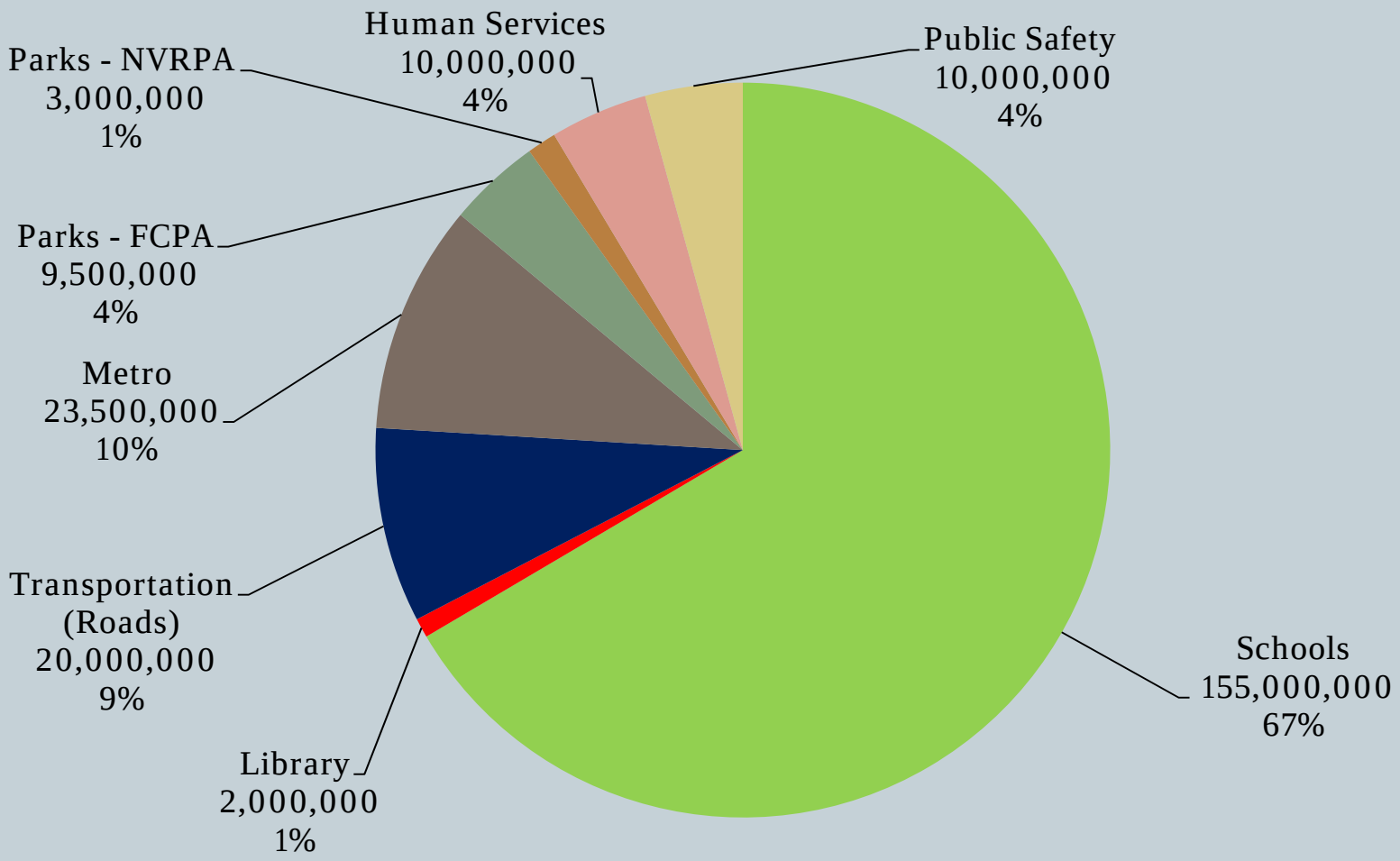
- If Revenues (with no real estate tax rate adjustment) are estimated to increase ~ 3% annually
- Then assume County Disbursements (including Debt Service payments) also increase 3% ~ $100 m annually
- The challenge is that $100 m/year will not go very far to meet existing requirements and Board priorities

