

<b>STAFFORD COUNTY, VIRGINIA</b>	
<b>CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT POLICY</b>	
Date: October 5, 2021	Board Resolution: R21-193

**Capital Improvement Program (CIP) Process**

1. CIP Process Flow Chart
2. CIP Budget Calendar
3. Review Process for County and School CIP
4. CIP Project Evaluation
5. Project Scoring Guide
6. Proposed Reporting

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### **CIP Budget Calendar**

#### **April – June**

- Development, review and revision to standards, metrics, studies, and methodologies for justifying capital improvement requests

#### **July**

- Post CIP Instructions and Forms
- CIP Process Overview/Q & A

#### **August**

- All requests for Department, Agency, and School Project Justifications & Cost Data Due with the School Board's formally adopted capital priorities.
- Department of Finance and Budget (DFB) begins review with assistance from the Public Works Department (PW), the Department of Parks, Recreation and Community Facilities (PRCF) and as appropriate, the school division (SD).

#### **September**

- PW/PRCF/SD Sends Updates, Revisions, and Comments to DFB for Department and Agency Project Requests
- In one or more sessions, CIP Representatives from all Departments, Agencies, and Schools will meet with DFB to review submittals
- School system submits confirmation/adjustments based on any final review by School Board. Any modifications from the School Board's formally adopted capital priorities should be formally adopted and reflected in the adjustments to projects.

#### **October**

- CIP Project Requests Sent to the CIP Technical Review Committee (TRC)
- TRC Meetings – Review and begin ranking of project requests
- Departments, Agencies, and Schools Respond to TRC Questions and Comments
- TRC Meeting – Review project ranking, available revenues, and finalize recommendation
- Meeting #1: Joint School Board and Board of Supervisor's meeting to review the School Board's projects
- The TRC provides their recommendation to the Board of Supervisors

#### **November**

- School provides updated enrollment projections to TRC to evaluate modifications to projections.
- Meeting #2 - CIP Work Session TRC Recommendation
- Meeting #3 - CIP Joint Meeting of Board of Supervisors and School Board to Review the TRC's Recommendation

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#### **December**

- Meeting #3 - CIP Work Session Final Board direction

#### **January**

- In consultation with the Superintendent, County Administrator review of recommended CIP based on final review of revenues and finance policies

#### **February**

- County Administrator's Recommended Budget & CIP presented to Board of Supervisors

#### **March**

- Board CIP Work Session
- Annual reporting on the status of School and County projects to the Board of Supervisors.

#### **April**

- Public Hearing on the Proposed Operating and Capital Budgets and CIP
- BOS Adopts Operating and Capital Budgets & CIP

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## Scope

The Capital Improvement Program Development Policy includes all County capital projects to include Transportation projects. The consideration and inclusion of all School capital projects are subject to this policy. All Utility Fund projects are not within the scope of this policy as they have specific revenue sources that are dedicated to those projects.

## Review Process for CIP Projects

Capital expenditures, within the context of the CIP, are defined as new or upgrades to facilities, equipment and vehicles with a unit cost greater than \$50,000. Capital Improvement Projects are generally broken into two main categories: large projects such as new infrastructure or major renovations, and small projects such as repair, replacement and rehabilitation (3R).

Large capital projects and 3R projects will be scored independently due to the number of 3R projects submitted and reviewed each year. The 3R projects are primarily small scale projects that include repair, replacement and rehabilitation of existing physical assets.

Large Scale Projects include:

A planned expense for a facility or physical item requires a minimum expenditure of \$500,000, has a useful life span of 10 years or more, and meets one or more of the following criteria:

- Requires the acquisition or construction of any physical facility for the community;
- Involves the acquisition of land or an interest in land for the community;
- Involves the acquisition or construction of public utilities;
- Involves the ongoing acquisition of major equipment or physical systems, such as, computer technology, radio systems, major specialized vehicles etc.;
- Involves modifications to facilities, including additions to existing facilities, which increases the square footage, useful life, or value of the facility;
- Capital maintenance or replacement projects on existing facilities; and/or
- Large scale enterprise resource management systems, such as a Financial System.

The 3R projects include:

- Repair, replacement and rehabilitation projects; and/or,
- Projects that will increase the useful life of an existing asset but not fundamentally change the structure or purpose (i.e. roof replacement); and/or,
- Repair, replacement, and rehabilitation of major mechanical systems such as heating and cooling systems; and/or,
- Upgrades to technology infrastructure that provide for major overhauls and improvements to the system, such as fiber projects.

