

Fairfax County: Debt Capacity and the Capital Improvement Program



**BOARD OF SUPERVISORS
BUDGET COMMITTEE MEETING
MARCH 13, 2012**

Debt Capacity



- **Affordability of Debt Service**
- **Adherence to the County's Principles of Financial Management – Debt Ratios**
- **Constant oversight and management of all Capital Projects in terms of timing and cash flow**
- **Monitor all refunding opportunities to capitalize on market conditions and low interest rates**

Affordability



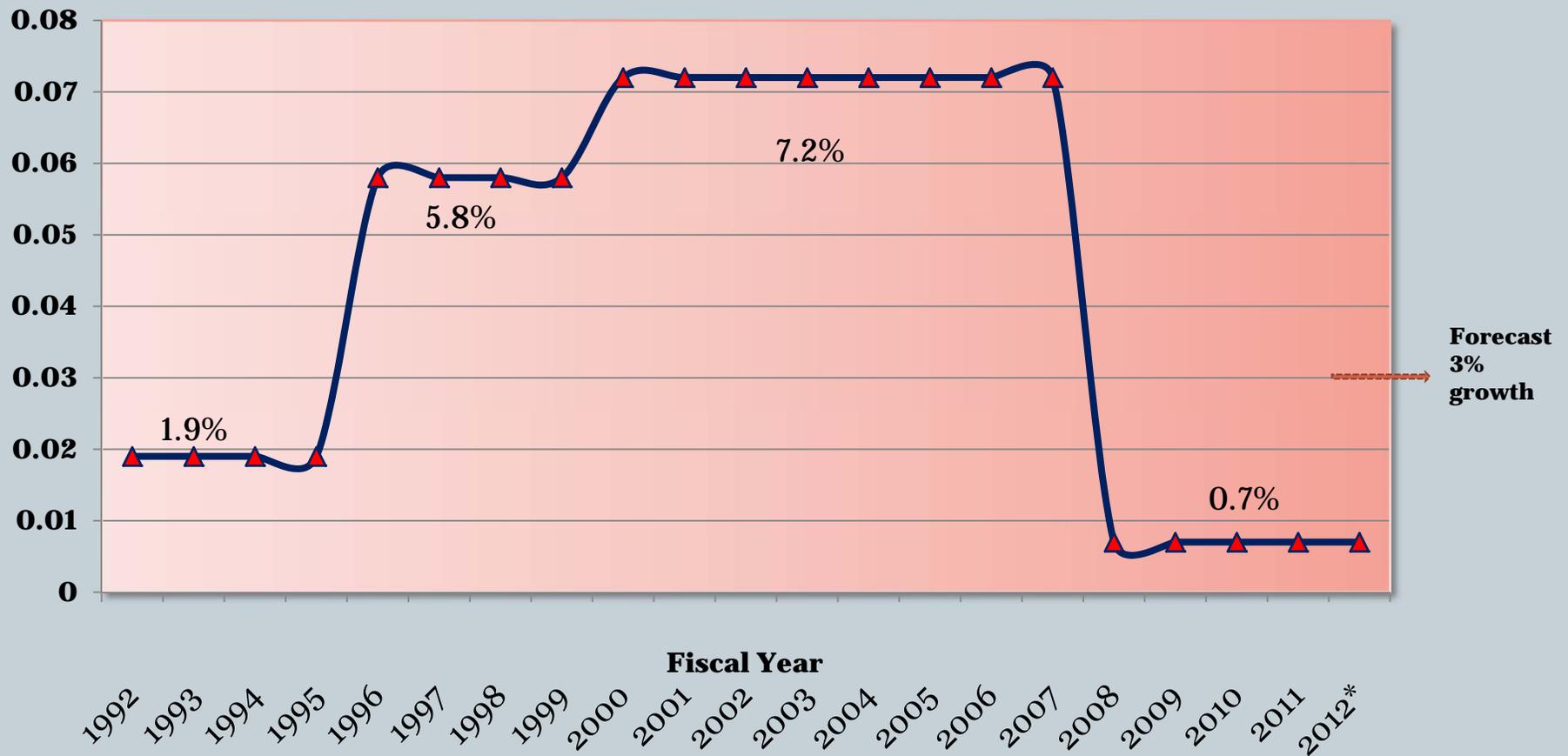
- **Balance requirements with available resources**
 - Revenue growth projected at ~ 3% for next several years

- **Prioritize operating and capital needs**
 - Compensation
 - Benefits
 - Enrollment growth
 - Inflation
 - Transportation
 - Capital

Affordability: General Fund Revenue



Average Annual Growth Rates FY 1992 – FY 2012



*Projected

Affordability: Where Does That Leave Us?