Affordability: Where Does That Leave Us? (Continued)

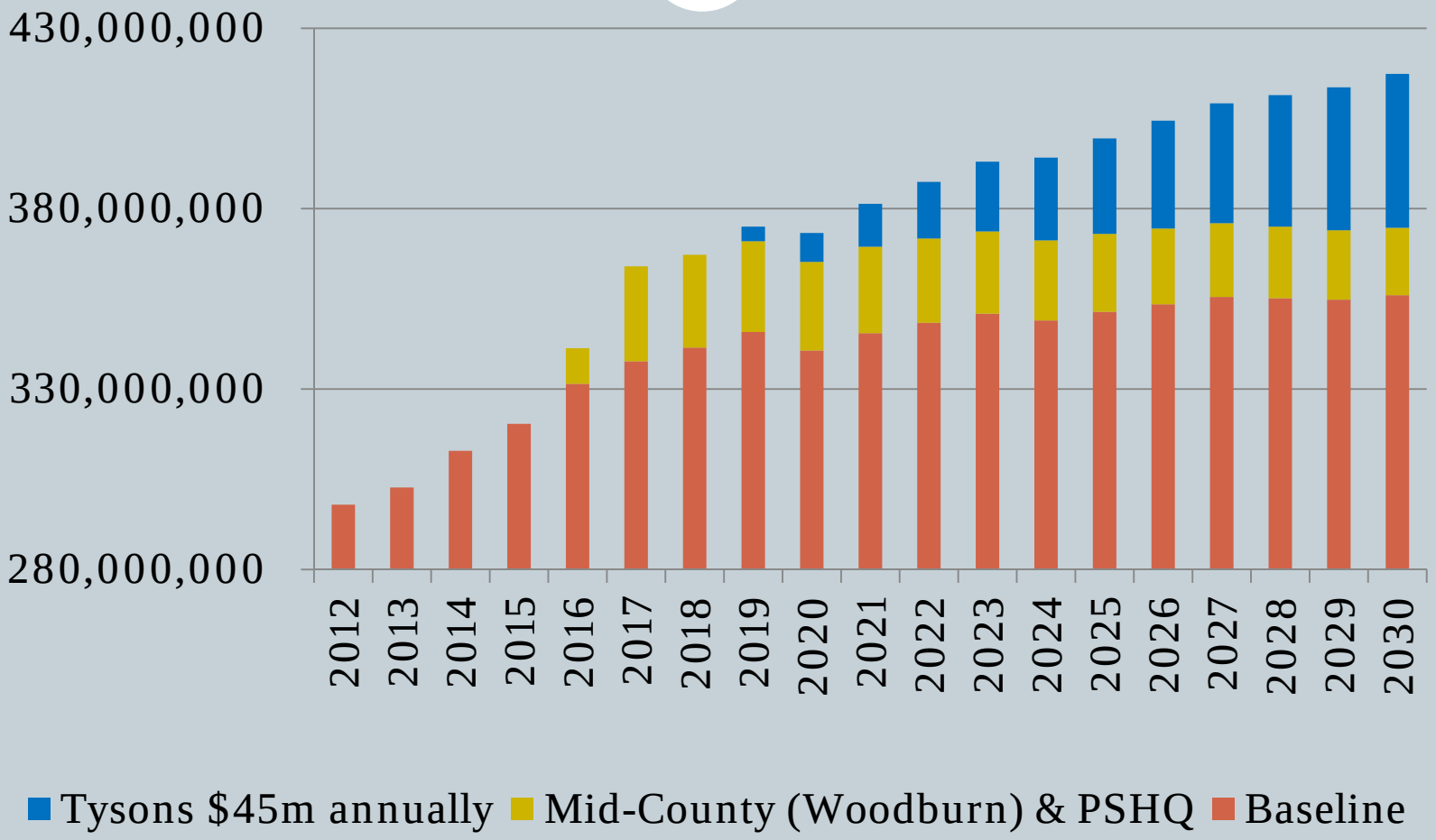
- As examples, in the following categories, annual expenditure growth for both County and Schools would cost:

