

**MANAGER'S MESSAGE**

Members of the County Board:

Every two years I present a proposed 10-year capital plan that outlines our goals and priorities for Arlington's infrastructure. My guiding principles in building this plan include:

- Meeting our regional and regulatory obligations
- Maintaining the County's existing assets
- Supporting the environment
- Focusing on community resiliency across many service areas
- Responding to emerging service demands and maintaining flexibility in rapidly changing circumstances
- Bolstering financial sustainability

In developing this proposal, I have been particularly influenced by the rapid pace of change, especially since the adoption of our last CIP, just two years ago. During this period, we have faced unexpected challenges, such as the mental health crisis which we've worked to address through a partnership with Virginia Hospital Center, and macro-economic factors, such as rising inflation that impacts most of our projects and rising interest rates that impact, among other projects, the debt service for the loan to preserve affordable housing at the Barcroft apartments. We have been able to address these challenges by being agile and quick, and most importantly, having the financial flexibility, girded by our triple-A (AAA) bond ratings, to make these generational investments. My proposed CIP is intended to do the same for the next few years—enable the County to be responsive to change through investments in resiliency and maintain financial flexibility.

What follows is a long but necessary summary of the challenges and investments that lie ahead. In reviewing this material, I urge each resident to consider that we have thousands of assets, a sprawling infrastructure under our streets and out of sight, and essential investments in the equipment that allow our water, sewer, and street workers; firefighters; police officers; librarians; park rangers; and hundreds of County and Schools staff do their work to make this community livable, safe, and vibrant. These assets must be nourished, refurbished, and kept strong. The desire for new facilities and better and more efficient use of these assets is real, intense, and welcome. However, we cannot and should not lose sight of investing smartly to ensure that what we have is secure and what we want is affordable.

***Major Assumptions and Risks***

Arlington has not been immune from regional and national macroeconomic trends. Construction inflation and supply chain delays have impacted our projects; in general, the proposed CIP assumes 4 percent annual inflation, although some projects that are further along in design/engineering include higher assumptions. We are also carefully evaluating the size of construction contingencies for all our projects. The proposed CIP assumes 5 percent interest rates on bonds, reflecting current and anticipated market conditions. We recognize that these assumptions may prove to be incorrect in such a rapidly changing environment, which underscores the need for financial flexibility.

***Debt and Financial Sustainability***

The proposed CIP complies with our approved financial and debt management policies, essential to maintaining our triple-A (AAA) bond ratings. While typically much of the focus is on the "10 percent rule", an equally important adopted policy metric is that "growth in debt service should be sustainable and consistent with the projected growth in revenues." The proposed CIP is particularly focused on this policy; growth in debt service for the County General Fund is projected to increase annually by \$4 million to \$5 million in FY 2025–FY 2028 to a peak of \$7 million in FY 2030. We are mindful that even this level of increase will seem significant, yet, given our existing debt service, our Metro commitments, and the need to maintain our infrastructure, it is needed, especially after delayed investments due to the COVID-19 pandemic. Finally,

to maintain financial flexibility and be ready to address unanticipated changes, the proposed CIP does not “max out” debt issuance for any financial policy metric.

- **10% Limit of Debt Service to General Governmental Expenditures:** The CIP projects a ratio of 8.8% in FY 2025, escalating to a maximum of 9.8% in FY 2031 and FY 2032 before falling to 9.3% in FY 2034.
- **Outstanding Debt to Income No Greater Than 6%:** This ratio peaks in FY 2027 at 5.4% before falling to 4.5% in FY 2034.
- **Debt to Assessed Value No Greater Than 3%:** This ratio ranges from 1.3% to 1.5% over the 10-year CIP, well below the limit.
- **Growth in debt service should be sustainable and consistent with the projected growth of revenues. Debt service growth over the 10-year projection should not exceed the average 10-year historical revenue growth.** Combined growth for the County and Arlington Public Schools over the 10-year CIP is 3.6% and the 10-year historical (FY 2013 – FY 2023) annual growth is 4.4%. Annual debt service increases for the County only range from 2.7% to 7.4% over the 10-year forecast.

While the CIP looks forward, we continue to pay debt service for many recently completed projects, such as Fire Stations 3 (Cherrydale) and 8 (Langston Boulevard), the Long Bridge Aquatics & Fitness Center, and Arlington Mill and Lubber Run Community Centers, among many projects. Additionally, while paying down \$30 million of the \$150 million investment in Barcroft Apartments, we will continue to pay debt service on this investment for the foreseeable future.