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**The 3R projects do not include:**

- Major overhauls to assets that change the structure or purpose; and,
- New buildings constructed; and,  
Large scale enterprise resource management systems, such as a Financial System;
- The 3R projects under \$50,000 will be considered as part of normal repair, replacement and rehabilitation programs typically funded during the annual operating budget.

The need to maintain existing assets is fundamental to the continuation of providing services to the community. Emphasis throughout the process and scoring will reflect this foundational ideal. Cyclical maintenance of existing capital assets in order to prevent major breakdowns or deterioration of assets with the goal of extending the life of facilities and assets are considered routine maintenance. Generally, routine maintenance will be considered an operating expense.

**Funding of CIP Projects**

Available fund balance reserves will be exhausted before utilizing any debt financing. A projection of proffers will be considered and funding maximized for projects. Annual revenues dedicated to capital projects will be exhausted. Debt issued through bonds or leases will be the last source of funding.

The Board's Principles of High Performance Financial Management "Financial Policies" require that the County budget an amount equal to 3% of general government expenditures will be set aside for Repair, Replacement and Rehabilitation (3R) capital projects. The Financial Policies reflect the Board's support of the School Board adopting an amount equal to 2% of the Schools' Operating Transfer. The Board is committed to this practice and annually will identify funding specifically dedicated to 3R. Until this is fully realized, a phased in approach to the sharing of this funding will be employed until the Schools are able to commit 2% annually to the CIP. Until such time, County provided capital cash will be matched to School's provided annual revenue.

Project funding will be limited to the scope of the project as provided in the CIP. Any savings in funding will be reprogrammed into the Capital Improvement Plan and held in fund balance by the County. Special considerations for remaining debt funding (to include unspent interest earnings) as mandated by the bond covenants or laws will dictate the use of any leftover funds of that nature.

Funding of projects from sources outside of debt, General Fund and School Operating Funds will not be ranked against other projects by the Technical Review Committee. Rather, the costs, assumptions and needs of these projects will be reviewed and reported to the Board. Examples of these other funding sources may be Asset Forfeiture or School Nutrition funding.

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### **Basis and Justification for Capital Project and 3R Submissions**

Capital project submissions whether 3R or large projects should be based on standards, comparisons, metrics, methodologies and objective study to the greatest extent possible to justify the need and timing for capital improvements. Examples of this justification include:

- Comprehensive Plan – Public Facilities Plan
- School capacity projections
- Vehicle and apparatus replacement criteria
- Facility maintenance and replacement needs assessments
- Standards/metrics for maintenance & replacement (infrastructure) need and timing
- Long range space studies, facility master planning, etc.
- Strategic plans, special studies and service plans

### **Initial Staff Review**

DFB staff compiles the submitted project requests and verifies the accuracy of the anticipated project costs and operating impact. The requests are extensively reviewed by the County Public Works Department (PW), Department of Parks, Recreation and Community Facilities (PRCF) and appropriate school divisions (SD) to verify the accuracy, adequacy and completeness of project descriptions, project cost, and funding requests. The CIP review schedule provides for a four week review period for any project in the CIP requiring construction. However, departments and agencies are encouraged to consult with PW, PRCF and SD as early as possible in the capital planning cycle regarding the engineering requirements for new projects under consideration or being proposed for the capital plan, and for any revisions to existing projects. Consultation should continue throughout the CIP preparation and review process.

### **Technical Review Committee (TRC)**

The TRC ranks the projects based on established criteria. The ranking process allows projects to be added in a systematic, objective manner. Available revenues, the Board's Guiding Principles and Priorities, and financial policies guide project inclusion in the Capital Improvement Program. The Technical Review Committee reports its recommendations to the Board of Supervisors.

### **TRC Charge:**

The Capital Program Technical Review Committee will assist the County in the Capital Program process by assuring that the technical aspects and costs of each of the requested projects have been well researched and documented. The team will also review, evaluate and document the need for each project and make recommendations for priority funding based on the established Capital Project Evaluation Criteria. The Capital Program Technical Review Committee will report their recommendations to the County Administrator and the Board of Supervisors.

