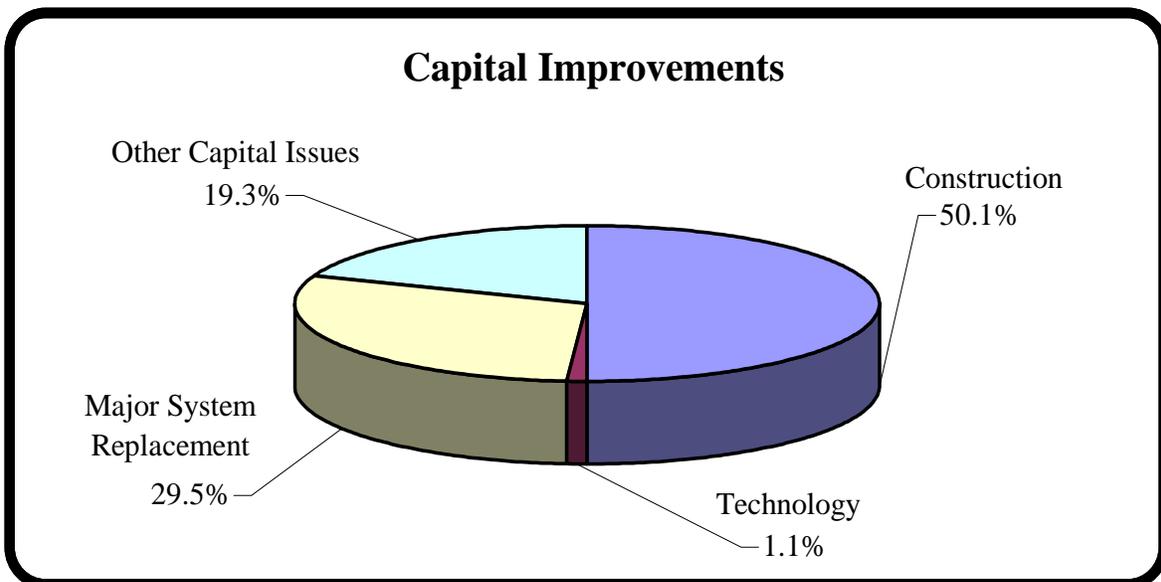


CAPITAL IMPROVEMENTS FUND

Construction	\$1,967,540
Technology	\$ 44,200
Major System Replacement	\$1,157,850
Other Capital Issues	<u>\$ 756,808</u>
	\$3,926,398



CAPITAL IMPROVEMENTS FUND

INTRODUCTION

The Capital Improvements Fund, including the Capital Improvements Program (CIP) of Fauquier County, is adopted by the Board of Supervisors as part of the budget process. The CIP is the largest element of the Capital Improvements Fund and includes projects and estimated costs for a five-year period. The first year of the adopted CIP becomes the budgeted element for the next fiscal year while the out year projects and costs are for planning and program development purposes only. The remaining part of the Capital Fund includes other significant capital issues such as the replacement of motor vehicles. Beginning in FY 2005, many projects previously included in the Capital Improvements Fund such as personal computer replacement, small equipment replacement and the comprehensive maintenance programs were moved to various operating budgets. The funding adopted for replacement of the HVAC mechanical systems at Liberty High School in FY 2005 is partial funding of the \$4.7 million project. The School Board is seeking funding support from the Board of Supervisors in the current year (FY 2004) to address this issue.

Fauquier County's Capital Improvements Fund approved projects for FY2005 are as follows:

CAPITAL FUND PROJECTS FOR FY 2005			
Department	Project Title	Source of Funding	FY 2004 Adopted
<u>Construction/Renovation:</u>			
Schools	C.M. Thompson Elem. Renovation	Bond Revenue	\$1,572,000
Schools	Liberty High School HVAC	General Revenue	\$395,540
<i>Subtotal</i>			<i>\$1,967,540</i>
<u>Technology:</u>			
County	Library HP 9000 Technology	General Revenue	\$44,200
<i>Subtotal</i>			<i>\$44,200</i>
<u>Maintenance and Major System Replacement:</u>			
County	HVAC	General Revenue	\$72,700
County	Roof Replacement/Repairs	General Revenue	\$57,400
County	Sheriff's Vehicle Replacement	General Revenue	\$337,400
Schools	HVAC	General Revenue	\$100,000
Schools	Roof Replacement/Repairs	General Revenue	\$927,750
Schools	School Bus Replacement	General Revenue	\$419,408
<i>Subtotal</i>			<i>\$1,914,658</i>
TOTAL ALL CAPITAL FUND PROJECTS			\$3,926,398

The Fauquier County Capital Improvements Fund is designed to address and fund the construction or repair of public facilities, replacement of key systems (including vehicles) and major technology issues.