#### ***Impact of New Capital Projects on Future Operating Budget***

In the out-years, the proposed CIP assumes new and expanded facilities, such as a new Fire Station 7 on the west end of Columbia Pike and a relocated Columbia Pike Library. These will have operating budget impacts for staffing and facility operations; as we developed the proposed CIP, we have tried to account for these impacts which in some cases resulted in shifts in project timing to ensure affordability. In the very near-term, we must provide operating funds for full-year operations of the new ART O&M facility, Fire Station 8 (Langston Boulevard.), and Long Bridge Park once the Boeing contribution is exhausted (FY 2027).

#### ***Review of Financial & Debt Management Policies***

In conjunction with the County’s financial advisors, we review our financial and debt management policies every CIP cycle to ensure consistency with rating agency and capital market expectations and the County’s financial status. Our debt management policies are sound; we are proposing resetting the baseline in the Stabilization Reserve to 1.3 percent of the General Fund Budget to reflect the action taken by the County Board at budget adoption in April 2024. The Stabilization Reserve is intended to be flexible so we can respond to unanticipated economic or other needs; continued incremental increase of this reserve over time is a recommended priority with available one-time funding.

#### ***Major Changes Since the Last CIP***

As discussed earlier, the County has experienced significant changes since adoption of the last CIP that impact this proposal. Highlights include:

- ***Barcroft Apartments:*** Our initial \$150 million commitment to ensure preservation and affordability at Barcroft was incredibly important. While we have been able to reduce this amount to \$120 million through the prudent use of one-time funds, this investment greatly impacts debt capacity and AHIF availability especially considering volatile interest rates.
- ***Mental Health & Substance Use Treatment:*** - Demand for intensive outpatient and residential services is unprecedented. The proposed partnership with Virginia Hospital Center at the S. Carlin Springs site will provide dedicated residential treatment and wellness services. The proposed CIP includes near-term funding to address shared parking between VHC’s facility and future development of the site with other partners and adjacent uses. Additional funding over the next two to eight years is proposed for a facilities condition assessment of the Long Branch Nature Center (FY 2026) and possible partnerships on the site and connections to the Nature Center/neighborhood park spaces.

- **Remote Workforce & Office Utilization:** The proposed CIP includes planning and implementation funding to consolidate office space, particularly in the Courthouse area, given the lessons we have learned with a partially remote workforce.
- **Recently Adopted Plans:** Since the last CIP, many new plans have been adopted including Plan Langston Boulevard, the Transit Strategic Plan, and the Sanitary Sewer Master Plan. New projects resulting from these plans are included in the proposed CIP.
- **Project Timeline Changes:** As is typical in any CIP, the timing on some large out-year projects has shifted slightly, including the Columbia Pike Library and the new Fire Station 7 on Columbia Pike.

### ***Community Input***

Almost 3,200 Arlington residents provided input, which helped inform my proposal. This input included residents' top priority areas for major infrastructure investments in the CIP. We conducted outreach to our non-profit partners, at pop-up engagement events, through advertisement on ART buses and yard signs, and through different social media platforms between February and March 2024.

### ***Regional Commitments***

The proposed CIP meets our obligations to fund the regional Metro system, totaling \$398.5 million over the 10-year plan, funded through general obligation bonds and state transit aid. The proposed CIP continues our commitment with the City of Alexandria to replace the Arlington Ridge Road Bridge with the County's share coming primarily from dedicated transportation funds. Our continued commitments with the Washington Aqueduct for water reliability and redundancy and capital investment at the DC Water Blue Plains Advance Wastewater Treatment Plant round out our most significant collaborations with neighboring jurisdictions.

### ***Resiliency & Climate***

Resiliency investments are proposed in almost all CIP program areas and recognize the clear nexus between resiliency and climate. Highlights of investments in both areas are:

- **Public safety:** The County lacks sufficient space for response to emergency events. The CIP includes an investment in a Situational Awareness Intelligence Unit which will allow various public safety partners to co-locate in a shared space to monitor, filter, and disseminate key information. The funding for this program is aided by a Congressional earmark from Congressman Beyer that must be expended by CY 2025.
- **Water supply:** This CIP provides new investments for backup water supplies to protect the County's source water.
- **Technology:** Investments to protect County data, systems, and equipment and ensure operational continuity, with benefits including improved redundancy, resiliency, scalability, enhanced security against ransomware, and anytime-anywhere access to applications.
- **Lubber Run resiliency hub:** Enables the Lubber Runner Community Center to become a resiliency hub to serve the community during an event, such as a long-term power disruption.
- **Stormwater:** A significant portion of our stormwater program (described below) includes long-term resiliency investments to address flooding and stormwater infrastructure.
- **Transit:** The 10-year plan includes nearly \$135 million to transition the existing fleet of Compressed Natural Gas (CNG) buses to battery electric buses (BEBs) and to acquire land for future bus storage and charging infrastructure. It also includes investments in enhanced transit service per the recently adopted Transit Strategic Plan
- **Government facilities:** The plan continues to invest in smart and flexible energy resilience and collaborates with community partners to invest in mental health resilience. An expanded program to install solar panels on County facilities is included. Additional planning funding is included for further study of the Trades Center and possible electrification of Arlington Public Schools' bus fleet. Installation of more EV chargers at public facilities is also included.
- **Parks:** The CIP continues the natural resiliency program from the last CIP with enhancements like forest restoration and stream improvements.

