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 21, 2023

Chairman and Board Members,

I am pleased to forward for your review and consideration the FY 2024–FY 2028 Advertised Capital Improvement Program (With Future Fiscal Years to FY 2033). The Capital Improvement Program (CIP) is released concurrently with the FY 2024 Advertised Budget Plan. During the development of this year's CIP, the following objectives were accomplished:

- Reviewed the Joint County Board/School Board CIP Committee recommendations and identified what has been implemented in FY 2024;
- Continued to implement projects using the Capital Sinking Fund and reflected the revised year-end allocation which includes a portion for Fairfax County Public Schools;
- Reviewed the timing and size of future County referenda included in the Bond Referendum Plan and recommended some changes;
- Adjusted future building project cost estimates based on recent inflation and supply chain challenges;
- Reviewed the County's debt capacity and conducted an analysis of debt service requirements based on existing and future proposed bond sale limits, and debt ratios;
- Identified projects planned to be supported by other financing sources within the 5-year period;
- Developed the annual General Fund Supported Capital Program;
- Reviewed the Stormwater Service District, developing an FY 2024 program with no recommended increase in the service district rate;
- Provided updates to colocation projects currently underway;
- Continued to work with the Department of Planning and Development to update the Public Facilities element of the Policy Plan to align the CIP and the Comprehensive Plan more closely;
- Provided a summary of major changes from the FY 2023 CIP; and
- Identified future challenges and efforts underway to improve the CIP.

I believe the County's proposed CIP reflects a program which provides specific project planning and a clear financing plan. Although this plan requires annual evaluation, it does provide a specific facility roadmap for the future.

Respectfully submitted,

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County Executive

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Joint CIP Committee

The FY 2024 – FY 2028 Capital Improvement Program (CIP) was developed with input from County agencies and to the extent possible, in accordance with the recommendations of the Joint County Board/School Board CIP Committee. In February 2020, the Board of Supervisors and the School Board established a joint CIP working group to allow for information sharing, prioritizations, and planning by both the County and Fairfax County Public Schools (FCPS). The Committee spent its time reviewing existing Financial Policies, considering the financing options available for capital projects, understanding the capital project requirements for both the County and FCPS, and evaluating the current CIP Plan and processes. Following these discussions, the Committee arrived at a series of recommendations, which included:

- Increasing the annual General Obligation Bond sale limit from $300 million to $400 million;
- Dedicating the equivalent value of one penny on the Real Estate tax for the capital program and splitting those funds between the County and FCPS to support infrastructure replacement and upgrade projects and debt service requirements on the increased annual sales; and
- Increasing the percentage allocated to the Capital Sinking Fund at year-end and including FCPS in the allocation.

These recommendations were approved by the Board of Supervisors on December 7, 2021, and when fully implemented, will provide significant funding for both capital programs in the future. This year's CIP reflects the plan to increase annual bond sales gradually to the revised limit, including a $50 million increase which was sold in January 2023 and an additional $50 million planned for January 2025, for a total increase of $100 million (evenly split between County and FCPS).

The FY 2024 budget does not fully dedicate the value of a penny of the Real Estate tax to the capital program. The FY 2024 Advertised Budget Plan includes a total of $5 million, or $2.5 million each for the County and School capital programs which is level with the FY 2023 Adopted Budget Plan. It is anticipated that additional funding may be available at budget quarterly reviews and increases to the Sinking Fund will supplement this funding.

Bond Referendum Plan

The majority of capital projects in the CIP require financing and are supported by the General Obligation Bond Program. The CIP includes a Bond Referendum Plan which identifies future referenda for both the County and FCPS. Based on current capital program challenges, staff is recommending some adjustments to the FY 2024 Plan.

The bond program has been experiencing several challenges in recent years that have led to a backlog in unsold bonds. This backlog is based on several factors: limits on bond sales timeframes (8 years with possible 2-year extension), restrictions on annual bond sale amounts, changes in project scopes after voter approval, higher Metro contribution requirements, and project delays associated with co-location opportunities, supply chain issues, and COVID.

