

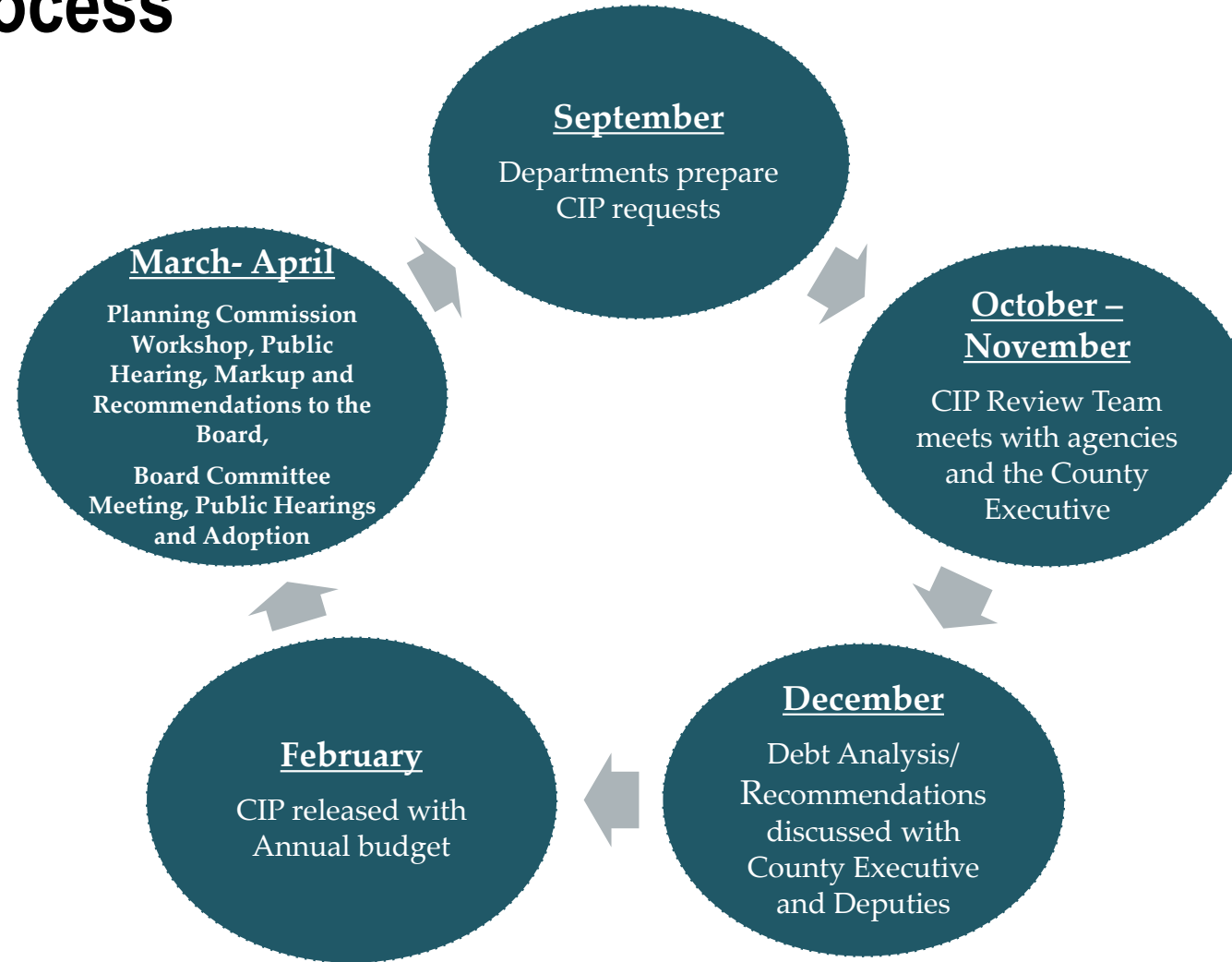
FY 2023-2027 Capital Improvement Program (with Future Fiscal Years to 2032)

March 10, 2022

www.fairfaxcounty.gov/budget



Annual CIP Process



CIP Development Process

- Discussions with agencies on CIP plans
- Recommendations of County Board/School Board Joint CIP Committee considered
- Rates for self supporting funds developed (Stormwater, Wastewater, Solid Waste) as part of the Annual Budget
- General Fund supported Capital Program developed as part of the Annual Budget
- Bond Referendum Plan developed based on Joint CIP Committee recommendations, bond program challenges, and adherence to *Ten Principles of Sound Financial Management*

