

12 **BACKGROUND**

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14 **Capital Budget Planning**

15 The requirement for the annual consideration and adoption of a six-year Capital Improvements
16 Program is provided in Section 6.19 of the City Charter, and Section 17.08 of the City Code. The
17 inset below contains the relevant provisions.

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19 Sec. 17.08. ... The city manager shall subsequently submit to the commission a proposed
20 capital improvements program together with a report on the financial condition of the city,
21 insofar as it may relate to any contemplated capital fund projects. In the preparation of its
22 capital improvement recommendations, the commission shall consult with the city manager,
23 the school board, the heads of departments and interested citizens and organizations, and
24 shall hold such public hearings as it shall deem necessary. It shall submit its
25 recommendations to the city council, at such time as the council shall direct, together with
26 estimates of cost of such projects and the means of financing them, to be undertaken in the
27 ensuing fiscal year and in the next four (4) years.

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29 Sec. 6.19. Capital budget.

30 At the same time that he submits the current expense budgets, the city manager shall submit
31 to the council a program previously acted upon by the city planning commission, as
32 provided in Chapter 17 of this Charter, of proposed capital improvement projects, including
33 schools, as defined in section 7.02 of this Charter, for the ensuing fiscal year and for the
34 four (4) fiscal years thereafter, with his recommendations as to the means of financing the
35 improvements proposed for the ensuing fiscal year. This program shall be termed the
36 "capital budget" and may be adopted by resolution.

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38 The adoption of the CIP by the City Council, based on the Planning Commission's
39 recommendation, signifies the Council's identification of a set of priorities for capital spending over
40 a six-year period. However, the City Council may delay or limit the construction or improvement
41 of any proposed project over the course of the six-year period as economic conditions, available
42 resources, and needs may dictate. Delay did occur in FY21 due to COVID-19 pandemic impact
43 but aligned again in FY22.

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45 The development of the CIP starts with each department head submitting to the City Manager a
46 detailed listing of all immediate and long-range capital improvement needs, together with cost
47 estimates and recommendations as to priority and timing of the projects listed. An additional factor
48 to be considered is that CIP projects that are inactive for three fiscal years are either eliminated or
49 must be re-appropriated. If an approved CIP has no expenditure activity for 3-years it must be re-
50 appropriated. The specific code section relevant to this issue is: "No appropriation for a capital
51 improvement project contained in the capital budget shall lapse until the purpose for which the
52 appropriation was made shall have been accomplished or abandoned, provided that any project shall
53 be deemed to have been abandoned if three (3) fiscal years elapse without any expenditure from or
54 encumbrance of the appropriation therefor."

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56 The Planning Commission received an update in the fall of 2021 on the status of the existing CIP
57 projects from FY2021 and prior. Staff will present the FY2023-2028 CIP to the Planning