CONSTRUCTION RESERVES

As part of the budget process a number of CIP requested projects are historically funded in part or completely from existing Construction Reserves. The two Construction Reserves, School Division and General County Government, were established by the Board of Supervisors in FY 2002. Appropriations are from half of the unexpended, undedicated prior year fund balance.

CAPITAL IMPROVEMENTS FUND

The primary emphasis of the Construction Reserves for the next several years is to support the building of a new high school. The School Board has established a \$11 million goal for this purpose. The Board of Supervisors has agreed to match, dollar for dollar, the School Board effort toward this goal. A referendum will be held in March, 2005 on the new high school. If approved, construction will begin in FY 2006. The estimated annual operating cost of the new high school is \$8.1 million.

GENERAL

Capital improvements are considered to mean non-recurring projects of a fixed nature or long life, which provides new or additional public facilities or services. Project categories must have a minimum expected life span of twenty years for new construction, ten years for major systems replacement and five years for technology systems. Once funds are appropriated to the Capital Fund, the funds remain appropriated until the project is completed or the allotment is changed. Any change of funding between projects requires the recommendation of the Finance Committee and approval of the Board of Supervisors.

OPERATIONAL COSTS

Fiscal responsibility warrants an analysis of the financial impact of capital projects on operations. For this reason, Fauquier County analyzes all operating costs associated with capital expenditures in the Capital Improvements Fund. There are no projected increased operating costs for the FY 2005 projects.

These projects produced operational cost savings:

<u>Project</u>	<u>Savings</u>	<u>Area of Savings</u>
Bus Replacement Plan	\$12,800	Repairs
Sheriff Vehicle Replacement	\$7,500	Repairs
HVAC Replacements	\$9,900	Utility Charges

This project will result in cost avoidance:

<u>Project</u>	<u>Area of Costs Avoidance</u>
Roof Replacement	Internal building structural damage

Most of the capital projects are concerned with replacement of older, less efficient systems and equipment or maintaining facilities. Any increase or decrease in operational costs related to Capital projects are typically included in the departmental budgets the year following the completion of the project.

CAPITAL IMPROVEMENTS PROGRAM

PLANNING

Planning and programming for capital projects consists of arranging the proposed improvements in a time schedule for construction so that services are provided in a coordinated manner, and

CAPITAL IMPROVEMENTS FUND

that the funds are available. Future conditions are never wholly predictable, even for a short period of five years; therefore, provisions for yearly review and revisions to meet changing conditions are a necessary part of the program. This Committee is made up of the following members:

Citizen Member, Chairman of the Capital Improvement Program Committee

- Chairman of the Board of Supervisors *
- Chairman of the Planning Commission *
- Chairman of the School Board *
- County Administrator
- Director of Community Development
- Citizen Member, Cedar Run Magisterial District *
- Citizen Member, Lee Magisterial District *
- Citizen Member with Finance expertise *
- Citizen Member with Technology expertise *
- Citizen Member with Construction expertise *

*Voting Members

CAPITAL IMPROVEMENTS PROGRAM

The Capital Improvements Program Committee reviews the CIP and evaluates the individual projects based on the following criteria:

- Legal Requirements
- Public Health, Safety, or Welfare
- Fiscal Impacts
- Community Economic Impact
- Community Goals and Objectives
- Public Support
- Extent of Service
- Related Projects
- Quality of Life
- Board of Supervisors' Objectives

The CIP is then recommended and forwarded by the Committee to the Planning Commission for review and recommendation to the Board of Supervisors. The Planning Commission is required to hold public hearings, as deemed necessary, on the proposed CIP. Once received by the Board of Supervisors the CIP is reviewed, a public hearing is held, final modifications are made, and the CIP is then approved as a five year planning guide. The Board of Supervisors approves funding for the first year of the CIP during its regularly scheduled Board adoption date for the entire County budget. During the budget process various methods of funding are used to support essential CIP projects.

CAPITAL IMPROVEMENTS FUND

CAPITAL IMPROVEMENTS PROGRAM

OBJECTIVES AND ADVANTAGES

The objectives and advantages to Fauquier County of a capital improvements program are as follows:

