

# FY 2021 – FY 2025 Capital Improvement Program Summary

## Reviewed and Revised the Bond Referendum Plan

As part of the development of the FY 2021 – FY 2025 Capital Improvement Program (CIP), staff continued to meet with County agencies to discuss and re-prioritize future CIP project requirements. Each year current and proposed projects are reevaluated in terms of projected costs and timing. The CIP Bond Referendum Plan includes County Referenda proposed in fall 2020 (FY 2021), fall 2022 (FY 2023) and fall 2024 (FY 2025) and Fairfax County Public Schools (FCPS) Referenda in fall 2021 (FY 2022) and fall 2023 (FY 2024) within the five-year CIP period.

The Referendum Plan continues the approved level of support for FCPS, with referenda of \$360 million every two years, directly linked to the current approved sales limit of \$180 million per year. Staff is proposing the following County Referenda in fall of 2020:

Human Services	\$104 million
Libraries	\$90 million
Parks and NVRPA	\$112 million
Metro Capital Contribution	\$160 million
Total	\$466 million

The Human Service Referendum includes the proposed renovation or relocation of the Willard Health Center, the renovation of the Crossroads facility and support for facilities associated with early childhood education. The Joseph Willard Health Center is a licensed medical, nursing, dental, pharmacy, speech and hearing, and X ray service facility. The facility was built in 1954 and upgrades are critical to allow the Health Department to provide essential services that must be maintained at all times in the event of emergencies. The Crossroads facility provides substance abuse education, counseling, vocational rehabilitation, psychiatric services, medication monitoring, drug testing, case management, and transition support toward independent living. Facility updates are required to address outdated equipment, HVAC, plumbing, electrical and mechanical systems. At any given time, there are 50-60 individuals on the wait list. As part of the renovation project, staff is reviewing the opportunity to use existing space more efficiently to reduce waiting lists.

In addition, the Human Services Bond Referendum includes funding to begin to address the need for early childhood education facilities. The County has been working to expand its Equitable Early Childhood System with a goal of providing a comprehensive approach to advancing and expanding high quality, affordable, early care and education for young children. As opportunities arise, staff will be identifying new facilities or existing facilities undergoing renovation to support the expansion of this initiative. The Bond Referendum Plan includes steady support of \$25 million for early childhood education facilities, with Bond Referendum proposed in 2020, 2022, 2024 and 2026 for a total of \$100 million. It is anticipated that some of the first early childhood education centers will be associated with the Original Mt. Vernon High School building renovation/adaptive reuse and the Kingstowne Library/Franconia Police Station complex projects.

The Library Referendum includes funding to support the Kingstowne, Sherwood, Patrick Henry and George Mason Library projects. Staff is currently developing design plans to co-locate the Kingstowne Regional Library with the Franconia Police Station, the Lee District Supervisor's Office, the Franconia Museum, an Active Adult Center and a childcare facility within one complex on the Kingstowne Library site. Patrick Henry, Sherwood and George Mason libraries require renovation to upgrade building systems and infrastructure that are well beyond the end of their life cycle and to meet the current and future operational needs of the Library System. The Patrick Henry Library project is also tied to a proposed joint development project between Fairfax County and the Town of Vienna. This project would include a new library and provide additional parking structures for the library and the town.

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A Parks Referendum is proposed to include \$100 million for the County Park Authority and \$12 million to sustain the County's capital contribution to the Northern Virginia Regional Park Authority at \$3 million per year for 4 years. Finally, a Metro bond totaling \$160 million is required to support the County's contribution to the Metro capital program over a four-year period. An annual contribution of approximately \$40 million will provide for the purchase of new railcars, buses, and station capacity improvements in the core of the system.

### **Construction Market**

The County continues to monitor the level of construction cost escalation associated with building projects. Over the past 2-3 years, market escalation has resulted in a dramatic increase to the costs for projects that were bid, projects that are in the planning and design phases, and future projects in the CIP. Some factors that influence the construction cost market include availability of skilled labor, materials cost, the supply of general contractors in the bidding pool, and competitiveness, particularly at the subcontractor level. In recent months the number of general contractors in the bidding pool has increased to provide greater competitiveness; however, there continues to be a shortage in availability of skilled labor in key trades, a limited number of well qualified subcontractors in key trade areas, and a continued increase in materials cost. Construction costs in the region remain escalated and upward cost pressure persists. However, the County has seen the rate of cost escalation stabilize in recent months, and recent construction bids have been more consistently in line with updated cost estimates. Input from regional industry experts identifies an escalation rate of approximately 4.0-5.5 percent for projects in the Virginia and DC metropolitan area, for the coming year. The Bond Referendum Plan and the cost estimates for previously approved CIP projects have been adjusted to account for the significant cost escalation that occurred in the past 2-3 years, and staff will continue to monitor the impact of the regional market on CIP projects.

