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 23, 2021

Chairman and Board Members,

I am pleased to forward for your review and consideration the FY 2022–FY 2026 Advertised Capital Improvement Program (With Future Fiscal Years to FY 2031). The Capital Improvement Program (CIP) is released concurrently with the FY 2022 Advertised Budget Plan. During the development of this year's CIP, the following objectives were accomplished:

- Reviewed the Bond Referendum Plan;
- Reviewed the County's debt capacity and conducted an analysis of debt service requirements, sales limitations, and debt ratios;
- Developed the annual General Fund Supported Capital Program;
- Continued to implement projects using the Capital Sinking Fund;
- Reviewed the Stormwater Service District, developing an FY 2022 program with no recommended increase in the service district rate;
- Continued to explore shared use and co-location opportunities;
- Provided a Summary of Changes from the FY 2021 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,

Bryan J. Hill
County Executive

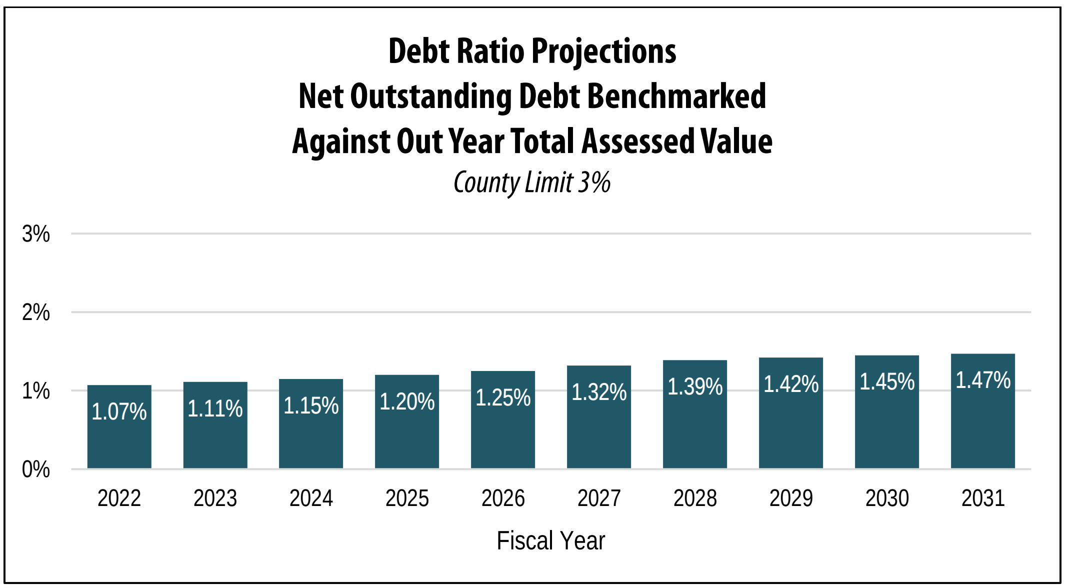
Office of the County Executive
12000 Government Center Parkway, Suite 552
Fairfax, VA 22035-0066
703-324-2531, TTY 703-222-5494, Fax 703-324-3956
www.fairfaxcounty.gov

