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Fairfax County Board of Supervisors Budget Policy Committee, Tuesday, March 12, 2024

Date	Tuesday, March 12, 2024
Place	Fairfax County Board of Supervisors, Virginia
Length	43m (video)

- Official meeting video (Fairfax County): https://video.fairfaxcounty.gov/player/clip/3280
- Official Board of Supervisors page (Fairfax County): https://www.fairfaxcounty.gov/boardofsupervisors/

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Speech-to-text: whisper.cpp, model large-v3-turbo. Produced 2026-11-01. Each paragraph starts with its time [HH:MM:SS] in the meeting video.

[00:00:07] We're going to go ahead and get started here. Welcome to our March 12, 2024 Budget Committee meeting of the Board of Supervisors. And we have two agenda items today. First is a preview of the FY24 third quarter review. And that will be followed by an overview of the FY2025 to FY2029 Capital Improvement Program.

[00:00:30] And so to give us a preview of the third quarter, I'm going to turn over to Phil Hagen. Welcome, Phil. Thank you. And we have a number of other staff here with us, Katie Horseman and Joe LaHate, Deputy Directors, and Martha Reed, our Division Director of Capital Projects.

[00:00:46] He'll be supporting, and Christina Jackson, our CFO. So our first presentation, as the chairman said, is a preview of the FY 2024 third quarter review. It is a preview, as we're scheduled to release our package next Monday.

[00:01:04] We normally have this presentation after we released the third quarter package, but we lost a committee day this year due to the timing of school spring break. Our next budget committee meeting isn't until pre-markup on April 26th, and so we wanted to make sure that we brought this to you a little early just to make sure that there was time for discussion prior to having to take a vote on it.

[00:01:28] So budget staff, we're currently working to finalize our narratives as well as check numbers so that we have everything ready when we bring it to the board next Tuesday. Next Tuesday, what we'll have is our request for authorization to advertise the public hearing on third quarter. And so while this is a preview and we still have work to do on the package, we don't anticipate significant changes at this point, and I certainly hope that the numbers that you see are accurate and reflect what you'll see on Monday and Tuesday.

[00:01:51] As is typical with our quarterly reviews, the staff recommendations are focused on one-time needs, such as capital and IT projects. We also have some adjustments in here that tie in with some of our recommendations relating to FY 2025. So we'll start just jumping right into a summary of really an overview of the package, focusing in on the general fund column first.

[00:02:15] We start off with $54.4 million in available one-time funding. That includes about $300,000 that was left in balance when the board took action on carryover back in September. We also have an additional $1 million that was identified as a result of audit adjustments to FY 2023, impacting the balance that we could carry forward.

[00:02:35] And then $53.1 million, the bulk of the funding that's available as part of third quarter, that was identified as part of our fall revenue review, where we tried to establish our revenue base going into 2025. And so this number was already reflected if you looked at the fund statement for the FY 2025 advertised budget.

[00:02:53] That increased primarily three categories. We picked up an additional $30 million in investment income, seeing still the impacts of high interest rates, an additional $11 million in personal property, and $5.3 million in real estate. We're not recommending any further revenue adjustments at this time, but we are continuing to monitor revenue categories, including BPOL and bank franchise taxes.

[00:03:18] Certainly, we'll come back to you with recommendations as part of add-on if we feel like there need to be adjustments there. The add-on package typically delivered to the board during the week of budget public hearings. We have a total of $49.1 million in recommendations for uses of those one-time funds.

[00:03:36] Those recommendations are detailed on the next slide, but after those adjustments, there's an available balance of $5.2 million. And then to very briefly just call your attention to that far right column where we've summarized just a bit of really bookkeeping related to our ARPA funding. There was an audit adjustment to our fiscal year 2023 actuals that resulted in slightly higher expenditures in our prior year. And so what we need to do now is just reduce the amount of remaining budget authority in our ARPA fund for fiscal year 2024. Just a bit of bookkeeping there. Now turning to the summary of the uses of those funds that we've proposed for third quarter

[00:04:15] balances. The largest category, a total of $16.5 million, is included for capital projects. The bulk of that funding is $15.5 million that we are recommending to be used for infrastructure replacement upgrades as well as emergency repairs at county facilities.

[00:04:31] That's for major items like HVAC as well as roof repairs. And then the remaining $1 million there will support continued work on the Reston Town Center North redevelopment project. Within information technology, we've recommended a total of $9 million. $6.1 million of that is included for IT projects.

