TO: Fiscal Affairs Advisory Commission (FAAC)

FROM: John Tuohy and Gillian Burgess

DATE: July 7, 2020

SUBJECT: What other investments/plans has the County committed to since the last CIP that are not reflected in this CIP?

- The Manager's proposed CIP describes the projects listed in the previously adopted CIP which would be delayed. However, the list of delayed projects does not take into consideration other priorities that the County has adopted since the previous CIP was adopted in 2018. Specifically, the County Board has adopted:
    - An updated Bicycle Element of the Master Transportation Plan;
    - An updated Public Spaces Master Plan;
    - A Community Energy Plan; and
    - A Vision Zero policy.
- Of these 4 new positions, none has an implementation plan, although the County is working on an implementation plan for the Community Energy Plan and an action plan for Vision Zero and has an implementation committee for the Public Spaces Master Plan. Although the plans have targets, some are missing key metrics by which to judge progress along those targets. For example, the Bicycle Element of the Master Transportation Plan includes a target to complete 75% of the planned Low Traffic Stress Bicycle Network by year 2025 and 90% by year 2030, but does not include the baseline measure of what percentage of the network has been completed.
- Of these 4 new positions, the proposed CIP only explicitly includes funding for one: a proposed $1.2M for "Street Safety Improvements" related to Vision Zero.
- The FAAC recommends that the County Board ask the County Manager to evaluation how the proposed CIP has impacted the policy goals enshrined in these new positions, and to take the updated Bicycle Element of the Master Transportation Plan, updated Public Spaces Master Plan, Community Energy Plan; and Vision Zero policy into consideration when developing the medium-term CIP proposal in 2021.
    - Relatedly, FAAC members encourage the County Board to monitor the implementation of these plans, by asking for the target metrics that were left as TBD when published, and by asking for clearer implementation plans.

Revenue/funding:

The CIP section of the FY2021 budget document leads with an explanation of the rationale behind allocation of funding sources for Pay-as-you-go (PAYG) and for financing, to include leases.

> The major difference between the use of PAYG and financed dollars is the useful life of the asset being improved or replaced. PAYG funds, funded from the County's local tax dollars, are the most flexible of funding sources, and are historically used to fund assets with a useful life of ten years or less. Financed dollars, whether short or long term, set a repayment schedule of the debt (debt service) based on the useful life of the asset. Short-term finance (three to ten years) is used mostly for replacement of technology and equipment, and long-term finance (bond funds) is used mostly for the County's large capital infrastructure investments (ten or more years). Detailed information concerning the County's bond financing is contained in the Debt Service section of the FY 2020 Budget. (source: 2020 budget, page 1 of the Capital Projects section).

Not discussed here is the treatment of funding from bond premiums. Although premiums are a result of issuing bonds, they are routinely treated as PAYG. The premiums make up a significant portion of the PAYG funding. In FY 2018 premiums accounted for $10.9 million of the $27.1 million of CIP funding. Another way to look at it is at the end of FY2019 unamortized bond premiums amounted to $142.7 million (Schools and General Government combined.) (source: Note 9 F, page 91, 2019 CAFR.) Given the importance of bond premiums to the County's CIP funding there should be a thorough disclosure of the nature, use and amount of these premiums.

It should be pointed out that there is little accounting or budgetary guidance on this topic.

The one-year CIP assumes new borrowings for stormwater system improvements and expenditures for transportation projects funded by the Northern Virginia Transportation Authority and the 0.125% commercial real estate tax. Both the stormwater and transportation funds are designed to be self-sustaining. However, if these bonds are issued as general revenue bonds the case can be made that these bonds should be part of the various debt policy calculations.

Projects

The single largest increases in capital expenditures are proposed for self-sustaining funds. The flood events of the last two years increased the urgency to begin stormwater projects earlier that had been envisioned in prior CIP's.

