



Factors Affecting the FY 2023 – FY 2028 Amended CIP

CIP Development Criteria

The CIP development process includes evaluating the funding needs of existing projects and the ability to add new projects based on the estimated available revenue and debt capacity. New projects can include projects that were previously identified as priorities for future year funding that would move into the six-year period, or projects that have come up off-cycle that the Board collectively has directed staff to include in the CIP. The criteria below are utilized to build the CIP proposal:

- Address scope and funding adjustments of existing projects before adding new projects.
- Program new projects in the later part of the six-year CIP period, unless there is a compelling reason to do otherwise.
- Maximize and leverage the use of non-local revenue sources, especially for Transportation projects.
- Fully incorporate enrollment-driven facility needs from the School Board's adopted CIP.
- Adequately fund CIP contingencies and land acquisition accounts to support existing CIP projects.
- Adequately fund capital renovation and renewal programs to maintain existing capital facilities for their long-term use and viability.
- Align budgets of recurring projects with Board direction and priorities.
- Accommodate Board-requested projects as funding capacity exists, or request offsets of existing capital projects to accommodate them.
- Fund Town requests only if County projects and Board priority projects will not be impacted.

Strategic Leveraging of Local Revenue and Debt

Like all budgets, the County's capital budget is constrained by the availability of revenues. Though staff maximizes the use of non-County revenues (e.g., cash proffers, federal and state aid), the availability of local funds is still the greatest driver in determining what projects can and cannot be funded in the six-year period. On October 18, 2022, the Board adopted revisions to the Fiscal Policy that increased the County's Annual Debt Issuance Guidance (ADIG) to \$325 million for FY 2024, to \$350 million for FY 2025, and to \$400 million for FY 2026 and beyond. Increasing the ADIG to this level allows for all currently planned County and Transportation projects and the addition of the Park View High School replacement to be accommodated. Debt financing makes up 62 percent of the total six-year period funding. Once special revenue sources have been programmed and debt capacity maximized, local tax funding is used to balance the expenditures. Staff has traditionally assumed conservative growth in LTF in the development of the CIP; with the increase of the ADIG, planned appropriations of local tax funding throughout the six-year CIP have been reduced significantly to bring the balance of LTF compared to other revenue sources closer to the Fiscal Policy floor of 10 percent pay-go funding. It is also important to note the dynamics of the use of LTF in the capital budget and the impacts that has on available revenue for the operating budget. Local tax funding increases of the CIP, CAPP and debt service are prioritized first with available revenue each year, with the remaining going to fund priorities of the operating budget. Large year-over-year increases in the LTF needs of the capital budget reduce the revenue available to the operating budget for both the County Government and School Division.

There are many projects that move in and out of the six-year period, but there are also many recurring projects in the plan. These projects appear in all three major categories of the CIP and consume on average a third of available revenue on an annual basis. Because these projects have been identified as priorities, they limit the amount of revenue available for new projects.



Factors Affecting the Amended CIP

Finally, the future fiscal years of the CIP are over-programmed, meaning that the project expenditures planned in future fiscal years likely exceed the available revenue. While over-programming is a reasonable strategy to utilize in building a long-term capital program – as projects advance into the six-year period based on a variety of factors – not all priority projects can enter the six-year period at the same time. The Board has identified many projects for future development that would move into the six-year period as funding capacity exists, and staff utilizes the Board’s CIP development criteria to develop the most responsive capital budget proposal within a constrained revenue environment. Projects on the horizon are contained in the *Projects Identified for Future Development* section. As stated, the available revenue limits the ability to advance all of them into the six-year period. Project overprogramming is appropriate to the extent that it can be managed by the varying speeds at which projects advance through the six-year period, and as high contingency cost estimates are reduced and refined as more planning is completed and they move closer to the year of appropriation. Typically, projects identified for future development are not advanced into the six-year period during an amendment year of the CIP.

Evolving Board Priorities

Over the past decade, the CIP has grown substantially. Transportation projects have been the largest expenditure category in recent years. The FY 2023 – FY 2028 Amended CIP continues the priorities identified by the Board of Supervisors during the FY 2023 process, with areas of focus besides roads projects. Generally, staff received feedback about CIP priorities that included maintaining the adopted funding plan. Additionally, on October 11, 2022, staff presented the towns capital project requests to the Finance/Government Operations and Economic Development Committee (FGOEDC). The FGOEDC did not provide guidance to include specific town projects in the CIP.

School Board’s Adopted CIP

The School Board’s adopted FY 2024 – FY 2029 CIP is fully accommodated in the County’s Proposed CIP through FY 2028.

The School Board’s capital priorities remain around capital facility renewals and alterations and enrollment-driven needs. Changes from the Adopted FY 2023 – FY 2028 CIP include: a full replacement of the Park View High School, rather than the renovation included in the FY 2023 -2028 Adopted CIP; renovation projects for both Banneker and Waterford Elementary Schools; and the acceleration of ES-32 into FY 2023 was accommodated.

