

**School Board
Special Meeting
FY2008-2012 CIP**

January 4, 2007

Financing the Cost of Capital Improvements

County Indebtedness

- County generally follows a set of guidelines in making financial decisions on debt issuance
- Adherence allows the county to plan for financing of capital needs and maintain credit-worthiness
- All 3 major rating agencies rate the county as a triple A credit risk

Debt Ratio Policies

The amount of debt that can be issued (debt capacity) is based upon a set of policies that include:

- debt as a percentage of assessed value 3.0%
- debt per capita \$1,200
- debt service as a percentage of general governmental expenditures 10%
- undesignated general fund balance as a percentage of general fund expenditures 7.5%

School Board Capital Improvements

- These policies govern the amount of debt that can be issued and therefore limits the number and types of projects that can be approved by the School Board
- A total of \$153.9 million of projects funded with long-term debt can be included in the CIP for the 5-year period from FY2008 to FY2012

The Connection between Capital and Operating

- Capital projects and the debt capacity to finance them is authorized in the capital budget (*signing loan papers to buy your home*)
- Debt service to repay the bond obligation is in the annual operating budget (*making the monthly mortgage payment*)

Debt Service

- FY2008 Debt Service is \$46.1 million
- If no new debt were issued, debt service in FY2012 would be \$30.0 million
- Assuming all debt capacity available is used, debt service in FY2012 will be **\$51.9 million**

Operating Challenges Revenue

- Level of County support for the school system is maintained despite continuing pressure for increases in other county services for an aging population
- Level of state support for public education with major economic challenges and pressures for other services as well

Operating Challenges Expenditures

- Additional debt service competes directly with other Board priorities
- Attracting and retaining quality staff
 - salaries and benefits
- Paying the annual cost associated with more students
 - additional teachers, textbooks, buses, etc.

Operating Challenges Expenditures

- Providing other educational services to meet the Board's vision for 2012
 - emphasis on lower pupil teacher ratios, instructional time, reinforcement programs

Long-Range Educational Facilities Planning

Purpose

Promote public understanding of the CIP and the process by which decisions are made

Policy objectives

- Provide permanent classrooms to accommodate long-term enrollment trends and address changing enrollment patterns
- Anticipate and accommodate programmatic needs of students

Purpose

- Promote continuity and stability of the K-12 program
- Use existing space consistent with sound educational practice
- Anticipate and accommodate future improvements in educational programs and services to the extent possible

Purpose

- Recognize that older facilities must be renovated to continue their usefulness on a cost effective basis
- Modernize older facilities to meet current program standards

Possible Solutions to Address Overcrowding

Portable classrooms

Alternative Space

Special Programs

Attendance zones

Additions & renovations

New construction

Combinations of these are also viable short-term or long-term solutions

Growth Related Issues

- Cash proffer amount should not be lowered when developments are projected to produce fewer children than the county average because schools benefit all citizens
- Staff continue to work with the County to secure land in developments such as Magnolia Green, Branner Station, Roseland

Growth Related Issues

- Appropriate steps will be taken to ensure that overcrowding does not present health and safety issues for students or staff
- Development is viewed from a school division perspective
- Zoning cases are reviewed for school impact only

Funding of Capital Needs

Variety of funding options exist:

- Direct county contributions
- Sale of bonds (county alone or through VPSA)
- Cash proffers
- State funds
- Alternative funding mechanisms such as PPEA (considered debt)

Annual Inflation Rate of Virginia School Cost