Although the Joint CIP Committee recommended an increase in the annual bond sale amount from $300 million to $400 million, this increase will be gradual over several years and does not fully address the current CIP projects and challenges. The FY 2023 Plan included staff recommendations to delay and spread out some bond referenda to help with these program challenges. This adjustment was intended to help with the backlog of bonds needed to be sold and position the County to better take advantage of the increased sale limits in the future. The FY 2024 Program includes some additional changes. The table below outlines the changes proposed in the Bond Referendum Plan.

Proposed Changes to Bond Referendum Plan		
	Current Plan	Proposed Plan
Schools	2023, 2025, 2027	No change
Public Safety	2024	Tysons Fire Station to 2024 Chantilly Fire Station to 2030 Well-fit to 2030 Revised Criminal Justice Academy to 2024 Tysons Police Station to 2030
Human Services	2026	No change
Early Childhood	2026	No change
Libraries	2026	Chantilly Library to 2032
Parks	2026	Increased from $100m to $180m
Roads	2026	2028
Metro	2024, 2028	No change

Details of the changes include:

- Fire and Rescue facilities: The ***Tysons Fire Station*** is the Department's top priority and has been funded through design only. This station is anticipated to be funded with proffers; however, proffer funding received to date will not fully fund construction. This station has been included on the 2024 Public Safety Bond Referendum and future proffer funds received can help offset future public safety projects. In order to accommodate the Tysons Fire Station, the ***Chantilly Fire Station*** renovation has been postponed from the 2024 to the 2030 Referendum. Finally, the ***Well-fit*** training facility has been moved from the 2024 to the 2030 Referendum. The Well-fit facility is currently in leased space and is under review to determine if a joint Fire and Police facility is an option.

- Police Department facilities: The ***Tysons Police Station*** has been moved from the 2024 to the 2030 Referendum to accommodate a revised plan for ***the Criminal Justice Academy*** (CJA). Staff is reviewing options to move out of the existing Academy building and plan for a consolidated training center at the Emergency Vehicle Operations Center (EVOC) and Drivers Training Track. Collocating the CJA with the EVOC/Driver Track creates spatial and operational efficiencies, by reducing the overall footprint of the building and utilizing shared spaces between the two training functions. Relocating to the secure drivers training area will also alleviate security concerns and allows for private outdoor training that cannot be accomplished at the current site.

- Library facilities: The ***Chantilly Library*** renovation project is the Library staff's lowest priority and is proposed to be postponed until 2032. This Library site is currently being assessed for a potential colocation opportunity with an Affordable Housing project. Should this colocation project move forward, an alternative funding source would be required.

- Parks: As part of the FY 2023 CIP, the Park Bond plan and most program areas were shifted to a 6-year schedule to alleviate pressures on the bond program. The Park Bond was moved from the 2024 to the 2026 Referendum with a placeholder of $100 million in 2026. Staff have been working to determine the appropriate size of the Park Referendum for 2026 and beyond. The FY 2024 CIP includes a Park Bond Referenda in the amount of $180 million in 2026. This increase should help meet the Park Authority's immediate needs and recognize the higher costs associated with all construction projects. In addition, this plan will provide for major Rec Center renovation project requirements. The Board of Supervisors also approved an amount of $5 million as part of the *FY 2022 Carryover Review* to help with escalating costs, primarily associated with the Mount Vernon Rec Center renovation project. In addition, an amount of $25 million in American Recovery Plan Act (ARPA) funding is proposed to offset construction cost increases associated with the Mount Vernon Rec Center.

- Roads: Staff has proposed moving the Road Bond Referendum from 2026 to 2028. The Road Referendum remained unchanged as part of the FY 2023 CIP and based on the pace of spending and the need to sell existing Road bonds; staff is recommending a postponement of this referendum until 2028.