Joint County/Schools CIP Committee

- The final report from the Joint County/Schools CIP Committee was released in October 2021 and endorsed by the Board on December 7, 2021
- Recommendations from Committee included:
 - Increase in annual bond sale limits from \$300 to \$400 million, with \$50 million increase (split evenly between County/Schools) beginning in January 2023
 - ✦ Second \$50 million increase would occur in January 2025
 - Dedication of the equivalent of one penny on the Real Estate Tax rate to be utilized for debt service payments on the increased sales and to increase Capital Paydown investments
 - Increase in the percentage allocated to the Capital Sinking Fund at year-end, with Schools included in the allocation

Bond Referendum Plan

- The majority of CIP projects are financed with General Obligation Bonds
 - Details the long-range plan, outlining specific projects and schedules
 - More predictable plan for the Board, County agencies, the public
 - Includes County/FCPS bond referenda in alternate years
- More robust review of Bond Referendum Plan conducted this year based on discussions with Joint CIP Committee

Challenges Facing the Bond Referendum Plan

- The bond program has been experiencing several challenges in recent years that have led to a backlog in unsold bonds
 - 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 (in January 2021, the Metro bond sale was \$42m vs \$20m in 2011; more than double over a span of 10 years)
 - Project delays associated with colocation opportunities (colocation projects are taking longer to complete, delaying bond sales, and creating a backlog of sale requirements)
 - Supply chain issues
 - COVID related delays

Changes from Prior Bond Referendum Plan

- Based on projected timing of bond sales, several changes to the bond plan are recommended:
 - 2-year deferral of many County referendums, with 6 years between referendum instead of 4 years
 - No County referendum in November 2022
 - Move Northern Virginia Regional Park Authority contribution to General Fund
 - Recommend no change to timing of Schools, Metro, Roads, or Libraries schedule
 - Anticipate no impact to project completions or projected sales for approved referendum
- All future building projects increased 5% to capture increased costs of proposed referendum changes, prevailing wage costs, and supply chain issues

Bond Referendum Plan

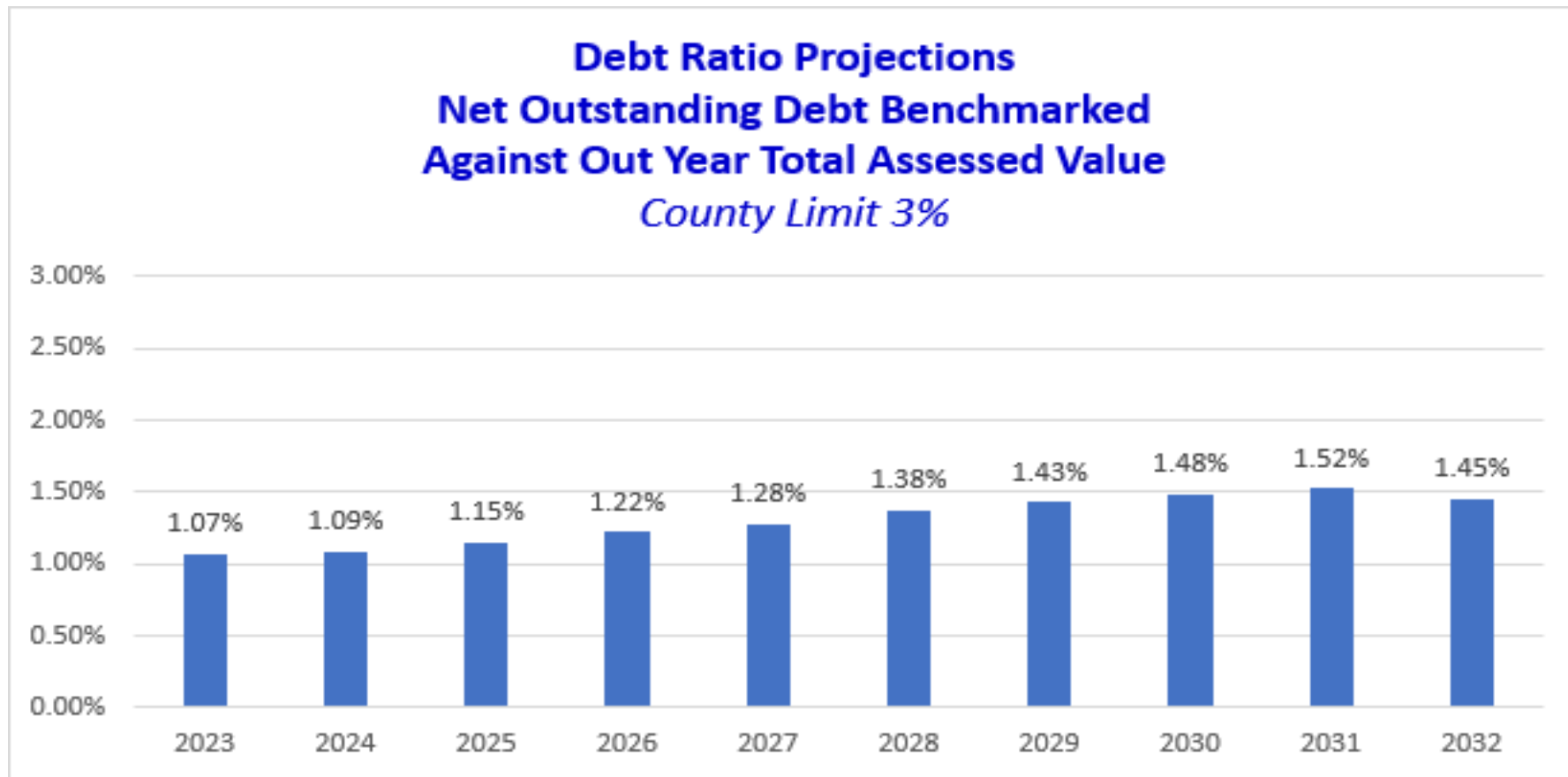
FY 2023-FY 2027 CIP Bond Referendum Plan

