



County and Schools Capital Paydown and Bond Programs

Joint Board of Supervisors/School Board CIP Committee

September 2, 2021

Current County and Schools Capital Challenges

- Backlog of infrastructure replacement projects based on limited funding for Paydown
- Increased sales requirements for Metro
- More complex project colocation plans
- Occupied and phased renovations
- Requirement to sell bonds in 8 years (2-year extension available)
- Project delays, supply shortages, and cost increases due to COVID-19 Pandemic
- Environmental/energy initiatives impacting capital projects

Staff Recommendations

- Increase Bond Sale limit from \$300 million to \$400 million annually
 - Recognizes that sales limits have not increased since 2007 (County) and 2019 (FCPS)
 - Would recommend gradual increase in sales over several years
 - Ultimately both County and FCPS would receive an additional \$50 million
 - Ultimate total of \$170m for County and \$230m for FCPS
- Dedicate the equivalent value of one penny on the Real Estate tax to capital program
 - Recommend as part of the FY 2023 budget
 - Would support both Paydown and future debt service
 - First year would focus on Paydown and increases would be split evenly between County and FCPS
 - Second year would include first debt service payment with the balance in paydown
 - Investment would need to grow gradually over time as debt service costs increase
- Increase percentage allocated to Sinking Fund at year-end and include FCPS in allocation
 - Overall allocation would increase from 20% to 30% of balances not needed for critical year-end items
 - FCPS would receive 25% of this allocation

Cumulative Impact of Increased Bond Sales

- Example assumes a \$50 million General Obligation Bond Sale increase beginning in January 2023 (\$25 million each for County and Schools) and \$100 million increase beginning in January 2025 (\$50 million each)
- Debt service payments begin in the fiscal year following each bond sale
- Assumes 3% interest rate

Fiscal Year	January 2023	January 2024	January 2025	January 2026	Total
FY 2023	\$50,000,000				
FY 2024	4,000,000	\$50,000,000			\$4,000,000
FY 2025	3,925,000	4,000,000	\$100,000,000		7,925,000
FY 2026	3,850,000	3,925,000	8,000,000	\$100,000,000	15,775,000
FY 2027	3,775,000	3,850,000	7,850,000	8,000,000	23,475,000

Allocation of Additional Resources

- In FY 2023, as no debt service payments would be required, the entire dedicated ‘penny’ would be directed to Capital Paydown
 - If assume penny at \$28 million, would equal \$14 million each for County/Schools
- In FY 2024, assuming debt service requirements of \$2 million each, approximately \$12 million would be directed to County/Schools for Paydown
- As debt service requirements grow, Paydown would be reduced until reaching a baseline amount (assumed \$10 million)
- Debt/Paydown needs would gradually exceed value of one penny, but would be adjusted as part of annual budget process

Projected Allocations*
(in millions)

	County		Schools		Total
	Debt	Paydown	Debt	Paydown	Total
FY 2023	\$0.0	\$14.0	\$0.0	\$14.0	\$28.0
FY 2024	\$2.0	\$12.0	\$2.0	\$12.0	\$28.0
FY 2025	\$4.0	\$10.0	\$4.0	\$10.0	\$28.0
FY 2026	\$7.9	\$10.0	\$7.9	\$10.0	\$35.8
FY 2027	\$11.7	\$10.0	\$11.7	\$10.0	\$43.4
FY 2028	\$15.5	\$10.0	\$15.5	\$10.0	\$51.0

** Assumes \$25 million increase each for County and Schools in January 2023 and January 2025; Assumes 3% interest rate*

Benefits of Additional Investment

- Additional investment will allow the County to:
 - Support more critical infrastructure replacements projects and address backlog
 - Support increasing Metro capital obligation
 - Account for increased construction costs and impact of potential Prevailing Wage Ordinance

- Additional investment will allow the Schools to:
 - Design and construct 1-2 additional school capital improvement projects per year
 - Address backlog of critical needs – infrastructure and maintenance
 - Enhance sustainability initiatives
 - Account for increased construction costs and impact of potential Prevailing Wage Ordinance

CIP Process Changes for Consideration

- Timing and size of future referenda – County may want to move away from referendum by purpose every 4 years
- County may consider delaying 2022 County Referendum (\$97m)
- Review assumptions used in future year CIP projections
- Account for complexity of co-location projects, provide more flexibility in bond questions
- Provide Paydown funding for feasibility studies to better define colocation opportunities, identify project needs and costs

Timeline for Change

- Mid-November: Finalize Committee Report with recommendations
- November 23rd: Discuss Report at Joint BOS/School Board meeting
- December 2021: Discuss proposed changes with rating agencies in advance of January 2022 bond sale (one year in advance of increased sale)
- December 2021: School Board discussion regarding Boundary Change Report and potential next steps
- Spring 2022: BOS approves FY 2023 Budget with change to *10 Principles of Sound Financial Management* Bond Sale limits and increased Paydown
- January 2023: First Bond sale with higher sales
- FY 2024: First year of debt service requirements for higher sales