### ***Maintaining State of Good Repair***

Maintaining what we have is critical for all infrastructure and technology assets. A "state of good repair," while the least exciting task among our capital investments, is replacing roofs and HVAC systems, repairing trails and playgrounds, and keeping technology up to date, and is essential to providing front line services. Given the natural aging of our infrastructure, it is critical to re-invest through Pay-As-You-Go (PAYG) funding from net tax support and use finance

sources, including bond and short-term financing options (meeting “useful life” criteria) to support the overall capital program. In concert with maintaining our assets in a state of good repair, we complete comprehensive condition assessments every five to seven years, as well as inventories for each asset class. One recently completed assessment is the County’s ADA bus stop inventory. This CIP brings the majority of bus stops into compliance with the ADA Accessibility Guidelines.

Maintenance capital investments funded with General Fund sources include the below items, while other programs with dedicated funding, such as water-sewer and stormwater, have maintenance capital programs of their own that will be discussed at each work session.

- **Bridge maintenance:** In addition to funding the joint bridge project with Alexandria and the Shirlington Road pedestrian bridge, the proposed CIP includes \$12.7 million for maintenance of our 25 vehicular and 11 pedestrian bridges not located in parks. The average age of these bridges is older than 50 years.
- **Paving:** The proposed CIP includes \$12 million to \$16 million annually (\$142.5 million over 10 years) for paving maintenance of the County’s 1,061 lane miles of roads, which also supports our transit and bike infrastructure. This investment will keep the paving condition index in the target range of 75 to 80.
- **Technology & equipment:** Funded primarily with short-term financing and PAYG funds, \$212.6 million is proposed for technology investments, primarily focused on maintenance and replacement of workforce devices (laptops, desktops), servers, network equipment, public safety communications equipment and vehicle apparatus.
- **Government facilities:** Proposed facility investments total \$398.3 million and include maintenance capital projects like roofs and HVAC systems. In addition to the maintenance capital program, renovation projects like the next phases of upgrading the 30-year-old Courts/Police building, including courtrooms, chambers, and technology backbone infrastructure are included. Described in more detail below, it also includes infrastructure improvements and renovations to the 2020 N. 14th Street building located across from the Courts/Police building.
- **Parks:** The CIP includes continued funding for the replacement of 17 existing synthetic turf fields as they reach the 8- to 10-year replacement cycle required to ensure safety for field users and the potential County/Schools collaboration for the conversion of the grass fields at Kenmore Middle School. The proposed CIP continues the enhanced park Trail and Bridge Modernization Program.

### ***Planning for Future Capital Investments***

While maintaining what we have will always be a top priority, new plans and reviews of existing plans and programs also inform the CIP. Highlights include:

- **Arlington Neighborhoods Program:** The proposed CIP includes \$70 million in bond funding and more than \$10 million in PAYG support. This also includes \$14 million in the proposed November 2024 referenda and for each referenda funding cycle through FY 2032. This recommendation exceeds the funding level in the previously adopted 10-year CIP (FY 2023 – FY 2032).
- **Parks:** The proposed CIP includes funding for the design and construction of Gateway Park and a variety of parks and open space projects in Crystal City/Pentagon City that align with our sector plans. The proposed CIP also includes funding for construction of the lower site for the Arlington Boathouse with the National Park Service. The plan assumes continued collaboration and funding contributions from Boathouse stakeholders and partners. This CIP also includes upgrades to several parks throughout the County, including Drew Park and a new park space at 26th and Old Dominion.
- **Courthouse Complex:** In addition to the next phase of the Courts/Police building, the proposed CIP includes funding for the design and renovation of floors 4 through 6 of the 2020 N. 14th St. Building. Renovations will include space for hypothermia overflow for the homeless service center and relocating the courts program from the Court Square West Building. Renovated space will also be used to house a portion of Facilities Maintenance staff from the Court Square West Building. The two programs being moved from the Court Square West Building into 2020 could serve as a precursor to vacating that building within the next five to seven years.
- **Facilities & Site Planning:** The proposed CIP includes funding across the 10 years to address a variety of facility planning efforts, ranging from back-of-house functions (e.g., Trades Center, facility utilization), parks and public

facilities (e.g., Drew Park, Lee Center, nature centers), transportation and transit planning, and fire/emergency medical services planning (e.g., Columbia Pike). The timing and extent of each planning effort will change as service delivery needs evolve, development occurs, and other County facility projects and plans proceed—and will depend on staff and financial resources.