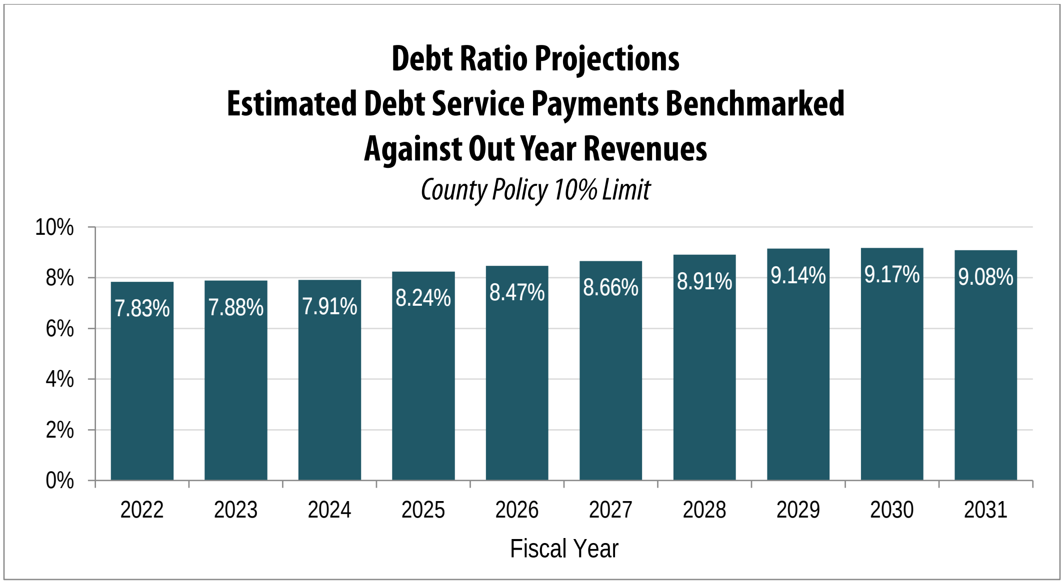
Bond Referendum Plan

As part of the development of the FY 2022 – FY 2026 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 majority of projects in the CIP requiring financing, are those projects supported by the General Obligation Bond Program. The CIP includes a Bond Referendum Plan for both County and Fairfax County Public Schools (FCPS) referenda. FCPS Referenda are proposed in fall 2021 (FY 2022), fall 2023 (FY 2024) and fall 2025 (FY 2026). County Referenda are proposed in fall 2022 (FY 2023) and fall 2024 (FY 2025). 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 bond sales limit of $180 million per year.

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, 2020, the ratio of debt to taxable property value was 1.06 percent, well below the 3 percent limit and the ratio of debt to General Fund disbursements was 7.47 percent, well below the 10 percent limit. These two 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 debt to General Fund disbursements chart is based on the projected percentage of anticipated debt requirements to conservatively forecasted revenues at a 2 percent growth rate.





Although these projected debt ratios are well below the Board's self-imposed limits, the *Ten Principles of Sound Financial Management* also sets an annual $300 million bond sale limit. The Board has agreed to an annual sale amount for FCPS of $180 million, with the remaining $120 million dedicated to all other County requirements. This annual sales limit is beginning to present some capacity challenges which are expected to continue into future years. The County sales limit has been level at $120 million since FY 2007; however, Washington Metropolitan Area Transit Authority (WMATA) requirements have increased significantly. The capital contribution to WMATA for Metro capital requirements in 2011 required a bond sale of $20 million. The January 2021 bond sale for WMATA was $42 million, more than double what it was 10 years ago. Requirements are projected to further increase in future years as well.

Additionally, more complex colocation projects are taking longer to complete, delaying bond sales, and creating a backlog of sale requirements. Most recently, existing Library and Public Safety bonds have required a 2-year extension from the Circuit Court to provide a total of 10 years in which to sell the bonds after the initial date of the voter approved referendum. Many efficiencies are gained from collocating facilities; however, coordination of financing can create challenges. For example, the Kingstowne Complex combines the Kingstowne Regional Library (2020 Bond), the Franconia Police Station (2015 Bond), the Lee District Supervisor's Office, the Franconia Museum, an Active Adult Center, and a childcare center into one comprehensive facility. Bond sales associated with the 2015 Public Safety Bond Referendum have been delayed as coordination of the project changed cashflow timing requirements. At the Lorton Library, the colocation of the Lorton Community Center (2016 bond) at the same site also resulted in adjustments to bond sale timing. Lastly, the Reston Library (2012 bond) is part of the overall master plan to reconfigure and provide integrated redevelopment of approximately 50 acres known as Reston Town Center North (RTCN). Development concepts for the proposed site are still being reviewed and have delayed the sale of the 2012 bonds.

These issues are in addition to the capacity concerns voiced by FCPS, who have expressed interest in increasing the $180 million Schools sale limit (last increased in FY 2019).

Staff will be working over the next year with the newly formed Joint Board of Supervisors/School Board CIP Committee and discussing ideas for both the County and FCPS capital programs. It is anticipated that staff will be reviewing the entire debt program, including debt capacity, bonding versus paydown options, timing and sizing of future referenda, and the assumptions used in future year CIP projections.