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### 1) Technical Review Committee Member Responsibilities:

- Review all project requests for clarity, accuracy and appropriate timing;
- Meet with project submitters to clarify requests and propose revisions, if needed;
- Rank requested projects based on established evaluation criteria;
- Review available revenues and debt service requirements for project requests based on approved County financial policies;
- Prioritize projects based on their ranking and available revenues;
- Consider how the project meets the considerations for each criteria and provide justification for a recommendation that may vary from the ranking criteria, if applicable;
- Determine if projects should be considered a 3R project;
- Together with the DFB develop a recommended CIP based on revenue projections provided by DFB;
- Review updated school enrollment projections to determine if variances in the recommendation need to be made;
- Forward the recommendation to the County Administrator

### 2) Technical Review Committee Members:

- Director of Department of Budget and Management (Committee Chair)
- Director of Department of Capital Projects
- Director of Department of Planning and Zoning
- Executive Director of Facilities and Maintenance, Stafford County Public Schools
- Public Safety Member

The County Administrator may designate up to two personnel each CIP cycle to participate in the TRC. This will ensure that the process allows for new perspectives. These participants may be from County or School staff.

### Guiding Principles for the TRC

Guiding principles have been established for the Technical Review Committee. These principles will be incorporated into the scoring and evaluations of projects.

- New high schools will be proposed at 2,150 seats.
- Projects approved in previous CIP's that will begin in the next fiscal year will not be part of the Technical Review Committee's review.

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## Board of Supervisors Policy Review

Prior to the Board's Review, the Board will receive the TRC's recommendation. The CIP projects that have been ranked by the TRC and reviewed by the County Administrator will be presented to the Board in November. The purpose of this presentation will be to gather the Board's direction to incorporate into the CIP that the County Administrator proposes in conjunction with the annual operating budget.

## Board of Supervisor's Review of the TRC Recommendation

The Board reviews the Technical Review Committee's ranking and Capital Program recommendation adjusting the projects as necessary. The Board provides direction to the County Administrator to prepare an annual CIP. In a joint meeting with the School Board and the Board of Supervisors, the School Board provides additional information regarding strategic and long term planning and service levels that support their proposed CIP projects.

The Capital Improvement Program (Capital Program) is the planning guide for County expenditures for major capital facilities and equipment and includes a five-year balanced CIP, with five additional years of planning. The Board will review and evaluate the recommended Capital Improvement Program brought forward by the Technical Review Committee. Staff will present the TRC's recommendation to the Board for review and the Board's direction as to:

- Consistency with policies;
- Alignment with the Strategic Plan, Comp Plan, and priorities;
- Consistent with the Board's financial policies and fiscal stability;
- Ensure that the proposed project ranking is properly and consistently applied;
- Propose modifications/improvements to the project ranking system;
- Ensure that the recommended CIP addresses County needs through the proper timing, prioritization and balance of local government and school division projects;
- Determine if projects submitted after the Technical Review Committee's recommendation will be considered in the next fiscal year, or are significant in nature, timing and need that they may delay the process;
- Ensure that County revenues are used wisely to address the County's capital needs and that the recommended CIP conforms to approved financial policies, including the use of on-going revenues and borrowed funds; and
- Provide revisions or adjustments to the as needed.

## Final Recommendation and Approval of the Capital Improvement Program

The County Administrator will account for the Board's direction and guidance in recommending a proposed budget to the Board of Supervisors which considers available revenues and adherence to County financial policies, parameters and goals. The County Administrator's Recommended



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Capital Improvement Program will be presented along with the Proposed Budget and is reviewed and considered by the Board of Supervisors and subsequently approved, along with the annual Capital Budget for projects to be funded in the upcoming fiscal year.

### **Capital Improvement Program Project Evaluation**

Project evaluation criteria have been established and are used by the TRC to review and evaluate all capital projects and their cost estimates. All CIP projects are evaluated against various factors which the submitting department/agency is asked to address on each of the applicable CIP Forms, such as the Project Request Form, the basis of cost estimates provided on the Project Cost Summary Form, and the several project cost detail forms, all of which are fully described in the instructions.