[00:04:50] There's a number of individual projects with adjustments, and those will all be detailed in the package when we get that out to you early next week. But they do include things like supporting electronic health records for a health department as well as Office of the Sheriff, expanding the number of park sites with security systems, and modernizing legacy applications in general.

[00:05:08] Then an additional $2.9 million in the IT category is for our second of two phases to replace network switches at county facilities, Just overall part of our attempts to upgrade and modernize our wired infrastructure, our network infrastructure throughout the county.

[00:05:24] We have $6.8 million included to support parks. The bulk of that, $5 million, is for renewal and repair at rec centers. That includes roofs, mechanical systems, electrical systems, pools, things of that nature. We have another three quarters of a million dollars included to support girls softball renovations at Wakefield Park.

[00:05:46] to the softball fields there and then the remainder of the parks funding includes some replacement capital equipment supporting their forestry operations continuing work to define cemetery boundaries and provide enhancements at park authority owned cemeteries i think those include martin luther king jr park la hay lost valley and patriot park north the next category on there land development services we've included a transfer of 6.5 million dollars to shore up the that fund right now we're projecting a negative unreserved ending balance in that fund as a result of both declined revenues as well as increased expenditures with this adjustment

[00:06:25] we should be able to keep the balance in that fund positive without needing to tap into the funds technology surcharge reserve and then 4.8 million dollars is included to replenish our vehicle replacement reserves that amount includes two and a half million dollars just related to increased cost of vehicles another 1.4 million dollars is related specifically to the conversion of police vehicles from sedans over to utilities and then the remaining 0.9 million dollars is related to our continued conversion of the fleet over to electric in elections we have a total of 1.2 million dollars that includes both the cost of the presidential primary election which we're

[00:07:04] expecting to receive some revenue to offset but then that also includes some increases related to some of the state mandates that we have in various ways. Those state mandates, I'd note, we do have funding included in FY 2025 for the recurring costs of those.

[00:07:21] We do anticipate that we'll come back as part of carryover to reflect the costs of the presidential election in November. And then the other adjustments category next, we have a number of things included in this category. They net to a decrease of $2.5 million.

[00:07:39] What we've done here is recognize some savings within our fringe benefits to offset replenishing our hiring incentive reserve, as well as offsetting the hiring incentives that have been paid this year. We also have adjustments there to fund a study of disparities in our procurement process, also support for our hypothermia program.

[00:08:01] Again, details of all the things included in that category will be included in the package when we give out to you early next week. And then the last category on this list, reserves, we've included reserve adjustments totaling $6.9 million. I'd note that is the same exact amount that we've included in the FY 2025 advertised budget.

[00:08:20] Similar to the action the board took last year, what we've done here is pre-fund the FY 2025 reserve requirements and FY 2024 with the idea that that'll free up some flexibility as the board considers FY 2025. In the process, it also covers the reserve requirements that we have as a result of increased disbursements in this package, too.

[00:08:38] we have a total of 17 new positions that we've recommended eight will support the collective bargaining agreements four of those positions are related to terms in each agreement that allow for two union members in each of the the unions to work full-time on union activities then the other four positions will allow for two positions to support each of the agreements from the staff side the police and fire departments can absorb the cost of these positions during fy 2024 we We have already included the cost of these in FY 2025.

[00:09:14] We have seven positions in the community services board that will provide support coordination services for individuals with developmental disabilities. We received 120 new Medicaid waiver slots from the state effective January 1 and these seven positions will support those.

[00:09:31] The cost for these seven positions as well as seven additional positions are already included in the advertised budget. seven positions that are in the advertised budget are for slots that we'll get as of July 1 another hundred and twenty so all together 240 positions 14 total positions seven now seven in the advertised budget all supported in 25 based on what we've already included there and then finally we have two positions and police to support the photo speed enforcement program these positions are not yet funded in the advertised budget however we will come forward with a recommendation as part of add-on and at that point they will be supported by revenue generated within the program for no net

[00:10:07] cost we have one consideration that item that's been submitted to date which is to provide 150 000 to the women's center in order to offset their reallocation sorry their relocation expenses and then wrapping up on the last slide we'll be finalizing the third quarter package this week and into the weekend i do anticipate it being posted online monday and again we'll have the authorization to advertise item in the board package at tuesday's board meeting public hearings on third quarter review will be on April 16th, 17th, and 18th, at the same time that we have public hearings

[00:10:44] on the FY2025 budget, and then action on the third quarter review is scheduled for April 30th, just prior to when we mark up the FY2025 budget. Great. Thank you very much. Pretty straightforward. If anyone has any questions, we will take these.