### ***Stormwater***

Investments in the Stormwater program total \$334.3 million over this 10-year CIP. The program reflects the significant effort required to enhance and update the County's stormwater infrastructure and responds to the storm events of the past several years.

Approximately two-thirds of the funding is for stormwater capacity improvements (mix of overland relief and infrastructure capacity) and one-third is for maintenance capital and water quality projects. Like the Transportation CIP, we have included an implementation adjustment to better reflect project execution. The 20 percent cash flow adjustment reflects project complexities that will likely result in some delays, bringing the CIP to almost \$270 million. Proposed investments in several of the County's watersheds that experienced significant flooding are recapped below. The CIP also funds investments adjacent to Columbia Pike/S. Greenbrier (\$17.2 million).

- Spout Run watershed: \$70.0 million
- Lubber Run watershed: \$67.0 million
- Crossman watershed: \$36.6 million
- Torreyson Run watershed: \$17.7 million

The 10-year CIP includes water quality projects to reduce pollutants in adherence to Virginia Department of Environmental Quality's (DEQ) Municipal Separate Storm Sewer System (MS4) Permit and the Chesapeake Bay Total Maximum Daily Loads (TMDL). Arlington is in its second permit cycle (FY 2022 – FY 2026) which requires three specific pollutants to be reduced by a cumulative 40 percent

### ***Transportation***

The CIP includes more than \$1.9 billion (in addition to Metro) in transportation improvements, ranging from major multi-year projects and facilities to maintenance capital programs. While this investment is substantial, we have had to make trade-offs because of expected pressure on commercial real estate tax revenues, increased costs and inflation for existing projects, and implementation of new plans. Notable projects include the Columbia Pike Complete Streets project (\$52 million), Ballston-MU Metrorail Station West entrance (\$177 million), and Crystal City East Entrance (\$127 million). The CIP also includes service enhancements resulting from the TSP and PLB plans. In addition, through our Complete Street Program and proposed increases to the Street Safety Program we have imbedded projects to meet the goals of Vision Zero.

Transportation projects can be especially complex given that many require private easements, and they are dependent on multi-year funding rounds and approvals from funding partners that have resulting impacts on scope development. Continuing with a new approach adopted since the FY 2022–FY 2024 CIP, this plan advances projects simultaneously, even though full funding may not yet be available (State grants, developer contributions, etc.). This reflects our historical experience that inevitably some projects will be delayed given the complexities noted above. To accommodate this approach, the CIP shows a program level cashflow forecast adjustment that averages 20 percent over the 10-year period (bringing it to \$1.5 billion).

### ***Utilities***

The CIP includes \$880 million for utilities, including \$226 million for the remaining two phases of the implementation of the Solids Master Plan (Re-Gen), \$145.8 million in the Washington Aqueduct Capital, and \$169 million for drinking water redundancy projects to provide resiliency to Arlington's water supply, along with our state of good repair programs for close to 1,000 miles of water and sanitary sewer lines across the County. Several significant projects are underway, including the asset management system replacement at the Water Pollution Control Plant, rehabilitation of the Gulf Run Sewer Force Main, and the Re-Gen upgrades.

**Proposed November 2024 Referenda**

The total 2024 County referenda request is \$174.3 million. Arlington Public Schools (APS) has released a proposed CIP that includes three scenarios related to reuse of the existing Career Center that impact their 2024 referendum and range from a low of \$63.2 million to a high of \$78.4 million. The total request for all funds including utilities and APS ranges from \$251.8 million to \$267.0 million.

<b>Proposed 2024 Arlington County Bond Referenda</b>	
<b>Community Infrastructure</b>	\$76,150,000
<b>Local Parks and Recreation</b>	\$25,770,000
<b>Metro and Transportation</b>	\$72,405,000
<b>Total County Referenda:</b>	<b>\$174,325,000</b>
<b>Utilities</b>	\$14,220,000
<b>Arlington Public Schools</b>	\$63,210,000
	to \$78,410,000
	<b>\$251,755,000</b>
<b>Total Referenda</b>	<b>to \$266,955,000</b>

**Arlington Public Schools**

APS released its proposed 10-year CIP, including a proposed November 2024 referenda of \$63 million to \$78 million. Consistent with past practice, the APS CIP and referenda request will be considered after the School Board completes its process. The most significant investments in the near-term is construction of the new Career Center, consideration of options for reuse of the existing Career Center, and facility studies for improvements to existing schools.

Finally, I'd like to thank the many County staff that contributed to the proposed CIP. There will be several work sessions held over the next two months as well as a public hearing. I look forward to discussing my Proposed CIP with the County Board and the community.

Sincerely,



Mark J. Schwartz  
County Manager