2% COLA	$ 60 m
Restoration of remainder of compensation increases	$ 70 m
2% increase in FCPS enrollment	$ 40 m
Fringe Benefits (health, retirement, OPEB)	$ 35 m
Inflation (contracts, utilities)	$ 10 m
Required Debt Service increase to support current CIP	**$ 7 m**
County Metro/Transit	$ 3 m
TOTAL	$ 225 M

Projected Average $233 m Annual Baseline General Obligation Bond Sales



Affordability: Projected CIP Requirements

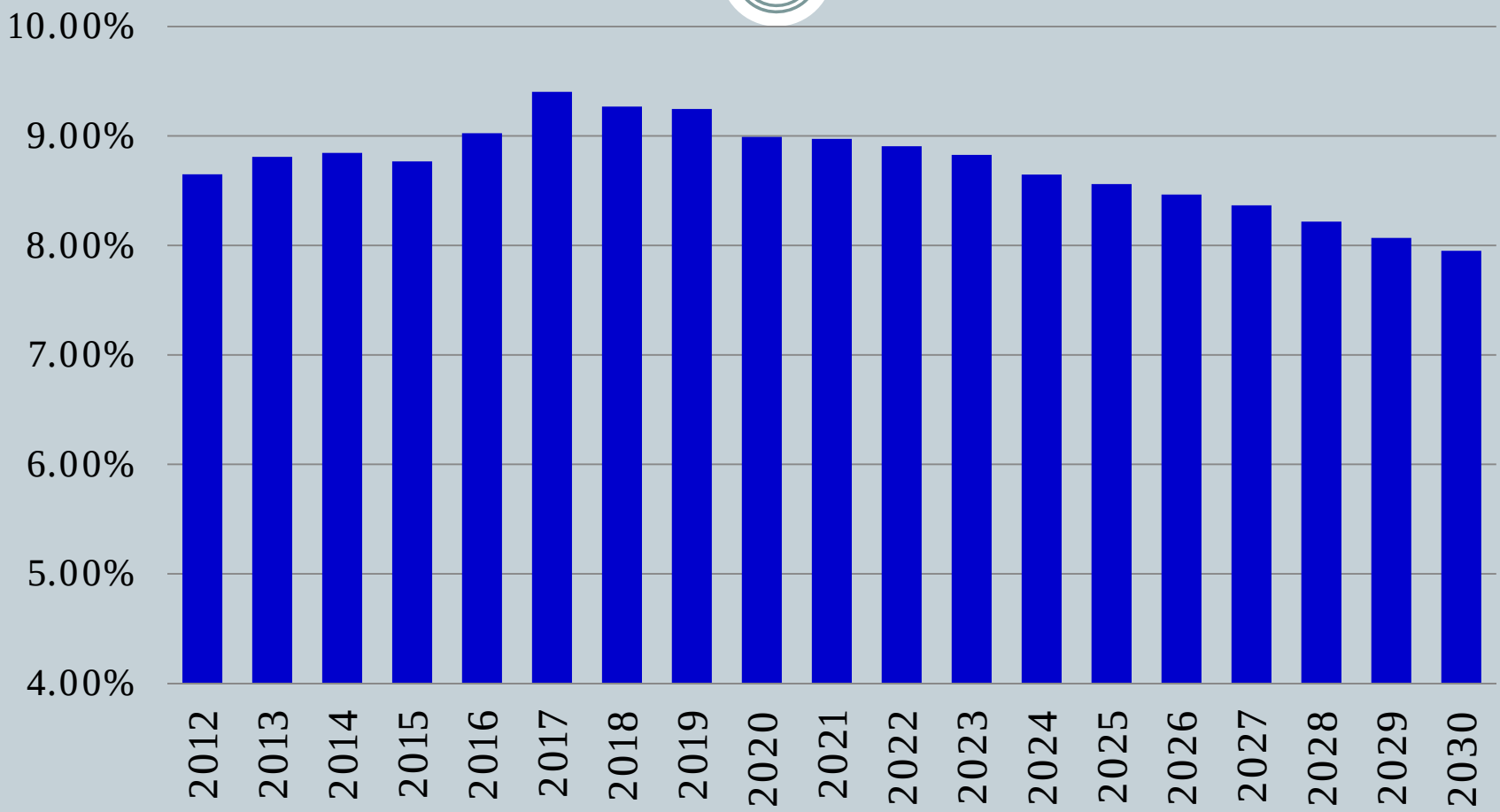


Debt Ratios

- Adherence to the County's Principles of Financial Management – Debt Ratio's
  - Net debt as percent of estimated real estate market value less than 3% (FY 2013 estimate = 1.3%)
  - Debt service expenditures not to exceed 10% of general fund disbursements (FY 2013 estimate = 8.6%)
  - Benchmark of Triple A Bond Rating
  - Strong management and response to challenges are the keys to positive feedback from Bond Rating Agencies

Debt Ratios: Projected CIP Requirements

Not to exceed 10% of Annual Revenues*



*County policy is annual disbursements, but for this model using revenues to be conservative

FY 2013 – FY 2017 CIP and Beyond

- The CIP continues current programs with two large projects in progress, to be financed by EDA Facility Bonds
  - Mid-County Human Services (Woodburn replacement)
  - Public Safety Headquarters

- Maintains $155 million annually in bond sales for Fairfax County Public Schools

- Yet to be determined funding for $3 billion Transportation requirements over the next ten years (much of it capital to be incorporated into the CIP)

FY 2013 – FY 2017 CIP and Beyond (continued)

- Funds a limited Paydown Program for critical projects and continues to address Department of Justice requirements for ADA improvements