[00:11:00] One question I did want to ask, and this is especially important for our two new board members, the $54.4 million available at this stage of the budget process is not. normal compared to other years, abnormal? Give us just an order of magnitude in terms of what we're normally dealing with at this stage of the budget. Yeah, I think this might be a little bit higher than what we see most years. I want to say that normally our mid-year revenue adjustment is probably in the $20 to $30 million range. So I do think this is a little bit higher than what we've seen in past years. Again, primarily driven by interest rates and just the yields we've been

[00:11:38] able to achieve in our cash portfolio. Okay, I think that's important to know. Any questions about the package? Again, it will be coming to the board Tuesday, authorization to advertise, and then it will be coming as a part of that authorization to advertise Tuesday. So we'll all get every detail of this in the board package. But any other questions while we have staff here? Yes, Kathy? I guess it's really not as much

a question as a concern and a comment. When I look at slide for, and we're putting in $6.5 million for land development services.

[00:12:13] You know, it's why I said at our last meeting I am supportive of changing the fees. I think that it's important that people that use the services pay for the services, right? And then this frees up the money for other priorities and other things we need to do. So I just wanted to make that statement.

[00:12:29] Thank you. Thank you. Spoken like the chair of our land use process committee. Supervisor Balchick. Thank you, Mr. Chairman. I guess not slightly comment, slightly question from information. Happy to see that we're including the two positions to keep supporting the photo speed program as we've seen the latest results from last year.

[00:12:52] Pedestrian fatalities have gone way down thanks to enforcement and so excited about being able to continue this program. I can't remember if we've gotten the projected timeline for the pilot and extension and if we could get that with us as well. You know, Tom has been working on that.

[00:13:08] TOM ARNOLD: Sure. Tom Arnold, Deputy County Executive. Our plan is to come to the Board on June 4th at the next Safety and Security Committee meeting to present on an update of the pilot as well as photo speed expansion to Phase 1, which we would anticipate, if everything goes well, waiting to see one final aspect to go through the general district court that we would be looking at the September timeframe.

[00:13:28] MS. Excellent. So this would support that program? TOM ARNOLD: As well as the school bus arm program for a CPS. MS. Happy to hear. and it'll be cost-neutral eventually, so thank you. Okay, any other questions? All right, well done.

[00:13:46] We're always going to do a preview of third quarter then, if this is me to answer a couple of questions. Yeah, there you go. On that happy note, I think we can move on to item two, which is overview of the FY25 to 29 capital improvement program. I'm going to be starting this with the majority of the slides.

[00:14:06] I encourage Joe and Martha to jump in, and then they have a couple of slides that they're going to cover at the end, but certainly feel free to jump in if you guys want to add color commentary to any of my comments, please. So really just kind of to start to set the context, this slide provides some information on our capital improvement program.

[00:14:26] For FY25, it totals $1.7 billion. Certainly that's not all county-managed programs. We also include Nova Parks, Fairfax Water, et cetera, in our program, so it's a little bit, it's pretty inclusive. Certainly, we tend to focus on those county-managed programs that you see in those bottom three bullets.

[00:14:43] That includes our self-supported programs such as stormwater and solid waste. We go through the process of setting those rates as part of our annual budget. There's more detail in some of their capital projects in the CIP. And then today, we're going to spend a little bit of time talking more about our general fund-supported capital program, as well as our general obligation bond program and the upcoming referendums.

[00:15:05] So first, we wanted to spend a little bit of time talking about the progress that we've made on the Joint CIP Committee recommendations. We did outline this in a recent Q&A, so I believe that you have

that in one of our Q&A packages, but we've included it here as well. Just as a reminder, there are three primary recommendations that came out of that committee back in December 2021.

[00:15:26] First was increasing our geo-bond sales from $300 million a year to $400 million a year. We were going to do that gradually. We increased both county and schools by $25 million in January 2023. This past January 24, we maintained that.

