Response to Questions on the FY 2013 Budget

Request By: Supervisor Foust and Supervisor Frey

Question: If the Park bond was increased from $50 million to $75 million, what would be the impact of that decision on long term debt capacity? What would this additional funding support?

Response: The planned fall 2012 Parks bond referendum currently anticipates $50 million, of which $38 million is included for the Fairfax County Park Authority and $12 million is included for Fairfax County's capital contribution for the Northern Virginia Regional Park Authority.

If the County were to provide a one-time amount of $25 million for the Parks as part of the fall 2012 referendum, staff would need to monitor debt ratios and affordability concerning when the additional bonds could actually be sold. It is anticipated that the sale of the additional $25 million in bonds could be programmed towards the end of the current CIP period.

As noted at the March 14th Budget Committee meeting, the County is expected to continue with annual General Obligation bond sales averaging $233 million. The Parks portion of this total is projected to remain at the current annual bond sale amount of $9.5 million allocated to the Fairfax County Park Authority and $3 million allocated to the Northern Virginia Regional Park Authority.

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. Relatively small incremental increases in sales for any programs at this time will have a cumulative effect that limits the board's options for addressing these not too distant requirements. Staff recommends that any such adjustments be deferred until such time as revenue growth can sustain a higher level of effort. Staff will revisit this issue annually to determine when increased capacity will permit the County to address additional priorities.

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.