58 Commission on March 2, 2022 with scheduled adopted recommendations for City Council on
59 March 16, 2022. The Planning Commission is scheduled to conduct the public hearing on March
60 16, 2022 as well as prior to the vote. The Commission will evaluate the proposed CIP in the context
61 of the Comprehensive Plan as well as the financial condition of the City.
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63 Following the delivery of the Planning Commission recommendations, the City Manager will make
64 his final CIP recommendation to the City of Falls Church Council as part of the overall presentation
65 for the City's FY2023 operating and 6-year capital budget on March 28, 2022.
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67 The development of the City's Six-Year CIP allows the City to take the shared and competing
68 visions for the development of our public facilities through a disciplined evaluation process. In
69 FY2019, the City shifted to a six-year planning window along with a 10-year look ahead. The six-
70 year window aligns better with most grant-funding agencies. The 10-year look ahead allows for
71 improved forecasting of projects as well as funding needs. It is important to note that the 10-year
72 look ahead is a new framework and will be refined over this next year. By identifying projects and
73 capital needs several years into the future, the City accomplishes the following objectives:
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- 75 ▪ Cost estimates for long-term objectives and identified needs are linked to available
76 resources, and placed on a schedule for implementation;
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- 78 ▪ Major expenditures are scheduled in the context of a balanced Annual Operating Budget
79 and a six-year financial forecast.
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81 Capital projects are defined as a new, one-time project with a useful life of more than **five** years,
82 and costing **\$150,000** or more. The cost estimates included in the CIP are intended to capture the
83 entire estimated project cost, including, as applicable, land acquisition, design, negotiated
84 agreements, and construction. The total request for each project is evaluated and, based upon
85 funding, is prioritized to meet the needs of the City.
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87 For FY2017 the City embarked on a new two-year CIP cycle process, whereby odd numbered years
88 will be for minor updates to the approved CIP, and even numbered years are open for more
89 significant changes and consideration of new projects. The goal of this “biennial CIP” approach is
90 to allow staff to focus more time and effort on carrying out already approved projects, by redirecting
91 some of the time and effort that is currently dedicated to developing and vetting new projects each
92 year.
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94 FY2023 is an odd numbered year and by practice is a year that generally no new projects are added
95 except for federal COVID-19 relief funded (ARPA SLFRF), long-range planning window of the
96 seven to 10 out-years or an existing project is eliminated or significantly reduced. The financial
97 strain of COVID-19 is mitigated but all revenues are not fully recovered so conservativeness is still
98 practiced in budgets of regional organizations and State agencies, including grant programs, which
99 the City uses to fund many CIP transportation projects. Additionally, the new Virginia
100 Administration is undertaking tax reform and the full revenue impact on localities is not known at
101 this time.
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103 In this year's CIP there are four new project sheets introduced by staff. The project needs, funding
104 constraints and staff allocation resources have been considered in the development of this six-year
105 plan including the new projects. Several project cost estimates have increased due to cost escalation
106 as well as with refined scope and therefore additional grant applications with match requirements
107 have been updated in this CIP.
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109 CIP Projects versus Maintenance Projects

110 CIP projects generally require significant engineering design and construction, whereas
111 maintenance projects (like road paving, crosswalk painting, sidewalk section replacement, roof
112 replacement, carpet and landscaping) require routine upkeep every one to six years.
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114 What is Capital Infrastructure?

115 This term refers to the built environment that makes the City of Falls Church safe, healthy,
116 engaging, and beautiful and helps fulfill the City Council's vision of "A Special Place." Projects
117 can be mandatory, like police emergency radios, but others build a quality community. Some
118 construction project examples include:
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- 120 • roads, sidewalks, crosswalks, bus shelters, traffic signals
- 121 • stormwater detention and pipes, sewer system, restoring flooding stream banks
- 122 • tennis and basketball courts, park trails, park play equipment
- 123 • HVAC, roofs, WiFi and fiber connectivity, renovation and expansion for public buildings
124 (schools, City Hall, community center, library, police station, courts)
- 125 • police emergency radio and 911 equipment
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127 The projects contained in the CIP support the goals and objectives outlined in the City's
128 Comprehensive Plan and are intended to establish the long-term spending priorities identified by
129 the City Council and are consistent with their 2025 Vision/Comprehensive Plan/Strategic Plan as
130 well as adopted Financial Polices. The CIP is updated annually and is subject to change with each
131 review.
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134 **Capital Budget Process and Schedule**

135 The FY2023-2028 CIP development is on a revised schedule this cycle due to COVID-19,
136 delayed revenue projections and Virginia General Assembly proposed tax revenue changes.

137 **March 2, 2022** – Planning Commission work session on current CIP projects status and key
138 financial constraints. This staff report with overall information distributed in February 3rd
139 meeting packet with full CIP document distributed by February 2, 2021.
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141 **March 16, 2022** – Public hearing and CIP recommendation adoption by Planning
142 Commission
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144 **March 28, 2022** – City Manager's Proposed Budget Presentation to City Council
145 March/April 2021, TBD – City Council work session(s)
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147 **May 2, 2022** – Operating and CIP Budget Adoption, effective July 1, 2021
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149 **Planning Commission Input and Coordination**

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151 During the FY21-26 CIP budget development, the Planning Commission requested more regular
 152 CIP updates. As the challenges of COVID-19 work load and meeting stabilize staff continued to
 153 increase the Commissioners ongoing engagement with the CIP by providing the Snapshot updates
 154 as well as an October 2021 work session. These updates have provided staff with helpful input
 155 from the Planning Commission and staff looks forward to the continued partnership.