[00:15:43] So right now we've sold $350 million. And then next January, we'll do that second $50 million increase, again, evenly split. And that will take us up to the full $400 million next year. One of the recommendations was also to set aside the equivalent of one penny on the real estate tax rate, or about $32 million to support increased debt service payments related to those increased bond sales and to increase our paydown investments.

[00:16:10] You know, we weren't able to fully fund that penny from the start, so we've made some gradual progress. For three years now, we've had $5 million in the baseline for both county and schools, 2.5 on both sides for paydown purposes. And what's included in the FY25 advertised baseline is about $8.1 million for debt service payments related to those increased bond sales.

[00:16:33] So right now we're about $13.1 million of the $32 million penny. I will say cumulatively, when you look at our investments over three years, we're at about $27 million, though. So I do think that, you know, we have made some progress in terms of these recommendations, just certainly not the full penny in the baseline.

[00:16:51] And then the last recommendation was, because this was a joint CRP committee and had representation from the school board. The last recommendation was to include schools in our allocation for our capital sinking fund at year-end. We were able to increase that allocation from 20% to 30%.

[00:17:08] If you recall, we did have a policy in place to reserve a portion of our year-end balances for our reserves, and we were trying to get to fully funding of our reserves. Once we reached that 10%, we were able to back off of that a little bit, and so then we increased our capital sinking fund allocation again from 20% to 30%, and we've included schools in that allocation now for a couple of years and we have it in a chart in a couple pages but so far they've received over 19 million dollars in the two years that we've been able to include schools in that allocation so i think that's been a real positive for them moving to our general fund capital program this is our program where we fund

[00:17:46] athletic field maintenance ada improvements environmental initiatives park maintenance there's a chart in our capital overview which details nicely the makeup of the 32.4 million dollars that we've included in the FY25 budget. That is an increase of almost six million dollars over last year and you can see really that entire increase almost in its entirety is going to various parks. So a big component about three and a half million of that is for our capital contribution to the Northern Virginia Regional Park Authority or NOVA parks. You may recall that But previously, we met that commitment through our GEO bond program, but it really made it

[00:18:24] difficult for us to be able to be responsive to their needs and change and maybe alter that contribution every year. And so we've removed it from our GEO bond program, and now we've added it to our pay down program that actually had the added benefit of also giving us a little bit more flexibility in our GEO program.

[00:18:42] So again, that's about $3.5 million of the almost six. And the remainder is about a $1.2 million increase in maintenance program for Park Authority for both mowing and grounds maintenance and some preventative maintenance at their facilities. And we've added almost $900,000 additional for the Park Authority's forestry operations and then about $400,000 additional for bamboo.

[00:19:04] And as we know, you know, we would love to have more baseline funds for our capital pay down program as part of our budget. We do augment them, as Phil had just mentioned, as part of the third quarter presentation. We augment these funds with funds available at our quarterly reviews, and that's part of the third quarter recommendation this year.

[00:19:22] As I promised a moment ago, here's more information about how we've utilized the capital sinking funds. Again, it used to be 20% of year imbalances. Now we've shifted to 30% of year imbalances. And so you can see since 2014, we've set aside over $167 million.

[00:19:39] dollars. So I think it's been a really successful option for us in terms of how we can are able to meet some of these needs. And then you can see in the chart on the bottom, the allocation, a big portion goes to our facilities maintenance department for just the maintenance of our county facilities, those aging facilities. But then you can see there's almost 30 million dollars for parks, that green bar, walkways and roads. And again, FCPS at 19.4 million. And they've been included in there again for only the two years. Now shifting to talk more about our bond program

[00:20:14] and some of our financing plans, most of our CAP projects are financed with geo bonds. We're going to talk a little bit in a few minutes about how we also try to take opportunities, advantage of opportunities of other financing alternatives. As we've talked about for the past several years, our bond program had experienced challenges, especially coming out of the pandemic.

[00:20:37] We saw project delays. We've had to request two-year extensions of a number of our bonds, and I think that we're going to anticipate requesting extensions of a few more in the coming years. I do think that we're seeing some improvements here, one, tied to our annual increase in bond sales that's given us some additional capacity, and I also think the fact that we skipped that 2022 bond referendum on the county side that also freed up some flexibility on our side to try to address some of the backlog that we've seen over the past couple of years as well. So I think that we're positioned really well for the future after just a couple of bumpy

[00:21:13] years, I think. Certainly when we look at our bond financing, we look at the two ratios that are outlined in our 10 principles of sound financial management. We benchmark our debt service payments against our baseline budget. Here when we're looking out, we use revenues. As that placeholder, You can see that we're safely under that 10% threshold.

