

# **County Manager Briefing**

## **FY2011-2016 Capital Improvement Program**

November 18, 2009



**ARLINGTON**  
VIRGINIA

# Overview

- Objectives and Scope of CIP
- Funding Sources / Criteria for Selection
- Debt Capacity
- Timeline and Process

# CIP Objectives

- ***Comprehensive and prioritized*** six year investment plan in all County infrastructure and facilities
- Sustainable and affordable plan – balance between new initiatives and previously adopted projects
- Maintain triple-A bond rating and comply with Board financial and debt policies
- Meet County’s regional commitments (i.e., Metro, Peumansend Jail, Criminal Justice Academy, etc)

# What does CIP include?

## Government Assets

- Infrastructure / Metro
- Facilities
- Parks

## Technology

- Infrastructure
- Systems

Primarily supported by **General Fund** – Bonds, PAYG, or master lease

## Infrastructure Supported by Other Funds

- Stormwater
- Utilities
- Transportation
- Ballston Garage

# Funding Sources for General Government / Technology

- Bonds
- Master lease
- Pay as you go (PAYG)

# Bonds

## CRITERIA

- Useful life at least as long as term of bonds (20 years)
- Capacity to initiate construction projects within 2 years
- Should be completed within 8 years
- Capacity limited to current financial & debt policies

## HISTORICAL USES

- Major new facilities
  - Schools
  - Community centers
  - Libraries
  - General government buildings
- Major transportation improvements
- Land acquisition
- Metro
- NC - construction

# Bonds – Policy Issues for CIP

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- Assumptions regarding revenue growth – near vs. long-term
- Prioritization of projects
- Impact of operating costs for new projects
- Balance of PAYG vs. Bond
- Timing of placement of project / project phase on referenda – “readiness” and Board policy adopted in July 2008

# Master Lease

## CRITERIA

- Useful life ranging from 3 to 10 years
- Asset that can be pledged as security for financing

## HISTORICAL USES

- Technology
- Public safety equipment
- Fleet

# Master Lease

- Historical funding levels range from \$2.5M – \$19.5M per fiscal year
- Available funding tied to debt capacity policy
- Policy issues for CIP:
  - Prioritization of uses over multi-year period
  - Reinvestment vs. new investment