The above changes allow for cashflow projection levels to meet bond sale limits and provides an overall smoothing of the referendum amounts with approximately the same amount in each referendum year.

Project Cost Increases

Based on the current experience with cost increases in building projects, staff has adjusted the Total Project Estimates (TPEs) for future projects planned in the CIP. Project costs continue to increase due to inflation and disruptions in global supply chains for many commodities and materials utilized in construction projects, such as lumber, steel, copper, plastics, and metal products. These increased material costs and delays in receiving supplies have also resulted in contractor backlogs. Project costs may also be impacted by requirements associated with the Board of Supervisors updated Sustainable Development Policy and the Operational Energy Strategy. Finally, there may be impacts associated with the new County ordinance approved in January 2022 requiring payment of prevailing wages on projects over $250,000.

To address these cost challenges, all building projects scheduled for referendum in 2024 have been increased by 10 percent for planning purposes. In addition, projects scheduled in future years have been increased by 12 percent. Increases were applied to specific building projects only. These estimates will be reevaluated and may need to be adjusted annually. Existing and previously funded building projects are being reviewed on a case by case basis as construction bids are analyzed. The Board of Supervisors did approve a Construction Escalation Reserve totaling $20 million to help offset some of the cost challenges on existing projects.

County Debt Capacity

A review of the County's debt capacity is conducted annually. The CIP is analyzed for adherence to the *Ten Principles of Sound Financial Management*, specifically as it relates to several debt ratios. As of June 30, 2022, the ratio of debt to taxable property value was 1.02 percent, well below the 3 percent limit and the ratio of debt to General Fund disbursements was 6.97 percent, well below the 10 percent limit. These two self-imposed debt ratio 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.

Although these projected debt ratios are well below the Board's self-imposed limits, the affordability of the debt service payments is also a significant consideration. Funding debt service for both the County and FCPS capital programs is only one of the many operational demands on the County budget.

Finally, bond sales continue to benefit from the County's triple-A bond rating. On January 19, 2023, the County conducted a General Obligation bond sale at an interest rate of 2.98 percent. This rate is evidence of the diverse mix of investors seeking highly rated municipal bonds. The favorable reception of the County bonds in the marketplace is also supported by the comparison of this interest rate to the Bond Buyer's 20 bond index, which stood at 3.33 percent on the day of the sale. In preparation for this bond sale, the County requested a bond rating from Standard and Poor's Corporation, Moody's Investors Service, and Fitch Ratings and the County's triple-A bond rating was affirmed by all three agencies. All three rating agencies cited the County's commitment to the *Ten Principles of Sound Financial Management*, including fully funded reserve levels.

Projects Proposed for Other Financing

The County has for several years used other financing mechanisms, such as Fairfax County Economic Development Authority (EDA) or Fairfax County Redevelopment and Housing Authority (FCRHA) bonds, to support various County projects. The timing of General Obligation bond financing for some projects can be challenging given factors such as development agreements, leasing arrangements, and expedited project timing due to current opportunities. Projects supported by other financing mechanisms often include complex financing structures with extensive development agreements.

Several projects are proposed in the CIP 5-year period to be funded by other financing mechanisms. The ***Original Mount Vernon High School*** redevelopment project is scheduled to be supported by FCRHA bonds in order to receive revenues from the sale of state historic tax credits. This project is in the design phase and bonds are expected to be sold in late FY 2023 or early FY 2024. The ***Tysons Community Center*** is being developed as a partnership between the Department of Housing and Community Development (HCD), the Department of Public Works and Environmental Services (DPWES), and a private developer. The Dominion Square development in Tysons will incorporate a 33,000 square foot community center on the site. It is anticipated that $40 million for the construction of the Community Center will be financed with EDA bonds. The ***Judicial Center*** redevelopment project and the ***Reston Town Center North*** redevelopment projects are also planned in future years to be supported by EDA bonds.