[00:21:37] These are projections from 2025 to 2034. And then we also benchmark our outstanding debt against the total assessed value of property in the county. That target or limit is 3%. You can see we're well below that. Again, these are all projections.

[00:21:53] And certainly, although we keep an eye on these ratios, really what drives our bond program is affordability and whether or not we can afford the debt service payments that are associated with any of those financing options. So, again, we're very mindful of the ratios. We track these.

[00:22:10] We discuss these with the rating agencies. Bidding in affordability is really the driver. And, Christina, before we flip, the last bar on both of these says 2024. Yeah, we updated it to 2034. Okay, I just

wanted to make sure everybody knew. We're not going back in time.

[00:22:25] We're not going back in time. Nope. Okay. Nope. Thank you. Good eyes, though. It was a test. On the next slide, we've provided some information regarding the breakdown of the bond sale that we just had this past January and how that $350 million that we sold is broken down by the various components.

[00:22:50] I think we've talked about as part of the county executive's advertised presentation that, you know, we achieved an interest rate of 3.27%. That's certainly up from the interest rates we've seen in previous years. And so the debt service requirements are also higher. You can see schools as part of this latest bond sale is about 59% of the total in Metro right there at 13%.

[00:23:11] And then all of those other categories, really, once you drop below schools and transportation, you see fluctuations in those amounts from year to year just based on the bonds that we happen to be selling. You know, for example, you can see the roads, the $25 million that we sold for transportation for roads in January.

[00:23:28] That was the last year of those bonds, and so that will come off next year, and so that will provide some flexibility for some of the other areas. But again, these numbers do fluctuate from year to year, but it's pretty consistent that schools is the majority and then metro is the next largest chunk, generally speaking. And again, next year, that total is going to go from $350 million to $400 million as well. Certainly, when we are deciding how much we're going to sell in terms of bonds, we try to only sell what we need and what we actually think we're going to be able to spend in next year because we're mindful of the debt service payments that are required, but we also have to be mindful of the limitations

[00:24:05] that we have and the sunset rule that we need to sell our bonds within eight years of the referendum. We are able to petition the circuit court for an additional two years, and we have taken advantage of that option in the past couple of years. We've noted here that we anticipate asking for an extension of two years for the 2016 human services bonds. I would say we also have the 2018 public safety bonds and some 2020 bonds that I would anticipate just from a planning perspective that we may be asking for two-year extensions there as well but certainly you know we have discussions every year we try to make sure that we hit that sweet spot we want to make sure that we sell enough but we don't want to sell too much because we don't want to be paying

[00:24:42] debt service preliminarily or too early although we also recognize now that we have a lot of projects going we want to make sure that we have enough cash on hand this next slide just outlines kind of those bond sales what we've seen and how we really increase from that 300 million to the $400 million, as I had noted.

[00:25:03] So right now, the county, next year, when we sell the bonds in 2025, the county will be at $170 million, with the schools at $230 million, so the total of $400, although I would note, you know, we do have the ability to take advantage of other financing options such as Economic Development Authority bonds.

[00:25:21] I mean, just recently with the Tyson's Community Center, we've used EDA bonds, so we do have some other tools in our toolkit outside of the GEO program, and so we try to make sure that we balance that, always keeping an eye, again, on what those debt service payments and requirements are. I want to talk a little bit about some of the changes that we've proposed to our bond referendum program. We had proposed more significant changes in the past couple of years, so I think we tried to kind of limit some of

the adjustments as part of this year, but we have proposed some adjustments. The first is removing the Mount Vernon Police Station from our 2024

[00:25:57] proposed public safety bond. It's not funding that police station, but we are proposing that we shift that to EDA bonds. This is part of a co-location study, and certainly when we are looking at using funds from a variety of different referendums, sometimes piecing that together is difficult, and so we want to have the flexibility in terms of timing, and EDA just offers us a little bit more flexibility there. It also helps us reduce that referendum amount for 2024 public safety as well. For the Reston Library, we had anticipated about $48 million for that

[00:26:36] Reston Town Center North redevelopment, again, utilizing EDA bonds. We've increased that by $10 million, and then we're able to use the $10 million that's still left unspent from the 2012 library referendum, which was anticipated to be used for the Reston Library, we'll be able to use that flexibility for some of the overages that we've seen in other library projects.