- Continues the 3-year short term borrowing program to address capital renewal backlogs
(FY 2013 is the third year)

- Includes an increase to the Stormwater Services rate of $0.010 for a total of $0.025 per $100 of assessed real estate value

FY 2013 – FY 2017 CIP and Beyond (continued)

Sidewalk/Trail/Unimproved Road Maintenance Requirements

- Estimated at $6-7 million annually
- DPWES responsible for 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
- Annual funding levels approximately $660,000
- FY 2013 budget includes $200,000 to perform a condition assessment of existing trails, sidewalks, roadways and service drives maintained by the County
- The assessment will more accurately predict future financial needs, and create a more proactive reinvestment program to replace the current complaint/failure driven program delivery

Proposed Referenda in 5-Year CIP Period

County:

Fall 2012 County Bond Referendum of $130 million

- **Parks: $50 million**
  - $38 million for County Parks
  - $12 million for NVRPA (to support $3 million per year over a 4 year period for the County's capital contribution)
- **Public Safety: $55 million**
  - $9 million Bailey's Crossroads Fire Station
  - $14 million Jefferson Fire Station
  - $12 million Herndon Fire Station
  - $20 million Renewal of 22 remaining Courtrooms
- **Libraries: $25 million**
  - $5 million Pohick Regional Library
  - $5 million Tysons Pimmit Regional Library
  - $5 million John Marshall Community
  - $10 million Reston Regional (considering relocation)

Fall 2014 Road Construction $100 million

Fall 2016 Parks, Public Facilities $250 million

Proposed Referenda in 5-Year CIP Period

Schools Referenda:

- Fall 2013 FCPS $250 million
- Fall 2015 FCPS $250 million
- Fall 2017 FCPS $250 million