

Response to Questions on the FY 2012 Budget

Request By: Supervisor Herrity

Question: Why does FCPS have an unspent construction reserve of \$66 million and why did FCPS only use \$130 million of the \$155 million authorized bonds when they have such a large CIP backlog?

Response: The following response was prepared by Fairfax County Public Schools. It should be noted that this response reflects a revised answer to the answer originally included in Package 5 of Q&A Responses dated April 12, 2011:

The school system's construction reserve is the net fiscal impact of voter approved bond project amounts versus the actual final project costs. The reserve is unspent bond authority from the voters. The construction reserve is not cash. "Funds" are added to the reserve when final project costs are less than the amounts approved by voters. Conversely, "funds" are taken from the reserve when project costs are in excess of the amounts approved by voters. For example, the total amount identified to voters for the Greenbriar East Elementary School renovation project was \$10,855,000 in planning and construction funds. The actual final project costs were \$9,400,000. Because the actual project costs were less than the total bond referendum budget, the net difference between these amounts, approximately \$1,455,000, was added to the construction reserve after project completion. The opposite occurred with respect to the renovation of Woodson High School where the actual project costs of \$78,000,000 were \$9,000,000 greater than the amount identified to the voters in the 2001 and 2003 referenda and this amount had to be taken from the construction reserve in order to allow the project to move forward timely.

It is accurate that when project costs are lower than our estimates, space is created within the \$155 million per year bond authority established by the Board of Supervisors. To the maximum extent possible, the school system takes advantage of lower prices to move other project start dates earlier than originally scheduled. It is difficult, however, to take full advantage of such opportunities as we don't have construction project permits sitting on the shelf. We try to plan our project design and permitting process to be completed proximate to the time when we believe we will have the cash to fund the project. We think it ill-advised typically to have projects designed and permitted well in advance of when we project cash will be available.

As can be seen with the attached details about the construction reserve, at the beginning of FY 2010, the construction reserve was only \$2.6 million. The accumulation of the \$66 million has occurred within a relatively short period of time which reflects both favorable market conditions and the fact that the school system has been pushing projects to market as quickly as possible to take full advantage of these conditions.

| | |
|---|--------------------------|
| FY 2009 BALANCE FORWARD | 2,594,124 |
| TOTAL TRANSFER OUT | (3,524,203) |
| TOTAL TRANSFER IN | |
| CLOSED PROJECTS /5 | 17,364,351 |
| SAVINGS FROM PROJECTS | 41,433,779 |
| RETURN PREVIOUS YEAR ADVANCED FUNDS | 6,105,688 |
| REFUND FROM COUNTY | 18,474 |
| ANNUAL SACC REIMBURSEMENT | 1,500,000 |
| INTEREST ALLOCATION FR BUILD AMERICA BOND | 190,101 |
| | <u>66,612,394</u> |
| FY 2011 BALANCE | <u>65,682,314</u> |

| | Balance Forward | Transfer Out | Transfer IN | | | | | INTEREST ALLOCATION FROM BUILD AMERICA BOND |
|---------|------------------|--------------------|--------------------|--------------------------|---|-----------------------|---------------------------|---|
| | | | CLOSED PROJECTS /1 | SAVINGS FROM PROJECTS /2 | RETURN PREVIOUS YEARS ADVANCED FUNDS /3 | REFUND FROM COUNTY /4 | ANNUAL SACC REIMBURSEMENT | |
| FY 2009 | 2,594,124 | | | | | | | |
| FY 2010 | | (2,822,699) | 5,777,912 | 34,475,779 | 5,160,533 | 18,474 | 750,000 | - |
| FY 2011 | | (701,504) | 11,586,439 | 6,958,000 | 945,155 | - | 750,000 | 190,101 |
| | <u>2,594,124</u> | <u>(3,524,203)</u> | <u>17,364,351</u> | <u>41,433,779</u> | <u>6,105,688</u> | <u>18,474</u> | <u>1,500,000</u> | <u>190,101</u> |

Note:

1/ Unspent amount from various projects. These projects are 100% financially completed.

2/ The actual construction budgets were less than the Bond Referendum budgets for the following projects:

Westlawn ES, Stenwood ES, South County MS, Franconia ES, Longfellow MS, Beech Tree ES, Oakton ES, Lacey Site, and Lake Anne ES

3/ Funds were advanced to support these projects: Westlawn ES, Stenwood ES, South County MS, Franconia ES, Longfellow MS, Beech Tree ES, Oakton ES and Lake Anne ES. Funds were returned to the Construction Reserve once the project were fully funded.

4/ Refund for the Pro -Rate fee for Bull Run ES project.

5/ Projects closed in advance of FOCUS system implementation.