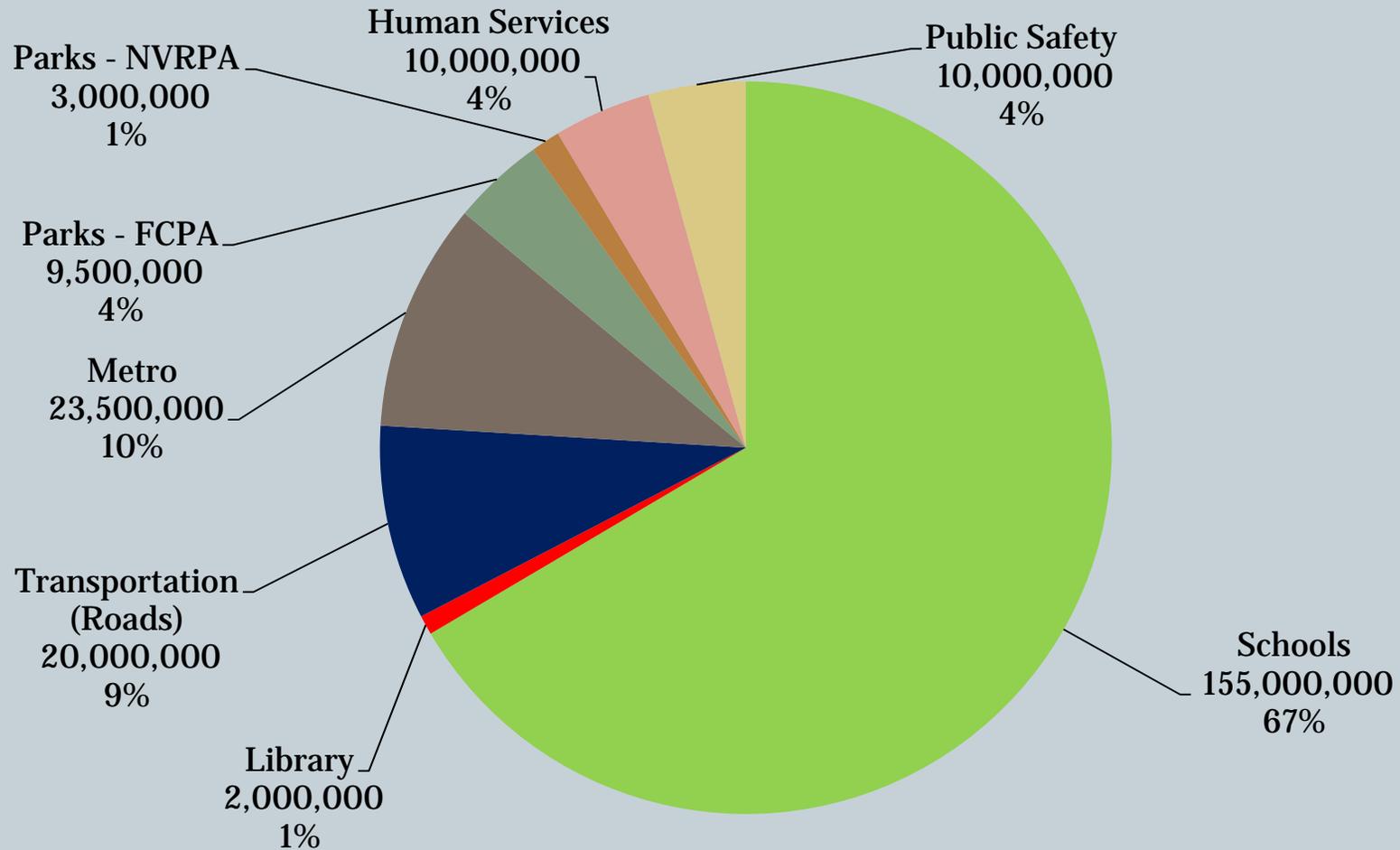
- If Revenues (with no real estate tax rate adjustment) are estimated to increase ~ 3% annually
- Then assume County Disbursements (including Debt Service payments) also increase 3% ~ \$100 m annually
- The challenge is that \$100 m/year will not go very far to meet existing requirements and Board priorities