General Fund Supported Capital Program

The development of the CIP includes a review of the General Fund supported Capital Program and an examination of the County's commitment to cash funded projects. The proposed FY 2024 General Fund Supported Capital Program is $26,234,615, representing an increase of $738,842 over the FY 2023 Adopted Budget Plan. This increase is associated with funding adjustments attributed to maintenance previously supported by the County's Community Labor Force, athletic field maintenance associated with the opening of Patriot Park North, the Park Authority's forestry operations and ground maintenance efforts, support for the Wastewater Colchester Contribution, and interest payments on Conservation Bond Deposits. These increases are partially offset by some minor project decreases.

The total General Fund capital program includes an amount of $19,177,615 for commitments, contributions, and facility maintenance and $7,057,000 for Paydown projects. The Paydown program excludes those projects that are on-going maintenance projects or annual contributions. Paydown only includes infrastructure replacement and upgrades, ADA compliance, athletic field improvements and other facility improvements. In addition, funding of $6,100,000 to support the remaining projects in the FY 2024 infrastructure replacement and upgrade program is proposed to be funded as part of a future quarterly review. In recent years, it has been the Board of Supervisors' practice to fund some or all of the annual infrastructure replacement and upgrade project requirements using one-time funding as available as part of budget quarterly reviews.

As noted above, the FY 2024 budget does not fully dedicate the value of a penny of the Real Estate tax to the capital program as recommended by the Joint CIP Committee. The FY 2024 Advertised Budget Plan includes a total of $5 million, or $2.5 million each for the County and School capital programs which is level with the FY 2023 Adopted Budget Plan.

The following table provides a summary of the General Fund Supported Capital Program.

FY 2024 General Fund Supported Capital Program*

	Commitments, Contributions, and Facility Maintenance	Paydown	Total General Fund Support
ADA Improvements	$0	$350,000	$350,000
Athletic Field Maintenance and Sports Projects	$5,368,338	$1,700,000	$7,068,338
Developer Defaults	$0	$200,000	$200,000
Environmental Initiatives	$1,298,767	$0	$1,298,767
Maintenance and Snow Removal	$3,986,916	$0	$3,986,916
Other Payments and Contributions	$4,962,594	$0	$4,962,594
Park Inspections, Maintenance, and Infrastructure Upgrades	$1,151,000	$1,807,000	$2,958,000
Reinvestment/Repairs to County Roads and Walkways	$0	$1,500,000	$1,500,000
Revitalization Area Maintenance	$1,410,000	$0	$1,410,000
Subtotal	*$18,177,615*	*$5,557,000*	*$23,734,615*
Joint CIP Committee Recommendations			
CIP Feasibility Studies	$1,000,000	$0	$1,000,000
County Infrastructure Replacement and Upgrades	$0	$1,500,000	$1,500,000
Subtotal	*$1,000,000*	*$1,500,000*	*$2,500,000*
Total General Fund Support	**$19,177,615**	**$7,057,000**	**$26,234,615**

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

Capital Sinking Funds

In addition to funding approved as part of the annual budget, the Board has allocated a portion of available year-end balances to the Capital Sinking Fund. The Capital Sinking Fund was previously populated based on 20 percent of available year-end balances. Based on the recommendations of the Joint County Board/School Board CIP Committee, beginning at the *FY 2022 Carryover Review*, the Capital Sinking Fund was increased from 20 percent to 30 percent of available year-end balances and included FCPS in the allocation of funds for the first time. The funding is now allocated as follows: 45 percent for Facilities Management Department (FMD), 25 percent for FCPS, 15 percent for parks, 7 percent for walkways, 5 percent for County-owned roads and 3 percent for revitalization improvements. Funding provides for infrastructure replacement and upgrades, such as roofs, HVAC and electrical systems, and reinvestment in trails, pedestrian bridges, and other infrastructure improvements.