### **Project Ranking Criteria for Large Projects**

All submitted or proposed Capital Improvement Projects will be subject to ranking in accordance with the criteria and scoring system below. Areas of emphasis will include the following 6 categories:

- Health and Safety (20%)
- Impact on Operational Budget (20%)
- Special Considerations and Regulatory Compliance/ (15%)
- Economic and Community Development (15%)
- Quality of Life (10%)
- Infrastructure and Capacity (20%)

Each project will be evaluated against each area of emphasis and scored on a scale of zero through one hundred points based on the degree to which the project addresses the attributes of the particular area of emphasis. Each area of emphasis will provide scoring descriptions and criteria to provide consistency in scoring and to reflect the Board's areas of emphasis.

Descriptions of each area of emphasis and the attributes or considerations that will determine the score are as follows:

#### **1) Health and Safety (20%)**

Health and safety typically involves such things as fire service, police service, emergency response and communications, safe roads, public health, and flood control, as examples. A health clinic, fire station or police station would directly impact the health and safety of citizens, thus scoring high in this category. Similarly, safety improvements in a school or public building might score points in this category while adding concession

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stands to an existing facility would probably not. Considerations would include the following:

- Is the project in conformance with and supportive of the goals, objectives and strategies of the Comprehensive Plan?
- Is the project supported by County sponsored service plans, master plans, strategic plans or special studies?
- Does the project relate to the results of the citizen survey, Board of Supervisors policy, or appointed committee or board?
- Does the project directly reduce risks to people or property (i.e. flood control)?
- Does the project directly promote improved health or safety?
- Does the project mitigate an immediate risk?

## 2) Impact on Operational Budget (20%)

Some projects may affect the operating budget for the next few years or for the life of the facility. A fire station or library must be staffed and supplied; therefore these projects have an impact on the operational budgets for the life of the facility. Replacing a storm water line will not require any additional resources from the operational budget. The score will be based on considerations such as:

- Is the project in conformance with and supportive of the goals, objectives and strategies of the Comprehensive Plan?
- Is the project supported by County sponsored service plans, master plans, strategic plans or special studies?
- Does the project relate to the results of the citizen survey, Board of Supervisors policy, or appointed committee or board?
- Will the facility require additional personnel to operate?
- Will the project lead to a reduction in personnel or maintenance costs or increased productivity?
- Will the facility require significant annual maintenance?
- Will the new facility require additional equipment not included in the project budget?
- Will the new facility reduce time and resources of County or School staff maintaining current outdated systems?
- Will the efficiency of the project save money?
- Is there a revenue generating opportunity (e.g. user fees)?
- Does the project minimize life-cycle costs?

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### 3) Special Considerations and Regulatory Compliance (15%)

This criterion includes projects that because of special circumstances or emergencies must be undertaken immediately or in the very near future, regulatory mandates, or connection with other projects which have been selected for completion. The score will be based on considerations such as:

- Does the project address a legislative, regulatory or court-ordered mandate (0 – 5 years)?
- Will the future project impact foreseeable regulatory issues (5 – 10 years)?
- Does the project promote long-term regulatory compliance (>10 yrs.)?
- Will there be serious negative impact on the County if compliance is not achieved?
- Are there other ways to mitigate the regulatory concern?
- Is the project required to protect against an immediate and significant health, safety or general welfare hazard/threat to the County
- Is there a significant external funding source that can only be used for this project and/or which will be lost if not used immediately (e.g. proffers, grants through various federal or state initiatives, and private donations)?
- Do other projects require this one to be finished first?
- Does the project require others to be completed first? If so, what is the magnitude of potential delays?
- Can this project be done in conjunction with other projects?
- Will it be more economical to put multiple projects together?
- Will it help in reducing repeated neighborhood disruptions?
- Will there be a negative impact of the construction and if so, can this be mitigated?
- Are there inter-jurisdictional considerations?
- Does the project use an existing County-owned or controlled site or facility?
- Will delay of the project result in significantly higher construction costs in the future?
- Does the project involve external funding or partnership where funds will be lost if not constructed?

### 4) Economic and Community Development (15%)

Economic/community development considerations relate to projects that foster the development, re- development or expansion of a diversified business/industrial base or designated growth area. Projects that will help create jobs and generate a positive financial contribution to the County would be included in this category, as would a new park or streetscape project in a targeted growth area. Providing the needed infrastructure to encourage redevelopment of a shopping center would score high in this category. Reconstructing a storm drain line through a residential neighborhood would likely score low in

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the economic development category. The score will be based on the following attributes or considerations:

- Is the project in conformance with and supportive of the goals, objectives and strategies of the Comprehensive Plan?
- Is the project supported by County sponsored service plans, master plans, strategic plans or special studies?
- Does the project relate to the results of the citizen survey, Board of Supervisors policy, or appointed committee or board?
- Does the project have the potential to promote economic/community development in areas where growth is desired?
- Will the project continue to promote or enhance economic/community development in an already developed area?
- Is the net impact of the project positive (total projected tax revenues of economic/community development less costs of providing services)?
- Will the project produce desirable jobs in the County?
- Will the project rejuvenate an area that needs assistance?