### **LEED Gold 4.0**

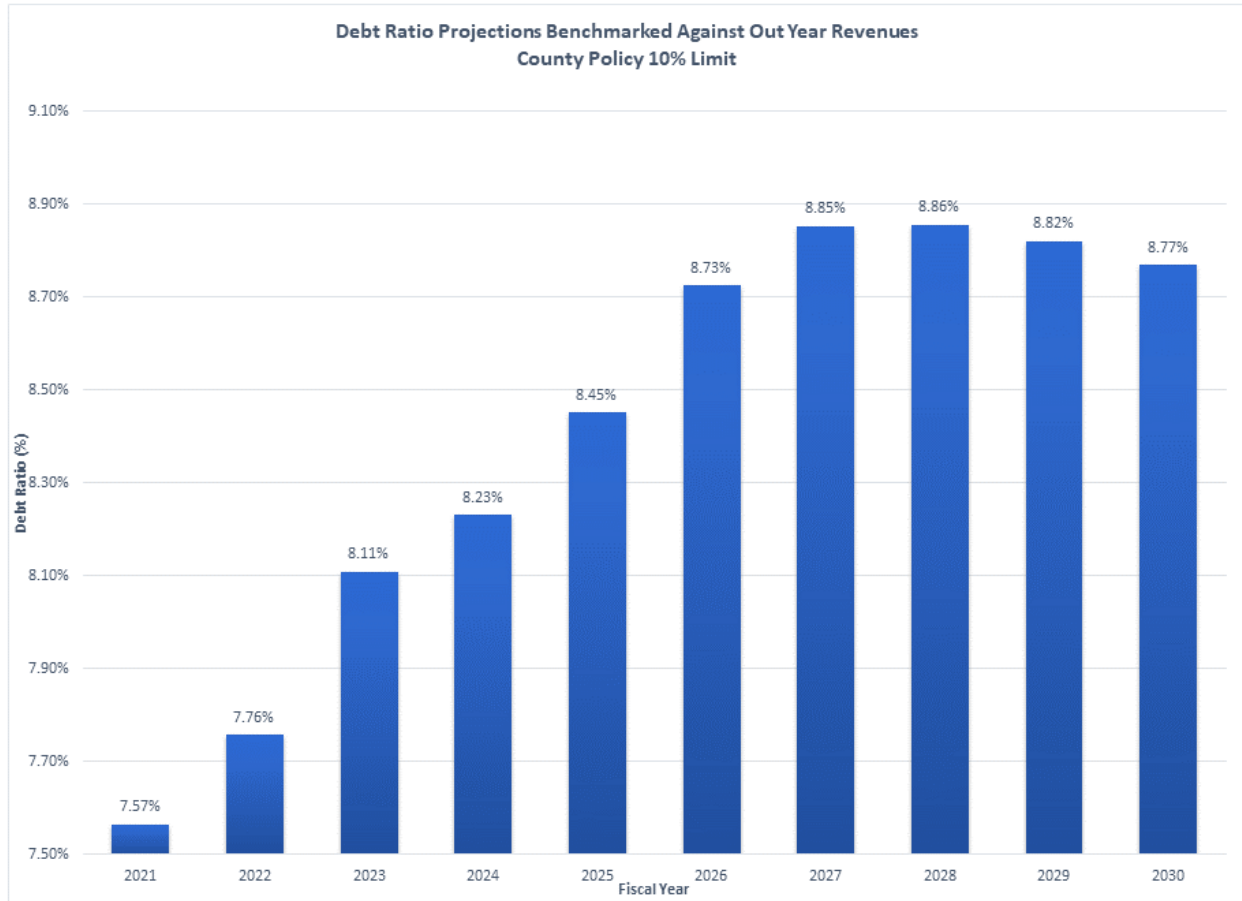
In addition, while the Fairfax County Sustainable Development Policy remains at a minimum goal of LEED Silver Certification for projects over 10,000 square feet, the U.S. Green Building Council (USGBC) has recently instituted the LEED 4.0 program. LEED 4.0 significantly raises the level of sustainability necessary to achieve LEED Silver Certification. Based on the Board of Supervisors' guidance, staff is working on revisions to strengthen the Sustainable Development Policy, with a likely target of LEED 4.0 Gold Certification for projects in the planning and early design phases. In addition, revised sustainability program goals will be incorporated to address energy performance and use of renewable energy (solar). For planning purposes, the CIP reflects an increase of 6 percent for projects in the future Bond Referendum Plan to accommodate for anticipated costs associated with LEED 4.0 Gold Certification. Projects underway will be evaluated on a case by case basis to determine the necessary steps and budget impact for reaching LEED 4.0 Gold status.

