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 25, 2014

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 2015 – 2019, with Future Fiscal Years to FY 2024*. The CIP is being released concurrently with the FY 2015 Advertised Budget Plan.

During the development of this year's CIP, the following primary objectives were accomplished:

- Responded to the initial recommendations of the Infrastructure Financing Committee (IFC) to begin to address critical requirements for facility infrastructure upgrades and develop a more robust Paydown Program including funding to address Americans with Disabilities Act (ADA) compliance and other building/infrastructure maintenance requirements;
- Reviewed the County's debt capacity in order to manage bond sales and the associated debt service payments within projected General Fund availability;
- Reviewed bond referenda schedules in light of critical requirements and projected resources. County staff are working on long range planning and project prioritization for future bond referenda;
- Provided a 5-year Stormwater Service District Spending Plan which includes moderate increases of ¼ penny in the tax rate per year to address increased stormwater management regulations; and
- Provided a new CIP section including a comprehensive future project list and accompanying project detail sheets with specific project descriptions.

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1. Infrastructure Financing Committee (IFC) Initial Recommendations

The Infrastructure Financing Committee (IFC), a joint School Board/County Board Committee, was established in April 2013, as a working group to collaborate and review both the County and Fairfax County Public School's (FCPS) Capital Improvement Program (CIP) and capital requirements. The Committee has been reviewing: 1) the County's long-standing fiscal, financial, and capital improvement policies; 2) the County and FCPS requirements for major maintenance, including HVAC replacement, roof replacement and other essential building subsystem repairs required to maintain existing facilities; 3) requirements for major renovations and new projects; and 4) financing options. Early in the Committee's deliberations it became evident that the County and FCPS capital challenges far exceed the capacity to fund them. The Committee agreed that reinvestment in County and FCPS facilities is critical to avoid deterioration and obsolescence and recognized that during the height of the economic crisis the funding contribution to the Capital Program did not keep pace with requirements. As a result of this need to invest in our infrastructure and the work of the IFC, the focus on capital requirements has been renewed and strengthened for FY 2015 and beyond.

In addition to the on-going work of the IFC, staff met with each County District Supervisor to discuss their top priority CIP projects and needs for the future. In response to this renewed focus on the CIP, I have tried to proactively address what I believe are the most critical needs, and included the following in the FY 2015 CIP:

- It is my intention to include funding for critical condition assessments in the *FY 2014 Third Quarter Review*. These assessments are required to better define and prioritize overall capital requirements in FY 2016 and beyond. Funding for the remaining Americans with Disability Act (ADA) required facility assessments, a County-owned road inventory assessment and a comprehensive review of the facility requirements associated with human services delivery need to be addressed as soon as possible. Many Board members expressed concern about the state of the County's facilities, including our Park RECenters, which will be reviewed as part of a recently approved Parks Needs Assessment. I agree with the Committee that these assessments are critical to approach the capital program needs in a strategic and balanced way.

- In response to consensus that both the County buildings and other infrastructure such as trails, roads, parks, athletic fields, and revitalization areas, are in need of an annual and dedicated funding source for maintenance, I have included increases to the Capital Paydown budget in FY 2015. Many of these increases are detailed in the Paydown section below and represent a phased approach toward an ultimate annual funding goal.

- To ensure a more comprehensive County CIP, the Committee recommended and staff has included all FCPS projects in the County 5-year CIP Project Listing.

- In addition, the Committee recommended that staff from both the County and FCPS develop common definitions for various capital projects, operational maintenance, and infrastructure replacement and upgrades. These definitions are currently under review, but are presented here in draft format.

OPERATIONS AND MAINTENANCE

The recurring, day-to-day, periodic, or scheduled maintenance/repairs required to preserve, control deterioration and provide for the basic operation of a facility. This type of maintenance is routine, recurring, and is based on frequency schedules, responding to service requests, or through periodic inspection and correction efforts. Operations and Maintenance efforts are an essential part of the on-going care and up-keep of any facility. Operations and Maintenance is typically funded through operational budgets. Examples of Operations and Maintenance include:

- Janitorial - custodial services, trash removal
- Electrical - power malfunctions, replacement light bulbs, elevator/escalator repairs
- Plumbing - dripping faucets, clogged pipes
- Painting - painting walls
- Carpentry - broken doors, ceiling tile replacement, replacement windows
- Mechanical systems - replacing filters, belts on HVAC equipment
- Replacement - gym floors, carpet tiles, roof top HVAC components, field lighting
- Upgrades – some improvements to meet Americans with Disability Act (ADA) standards

INFRASTRUCTURE REPLACEMENT AND UPGRADES

Infrastructure Replacement and Upgrades refers to the planned replacement of building subsystems that have reached the end of their useful life. These systems, once replaced, will have an average life cycle of 20 years or more. Without significant reinvestment in facility subsystems, older facilities can fall into a state of ever-decreasing condition and functionality, and the maintenance and repair costs necessary to operate the facilities increase. Currently these types of Infrastructure Replacement and Upgrades are funded within operational budgets or financed using municipal bonds. Examples of Infrastructure Replacement and Upgrades include:

- Roof Replacement
- Electrical System Replacement
- HVAC Replacements
- Plumbing Systems Replacements
- Replacement Windows
- Parking Lot Resurfacing
- Fire Alarm System Replacements
- Sprinkler Systems
- Emergency Generator Replacements
- Elevator Replacement

RENOVATIONS

Renovations are performed on a facility in order to replace all subsystems which have outlived their useful life, as well as, alter, modernize, expand, or remodel the existing space. Renovations also may improve or modernize the operations and functions of the facility and bring it up to current code standards. Renovations are typically financed through municipal bonds.

NEW CONSTRUCTION

New Construction refers to the construction of a new facility or expansion of an existing facility with no other renovation work performed on the existing building. New Construction is typically financed through municipal bonds.

2. Developed a More Robust Paydown Program

I have proposed a significant increase in the FY 2015 Capital Paydown budget. This budget is more robust and will begin to address some of the infrastructure replacement and upgrade requirements that have gone unfunded for too long. A total of $27,018,981 has been included in FY 2015 for Paydown projects. The Paydown Program will increase $14,985,779; more than double the FY 2014 Adopted Budget Plan level of $12,033,202. The major categories of funded projects are detailed below:

- **Commitments:** Approximately $4.19 million or 15.5 percent of this year's Paydown Program funds annual commitments such as required payments associated with the purchase of the Salona property, the County's capital contribution to the Northern Virginia Community College, and the annual contribution to the School Aged Child Care (SACC) Program.

- **ADA Compliance:** Funding of $3.95 million or 14.6 percent represents the County's requirements associated with Americans with Disabilities Act (ADA) improvements identified by the Department of Justice (DOJ) audit. County agencies, primarily the Park Authority and Facilities Management Department, continue to implement improvements to facilities identified both by the DOJ and through required assessments. Future funding will be required to complete these improvements as identified in the settlement agreement signed by the Board of Supervisors on January 28, 2011.

- **Development and On-Going Maintenance Projects:** Funding of $3.56 million or 13.2 percent is associated with on-going development projects, such as, developer default projects, maintenance of improvements made to revitalization areas, requirements associated with property management of the Laurel Hill area, and environmental improvement projects that support the Board of Supervisor's Environmental Agenda. In addition, this funding will support the upkeep and maintenance of county-owned roads, walkways and other transportation infrastructure. The maintenance of transportation related infrastructure continues to be a challenge for the County. Reinvestment is becoming more critical as existing infrastructure ages and additional infrastructure is required in areas such as Tysons. The County is currently responsible for maintaining approximately 279 County-owned bus shelters, 4 miles of unimproved roads, 17 miles of service drives, 38,000 street signs, 653 miles of walkways, and 64 pedestrian bridges. Without the proper maintenance, repair costs escalate, customer service levels deteriorate and redevelopment efforts can be negatively impacted. Additional funding will be required in future years, as assessments are completed and projects prioritized.

- **Athletic Fields and Park Maintenance:** Funding of $7.32 million or 27.1 percent of the capital budget will support Athletic Field Maintenance ($5.64 million) and Park maintenance ($1.68 million). In FY 2015, the athletic services fee is proposed to increase for rectangular field users, from $5.50 to $8.00 per participant per sport. In addition, an increase in the post season tournament fees from $15 to $50 for County teams and $100 for non-County teams is recommended. These changes are based on recommendations detailed in the July 2013 Synthetic Turf Task Force Report. The increased revenues of $368,000 and the increase of $987,803 in the General Fund support will begin to address increased field maintenance requirements and the replacement requirements associated with synthetic turf fields.

