Response to Questions on the FY 2005 Advertised Budget Plan

Request By: Supervisor Bulova

Question: Is there any flexibility in the annual limit on bond sales of $200 million, especially in the out years? If the cash flow is spread out for a few more years, could the park bond referendum be raised to $75 million? Is it possible that the limit might be raised a few years from now? Will the schools' construction schedule always require their full $130 million share?

Response: The Board of Supervisors policy to increase the bond sale limits from $150 million per year to $200 million per year was adopted in FY 2003. This increase did not affect the County's ability to maintain the ratio of debt service to General Fund Disbursements under 10% (8.7 % as of June 30, 2003) and net bonded indebtedness as a percentage of estimated market value below 3% (1.48% as of June 30, 2003). The bond sale limit could be increased with Board approval; however, staff does not recommend an increase in bond sales beyond the $200 million limit due to continued uncertainty regarding the state budget and the projected growth in County revenues. In addition, based on the recent change in FY 2003, the rating agencies will expect a longer period of stability to the Board's self imposed limits. Staff will continue to monitor and report on the County's debt capacity each year. The impact of the exception to the limits previously authorized by the Board for the $50 million of new sales to support the 4-year Transportation Plan also will need to be carefully monitored in this context.

The cashflow for the Park Authority could be spread out over several years to enable an increase in the park referendum amount from $50 million to $75 million. This increase would have no immediate impact to the 10-year plan, except to reduce the County's 10-year bond capacity by another $25 million. The additional $25 million could be included in the FY 2010 – FY 2015 period and would have no impact on the 5 year CIP period which currently exceeds the limit by $35 million or 3.5%. This deficit is considered manageable based on the flexibility experienced in project completion timelines. In the context of the ten year program, the chart on page 21 of the CIP indicates that the program has the capacity to accommodate up to $47 million this year of additional authorized bonds without over committing for the next ten years. An additional $25 million of authorization would leave a balance of $22 million in additional bonds that could be authorized in 2004. <u>Although there is some flexibility in the cashflow, staff does not recommend increasing the park bond. The voters have approved $95 million since 1998 for Park Authority projects and $150 million is allocated for Park Authority projects in the CIP ten year period (FY 2005 – FY 2014). The CIP 10-year period includes $50 million for the Park Authority every 4 years beginning in fall 2004 and continuing to fall 2008 and fall 2012. Increasing the park bond cashflow will limit future capacity which may be required for other priorities such as Transportation and Public Safety.</u>

For several years, the Board of Supervisors has approved a bond sale allocation of one-third or $70 million for County projects and two-thirds or $130 million for School projects. This allocation is based on the School Board's CIP which indicates a five year funding requirement of $652 million of which $172 million is currently unfunded.

School staff have identified a need for at least $130 per year in bond sales and asked for consideration for an increase in this ceiling to $150 million per year. Based on the demands of annual school enrollment and an aging infrastructure, it is not expected that the annual needs of the school system will decrease.