### **Reviewed the County's Debt Capacity**

A review of the County's debt capacity is conducted annually. The CIP is analyzed to ensure adherence to the *Ten Principles of Sound Financial Management*, specifically as it relates to debt ratios. As of June 30, 2019, the ratio of debt to taxable property value was 1.10 percent, well below the 3 percent limit and the ratio of debt to General Fund disbursements was 8.03 percent, well below the 10 percent limit. 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. The FY 2021 – FY 2025 CIP Bond Referendum Plan maintains these self-imposed debt ratios. The chart below is based on the percentage of anticipated debt requirements to conservatively forecasted revenues at a 2 percent growth rate. This analysis includes an annual sales amount of \$300 million, including \$180 million per year in sales for FCPS and \$120 million for County projects during the 5 to 10-year CIP period. Although the Referendum Plan forecasts cash needs which may exceed the \$300 million limit in some years, staff is confident, based on previous years, that the cash flow analysis and spending projections are conservative, and sales can be managed within the annual limit.

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In addition, staff continues to actively manage existing debt and regularly reviews refunding opportunities. On January 28, 2020, the County conducted a General Obligation bond sale for the Series 2020A bonds and refunded the Series 2012A bonds at a blended interest rate of 1.8 percent. The borrowing rate for the new money portion was 2.0 percent, representing the lowest interest rate received for a new money bond deal in the County's history. It is also 43 basis points below the previous low rate of 2.43 percent in 2012. This represents a differential of 0.74 percent under the Bond Buyer Index (BBI), which stood at 2.54 percent on the day of the sale. In preparation of this bond sale, the County requested a bond rating from Standard and Poor's Corporation, Moody's Investors Service, and Fitch Ratings. The County's triple-A bond rating was affirmed by all three agencies.

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### Developed a General Fund Supported Capital Program

The proposed FY 2021 General Fund Supported Capital Program is slightly higher than the FY 2020 Adopted Budget Plan level of \$18,143,691. FY 2021 total funding of \$19,665,805 includes an amount of \$13,875,805 or 71 percent for commitments, contributions and facility maintenance and \$5,790,000 or 29 percent for Infrastructure Replacement and Upgrades (Paydown projects). The Paydown program has been redesigned, at the request of the Board of Supervisors, to exclude those projects that are on-going maintenance projects or annual contributions. Paydown now includes infrastructure replacement and upgrades, ADA compliance, athletic field improvements and other capital improvements. The following table provides a summary of both categories within the General Fund Supported Capital Program.

<b>FY 2021 General Fund Supported Capital Program*</b>			
	<b>Commitments, Contributions and Facility Maintenance</b>	<b>Paydown</b>	<b>Total General Fund Support</b>
Athletic Field Maintenance and Sports Projects	\$5,644,713	\$1,700,000	\$7,344,713
Park Inspections, Maintenance and Infrastructure Upgrades	\$960,000	\$1,740,000	\$2,700,000
Environmental Initiatives	\$1,300,000	\$0	\$1,300,000
Revitalization Maintenance	\$1,410,000	\$0	\$1,410,000
Payments and Contributions	\$4,561,092	\$0	\$4,561,092
County Infrastructure Replacement and Upgrades	\$0	\$0	\$0
ADA Improvements	\$0	\$650,000	\$650,000
Reinvestment/Repairs to County Roads and Walkways	\$0	\$1,500,000	\$1,500,000
Developer Defaults	\$0	\$200,000	\$200,000
<b>Total General Fund Support</b>	<b>\$13,875,805</b>	<b>\$5,790,000</b>	<b>\$19,665,805</b>

\* Reflects General Fund support only. Other funding sources such as dedicated revenue and bond funding are not included in these totals.