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157 Questions from October 20, 2021 Commission Meeting and January 12, 2022 Commissioner
 158 Email

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Question	Response
<p>Can Affordable Housing be included in the CIP to focus needed attention and funding?</p>	<p>Staff concurs with the importance of highlighting affordable housing need as well as dedicated funding. The City already maintains a separate, designated Affordable Housing Fund (AHF), which is presented and tracked under the Operating Budget. Current Financial resources include:</p> <ul style="list-style-type: none"> 1) \$7.5M- VA Housing Amazon REACH for rental and homeownership preservation and creation 2) \$500K- AHF for grant match 3) \$1.9M ARPA- rental acquisition <p>After review with the Finance Director/CFO staff did not move the affordable housing fund under the CIP due to the capital definition as well as the City’s long-term ownership capability. Staff proposes:</p> <ul style="list-style-type: none"> 1) the addition of an affordable housing “flag” to the General Fund project summary sheet, Tab 3 2) proposed motion text for ongoing dedicated funding, which for the last 2 years was \$100K
<p>How many CIP projects did we intend to complete annually between 2011 and 2021?</p>	<p>Additional staff work is required for a full analysis. With current staffing levels best practice is to maintain an average of 10-15 active projects in all functional areas that are in staggered stages such as grant application, procurement (2 federal), design, engineering, construction and close-out. However due to backlog in project staffing, in CIP transportation</p>

	section alone the count is 20 projects for the next three fiscal years.
How many CIP projects did we actually complete annually between 2011 and 2021?	Additional staff work is required for a full analysis. Quick assessment of past reports indicates about 2-3 projects per year, in all functional areas, completed counting NTC and facility reinvestment as one project each.
How many CIP projects were added annually between 2011 and 2021?	Additional staff work is required for a full analysis. In the 6-year window for the last 5 years the new additions were 2-4 with the 10-year long view often adding 1-2 per CIP cycle for grant planning purposes with a total range of 3-8.
How many CIP projects were removed annually between 2011 and 2021? And how many (if any) of those removals were due to grant funds expiring? What were the reasons for other project removals?	Additional staff work is required for a full analysis. Immediate staff recollection is four projects. All grant funding that was returned, due to local need, and conditions changing <ul style="list-style-type: none"> • Safe Route to School- lack of community consensus • Roadbed Reconstruction RS- after testing the road condition did not warrant the expenditure • HSIP HAWK signal at West Falls and scope changed to full signalization • W Broad Streetscape
Are we in danger of losing funds for the W&OD Trail Crossing project or other project due to delays in implementation/construction?	Currently we are not at risk of losing any grant funding but we are regularly working with VDOT to adjust milestone dates which results from City staff or consultant availability but often due to VDOT delays in approving designs or procurement documentation.
How many CIP projects have been in the CIP for more than 3 years? More than 5 years? More than 7 years? Longer?	Additional staff work will be required to complete this analysis. We will need to clarify if the duration starting point is since funding was first available (time to deliver), or when project first placed in the CIP but maybe unfunded to permit grant exploration. In general from when a project is first awarded grant in a specific funded year the duration is approximately 5 years and large facilities 7-10 years.
How much planning staff time (in FTEs) was spent annually on CIP projects?	For the current FY22, Planning has 9.5 FTEs: <ul style="list-style-type: none"> • budgeted for 0.7 FTEs on CIP projects, but we typically bill 0.25 to 0.5 FTEs, since the same staff is handling regional coordination,