[00:26:59] We try to write our bond questions a little bit more broadly so that, you know, we are able to kind of shift funds if we see that we need, if we're short in one project, we can kind of move funding around. So we would anticipate using that $10 million in flexibility for other library projects.

[00:27:16] I think the smallest adjustment is, I think, a $2 million adjustment for the Kings Park Library. This is to accommodate renovations to the Braddock District Supervisor's Office. So we wanted to make sure that we made that adjustment. And then we also removed the road bond referendum that we had previously planned for 2028.

[00:27:36] That was part of our GEO program. We think that we're going to be able to use other financing, potentially with support from our CNI fund to pay the debt service. And again, that also frees up flexibility in out years. And then for parks, you know, certainly parks has been facing some challenges with their capital program.

[00:27:54] We've been working closely with them. As Phil mentioned, we have another $5 million included for them as part of our third quarter review. But with the changes that we've proposed to the plan for FY25, we anticipate that we'll be able to bump up the park bond sales about two years earlier.

[00:28:11] We had planned on starting to sell $30 million for them until beginning in 2029. We actually think we're going to be able to do that starting in 2027. So that's going to give them some additional funds starting in 2027 beyond that which we had previously proposed.

[00:28:27] So then when we look at that revised bond referendum plan, you can see that our next referendum is in the fall. That includes $126 million for public safety. You can see it's Fox Mill Fire Station, Oakton Fire Stations, Tyson's Fire Station, and then the Criminal Justice Academy.

[00:28:44] And then we have transportation on there for $180 million. so that's a total of 306. It was 348, but taking out that Tyson's police station, we were able to bring that down, and then you can see our out-year plans, again, alternating county and schools in each year, and then you guys like this chart so much at the retreat that we decided to update it, even though it's really tiny print, so you can really see that we're projecting to bump up right against that $170 million threshold.

[00:29:19] This is just the county side, but you can see how really we're kind of piecing together the bond sales related to each of these referendums. And so in January 2025, we'll be selling bonds going back to the

2015 public safety bond all the way to a portion of the 2024 metro bond.

[00:29:37] So again, it just kind of gives you an idea of kind of the puzzle that we're trying to put together every year as we decide our annual bond sales. But again, these numbers are subject to change, certainly, but we anticipate that we're going to be selling right up to that maximum $170 million for the foreseeable future.

[00:29:55] I believe I was going to turn it over to Joe Lahate for this next slide to talk about some of the projects that we're proposing for other financing. Gotcha. Thanks, Christina. And she had alluded before that general obligation is probably our primary tool, but we need some flexibility to kind of go off an off-ramp if certain projects desire flexibility or just some altered approaches to go.

[00:30:15] And I think what we said here, the debt service ultimately is going to be paid back by that EDA bond. It's going to count against our debt ratios, so we want to make sure we're fully inclusive of that. We're not trying to keep anything out or cherry pick. And I think a couple of the projects we cited here, you know, co-location, we've got things moving at different times as far as studying.

[00:30:31] We don't want to hold something up or hog the line in the GEO bond plan, since there are plenty of other categories that could use that funding. So we looked at Mount Vernon redevelopment. I think it's a really interesting one to blaze a new trail here that, given the historic status of the project itself. There's an ability to go chase revenues from the sale of tax credits.

[00:30:48] So in that sense, we don't want to enter into a fixed-rate bond right out of the gate. We want some flexibility. And the line of credit that we issued and got approved through the EDA gives us that flexibility. So in the course of a couple years, draw down what we need to pay those bills, get some set of a rebate back from the state from those revenues. And once the project's complete, constructions get to go, we'll flip that and convert it back to a traditional long-term bond through the eda as well too so i think a really good opportunity there given that historic nature of the project potentially some opportunities at the courthouse and anything else in the county with a historic nature to it so a good opportunity for us but again i think it's been very very

[00:31:25] helpful very good co-willing partners at the eda obviously supervisor lusk mind your time in your prior life so something that's been very very helpful to us thank you martha was going to take slide 16. just to give you an update on our co-location efforts as you know these co-location projects can maximize space give us an opportunity to locate complementary programs and improve our efficiencies we do have a formalized group working on this effort and it includes staff from our office as well as dpwes and planning and development we're meeting with all many different