| Year | Category | Description | | | Total |
|-----------|----------|--|-----------|--|-----------|
| Fall 2022 | County | No Referendum | | | -- |
| Fall 2023 | Schools | Capital Enhancement, Renovation, Infrastructure Management | | | \$360 mil |
| Fall 2024 | County | Public Safety | \$146 mil | Chantilly Fire Station, Fox Mill Fire Station, Oakton Fire Station, Wellfit Performance Center, Mt. Vernon Police Station, Tysons Police Station | \$326 mil |
| | | Transportation | \$180 mil | Metro Contribution | |
| Fall 2025 | Schools | Capital Enhancement, Renovation, Infrastructure Management | | | \$460 mil |
| Fall 2026 | County | Human Services | \$117 mil | Early Childhood Facilities, Tim Harmon Campus, Springfield Community Resource Center | \$381 mil |
| | | Libraries | \$64 mil | Centreville Regional, Chantilly Regional Technical Operations, Herndon Fortnightly Community, Kings Park Community | |
| | | Parks | \$100 mil | County Park Authority | |
| | | Transportation | \$100 mil | Roads | |

Bond Plan Link to Debt Policies

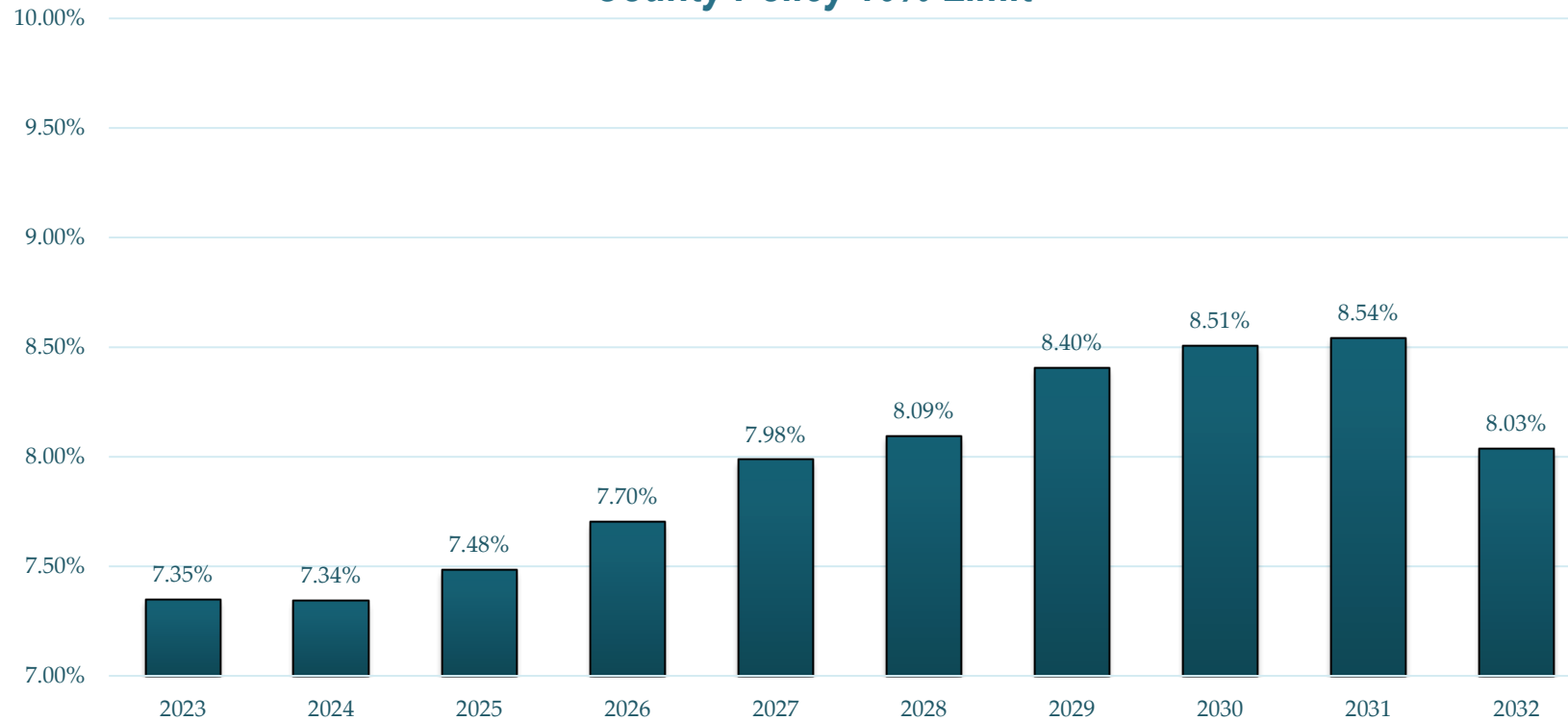
- *Ten Principles of Sound Financial Management*
 - Below 3 percent debt to market value (currently 1.06 percent)
 - Below 10 percent debt to General Fund Disbursements (currently 7.47 percent)
 - Total sales limit is \$300 million per year (recommended to increase to \$400 million)
 - Debt Service affordability
- Bond sales continue to benefit from the County's triple-A bond rating. On January 19, 2022, the County conducted a General Obligation bond sale at an interest rate of 1.75 percent