Project Cost Changes and Cost Estimation Methodology

As part of the annual CIP development process, staff reviews and updates cost estimation methodologies, including assumptions for inflation throughout the duration of the project and the amount of contingency needed. Initial cost estimates are based on historical data plus additional costs for any known unique characteristics of a project. The cost of land acquisition, design, and other professional services, and furniture, fixtures and equipment are typically calculated as a general percentage of the “hard” costs when the project is at the beginning stages of development. As the first year of appropriation approaches, that cost is refined. During the project’s planning phase (before design or engineering begins), cost estimates are highly uncertain and can vary from -50 percent to +200 percent compared to the final project cost. Estimates are more accurately refined once the design phase begins. Consultants assist with the development of cost estimates for existing and new projects.

For the development of the FY 2023 – FY 2028 Amended CIP, staff re-estimated projects in the capital budget, following the parameters below.

1. Projects were re-estimated if the existing estimate for the project was two or more years old or if the project had reached a significant milestone by the fall of 2022, such as:
 - a. Reaching the 30% milestone (roads) or 35% milestone (facilities).



Factors Affecting the Amended CIP

- b. When a design consultant provides an estimate at 30%/60%/90% design milestones (roads) or 35%/65%/95% design milestone (facilities), necessitating a second look at the initial estimate.
2. Enhancing year-over-year inflation estimation assumptions. During the FY 2024 budget development process, staff reviewed regional construction indices and determined that the escalators applied to previously-estimated projects remained sufficient for those projects. For projects that received a new estimate this year, additional planning contingency was included to account for price fluctuations. These will continue to be monitored in future budget development cycles.
3. Review of planning contingency budgets. Planning contingency, or the amount factored into each phase of production to account for general uncertainty within each phase, was carefully evaluated. Generally, planning contingency estimates begin high and gradually decrease as a project moves further along the production process. In some cases, project budgets were adjusted up or down to reflect more or less uncertainty, in addition to being re-estimated for scope or related schedule changes.

The result of the re-estimation effort was an increased overall cost for some projects, predominantly roads projects, and limited the ability to add new projects within the six-year period. Staff continues to focus on programming as many additional revenue sources as possible, such as federal infrastructure grants, NVTAs 70 percent, Smart Scale, and cash proffers.

County and School Renovation, Alteration, and Renewal Program

As County and LCPS facilities age and new building construction slows, the County will need to budget greater amounts for renovation, alteration, and renewal of existing structures. To address this need, LCPS and County Government staff have collaborated to develop appropriate budget amounts and methodologies. Although these longer-term projections are based on general industry standards or estimates, staff anticipates that new construction driven by school population growth will likely taper off over the long term and that renovations will continue to increase as a larger share of future LCPS CIP requests. After FY 2030, LCPS anticipates that renovation needs will outpace new construction. Similarly, as new County facilities become operational and are built out, the renovation needs of existing facilities will continue to grow. Loudoun is just beginning to enter this phase of capital planning. Toward the end of the six-year CIP planning period, the need to accommodate continued growth will overlap with the increasing demand for renovation, placing additional pressure on available resources.

While long-term capital maintenance (such as replacements of roofing and other building-related systems, repaving, and mechanical, electrical and plumbing work) is funded through the County and LCPS's respective Capital Asset Preservation Programs (CAPP), more extensive renovations and facility alterations have typically been budgeted as individual projects in the CIP.

LCPS and County staff have worked to consolidate various existing and planned renovation and alteration projects, which increase the usability and longevity of existing facilities, into a renovation, alteration, and renewal program. A combination of cash and short- and long-term debt fund this program.

Staff and Contractual Support to County Projects

The FY 2023 – FY 2028 Amended CIP continues to incorporate County staffing and professional management consulting costs related to the development, implementation, and monitoring of the CIP project schedules and budgets. For County staff who work directly on projects, such as design engineers, land acquisition managers, project managers, and construction/civil engineers, charges are funded through individual project budgets, thereby more accurately reflecting the true cost of a project. The costs of the County's program management consultants (discussed below) are also directly charged to project budgets. Direct staffing and program management charges for FY 2024 total \$11.9 million. These charges are supported with cash proffers, debt, and local tax funding. Support positions, including staff who provide more indirect or general CIP support



Factors Affecting the Amended CIP

such as budgeting or procurement, are budgeted through a central project, Capital Support Positions, and funded with local tax funding in the amount of \$3.7 million for FY 2024.

The FY 2024 Proposed Budget includes 7.00 FTE that are considered Direct positions: 4.00 FTE are funded as direct positions within the Renovation Program and 3.00 FTE will provide Asset Management Support and are funded with the rest of the Direct positions in the Capital Projects Fund.

A contract for program management contractual support was awarded in 2020 to assist in capital project scheduling, project development performance, engineering support, design quality assurance, project oversight (including cost estimating), and providing general staff augmentation to meet schedule and budget goals. As with direct staff costs, the cost of the program management contract is budgeted in individual project budgets.

	FY 2024	FTE
Direct Positions	\$8,244,000	54.00
Support Positions	\$3,714,000	24.00
Program Management	\$3,714,000	0.00
Total	\$15,672,000	78.00

The table below shows capital staffing by department.

Department	FY 2024 Support Positions	FY 2024 Direct Positions	Total Capital Staffing in FY 2024
Department of Transportation and Capital Infrastructure	6.00	49.00	55.00
Department of Finance and Budget	17.00	0.00	17.00
Department of Information Technology	0.00	1.00	1.00
Office of the County Attorney	1.00	0.00	1.00
Department of General Services	0.00	4.00	4.00
Total – All Departments	24.00	54.00	78.00