[00:32:04] agencies throughout the county as well as we have some scheduled meetings with schools and others we currently have several major projects underway the original mount vernon high school redevelopment, the Kingstown complex, and the stormwater wastewater facility. We have also entered into a selection process and hired a consultant to do a master planning effort in the Mount Vernon area. We currently have three projects that are scheduled for renovation in that area, the fire station, the police station, and the Sherwood Library. There's also a school nearby, the Innova property, so there's kind of a lot going on in that area, and we have hired

[00:32:42] someone to begin that master plan. We're also looking at the Wilston Center and should be moving forward with a consultant to take a look at that center and that entire area and see what we can

find in terms of opportunities there. And then we do have several others identified in the future in the CIP. Our staff, our group continues to work on this. We recently have

[00:33:08] I've been working with some staff from the One Fairfax group and looking at ways that we can use the GIS system to use our current CIP project maps and overlay that with the Vulnerability Index and Communities of Opportunity map that they have, as well as our gaps in early childhood and our leasing facilities so that we can kind of overlay all of that and find out where are some of our opportunities in the future.

[00:33:37] So we're excited about that tool. And so then our last slide is just some upcoming dates related to the CIP. The Planning Commission has some upcoming meetings on March 21st, and then they'll mark up their CIP.

[00:33:53] They'll make some recommendations to the Board of Supervisors regarding some potential adjustments to the CIP, but they'll make those decisions April 3rd. Again, the public hearings that we have for our 25 budget and third quarter are the same for our CIP, and then the Board will ultimately adopt the CIP the same day as markup on April the 30th.

[00:34:16] Okay. We're going to open it up to questions. Let me just ask two quick, just so I'm clear. On page 11, you mentioned removing the Mount Vernon police station from the public safety bond, which reduces the amount of that bond.

[00:34:33] And I guess I'm curious as to what was in line. We looked at what was in line next, so we decided to reduce that bond instead of expedite what could have been coming after that. I'm just wanting to make sure that we're not missing an opportunity. Yeah, I don't think, and I'm looking back at it, I'm not sure if Tom Arnold has anything to add.

[00:34:52] I think that our public safety agencies were comfortable and police was comfortable with the plan that we had outlined in terms of future bonds. We want to make sure that we don't bite off more than we can chew with some of the referendums because we want to make sure that we give our staff time to actually work on these projects. And we don't want to put ourselves in a position where we have the crunch of having to sell a lot of bonds in a very short period of time.

[00:35:14] So, it does bring down that bond from about $348 million to about $306 million, but I think that actually puts us maybe in a better position overall. So, I don't think we're losing any opportunities. That was the key reason. The strategy piece of it completely understand.

[00:35:31] I just wanted to make sure our public safety agencies were also consulted and that we're not delaying anything or not taking advantage of an opportunity to expedite anything. Certainly for police, one of their big focuses was the Criminal Justice Academy, so we wanted to make sure that we accommodated that.

[00:35:48] Right, got it. Okay, and then I think the other thing that's piqued my interest, and I know we've talked about this ad nauseum, but on page 16, the county task force that's reviewing potential co-location opportunities, You mentioned, you know, coordinating, having conversations with schools and that this was a task force of county staff who were looking at these opportunities.

[00:36:13] I guess trying to figure out where that intersects with the individual board members and opportunities in their districts because I know we've talked about this before that many times we may be

mindful of some opportunity that staff may not be mindful of or may be looking at an opportunity that staff might not be looking at.

[00:36:31] And I know the criticality of doing that early because once we start expending money on improvements, enhancements, expansions, or new facilities, it's really hard to go backwards and say, come in late at the game and say we'd rather do a co-location.

[00:36:47] And so help me understand how we're going to look at outreaching to the board members and do we have a master list. We identified these ones in the future. These are big ones, pretty big ones. But there may be smaller opportunities out there that you're looking at. how do we see those how do we be involved in those knowing how important that is um i think that's a great point and we're sort of at the beginning of our process we do have some areas that we're looking at more closely and hi tia phone a friend yeah she's here

[00:37:25] um i think that's an excellent point though as we develop our list we can come out and do outreach to each board member and make sure that we're hitting the right spots and if there's anything you know about that we don't know about i think that would be great we we would appreciate that input and if i can add more with building design and construction public works so on the two specific projects that we spoke about we have reached out to the board members and we have started the coordination with their office yeah i i really appreciate that i just the ones that are in here we're all okay on i'm just trying to think of that next tranche of them the other thing

[00:38:00] that you know comes to mind uh is obviously we're in a little bit different economy a post-covid economy, and we know about office vacancies, building vacancies, strategic opportunities where there might be a vacant building somewhere that can accommodate our needs and might drive a co-location opportunity.