Affordability: Where Does That Leave Us? (Continued)

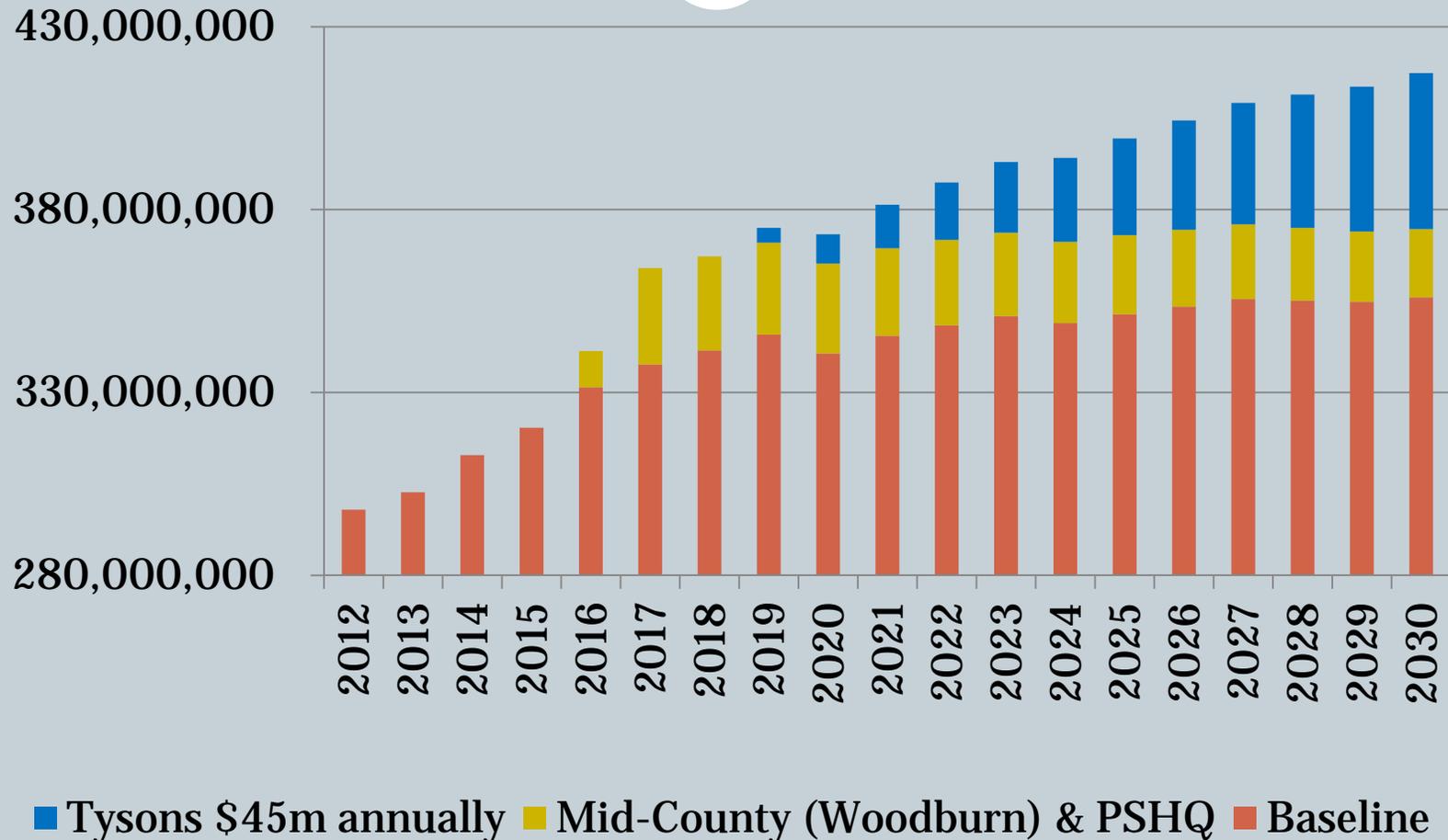
- As examples, in the following categories, annual expenditure growth for both County and Schools would cost:

• 2% COLA	\$ 60 m
• Restoration of remainder of compensation increases	\$ 70 m
• 2% increase in FCPS enrollment	\$ 40 m
• Fringe Benefits (health, retirement, OPEB)	\$ 35 m
• Inflation (contracts, utilities)	\$ 10 m
• Required Debt Service increase to support current CIP	\$ 7 m
• County Metro/Transit	<u>\$ 3 m</u>
• TOTAL	\$ 225 M

Projected Average \$233 m Annual Baseline General Obligation Bond Sales



Affordability: Projected CIP Requirements

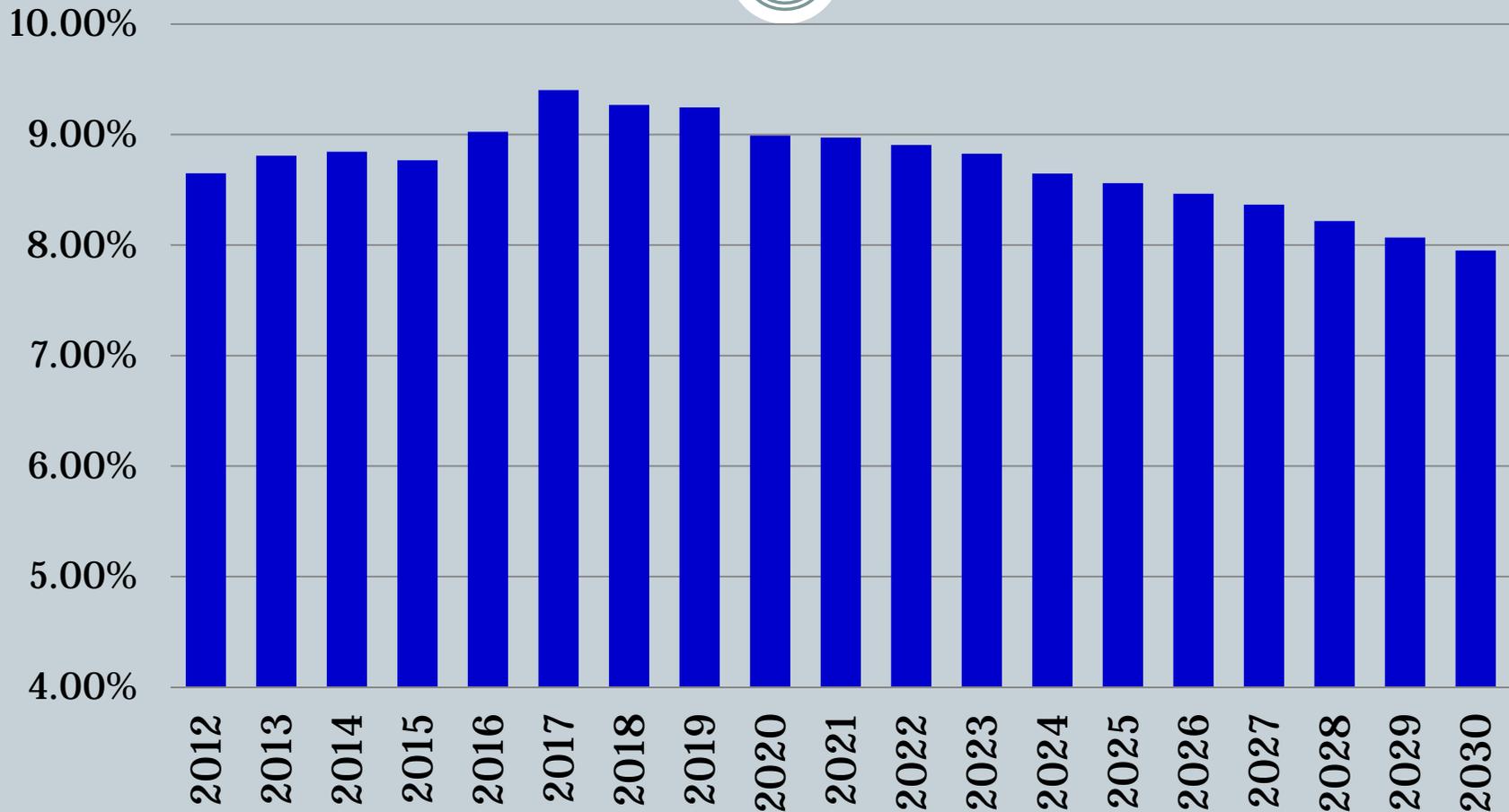


Debt Ratios



- **Adherence to the County's Principles of Financial Management – Debt Ratio's**
 - Net debt as percent of estimated real estate market value less than 3% (FY 2013 estimate = 1.3%)
 - Debt service expenditures not to exceed 10% of general fund disbursements (FY 2013 estimate = 8.6%)
 - Benchmark of Triple A Bond Rating
 - Strong management and response to challenges are the keys to positive feedback from Bond Rating Agencies

Debt Ratios: Projected CIP Requirements ***Not to exceed 10% of Annual Revenues****



*County policy is annual disbursements, but for this model using revenues to be conservative

FY 2013 – FY 2017 CIP and Beyond



- The CIP continues current programs with two large projects in progress, to be financed by EDA Facility Bonds
 - Mid-County Human Services (Woodburn replacement)
 - Public Safety Headquarters
- Maintains \$155 million annually in bond sales for Fairfax County Public Schools
- Yet to be determined funding for \$3 billion Transportation requirements over the next ten years (much of it capital to be incorporated into the CIP)

FY 2013 – FY 2017 CIP and Beyond (continued)



- Funds a limited Paydown Program for critical projects and continues to address Department of Justice requirements for ADA improvements
- Continues the 3-year short term borrowing program to address capital renewal backlogs (FY 2013 is the third year)