Certainly, even if the Bond Program remains within all of the County's self-imposed debt ratios, the affordability of the debt service payments is crucial. Funding debt service for both the County and FCPS capital programs is only one of the many operational demands on the County budget. In these uncertain economic times, it will be necessary to reevaluate all aspects of the Bond Program moving forward. It may also be necessary to review both the timing and size of future referenda in order to maintain affordability of the program.

Bond sales continue to benefit from the County's triple-A bond rating. On January 26, 2021, the County conducted a General Obligation bond sale at an interest rate of 1.23 percent. This borrowing rate represents the lowest interest rate ever received for a new money bond deal in the County's history. It is also 77 basis points below the previous low interest rate of 2.00 percent that the County received in January 2020. In preparation for the January 2021 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 and stable outlook were affirmed by all three agencies. In addition, staff continues to actively review existing debt for refunding opportunities, and to explore various other forms of financing. Other financing opportunities such as Green Bonds and low interest loans via the Virginia Clean Water Revolving Loan Fund (VCWRLF) are currently being reviewed.

General Fund Supported Capital Program

The review of the County Bond Program must also include a review of the Paydown Program and an examination of the County's commitment to cash funded projects. The County's Paydown Program has been level for several years. The proposed FY 2022 General Fund Supported Capital Program is slightly higher than the FY 2021 Adopted Budget Plan level of $18,073,045. FY 2022 funding of $18,678,045 represents a net increase of $605,000 from the FY 2021 Adopted Budget Plan to support additional funding for maintenance of 44 FCPS synthetic turf fields previously approved by the Board of Supervisors. Decreased requirements in other projects have allowed for an increase in funding for environmental projects. The total General Fund capital program includes an amount of $13,188,045 for commitments, contributions, and facility maintenance and $5,490,000 for 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 only includes infrastructure replacement and upgrades, ADA compliance, athletic field improvements and other facility improvements. In addition, funding of $6,282,000 for infrastructure replacement and upgrade projects 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. The following table provides a summary of both categories within the General Fund Supported Capital Program.

FY 2022 Capital Construction/Paydown Summary*			
	Commitments, Contributions, and Facility Maintenance	Paydown	Total General Fund Support
Athletic Field Maintenance and Sports Projects	$5,040,338	$1,700,000	$6,740,338
Park Authority Inspections, Maintenance, and Infrastructure Upgrades	$960,000	$1,740,000	$2,700,000
Environmental Initiatives	$1,298,767	$0	$1,298,767
Revitalization Maintenance	$1,410,000	$0	$1,410,000
Payments and Contributions/On-going Development Efforts	$4,478,940	$0	$4,478,940
County Infrastructure Replacement and Upgrades	$0	$0	$0
ADA Improvements	$0	$350,000	$350,000
Reinvestment, Repair and Emergency Maintenance of County Roads and Walkways	$0	$1,500,000	$1,500,000
Developer Defaults	$0	$200,000	$200,000
Total General Fund Support	$13,188,045	$5,490,000	$18,678,045

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

In addition to funding approved at budget 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 available year-end balances. Funding provides for infrastructure replacement and upgrades, such as replacement roofs, electrical systems, HVAC and reinvestment in trails, pedestrian bridges, and other infrastructure requirements. The approved Capital Sinking Fund allocation applied to the FY 2021 Paydown Program was $15.5 million, significantly increasing the total available for paydown projects in FY 2021.

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 improvements. The allocation percentages are reviewed annually and can be adjusted by the Board to address changes in requirements. A total of $64,767,161 to date has been dedicated to capital sinking funds and allocated for infrastructure replacement and upgrades in the following areas:

FMD	$35,621,941
Parks	$12,953,433
Walkways	$7,831,140
Roads	$5,703,864
Revitalization	$2,656,783
Total to Date	$64,767,161

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 additional sinking funds are provided to the Board of Supervisors periodically.

