

A G E N D A

JAMES CITY COUNTY BOARD OF SUPERVISORS

WORK SESSION

County Government Center Board Room

March 22, 2005

4:00 P.M.

A. CALL TO ORDER

B. ROLL CALL

C. BOARD DISCUSSIONS

1. Long-Range Capital Planning
2. Policy for Wetland, Conservation Easement, and RPA Separation Areas
Supports County's Strategic Pathway 4.f - manage stormwater effectively and protect groundwater

D. BREAK

032205bsws.age

MEMORANDUM

DATE: March 22, 2005

TO: The Board of Supervisors

FROM: John E. McDonald, Manager of Financial and Management Services

SUBJECT: Long-Range Capital Planning

David Rose and Courtney Rogers from Davenport & Company LLC will be present to take the Board through an analysis of the fiscal impact of the debt service costs associated with the County's Long-Range Capital Planning.

To briefly summarize the assumptions and conclusions of the Davenport study:

- The existing debt service reserves will handle the increased costs of \$62,120,000 in borrowings assumed to close in May 2005 without any additional tax impact. These financings are for the construction of the new high school, the new multi-purpose school building, the Thomas Nelson Community College on- and off-site infrastructure improvements, and the community sports facility. Construction spending on these four projects is expected to occur over the next two years. The "two cents" equivalent contribution to the Debt Service Fund now in place will shift in FY 2008 to cover the increased operating spending needed to open the high school.
- Additional debt issues totaling \$55 million for a referendum on parks and recreation, a new elementary school, \$5 million in school expansion projects, and a new middle school will be staggered over the next three years and is expected to have an impact on tax rates beginning in FY 2008. Based on certain assumptions, primarily the timing and the size of the debt issues, which could change, the predicted capital impact is for a dedicated 2-cents on the real property tax for debt service to begin in FY 2008 and continue for three to five years. This does not include any projected tax impact for the increased operating costs of these new facilities, which would also need to be factored in. The current assumptions are that a new elementary school will open in August 2008, and a new middle school in August 2010. The FY 2006 budget will include a proposal to begin a "ramp up" to that two-cent requirement, beginning in FY 2006.
- The Davenport presentation addresses greenspace and Purchase of Development Rights (PDR) financing options differently; with a dedicated revenue stream and no operating expenses these two items can be handled independently.
- Davenport was not asked to evaluate financing options for the Stonehouse Elementary School addition or the Norge Elementary School improvements to allow for expanded capacity at both schools. Both are recommended to be financed in the FY 2006 County Capital Budget without additional borrowing. The D.J. Montague Elementary School expansion, not part of the School's five-year Capital Improvement Program (CIP), is included in what Davenport is evaluating as school expansion projects.
- Accelerating the financings for the new elementary and middle schools by a year - August 2007 and August 2009 openings, respectively, would accelerate the need for the additional 2-cents revenue equivalent by a year, to begin in FY 2007 rather than FY 2008.

The Davenport & Company LLC presentation material will be forwarded to the Board. Please review this material carefully and offer any comments and/or questions you have for either the Davenport representatives or staff.

Long-Range Capital Planning
March 22, 2005
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John E. McDonald

JEM/gs
capitalplng.mem

Attachment

*Presentation to
James City County, Virginia*



*Current Financial Status and Effect
of Long Range Capital Financing*

March 22, 2005

Davenport & Company LLC



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Capital Improvement Program Funding