<p>How much planning staff time (in FTEs) was spent annually on development projects?</p>	<p>grant applications, and CIP development (2 FTEs total)</p> <ul style="list-style-type: none"> • budgeted for approximately 5 FTEs for development review • remaining 2.5 FTEs of budgeted time cover long range planning and boards and commissions <p>For the current FY22, Public Works CIP staffing includes:</p> <ul style="list-style-type: none"> • 1 FTE CIP Manager • 1 FTE Grants Manager • 2 FTE (Contract & Procurement) • 4 FTE Project Managers
<p>How many development projects have we completed each year and what percentage of planning staff time was devoted to these projects annually?</p>	<ul style="list-style-type: none"> • completed in 2020 (2) – Meridian High School, Beyer Volvo Showroom • completed in 2019 (2) – City Hall, Cottage Housing • completed in 2018 (1) – North Side Social • completed in 2017 (3) – 455 at Tinner, Kensington, Southgate Shopping Center • completed in 2016 (1) – 301 W Broad • completed in 2015 (2) – PMA Doctor’s Office, Jessie Thackrey • completed in 2014 (4) – Northgate, Hilton Garden Inn, Dominion Jewelers, Good Fortune Grocer • completed in 2013 (1) – Easter Seals • completed in 2012 (1) – 24-Hour Fitness <p>Note: by-right site plans typically require 6-12 months for entitlements and 6-12 months of construction monitoring</p> <p>Note: major redevelopments typically require 1.5-3 years for entitlements and 2-3 years of construction monitoring</p>

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Current CIP Project Updates

CIP Snapshot

Staff is actively managing 28 general government CIP projects, with 21 active grants. A “Snapshot” of these projects is attached. Since the last update, one project was completed and two were removed since being reported as completed on the last update. Projects are organized in six

167 functional categories: Parks, Facilities, Stormwater and Sanitary Sewer, Technology, Public
168 Safety, and Transportation. Each project has a color status code:

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170 ▪ Blue (complete)

171 ▪ Green (“go”, on schedule)

172 ▪ Yellow (“caution”, delayed or active but with some challenges), and

173 ▪ Red (“stop”, not active due to critical issue).

174 Of the 28 CIP projects listed on the Snapshot, two (2) are coded blue as completed and eighteen
175 (19) are green-coded as active and on schedule. Seven (7) projects are yellow-coded, indicating
176 they are active with some delays. Zero (0) projects are red-coded, indicating there are major
177 delays that could delay or stop the project. Projects with multiple grants or funding sources are
178 noted in the first column. Full CIP Snapshot report is attached (Attachment 3) and provides more
179 project detail.

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181 Transportation Council Work Session

182 On January 18, 2021 Council held a joint work session with the CACT to discuss transportation
183 safety, current CIP projects as well as the Annandale/ S. Maple round-about intersection option.

184 The presentation slides are Attachment 4. All of the meeting documents are located on the

185 meeting webpage at: [https://fallschurch-](https://fallschurch-va.granicus.com/GeneratedAgendaViewer.php?view_id=2&clip_id=1836)

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188 Report Card and Summary of CIP Actions Report

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190 Both of these resources, developed in 2020, are in the updating process. Staff anticipates
191 providing updated documents for the March 16, 2022 meeting.

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193 Operations/Maintenance Cost Calculator

194 Staff continues to develop the Operations/Maintenance Cost Calculator, a tool that will project
195 estimated costs to maintain new capital improvement equipment and facilities over the course of
196 their life cycle. However, over this past year minimal progress has occurred due to COVID-19
197 work load and staff leave as well as vacancies but continues in the work plan. This is responsive
198 to previous Planning Commission input and recommendation. The intent of the calculator is to
199 provide operating costs at the conception of new CIP projects, as well as during the grant
200 application process, to determine cost efficiency and sustainability. The information will also
201 benefit staff while developing annual operating budgets, ensuring the appropriate funds are
202 allocated for additional costs. Multiple departments were consulted to collect current data on the
203 maintenance of infrastructure and facilities, and an interdepartmental working group is reviewing
204 the first prototype now. Information collected so far has been useful. As an example, the City
205 recently submitted a Smartscale grant application for the South Washington Bus Stop Expansion
206 and Access to Transit, which proposes 6 new bus shelters along S Washington. Using the
207 calculator, staff estimated that following the completion of the project the added operating cost
208 would be \$4,950 annually.