[00:38:20] The folks sitting here are the ones that really know those in their districts. And so I think now more than ever is important to just even a brainstorming session with, you know, here's the next 10 things in your district on the horizon.

[00:38:34] Think about those. Think about ways we might be able to maximize co-location opportunities because around every corner when we've done that, not only do we end up with long-term savings, we end up freeing up property in some cases in the county for other uses, portable housing, other things that may come to mind, and most importantly, we end up with more efficient service delivery for our constituents who can go one place and do five or six things.

[00:39:01] So we've been talking about this. We're doing it now. Your chart shows where we have great examples of where that's happening. We've got to keep that momentum going and make sure that the board is involved as early as possible in those conversations. With that, I'm going to open it up to other board members for questions, and I'm going to start with Walter.

[00:39:21] Thank you very much, Mr. Chairman. Great presentation. Really helpful. My question, just one quick one. I like the flexibility of the EDA financing, you know, for certain projects. That makes total sense to me. Do we know what the basis point difference is for that than from our GEO?

[00:39:40] I mean, I know it changes daily in terms of, you know, all bond sales. But do we have a sense, you know, is it a few? Is it, you know, 25? Yeah, it's actually pretty tight, somewhere in a range of maybe 10

to 15 basis points. Last time I checked, the higher you get on that scale in the top A range, the better off you are.

[00:39:59] It's the distinction of when you're really low, I dare say, if you've got something in a B range rated credit, which we really don't, and you get to jump up, that's when you see the biggest difference in savings. So they know we pay our bills, I guess. Correct. All right, thank you. Sure. Okay, James. Thank you.

[00:40:16] Slide seven, the estimated debt service payments benchmarked against out-year revenues. And I'm having deja vu, so I'm going to go back to the video from last year and see if I asked this question. but in case I didn't, I'll ask it anyway. I assume that the out-year revenues in this chart are adjusted for inflation, and are the debt service payments or rather the bond limits adjusted for inflation as well? So does it assume that, you know, right now we're moving towards a

[00:40:55] $400 million limit? Does it assume that, you know, at some point five years from now, we say, well, Inflation and other reasons, $400 million should be, pick a number. Does this chart assume both of those things or neither of those things?

[00:41:11] Or one of those things? No, Supervisor, you're absolutely correct, and we probably should have footnoted it. It includes both. I think in the sake of conservatism, it's both. Revenue, we only assumed roughly a 2% growth year over year, and we just kind of kept that constant. And with respect to the interest rate, we actually have built in there a 5% rate right now.

[00:41:29] The hardest time is just trying to figure out when and what time to adjust that. This past fall, things were much more volatile and I thought higher in terms of where they were going to be. So that's built in there right now. I think throughout the course of just the fiscal year, every fall I think is probably the most detailed time, which we update the whole model after meeting with the departments and their requests to get a better idea of where the bond market is, how rates have reset.

[00:41:51] So if there's a desire to potentially reset that, we probably would use this fall to do that. But right now it assumes 5%. So it assumes 5%, but that's 5% interest on $400 million. Yeah, we haven't assumed an increase in the annual bond. Got it. Okay. That's what I was asking because it's flat.

[00:42:07] Got it. Okay. Correct. You know, reasonable or possible to assume between now and 2034, we might look at is $400 million sufficient given cost increases, et cetera, but this doesn't assume that. Correct.

[00:42:23] All right. Thank you. Thank goodness. Other questions? Any other questions? Okay. Very good. That's a special day for the budget office to get through that easy, but definitely some good news here.

[00:42:45] And as mentioned earlier, our next meeting is going to be April 26th, 2024 at 3 p.m. is the next meeting of the budget committee, and, of course, that will be pre-markup. If I could just, it was a late addition to the agenda, but we do have the ITPAC letter that is posted online.

[00:43:07] That's not for discussion here, but just for your information, it is posted with the committee materials. Okay. Everyone heard that? Okay. Very good. If there's nothing else for the committee, we are adjourned. You're winning so far.



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