## 5) Quality of Life (10%)

Quality of Life is a characteristic that makes the County a desirable place to live and work. For example, public parks, libraries, schools, multi-use trails, open space, and preservation of community character enhance the quality of life for citizens. A County maintenance building is an example of a project that may not directly affect the citizen's quality of life. The score will be based on the following attributes or considerations:

- Is the project in conformance with and supportive of the goals, objectives and strategies of the Comprehensive Plan?
- Is the project supported by County sponsored service plans, master plans, strategic plans or special studies?
- Does the project relate to the results of the citizen survey, Board of Supervisors policy, or appointed committee or board?
- Does the project increase or enhance educational opportunities for County citizens outside of those provided by Stafford County Public Schools?
- Does the project increase or enhance recreational opportunities and/or green space?
- Does the project target the quality of life of all citizens or does it target one demographic? Is one population affected positively and another negatively?
- Does the project preserve or improve the historical or natural heritage of the County?
- Does the project affect traffic positively or negatively?
- Does the project improve, mitigate and or prevent degradation of environmental quality (e.g. water quality, improve or reduce pollution including noise and/or light pollution)?

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## 6) Infrastructure and Capacity (20%)

This element relates to basic or core infrastructure needs of the County and to ensure sufficient capacity of assets are available to conduct services. Typical projects in this category would include utility/service infrastructure such as storm water systems, underground utilities, sidewalks, streets/transportation facilities, broadband or wireless communication systems, streetscapes, and County service facilities. Buildings would also be included to the extent they address a basic functional need of the County. Constructing a facility in excess of facility or service standards would score low in this category. The score will be based on the following attributes or considerations:

- Is there a facility being replaced that has exceeded its useful life and to what extent?
- Is the project in conformance with and supportive of the goals, objectives and strategies of the Comprehensive Plan?
- Is the project supported by County sponsored service plans, master plans, strategic plans or special studies?
- Does the project relate to the results of the citizen survey, Board of Supervisors policy, or appointed committee or board?
- Is there a facility being replaced that has exceeded its useful life and to what extent?
- Do resources spent on maintenance of an existing facility justify replacement?
- Does this replace an outdated system?
- Does the facility/system represent new technology that will provide enhance service?

Does the project extend service for desired growth?

## Review of 3R Projects

As defined by the process, projects that are considered to be 3R will have different scoring criteria. Emphasis in the CIP will be given to maintaining current assets. The first five years of the CIP will have scored projects that are balanced with offsetting revenues. Consideration for the following will be included:

- Does the project increase infrastructure capacity to meet existing deficiencies to service the existing population? (20%)
- Does the project eliminate a risk or hazard to public health and/or safety that endangers that population area? (20%)
- Does the project preserve or extend the life of an existing asset? (20%)
- Will failure to do the project or delaying the project have major impacts on other projects or programs? (20%)
- Is the need for the project supported through studies? (20%)

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### Annual Capital Projects Reporting

Capital projects will be reported annually to the Board of Supervisors. The reporting will be done in the March time frame to coincide with the Budget Work Session for the Capital Improvements Program. Both School and County projects will be reported.

### Prior Versions

The Capital Improvement Program Development Policy supersedes the Joint Capital Improvement Program Process. Prior versions of the Joint Capital Improvement Program Process and the Capital Improvement Program Development Policy were approved as follows:

APPROVING BOARD	DATE	RESOLUTION/ITEM NUMBER
<b>VERSION 1.0</b>		
Board of Supervisors	July 5, 2017	R17-203
School Board	November 14, 2017	11.07
<b>VERSION 2.0</b>		
Board of Supervisors	September 4, 2018	R18-226
School Board	September 11, 2018	9.03
<b>VERSION 3.0</b>		
Board of Supervisors	July 2, 2019	R19-209
Board of Supervisors	October 5, 2021	<i>proposed Resolution</i> R21-193