Synthetic turf fields are viewed as crown jewels in a community's athletic field inventory based on safety, playing conditions and increased life cycles with reduced and easier maintenance requirements.

- **Infrastructure Replacement and Upgrades:** The remaining $8.0 million or 29.6 percent represents replacements and upgrades required at County facilities. The replacement and upgrade of building subsystems requires increasing attention. In FY 2015, the County will have a projected facility inventory of 8.8 million square feet of space which requires the planned replacement of building subsystems such as roofs, electrical systems, HVAC, plumbing systems, carpet replacement, parking lot and garage repairs, fire alarm replacement and emergency generator replacement that have reached the end of their useful life. The requirement for infrastructure replacement is estimated at $26 million per year. This estimate is based on current assessment data, much of which is nearly 10 years old; 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 $15 million per year would be a good goal for maintenance funding. An amount of $8.0 million has been included in FY 2015, to allow staff to focus on completing the backlog of renewal projects begun in FY 2014 and begin new critical projects. All of the projects funded in FY 2015 are considered category F, urgent/safety related, or endangering life and/or property. These are the building components that are in the worst condition; however, even with this level of funding approximately 44 category F projects totaling $13.5 million still remain unfunded.

3. Reviewed The County's Debt Capacity

A review of the County's debt capacity is conducted annually. The FY 2015 – FY 2019 CIP continues the annual sales target of $275 million per year. The ratio of debt to taxable property value is projected to remain less than 3.0 percent and the ratio of debt service to General Fund disbursements is projected to remain less than 10.0 percent assuming the revenue levels projected in the County Executive's Advertised budget. As of June 30, 2013, the ratio of debt to taxable property value was 1.20 percent and debt service to General Fund disbursements was 8.27 percent. The County's self imposed limit of 10 percent is designed to maintain a balance between essential operating program expenditures and those for capital needs while preserving the County's AAA credit rating.

In addition, the FY 2015 CIP continues to provide the Fairfax County Public Schools (FCPS) with bond sales of $155 million for the entire five year period. In FY 2007, the FCPS bond sale limit was temporarily raised from $130 million to $155 million for a 6-year period in exchange for the return of surplus school property to County control. In FY 2012, at the end of the 6 year period, the Board of Supervisors approved the continuation of $155 million as the annual level of support. Given the current fiscal condition and the fact that the County continues to move closer to the 10 percent debt ratio limit, I do not believe there is room for significant changes to bond sales and have recommended level sales of $155 million per year over the 5-year CIP period for FCPS.

In addition to the 10 percent debt ratio limitations, slow growth in the County's real estate market is expected for several years. This slow growth in General Fund revenues directly impacts the County's ability to support increasing debt service requirements. The FY 2015 CIP projected bond sales support the continuation of the current approved program and existing projects are progressing. However, the entire capital/debt program is reviewed annually and FY 2016 will again include a review of both County and School requirements and sales limits.

4. Reviewed bond referenda schedules

The FY 2015 CIP continues the practice of scheduling County and School bond referenda on alternate years. For planning purposes, I am recommending a County bond referendum of $100 million in fall 2014 (FY 2015) to support the road construction program. Staff is currently working to prioritize all County projects to develop specific recommendations for the next two County referenda scheduled for fall 2016 (FY 2017) and fall 2018 (FY 2019). An amount between $200 and $250 million is included in the CIP for planning purposes. In order to enhance the CIP planning process, staff is developing a more robust planning tool for future referenda. This year, staff has included more detailed project descriptions for future projects and will conduct a thorough analysis of all of these projects in consultation with County agencies over the next year. It is anticipated that the FY 2016 CIP will include a roadmap of future County referenda including specific project recommendations.

I have also recommended maintaining a steady level of support for FCPS in the CIP period, with referenda of $250 million planned every other year. Within the 5-year CIP period, a referendum is proposed for FCPS in fall 2015 (FY 2016) and fall 2017 (FY 2018).