# PAYG

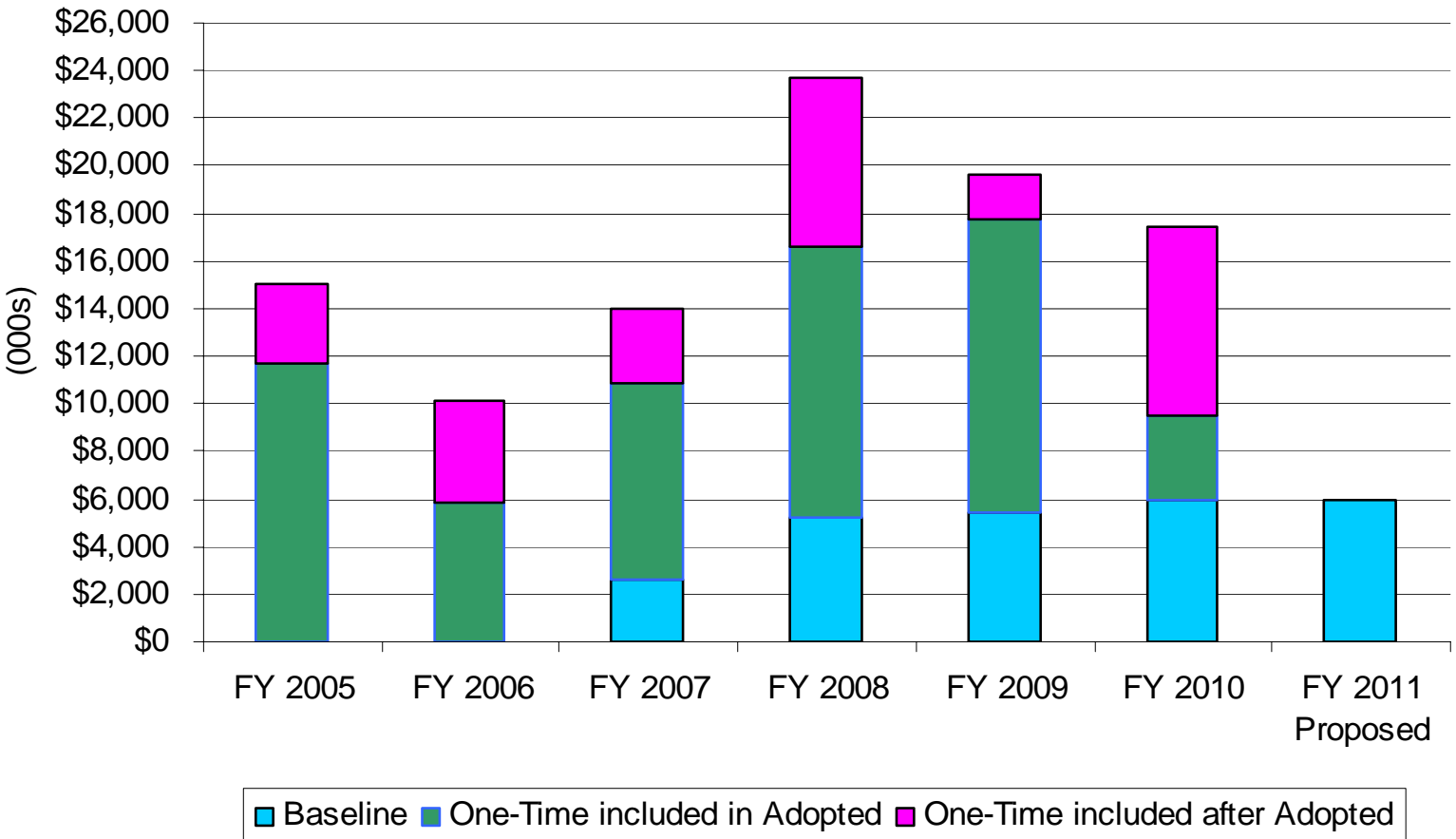
## CRITERIA

- Extends useful life, smaller projects, more reinvestment than new projects
- Funded annually from General Fund operating – amount has varied
- More flexible use of funds than bonds

## HISTORICAL USES

- NC, parks, plus associated contract or staff support
- Regionals
- Paving
- Maintenance capital
- Unanticipated capital needs

# Historical PAYG funding levels



\$7.9 million was allocated to PAYG contingency during FY 2009 closeout



# PAYG – Policy Issues for Proposed CIP

- Long-term range of annual maintenance capital needs is \$20 - \$25 million
  - Facilities and parks assessments are nearing completion and will inform CIP discussion
  - Base funding in GF budget is \$5.9 million
  
- Board direction in July 2009 to recommend proposed policy for PAYG target as part of CIP