1. Assists in the implementation of the Comprehensive Plan, particularly the Service District concept.
2. Lower costs are achieved by avoiding crisis financing, obtaining better interest rates and taking advantage of State and Federal loans and grants.
3. Real estate required for various improvements may be acquired in advance, when it is available and when the market price is favorable.
4. Untimely scheduling of public works is reduced.
5. The taxpayers may readily see the various capital items and costs involved which are proposed for their County.
6. The County Board of Supervisors and the citizenry are better protected from pressure groups attempting to force through “pet projects” at the expense of more worthwhile projects benefiting the entire County.
7. Public support, which is essential for the success of any program, is fostered due to the wide publicity that is given to the proposed capital improvements program.
8. A means for scheduling capital expenditures is provided so that the County can maintain a sound financial position and a balanced program of bonded indebtedness.
9. Projects are planned on the basis of real need and the ability to pay.
10. Priorities for competing projects may be established on the basis of both need and cost.
11. The timing of public improvements is scheduled so that the County can make economic use of personnel and equipment.
12. Needed annual tax support and bond issues may be anticipated without causing erratic fluctuations in the tax rate, and bond amounts may be reduced and possibly even eliminated in the future.
13. By determining the amount and location of growth planned for the County, it is possible to create a basis from which to judge needs for capital expenditures. With proper planning, the County will be able to avoid the provision of services that are in excess of its capabilities.

POLICY GUIDANCE

The Board of Supervisors adopted the following policy guidance for the Administration, Bond Referendums, Financing, and Content of the Capital Improvements Program:

CAPITAL IMPROVEMENTS FUND

CAPITAL IMPROVEMENTS PROGRAM

ADMINISTRATION

1. In accordance with 15.1-464 of the Code of Virginia, the Planning Commission shall prepare and revise annually a program of capital improvement projects.
2. The Budget Department is designated as the primary office responsible for formulation of the Capital Improvements Program.
3. All departments and agencies are requested to submit proposed capital improvement projects to the Budget Office in accordance with the established administrative procedures.
4. The Capital Improvements Program will be submitted so as to reflect the requests of all agencies even if scheduling is not included in recommended program.
5. The recommended Capital Improvements Program should be submitted annually to the Board of Supervisors' not later than the January Board of Supervisors' meeting.

BOND REFERENDUMS

1. All new facility construction projects or acquisitions that exceed \$10,000,000 shall be subject to voter referendum, regardless of financing mechanism.
2. The referendum threshold for new facility construction projects shall be lowered to \$2,000,000 in the event that the County has or, through the issuance of the contemplated debt, will exceed 100% of the County's debt capacity. (Debt capacity shall be defined as 10% of General Fund revenues committed to debt service.)

FINANCING

1. The Capital Improvements Program will be formulated within the framework of the financial capability of the County of Fauquier. The following guides are currently used:
 - a. Annual debt service, as a percentage of annual general fund revenues, should not exceed 10 percent per year with fluctuations in any three-year period not to exceed 12 percent.
 - b. 5 percent of annual general fund revenues should be targeted for capital expenditures.
2. The Budget Office will prepare the financial portion of the program.

CONTENT

1. The Capital Improvements Program will include all new or expanded physical facilities for the community, including large-scale replacement or rehabilitation of existing facilities, and major items of equipment.
2. Projects are to be non-recurring.
3. Land acquisition, engineering and architectural costs will be included as part of the capital cost.

CAPITAL IMPROVEMENTS FUND

CAPITAL IMPROVEMENTS PROGRAM

4. The Capital Improvements Program report should contain the following:
 - a. A financial analysis to include projections of future revenues and expenditures.
 - b. Planning Commission recommendations to include recommended capital improvements, and summary of all Capital and Operational funds needed.
5. Operational cost related to each project will be provided in detail.

GOALS AND POLICIES

A set of definitive goals and policies is needed so that decisions on the expenditure of public funds for physical improvements can be made in a cohesive and logical manner. The need for these statements of goals and policies is important, not only to guarantee the wise and efficient placement of the public dollars, but also to let private entities and potential residents know what they might expect in the way of public expenditures and activity. It is also important to coordinate county activities with those developments occurring in the private sector and with other governmental units. These goals and policies also translate into the County's priorities and citizen pride in County accomplishments.

The County's goals and policies with respect to the CIP are listed below in order of importance:

1. **SAFETY AND HEALTH**

Fauquier County shall provide such facilities as are necessary for the minimum recognized level of protection of life and property. Higher levels of service are desirable if adequate resources are available.

2. **EDUCATION**

Fauquier County shall provide quality public education to all County residents through the County School System, the Cooperative Extension Services and the Virginia Community College System.

3. **ECONOMIC DEVELOPMENT**

Fauquier County shall initiate those improvements that would lead to the preservation or creation of commercial, agricultural, and industrial development that maintain and improve the economic well being of the citizenry.

4. **CULTURAL AND RECREATIONAL FACILITIES AT THE COMMUNITY LEVEL**

Fauquier County should use every effort to provide cultural and recreational facilities to satisfy the range of needs within the community and provide the citizenry with a pleasing physical and mental environment in which to live.

5. **SERVICE TO THE PUBLIC**

Fauquier County should provide facilities that aid in the improvement of the general image of the County, and to increase levels of services providing either greater convenience or efficiencies to the public or their own governmental agencies.