5. Provided a 5-year Stormwater Spending Plan

In FY 2015, the stormwater service rate is proposed to increase from $0.020 to $0.0225 per $100 of assessed real estate value. The FY 2015 levy of $0.0225 will generate $49.185 million, supporting $19.078 million for staff and operational costs and $30.107 million for capital project implementation. 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.

Stormwater staff is currently evaluating future funding required to meet the increasing federal and state regulatory requirements pertaining to the Municipal Separate Storm Sewer System (MS4) Permit, and State and Federal mandates associated with controlling water pollution delivered to local streams and the Chesapeake Bay. A five-year rate plan and a phased approach for funding have been developed to support the anticipated regulatory increases. The 5-year spending plan projects approximately $282 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, a steady increase of funding 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. Second, it 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. Third, the increase will support inspecting, mapping, monitoring, maintaining, and retrofitting existing stormwater facilities; collecting data and reporting; providing community outreach and education, developing new training programs for employees; and developing new TMDL (Total Maximum Daily Loads) Action Plans for impaired streams related to the MS4 Permit requirements. Finally, it will facilitate the maintaining, rehabilitating, and reinvesting in the County's conveyance system.

6. Developed a new CIP section detailing future project requirements

For the first time, the CIP includes specific details for capital projects planned beyond the 5-Year period. A comprehensive list of County future project requirements, by project name only, had always been included in the CIP; however, this year staff has worked with County agencies to fine tune these lists and develop detailed information justifying each project. Each program area has developed or is developing a plan for all of their CIP needs. Project Detail sheets for each project proposed for the future have been included in this CIP. Detail sheets include statements regarding age, condition and service requirements and are essential for strengthening future prioritization methods across program areas and planning for up-coming bond referenda. A high level statement concerning the operational impacts of new and expanded facilities has also been included; however, staff will be working in the next year to develop more specific operational cost estimates for inclusion in future CIPs. The operational impact on the annual budgets is a critical component when making decisions regarding new or expanded facilities.

The County's future project list includes 73 capital projects proposed beyond the 5-year CIP period. Of this amount, preliminary order of magnitude cost estimates have been developed for approximately 60 percent. For planning purposes, these preliminary estimates indicate a projected requirement of over $700 million. Concept design for the remaining projects and programs is required and when possible, cost estimates are being developed. Cost estimates for long-term CIP projects are based on preliminary project descriptions provided by the requesting agency and assumed site locations, and include estimated costs for land acquisition, permits and inspections, project management and project engineering, consultant design, construction, utilities, fixed equipment, and information technology infrastructure. Preliminary scoping and concept work have not been completed for these projects and estimates are in today's dollars. Therefore, each estimate is considered an Estimate - No Scope, No Inflation (ENSNI). It is expected that total funding requirements will grow as these cost estimates are refined.

The County also needs to look forward and comprehensively identify what infrastructure and facility gaps exist. That is a difficult process in a period of limited resources but it is necessary to clearly articulate to the Board of Supervisors and the community what the needs are and how and when they should be financed. Looking ahead to the future, the County's capital program will be challenged by several initiatives, including continued support for the Dulles Rail projects, development in the Tyson's area, significant transportation requirements and reinvestment in existing facilities and infrastructure.

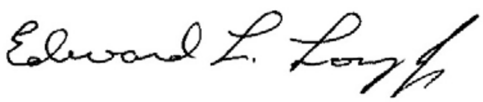
Economic Development

The CIP is an essential and integral component of the County's overall economic development strategy. Economic development in many forms occurs more readily when public infrastructure and capital facility investments are identified, planned and implemented in concert with the County's Comprehensive Plan and the Board of Supervisor's strategic community and economic development goals and priorities.

<u>Conclusion</u>

I believe the County's proposed FY 2015 – FY 2019 CIP reflects a program which conservatively addresses both FCPS and County bond requirements, and begins to address significant capital maintenance challenges facing the County. The CIP has been enhanced in FY 2015 and further improvements will be included in future years reflecting the formal recommendations of the IFC and additional Board member's feedback. Staff continues to improve and develop this important road map for addressing the County's capital requirements, managing existing capital facilities, and completing important new capital projects.

Respectfully submitted,



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