- Includes an increase to the Stormwater Services rate of \$0.010 for a total of \$0.025 per \$100 of assessed real estate value

FY 2013 – FY 2017 CIP and Beyond (continued)



Sidewalk/Trail/Unimproved Road Maintenance Requirements

- Estimated at \$6-7 million annually
- DPWES responsible for 220 miles of asphalt trails, 420 miles of concrete sidewalk, 65 pedestrian bridges, 17 miles of roadway service drives, and 4 miles of unimproved roads
- Annual funding levels approximately \$660,000
- FY 2013 budget includes \$200,000 to perform a condition assessment of existing trails, sidewalks, roadways and service drives maintained by the County
- The assessment will more accurately predict future financial needs, and create a more proactive reinvestment program to replace the current complaint/failure driven program delivery

Proposed Referenda in 5-Year CIP Period



County:

Fall 2012 County Bond Referendum of \$130 million

- **Parks: \$50 million**
 - ✦ \$38 million for County Parks
 - ✦ \$12 million for NVRPA (to support \$3 million per year over a 4 year period for the County's capital contribution)

- **Public Safety: \$55 million**
 - ✦ \$9 million Bailey's Crossroads Fire Station
 - ✦ \$14 million Jefferson Fire Station
 - ✦ \$12 million Herndon Fire Station
 - ✦ \$20 million Renewal of 22 remaining Courtrooms

- **Libraries: \$25 million**
 - ✦ \$5 million Pohick Regional Library
 - ✦ \$5 million Tysons Pimmit Regional Library
 - ✦ \$5 million John Marshall Community
 - ✦ \$10 million Reston Regional (considering relocation)

Fall 2014 Road Construction \$100 million

Fall 2016 Parks, Public Facilities \$250 million

Proposed Referenda in 5-Year CIP Period



Schools Referenda:

- **Fall 2013 FCPS \$250 million**
- **Fall 2015 FCPS \$250 million**
- **Fall 2017 FCPS \$250 million**