Stormwater Service District Rate

In FY 2022, the stormwater service rate is recommended to remain at the FY 2021 approved level of $0.0325 per $100 of assessed real estate value. This Stormwater service district provides a dedicated funding source for both operating and capital project requirements, by levying a service rate per $100 of assessed real estate value. Since the establishment of this service district in FY 2010, 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 storm drainage infrastructure such as stormwater conveyance systems and regulatory requirements. An ultimate rate of $0.0400 per $100 of assessed value has been estimated to be required to fully support the stormwater program in the future; however, staff is currently evaluating the long-term requirements for the program to address other community needs.

Some of the additional community needs 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 sites under renovation. 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 on the program.

Shared Use/ Co-location Opportunities

Several colocation and shared use projects are now underway, and County and School staff 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. Additional co-location opportunities are being evaluated and staff will return to the Board of Supervisors with recommendations as opportunities arise. Some of the projects underway include:

Original Mount Vernon High School:
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 building was constructed in 1939 and the programming and design phase of the project is underway for the adaptive reuse of the site. The project provides potential opportunities for the community through a wide range of programs and spaces. Immediate occupancy for the use of the gym began in fall 2016. The Fire Marshal and FCPS have occupied a portion of the building since July 2017, to improve service delivery in the South County area, and the Teen/Senior Program from the Gerry Hyland Government Center relocated to the space near the gym in spring 2020.

Lorton Complex:
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.

Kingstowne Complex:
Staff is currently developing a design to co-locate the Franconia Police Station, the Lee District Supervisor's Office and the Franconia Museum, with the Kingstowne Library, an Active Adult Center and a childcare center into one comprehensive facility. The design will also include garage parking and a County fueling station. The Kingstowne Library and Active Adult Center are currently occupying leased space. 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 will 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.

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

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. The Maintenance and Stormwater Management Division's current site is restricted, and 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. This project is currently in design with construction scheduled to begin in summer 2021.

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 several sites proposed for Affordable Housing.

Summary of Changes from FY 2021 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 2021 – FY 2025 Adopted Capital Improvement Program.

Changes to the FY 2021 CIP	
General Fund Capital Program	A net increase of $605,000 has been included to support maintenance for additional FCPS athletic fields previously approved by the Board of Supervisors; decreases in other projects requirements have been redirected to Environmental projects.
Self-Supporting Fund Capital Programs	Rates proposed in the FY 2022 Advertised Budget Plan will support proposed capital programs.
Police Facility Security	A study is underway, and this project has been removed from the Bond Referendum Plan. It is anticipated that many of the security improvements will be non-bondable items such as cameras and security equipment.
Judicial Complex Redevelopment	At the conclusion of the master planning study associated with the Judicial Complex and the demolition of the Massey building, staff is developing conceptual designs for the redevelopment of this area.
RTCN Parking Garage	Estimates have been developed to support a proposed parking garage at the RTCN redevelopment area.
Bond projects moved to 5-year period	Projects proposed as part of the fall 2024 (FY 2025) referendum have been moved to the 5-year CIP period. This includes the proposed 2024 Park Bond and the 2024 Human Services Bond. These projects are assumed to begin design during FY 2027, now within the 5-year CIP period.
Capital Sinking Fund	All Sinking Fund projects have been updated to reflect the *FY 2020 Carryover Review* approved allocations. The total amount approved for the Sinking Fund to date is nearly $65 million.
Stormwater/Wastewater (SW/WW) Facility	Financing for the SW/WW Facility has been moved to FY 2021. This project is currently in design with construction scheduled to begin in summer 2021. EDA bonds will finance the project and the SW and WW funds will support the debt payments.

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. 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 process will also continue 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 is an important factor in determining future capital projects. Staff is also providing on-going project monitoring and will identify additional project funding which may be required to adjust previously approved budgets for building projects in order to support the Board of Supervisors' updated Sustainable Development Policy requirements.

Finally, the Joint Board of Supervisors /School Board CIP Committee was established to review both County and FCPS CIP information sharing, prioritizations, and planning. This group is comprised of two members of the County Board and two members of the School Board, as well as two ex-officio members from the Planning Commission. It is anticipated that the group will propose recommendations for both Boards to consider when developing future CIPs.