Since FY 2014, a total of $127,137,348 has been dedicated to the capital sinking fund and allocated for infrastructure replacement and upgrades in the following areas:

FMD	$66,144,221
Parks	$23,536,808
Walkways	$12,933,760
Roads	$10,050,220
Revitalization	$5,019,028
FCPS	$9,453,311
Total to Date	**$127,137,348**

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

Stormwater Service District Rate

In FY 2024, the stormwater services rate will remain at the FY 2023 approved level of $0.0325 per $100 of assessed real estate value. The Stormwater service district provides a dedicated funding source for both operating and capital project requirements. Since the establishment of this service district, staff has made significant progress in the implementation of watershed master plans, public outreach efforts, stormwater monitoring activities, water quality improvements, and flood mitigation. In addition, staff has made progress in operational maintenance programs related to existing stormwater conveyance systems and has been able to satisfy regulatory requirements.

Staff continues to assess the appropriate service rate required to fully support the stormwater program in the future and address the growth in inventory and other community needs. Some of the additional community needs under evaluation include flood mitigation requirements and strengthening the role and financial support for the implementation of stormwater requirements associated with Fairfax County Public Schools sites under renovation. This enhanced program may require incremental changes over time and may result in a higher rate to fully support the program. Staff continues to evaluate these requirements, as well as the staffing to support them, and analyze the impact of increased real estate values on revenue projections.

Shared Use/ Colocation Opportunities

Several colocation and shared use projects are now underway, and the County and FCPS continue to explore future 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. Colocation sites offer a way to maximize limited space, locate complementary programs and services together, reduce reliance on leased space, address gaps in service delivery, and improve efficiencies. It is anticipated that CIP feasibility study funding will support the evaluation of additional colocation opportunities. Some of the major projects underway include:

Kingstowne Complex:
The Kingstowne Complex will collocate the Franconia Police Station, the Franconia District Supervisor's Office, the Franconia Museum, the Kingstowne Library, an Active Adult Center, and a childcare center into one comprehensive facility. The complex will also include garage parking and a County fueling station. Colocation of these facilities at this site will support a single, multi-agency complex and maximize the use of the space, provide efficiencies, and enhance services for the community. The colocation also allows the Police Station and Supervisor's Office to remain operational during construction without the need for temporary space or disruptions to operations.

Original Mount Vernon High School Redevelopment:
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 Franconia District communities. It is anticipated that the facility will provide pathways to opportunity for the community through a wide range of programs and spaces. The Teen/Senior Program from the Gerry Hyland Government Center relocated to the renovated space near the gym in spring 2020.

Wastewater and Stormwater Facility:
This collocated 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. The new facility will address building and space deficiencies at the current Wastewater Collection facility and the Stormwater Management facility. EDA bonds financed the project and Stormwater and Wastewater revenues proportionately provide for the annual debt service requirements.

Other shared complexes in the planning stages include the Reston Town Center North redevelopment, the Judicial Complex redevelopment, the development of the Herndon Monroe Park and Ride/Herndon Monroe Metro Station Garage site, and the Penn Daw Fire Station/Permanent and Supportive Housing project.

A County staff task force has been working to identify future opportunities by comparing the needs in the CIP with several other County and School needs. As facilities are renovated or new facilities are planned, staff is evaluating the possibility of including Early Childhood Education space, Affordable Housing and other County services to provide efficiency of services to citizens and savings in construction costs. The colocation of public facilities can enhance the delivery of services, address resource constraints, and encourage agency coordination.

Public Facilities/ Policy Plan Update

On July 14, 2020, the Board of Supervisors authorized a plan amendment to update the Public Facilities element of the Policy Plan to more closely align the CIP and the Comprehensive Plan. The Department of Planning and Development has been working closely with the Department of Management and Budget, the Office of Capital Facilities, and stakeholder agencies that are responsible for planning and implementing public facilities. The updated Public Facilities element of the Policy Plan will incorporate the Countywide Strategic Plan, One Fairfax Policy, and other countywide policies to better align the Public Facilities element of the Comprehensive Plan and CIP.