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Bus Shelter Costs	Per shelter (annual)
Annual Maintenance & Repairs - Shelter (2019 estimate)	\$583
TOTAL BUS SHELTER COST	\$583
Street Cans (Trash & Recycling)	Per set (annual)
Annual Service Cost - Trash & Recycling (\$12.70 per set/month)	\$152.40
Tipping fees (based on 2019 data)	\$88.52
TOTAL STREET CAN COST	\$241

*Project includes 6 bus shelters and 6 new sets of street cans.

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The calculator used Public Works Operations prior year accounting and contract data, annual cost of the City’s solid waste tipping fees and number of existing street cans. Staff continues to refine the calculator for future use. Data still being collected or reviewed includes annual maintenance costs of traffic signals, sidewalks and crosswalks, landscaping and irrigation. The current average cost of a traffic signal is \$3,000 per year, but can cost as much as \$11,000 per signal if significant repairs or upgrades are required that year. There are currently 29 traffic signals that the City maintains.

FY2023 Budget Guidance

City Council adopted FY23 Budget Guidance on December 13, 2022 which is included as Attachment 2. Operating and capital budget will be developed within organic revenue growth which is currently projected at 2.5% increase. Guidance endorses continued capital focus on stormwater, walkability and safety. This necessary guidance does place financial constraints on Pay Go and debt funding but in many cases federal American Recovery Plan Act State Local Fiscal Recovery Funds (ARPA SLFRF) offset that constraint yet a few projects remain as unfunded. Within the Transportation component the ability to leverage grants allows the City to still deliver significant infrastructure reinvestment.

Equity and Environmental Impact Lens

The City continued use of the qualitative Equity Lens Diagnostic Assessment tool with this CIP development cycle. The goal is to use this diagnostic tool to consciously address explicit and implicit biases when prioritizing and funding capital infrastructure investment. The Equity Lens is assisting the City to develop equity and inclusive policies, strategies, processes and definitions. Equity Lens is included in each project sheet as the second page. Several CIP projects have direct impact on equity such as pedestrian safety and accessibility, IT core infrastructure for equal data protection and access to services such as recreation and library, and the capital food bank.

New this CIP cycle, at the recommendation of the Planning Commission, is the Environmental Impact Lens. This new lens was prepared consistent with the adopted Comprehensive Plan Environmental Chapter and best practice research. Appreciation to the Environmental Sustainability Coordinator for assistance. The two questions are:

- 1) What impact does the request have on environmental sustainability? Consider five categories: Climate, Air & Energy (CAE); Stormwater, Streams & Natural Springs

249 (SSNS); Urban Forest & Biodiversity (UFB); Consumption & Waste (C&W); Community
 250 Engagement (CE). For clarification, refer to Comp Plan Ch. 5 Environment for Everyone.

251 2) What impact does the request have on the community's ability to withstand, adapt to
 252 and/or recover from adversity (whether natural or man-made)?

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 254 Several CIP projects have direct positive impact for sustainability and resiliency such as multi-
 255 modal transportation versus single occupancy vehicles, fire station 6 and stormwater. This
 256 undertaking also resulted in a good dialog on the balanced impact of artificial turf and
 257 maximizing field physical and mental health.

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 259 **TIMING:**

- 260 • Planning Commission CIP Kickoff Oct 20, 2021
- 261 • Planning Commission work session March 2, 2022
- 262 • Planning Commission Public Hearing and Action March 16, 2022
- 263 • City Council first Budget Presentation March 28, 2022

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 266 **ATTACHMENTS:**

- 267 1) FY 2023-2028 Capital Improvement Program notebook with Equity and Environmental
 268 Lens, March 2, 2022 (electronic copy CIP notebook distributed to Commissioners, one
 269 hard copy at the Library)
- 270 2) FY23 City Council Budget Guidance
- 271 3) CIP Snapshot for January 2022
- 272 4) January 18, 2022 Council Work Session Transportation Presentation