Debt to Market Value



Debt to General Fund Disbursements

Debt Ratio Projections - Estimated Debt Service Payments
Benchmarked
Against Out Year Revenues
County Policy 10% Limit



Self-Supporting Funds Capital Programs

- Stormwater rate proposed to remain at \$0.0325 per \$100 of assessed real estate value (based on increased real estate values, the stormwater fund will receive an additional \$6 million in FY 2023)
- Wastewater rates are consistent with 5-year plan
 - Base Charge from \$36.54 to \$40.14 (recovers fixed costs)
 - Availability Charges from \$8,507 to \$8,592 (connection fee)
 - Service Charges from \$7.72 to \$8.09 per 1,000 gallons
- Solid Waste rates
 - Refuse disposal \$70 per ton
 - Refuse Collection rate from \$400 to \$475 per household unit
 - Leaf Collection remains at \$0.012 per \$100 of assessed value

General Fund Capital Program

- General Fund Capital Program
 - \$22,495,773 in FY 2023
 - Includes \$18,438,773 in commitments, contributions, and maintenance (72 percent)
 - Includes \$7,057,000 in capital improvements (28 percent)
 - Increase over FY 2022 of \$6,817,728 including:
 - \$3,948,694 primarily for maintenance and snow removal programs previously budgeted in Agency 87 (no net impact to the General Fund)
 - \$2,500,000 partial funding associated with Joint CIP Committee Recommendation to dedicate the value of one penny on the Real Estate tax
 - \$369,034 for other adjustments (opening of the new Patriot Park North complex, maintenance for newly acquired park land, additional sports scholarships)
- For several years, the Annual Paydown Program has been supplemented by adjustments at the Third Quarter or Carryover Reviews (anticipated again in FY 2022) and the Sinking Fund

Joint CIP Committee Paydown Recommendation

- Based on resource constraints, the equivalent of a full penny is not included in the FY 2023 proposal
 - A \$5 million investment – split evenly between the County and Schools – is included
- As no additional debt service requirements are required in FY 2023 for the increased January 2023 bond sales, this investment would be utilized for Capital Paydown
 - For County, \$1.0 million is recommended to be utilized for feasibility studies and \$1.5 million is dedicated to infrastructure replacement
- Recommend gradually increasing investment over time

Capital Sinking Fund

- Capital Sinking Fund was created by the Infrastructure Financing Committee in FY 2014
- Currently populated at year end based on 20 percent of Carryover balances after funding critical requirements
- To date, over \$89 million has been set aside for capital reinvestment
- Joint CIP Committee recommendation is to increase the allocation from 20 to 30 percent of available year-end balances
 - The allocation of these dollars is also proposed to include FCPS for the first time
 - The allocation by program area will change slightly with little to no impact on County program areas

Next Steps/CIP Dates

- CIP on County website February 22
- PC CIP Committee Meeting February 24
- PC Workshop/Public Hearing March 10
- CIP Discussed at BOS Committee March 15
- PC CIP Committee Meeting March 24
- PC CIP Mark-up March 30
- BOS Public Hearings April 12,13,14
- BOS Mark-up/CIP Adoption April 26

[Advertised Capital Improvement Program \(CIP\) FY 2023- FY 2027 \(fairfaxcounty.gov\)](https://www.fairfaxcounty.gov)