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The FY 2021 General Fund Capital Program represents an increase of \$1,522,114 primarily due to increased support for Environmental Improvement Program projects and full year funding associated with athletic fields maintenance for an additional 44 FCPS synthetic turf fields. Due to budget constraints, there is no funding included for infrastructure replacement and upgrade projects in FY 2021; however, an amount of \$8,980,000 is anticipated to be funded as part of the *FY2020 Third Quarter Review* or *FY2020 Carryover Review*. An additional \$550,000 is also anticipated to be funded as part of the *FY 2020 Third Quarter Review* for Community Center court renewal, revitalization maintenance and walkway reinvestment. In recent years, it has been the Board of Supervisors' practice to fund some or all of the infrastructure replacement and upgrade projects using one-time funding as available as part of quarterly reviews. When considering the allocation of these available one-time funds, the FY 2020 Paydown Program funding totaled over \$33 million. This trend is expected to continue in FY 2021.

In addition to funding approved at quarterly reviews, the Board has allocated available year-end funds to the Capital Sinking Fund. The Capital Sinking Fund is populated each year as part of the Carryover Review based on 20 percent of the available year-end balances. Funding provides for infrastructure replacement and upgrades, such as facility roofs, electrical systems, HVAC and reinvestment in trails, pedestrian bridges and other infrastructure requirements. The Capital Sinking Fund allocation applied to the FY 2020 Paydown Program was \$10.9 million, increasing the total FY 2020 Program to \$44 million.

### Capital Sinking Funds

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 Programs and infrastructure upgrade requirements. One of the recommendations contained in the IFC's Final Report was the establishment of a capital sinking fund. The Capital Sinking Fund was first funded as part of the *FY 2014 Carryover Review*. Since then, the Board of Supervisors has approved funding annually at each Carryover Review. The formula for the allocation of these dollars was also approved by the Board and includes, 55 percent for FMD, 20 percent for Parks, 10 percent for Walkways, 10 percent for County-owned Roads and 5 percent for revitalization areas. The allocation percentages are reviewed annually and can be adjusted by the Board to address changes in requirements. A total of \$49,310,128 to date has been dedicated to capital sinking funds and allocated for infrastructure replacement and upgrades in the following areas:

FMD	\$27,120,573
Parks	\$9,862,026
Walkways	\$5,512,585
Roads	\$4,931,012
Revitalization	\$1,883,932
<b>Total to Date</b>	<b>\$49,310,128</b>

The Capital Sinking Fund allocations have enabled agencies to continue much of the important replacement and upgrade work required for infrastructure and facilities throughout the County. Status updates regarding the use of additional sinking funds are provided to the Board of Supervisors periodically.

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### **Reviewed the Stormwater Service District Spending Plan**

In FY 2021, the stormwater service rate is recommended to remain at the FY 2020 approved level of \$0.0325 per \$100 of assessed real estate value. The Board of Supervisors approved a special service district to support the Stormwater Management Program as part of the FY 2010 Adopted Budget Plan. This service district provided a dedicated funding source for both operating and capital project requirements, by levying a service rate per \$100 of assessed real estate value, as authorized by Code of Virginia Ann. Sections 15.2-2400. In FY 2014, a five-year spending plan was approved to gradually increase both funding and staffing for the Stormwater Program. The five-year plan was developed to support anticipated regulatory increases through a phased approach and was supported by increasing the service district rate by \$0.0025 per year. An ultimate rate of \$0.0400 per \$100 of assessed value had been estimated to be required to fully support the stormwater program in the future; however, staff is currently evaluating the long-term requirements for an expanded program.

Some of the additional requirements under evaluation include debt service to support the Board's approval of the dredging of Lake Accotink, the anticipation of additional flooding mitigation requirements, and strengthening the role and financial support for the implementation of stormwater requirements associated with FCPS new construction or renovation projects. This enhanced program may require incremental changes to the rate over time and may result in a higher ultimate rate to fully support the program. Staff will be evaluating these requirements, as well as the staffing to support them, and analyzing the impact of increased real estate values and revenue projections. Staff will return to the Board of Supervisors at a future Budget Committee meeting to define the needs and opportunities for FY 2022 and beyond.