# Debt Capacity - Financial & Debt Policies

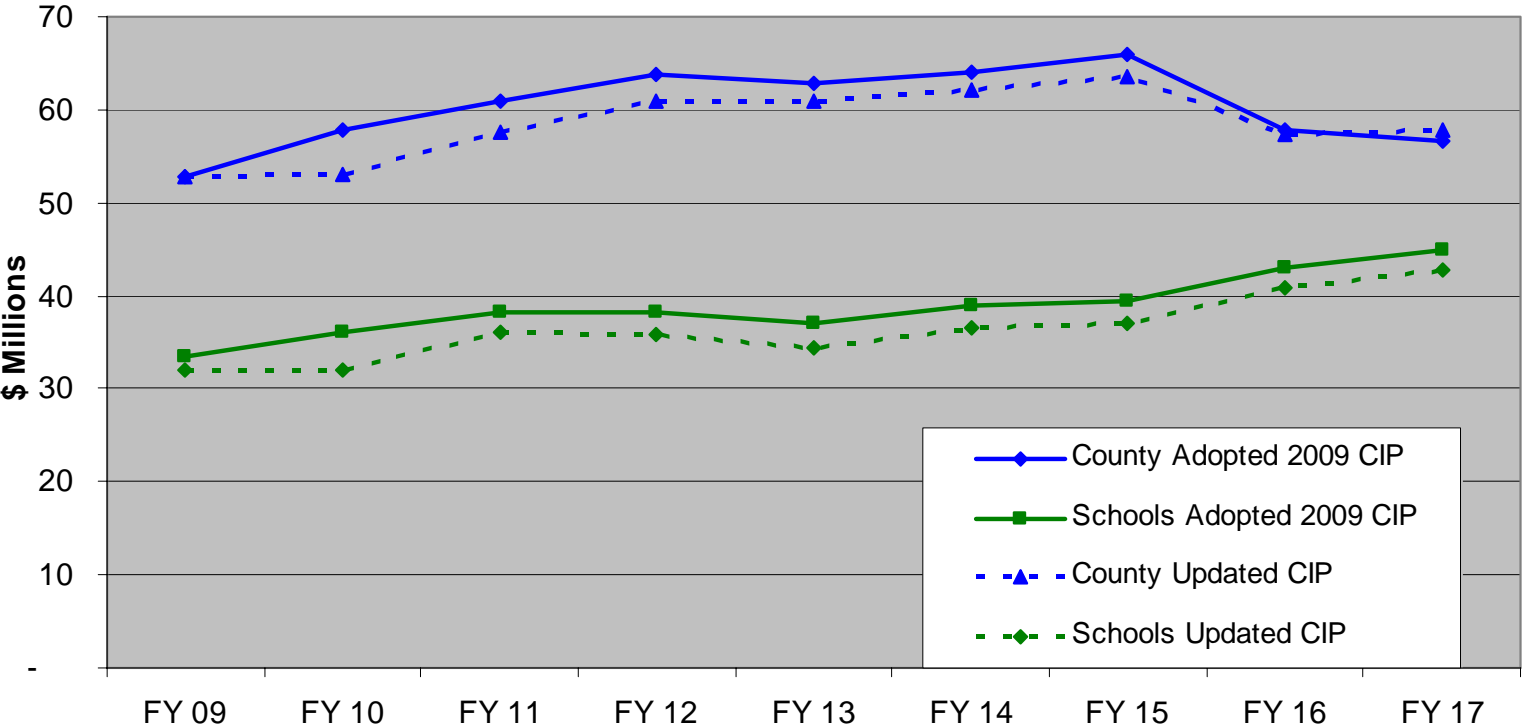
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- 1. Ratio of Net Tax-Supported Debt Service to General Expenditures**
  - Should not exceed 10%
- 2. Ratio of Net Tax-Supported Debt to Market Value:**
  - Should not exceed 4%
- 3. Ratio of Net Tax-Supported Debt Per Capita to Income:**
  - Should not exceed 6%
- 4. Growth in debt service should be sustainable with the projected growth in revenues**
  - Maximum growth no more than 10 year historical revenue growth (6.9%)
  - Last CIP constrained at 4%
  - October 2009 budget guidance – assume 0% revenue growth in 2011 and 2012

- *Rating Agency criteria*
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- *Rating Agency criteria*
- *County Debt Policy*

# County and Schools Debt Service

### Updated CIP Debt Capacity Projections



# County and Schools Debt Service

- Constrained in FY 11 and 12
- Additional capacity may be available in FY 13-16
- However the debt service and operational costs must be affordable

# “Typical” Project Timeline

- **New Construction \$5-15M**
  - From Planning through Construction : 3+ years min
- **Variables**
  - Land Acquisition
  - Private or other partner
  - Historic Preservation approvals
  - Environmental Conditions—remediation, abatement
  - Community Process, Site Plan or Use Permit Conditions
  - Changing User Requirements

# County CIP Timeline

Nov 9	CIP Internal Kickoff
Nov 13	Debt Capacity/Joint Project Review with APS
Jan 2010	Meetings with Commission Chairs
Apr 2010	CIP Presented to Board
May 2010	Schools CIP Presented to Board
May 2010	County/Schools Joint Board Work session
Jun 2010	CIP Adoption
July 2010	Bond Referenda Adoption