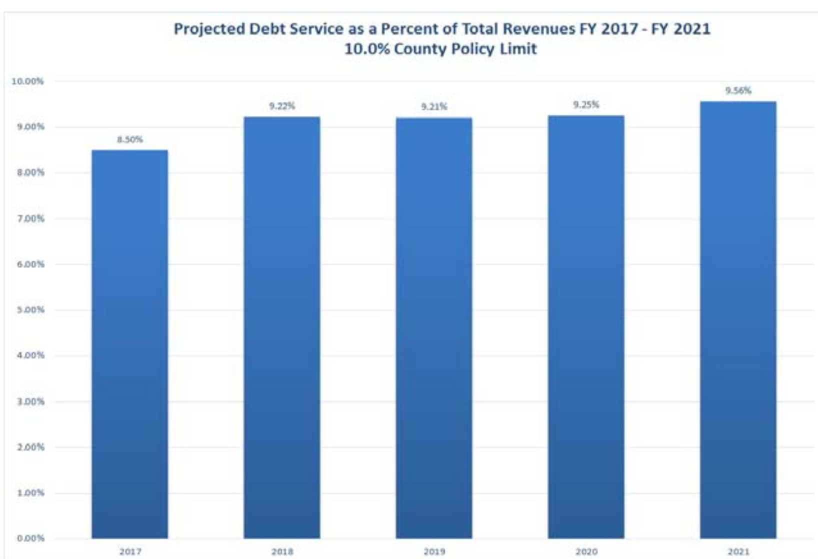
Response to Questions on the FY 2018 Budget

Request By: Supervisor McKay

Question: Please recirculate information previously written on the County's bond sale limits and capacity.

Response: The County is the only legal entity allowed to issue debt on behalf of County and School capital spending, and the County is responsible for all annual debt service payments. The *Ten Principles of Sound Financial Management* debt policies have specific debt ratios that provide guidance on the County's issuance of debt. General Obligation Bonds and General Obligation supported debt will be managed so as not to exceed a target of $275 million per year, or $1.375 billion over five years, with a technical limit of $300 million in any given year. The amount of annual general obligation bonds sold for the Schools has been based on a mutual agreement between the Board of Supervisors and the Fairfax County School Board. In FY 2007, the FCPS General Obligation bond sale limit was temporarily raised from $130 million to $155 million for a 6-year period in exchange for the return of surplus school property to County control. In FY 2012, at the end of the 6-year period, the Board of Supervisors approved the continuation of $155 million in annual general obligation bond sales. The FY 2017 Capital Improvement Program maintains the $155 million for the Fairfax County Public Schools for the entire five year period through FY 2021.

The County has strictly adhered to the debt ratio policy whereby debt service expenditures as a percentage of general fund disbursements shall not exceed 10 percent. Any increase above the currently projected funding levels risks further encroachment on reaching the County's ceiling debt limit. These debt ratio projections are documented in the FY 2017 Capital Improvement Program (as a percent of total revenues for planning purposes):



Debt limits for refunding bonds are excluded from a spending limit as they seek to reduce the County's outstanding debt which translates to lower annual debt service costs. The County reviews on a monthly basis the ability to refund all its outstanding debt provided certain criteria are achieved (e.g. the refunding generates at a minimum $1 million in savings and 3% net present value savings of the refunded principal).

Staff is currently evaluating projections for current and out-year bond sales and will provide updated projections during the FY 2018 budget development process.