Response to Questions on the FY 2013 Budget

Request By: Chairman Bulova

Question: In order to take advantage of low current construction costs, what would happen if an additional one-time amount of $25 million of General Obligation Bond Sales were programmed for FCPS? How would this impact debt ratios? What would the impact on debt ratios be if the increase were recurring?

Response: If the County were to provide a one-time amount of $25 million of General Obligation Bond Sales for the Schools this would increase the County's debt ratio by 0.06% and require approximately $2.5 million in additional debt service annually.

A decision to increase bond sales annually by $25 million from $155 million to $180 million would have a significant impact on both the debt ratio and annual debt service payments due to the compounding impact. The debt ratios would then increase by the same 0.06% annually and would peak at 9.6% in FY 2017 with a gradual decline in the following years. In addition, the associated debt service costs on the $25 million for the first year would be approximately $2.5 million annually, but within five years increases to approximately $10.8 million annually. This decision would further push the debt ratios closer to the ten percent limit and increases debt service costs with no identified funding source.

As noted at the March 14th Budget Committee meeting, the County is expected to continue with annual General Obligation bond sales averaging $233 million, and the Schools figure is projected to remain at $155 million or 67 percent of the total. It should be noted that the Board of Supervisors approved an increase in School Bond Sales from the $130 million planned for FY 2013 to $155 million. In addition, the County anticipates financing other pressing infrastructure needs such as a replacement of the Massey building (Public Safety Headquarters), Dulles Rail requirement, Tysons redevelopment, transportation needs, and devolution uncertainties from the General Assembly. Based on these current capital requirements, the County will move even closer to the ten percent debt limit ratio.

While there is no statutory limit on the amount of debt the voters can approve, and therefore the debt service that is paid, it is important to note that the County's debt ratios are consistent with best practices for highly rated issuers of municipal debt. One of the County's Debt Ratio policies is that debt service expenditures as a percentage of General Fund disbursements shall not exceed ten percent.