While staff continues to further evaluate the long-term requirements for the Stormwater Program, the FY 2021 rate is proposed to remain the same at \$0.0325 per \$100 of assessed value. Actual revenue collected in recent years has been higher than projected as a result of increases in property values throughout the County. It is anticipated that in the next several years, incremental rate increases will be required based on continued growth of stormwater facilities and infrastructure that must be inspected and maintained by the county, additional requirements in the new 2020 Municipal Separate Storm Sewer System (MS4) permit and several of the enhancements noted above. On an annual basis, staff will continue to evaluate the program, analyze future requirements and develop Stormwater operational and capital resource needs.

### **Updated Countywide Infrastructure Replacement and Upgrade Requirements**

As part of the FY 2021 CIP, staff reviewed all infrastructure replacement and upgrade requirements and updated the CIP to ensure that priority replacement and upgrade project needs are identified by both the County and FCPS. The CIP provides a comprehensive view of the scale and scope of unmet infrastructure requirements in various program areas. Infrastructure Replacement and Upgrades is the planned replacement of building subsystems such as roofs, electrical systems, and HVAC systems that have reached the end of their useful life. As the County infrastructure ages, more frequent replacement and upgrades are required. Fairfax County's inventory of infrastructure includes not only government buildings and schools, but housing units, park facilities, miles of walkways and sewer pipes and many facilities such as residential facilities and fire stations that operate 24/7, 365 days per year. Infrastructure replacement and upgrades are prioritized based on life safety concerns, repair history and availability of replacement parts.

Staff continues to review Best Practices for prioritizing and categorizing infrastructure replacement and upgrade requirements. Currently, County projects are classified as Category F: urgent/safety related, or endangering life and/or property; Category D: critical systems beyond their useful life or in danger of possible failure; Category C: life-cycle repairs/replacements where repairs are no longer cost effective; Category B: repairs needed for improvements if funding is available, and Category A: good condition. FCPS uses an assessment index (AI) value to prioritize resources for maintenance and replacement.

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### **Continued to Collaborate with FCPS staff on the CIP Process**

County and FCPS staff have been working to develop ideas and strategies for the future that will better integrate the needs of both capital programs and identify areas for improvement. Some of the areas under review include:

- Reviewing the accomplishments provided through the County's Infrastructure Financing Committee (IFC) Capital Sinking Fund. Over \$49 million has been approved by the Board of Supervisors since FY 2014 and has supported important replacement and upgrade work required at County-owned facilities.
- Reviewing the success of the \$13.1 million transferred annually to FCPS to offset infrastructure replacement. This transfer has enabled previously used bond funding to be applied to school renovation projects.
- Staff is working to prepare a comprehensive asset requirement list using a similar scoring mechanism for all program areas. In some cases, it may be difficult to compare the various program areas. For example, the FCPS top routine maintenance project is playground repairs/installation and the County's top routine maintenance project is HVAC component repairs.
- Potentially strengthening the role and financial support for the implementation of stormwater requirements associated with new construction or renovation projects at FCPS sites.

Staff will continue to work together and provide updates and recommendations to the Board of Supervisors and the School Board as they are identified. This process will coincide with staff's preparation for the implementation of the County's Strategic Plan.

### **Continued to Explore Shared Use/Co-location Opportunities**

County and School staff continue to identify and implement shared use facility opportunities. A list of future potential shared use facilities has been updated and included in the CIP. This list is sorted by both projected project implementation year (project timeline) and by Supervisory District. County staff are also working on several projects which will co-locate complementary County programs and services. These efforts aim to reduce reliance on leased space, address gaps in service delivery, and improve efficiencies. Additional co-location opportunities are being evaluated and staff will return to the Board of Supervisors with recommendations in the near future.

#### *Original Mount Vernon High School Project:*

A variety of programs and functions are being reviewed for possible inclusion in the phased redevelopment of the Original Mount Vernon High School site, as coordinated with the Mount Vernon and Lee District communities. The facility was constructed in 1939 and planning efforts are ongoing to determine requirements for historic renovation and adaptive reuse programs for the building. Potential programs include a partnership with FCPS and Northern Virginia Community College to provide educational and workforce development programs. The renovated high school will be suitable for educational, childcare and early childhood education programs; art, recreational, and life skill training programs; and innovation and business incubation spaces. Immediate occupancy for the use of the gym by the Department of Neighborhood and Community Services began in fall 2016. Since July 2017, the Fire Marshal and FCPS have been occupying space at the site in order to improve service delivery in the south county area. Space renovations for the relocation of the Teen & Senior Center programs from the Gerry Hyland South County Center have been completed and the program will move to the facility in March 2020.