To date, staff has coordinated with over 30 agencies that plan, implement and/or review public facilities throughout the county. In addition to providing critical input on revising the policy plan, these conversations with agencies have been an opportunity to discuss the importance of the Comprehensive Plan policies in relationship to the 2232 and CIP review. Throughout this effort, staff has been meeting with the Planning Commission Land Use Process Review Committee to update the Commission on their progress. The topics of the 2232 Public Facility Review process, PPEA/Public-Private Partnerships strategies, and colocation strategies have been the focus of the most recent meetings. Staff also held twelve community outreach meetings in fall of 2022 to inform and gather preliminary feedback on the plan amendment update. Several of these meetings were open to all countywide stakeholders in a virtual format and the remaining meetings were open to the public but targeted within individual supervisory districts.

In spring of 2023, staff plans to provide the draft revised text of the Public Facilities element of the Policy Plan to the Planning Commission for their initial review. The draft text will then be advertised to the public and staff will organize a series of input meetings throughout the county to receive feedback before finalizing the draft plan amendment text and initiating the approval process through the Planning Commission and Board of Supervisors.

Summary of Changes from FY 2023 CIP

In addition to the annual updates to capital projects approved by the Board of Supervisors as part of budget quarterly reviews and minor adjustments to bond project cashflow timelines based on actual project progress, the following changes are noted since the adoption of the FY 2023 – FY 2027 Capital Improvement Program.

Changes to the FY 2023 CIP	
Joint CIP Committee Recommendations	Although the FY 2024 budget does not dedicate the value of a penny of the Real Estate tax to the capital program as recommended by the Joint CIP Committee, it does continue the FY 2023 level of funding set aside for both the County and FCPS Paydown Programs. A continuation of the $5 million has been provided ($2.5 million each) in FY 2024.
General Fund Capital Program	The proposed FY 2024 General Fund Supported Capital Program is $26,234,615, representing an increase of $738,842 over the FY 2023 Adopted Budget Plan. This increase is associated with maintenance requirements previously supported by the County's Community Labor Force, athletic field maintenance associated with the opening of Patriot Park North, Park Authority's forestry operations and ground maintenance efforts, support for the Wastewater Colchester Contribution, and interest payments on Conservation Bond Deposits. These increases are partially offset by some minor project decreases.
Self-Supporting Funds Capital Programs	Rates proposed in the FY 2024 Advertised Budget Plan will support proposed capital programs.
Changes to the Bond Referendum Plan	Some changes are proposed to individual project timelines and the Road Bond Referendum is proposed to be moved from 2026 to 2028. Additionally, future project estimates have been increased by 10 to 12 percent to account for current experience with cost increases in building projects. Finally the Park Bond has been increased from the placeholder of $100 million to $180 million.
Projects supported by EDA Bonds or Other Financing Methods	The proposed Original Mount Vernon High School Redevelopment project is scheduled for FCRHA bond support in late FY 2023 or early FY 2024. Additional projects proposed include the Tysons Community Center, Lake Accotink Dredging, the Reston Town Center North Redevelopment project and the Judicial Complex Redevelopment project.
Capital Sinking Fund	All Sinking Fund projects have been updated to reflect the allocations approved as part of the *FY 2022 Carryover Review*. The total amount approved for the Sinking Fund to date is over $127 million. The Sinking Fund allocation in the *FY 2022 Carryover Review* included an allocation for FCPS as recommended by the Joint CIP Committee.

Future CIP Efforts and Challenges

The CIP evaluation process is evolving and is adjusted annually to accommodate infrastructure conditions, regulatory mandates, and project cost factors. In addition, the CIP is developed based on the County values identified in the Strategic Plan and other social factors, such as equity and economic opportunity. County and FCPS staff continue to work together to identify opportunities and strengthen the links between the two capital programs. Staff is also providing on-going project monitoring and will identify if additional project funding is required for previously approved projects in order to support potential increases associated with inflation, supply chain issues, the Board of Supervisors' Sustainable Development Policy requirements, and the Prevailing Wage ordinance.