There are a few general fund projects that appear to be routine maintenance and should be considered as part of the operating budget. Examples of this include Gender Neutral Restroom Signage ($145,000) Computer Forensic Equipment ($85,000) or In-Car Camera Servers $65,000).

Other Thoughts:

- The proposal includes $1.5M for a "Joint County and Schools contingent" which is described as allowing "the County to collaboratively address capital needs to address enrollment growth in Arlington Public Schools and will fund the County's commitments for APS projects." This funding is particularly important at a time when APS faces uncertainty due to the pandemic.
- The Army Navy Connector/Hoffman-Boston Connector Trail is not listed at all in this CIP, and which may have implications for the easement. Arlington should not jeopardize the opportunity to build this important connection across I395.
- NC Projects have an outstanding balance of $17M and only plan to execute $6M. I question why these projects are delayed, and the impact the delay is having on the ultimate cost of these projects. Is the NC process the most efficient mechanism to get these projects built?
- In Transportation, the proposed plan states that "[t]he transportation capital program supports Arlington County's commitment to developing, maintaining and managing a multimodal transportation system that expands travel choices and provides equal access for all users. The plan balances maintenance of existing infrastructure with investment in multimodal projects that support the community's long-term growth and sustainability."
    - Sidewalks
        - In the pre-pandemic proposed FY2021 operating budget, the Manager proposed a survey of Arlington's sidewalks, so that the County could learn which sidewalks are in need of repair and in need of improvement to meet minimum standards. Arlington does not have a complete picture of which sidewalks are problematic, and relies entirely on a complaint-based system. Arlington has no budget for improving sidewalks beyond basic repairs (e.g. when a sidewalk is too narrow).
        - Sidewalks serve all of Arlington, but they are particularly important to Arlingtonians who get around without a car. The provision of a complete network of sidewalks that meet minimum standards is an equity issue that is not addressed by this proposed CIP.
    - Bicycle Element
        - The plan reduces the investment in repaving, which has been the only mechanism through which projects under the updated Bicycle Element of Master Transportation plan have been partially implemented.
        - This proposed CIP does not include any new projects to directly implement the Bicycle Element of the Master Transportation Plan. Moreover, the County has yet to develop an implementation plan for the Bicycle Element or even provide key metrics against which the targets in the adopted plan can be measured (such as percentage of the low stress bicycle network completed).
        - *On page 29 of the Manager's memo on the proposed CIP, under the description of delayed projects, there is this entry "Bike Trail Enhancements – Work on Arlington Boulevard between Courthouse and*

Rosslyn will be delayed. Previously anticipated Federal grants of $240k are now unlikely." With regards to that last sentence - are federal grants unlikely because Arlington is choosing to delay the project, or is Arlington to choosing to delay the project in part because federal grants are unlikely?

Other Considerations

The County's analysis includes a review of debt capacity factors and the impact of the adopted CIP on the County's adopted debt policy compliance. Below is a summary of the three primary debt affordability ratios that impact the general fund:

1. Ratio of Debt Service to General Expenditures No Greater Than 10% -- The FY 2021 CIP is projecting the debt service to general expenditures to decrease from 8.9 percent in FY 2020 to 8.43 percent in FY 2021.

2. Outstanding Debt as Percentage of Market Valuation of Tax Base No Greater than 3% -- This ratio is projected to range from 1.28 percent in FY 2020 to 1.48 percent in FY 2021.

3. Ratio of Debt per Capita to Per Capita Income No Greater than 6% -- The County estimates that the Debt to Income ratio will range from 4.9 percent in FY 2020 to 5.6 percent in FY 2021, assuming 1 percent growth in per capita income in FY 2021.

The Stormwater Bond would be funded by stormwater fees for the first year. However, current stormwater rates are not sufficient to cover the debt service after the first year, and either the stormwater fee will have to be restructured or increased or the debt service will be covered by the General Fund. It is not clear how the Stormwater Bond would impact these factors if the debt service for that bond is paid for from the General Fund