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### *Lorton Library, Community Center, Senior Center Project:*

The expansion and renovation of the existing Lorton Community Library has been designed for co-location with the Lorton Community Center which was approved by the voters as part of the 2016 Human Services and Community Development Bond Referendum. The site will also provide for space associated with the Lorton Community Action Center and the Lorton Senior Center. One site will provide a multiple-agency building, maximizing the use of the space, providing efficiencies, and leveraging synergies among community services.

### *Early Childhood Education Initiatives:*

As facilities are renovated or new facilities are planned, staff is evaluating the possibility of including Early Childhood Education space within several projects. There are currently plans to include Early Childhood Education space at the Original Mount Vernon High School site and the Kingstowne Library site. Additional sites are being evaluated for Board consideration.

### *Franconia Police Station, Museum, Kingstowne Library, Active Adult Center, Childcare Center Project:*

The Kingstowne Regional Library site was previously purchased by the County and is being considered not only for the Library but also as a co-location site with other County facilities. The Kingstowne Library and Active Adult Center is currently occupying leased space. Staff has been reviewing designs associated with the co-location of the Library, the Franconia Police Station, the Lee District Supervisor's Office, the Franconia Museum, an Active Adult Center and an Early Childhood Education Center. The Franconia Police Station and District Supervisor's Office were approved by the voters as part of the fall 2015 Public Safety Bond Referendum. Co-location of these facilities at this site would support a single, multi-agency building and maximize the use of the space, provide efficiencies, and enhance services for the community. The co-location also allows the Police Station and Supervisor's Office to stay in place during construction without the need for temporary space or disruptions to operations.

### *Wastewater and Stormwater Facility:*

This co-located facility will combine the functions of the Stormwater Planning Division, Maintenance and Stormwater Management Division, Wastewater Planning and Monitoring Division, and Wastewater Collection Division to maximize efficiencies of all operations. Design work is currently underway, with construction bid scheduled for late 2020. The Maintenance and Stormwater Management Division's current site is restricted by the City of Fairfax zoning ordinances that do not allow expansion of the buildings or any exterior improvements to the property. The facility is inadequate, outdated, and cannot accommodate the current and future staff required to support the increased scope of the stormwater program. The new facility will also address building and space deficiencies at the current Wastewater Collection facility. It is anticipated that EDA bonds will finance the facility and Stormwater and Wastewater revenues will proportionately provide for the annual debt service requirements.

### **Estimated Operational Impacts for Current and Future CIP Projects**

Staff has identified rough estimates for operational costs associated with current and future CIP projects. These estimates are based on FY 2021 dollars, with no inflation applied. Costs associated with facility square footage increases have been estimated using a blended annual operating factor per square foot of additional space to account for increased utilities, custodial, landscaping, and maintenance costs. Future decisions may be required for several of these facilities; therefore, the operational budget impacts have not yet been determined. Agency estimates include potential additional staffing, equipment and furnishings. Further analysis will be required for all of these estimates; however, the CIP does provide the identification of not just project design and construction costs, but also the estimated operational impact for many facility projects.



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## Identified Future CIP Efforts and Challenges

The CIP evaluation process is evolving to include not only infrastructure conditions, regulatory mandates and project readiness factors, but also County values which will be identified through the Strategic Planning process and other social factors, such as equity and economic opportunity. In the next year, County and FCPS staff will continue to identify opportunities for shared space/multi-use facilities and work to strengthen the links between the county-wide strategic planning effort currently underway and its relationship to the CIP. The CIP project prioritization process will also strive to include the One Fairfax Initiative in all decision making. One Fairfax, a joint social and racial equity policy of the Fairfax County Board of Supervisors and School Board will continue to be an important factor in determining future capital projects. Over the next several years, these strategic efforts will provide for more discussion in relation to long-term capital needs. Finally, staff will monitor the current construction market and sustainability policies with respect to LEED initiatives and their effect on project costs for both current and future projects within the CIP.