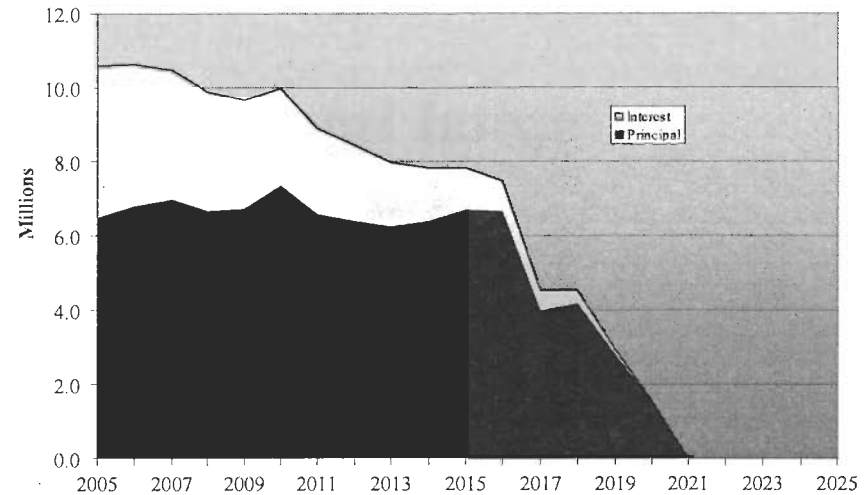


Existing Debt Service

Debt Service Requirements

	Principal	Interest	Total
	\$92,130,116	\$30,987,975	\$123,118,092
2005	\$6,471,051	\$4,109,821	\$10,580,872
2006	6,775,460	3,833,885	10,609,344
2007	6,948,702	3,519,786	10,468,489
2008	6,660,257	3,230,779	9,891,036
2009	6,713,935	2,944,744	9,658,679
2010	7,332,900	2,651,432	9,984,332
2011	6,564,035	2,326,296	8,890,331
2012	6,366,290	2,052,941	8,419,231
2013	6,206,385	1,764,017	7,970,402
2014	6,371,300	1,455,329	7,826,629
2015	6,677,400	1,134,776	7,812,176
2016	6,645,400	819,531	7,464,931
2017	3,951,000	566,474	4,517,474
2018	4,158,000	357,082	4,515,082
2019	2,763,000	180,980	2,943,980
2020	1,525,000	40,103	1,565,103
2021	0	0	0
2022	0	0	0
2023	0	0	0
2024	0	0	0
2025	0	0	0

Total Existing Debt





Projects to be Analyzed

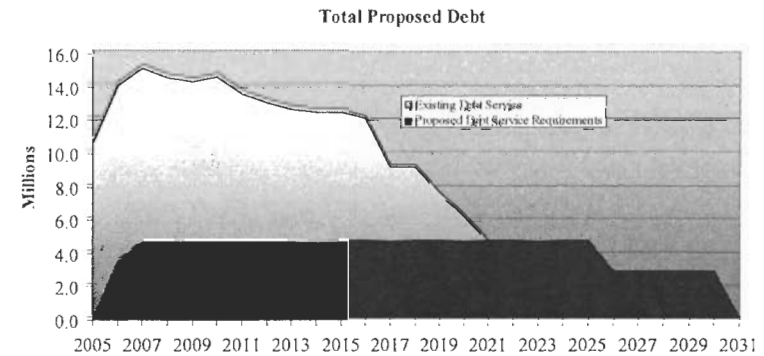
<u>Projects</u>	<u>Estimated Funding Required</u>	<u>Funding Timing</u>	<u>Amortization</u>	<u>Estimated Interest Rate Range</u>
↗ <i>New High School</i>	\$39,820,000	Spring 2005	25 Years Level Debt Service	3.20-5.25%
↗ <i>TNCC/Warhill Site work</i>	18,500,000	Spring 2005	20 Years Level Debt Service	3.30-5.25%
↗ <i>Student Services Building</i>	<u>3,800,000</u>	Spring 2005	20 Years Level Debt Service	3.30-5.25%
	\$62,120,000			



Existing & Proposed New Debt Service

Proposed Debt Service Requirements

	Principal	Interest	Total	Existing Debt Service	Total Debt Service
	\$61,925,000	\$44,149,225	\$106,074,225	\$123,118,092	\$229,192,317
2005	\$0	\$0	\$0	\$10,580,872	\$10,580,872
2006	1,465,000	2,022,490	3,487,490	10,609,344	14,096,834
2007	1,665,000	2,985,648	4,650,648	10,468,489	15,119,136
2008	1,725,000	2,926,633	4,651,633	9,891,036	14,542,669
2009	1,790,000	2,861,175	4,651,175	9,658,679	14,309,854
2010	1,860,000	2,793,250	4,653,250	9,984,332	14,637,582
2011	1,935,000	2,720,345	4,655,345	8,890,331	13,545,676
2012	2,010,000	2,642,080	4,652,080	8,419,231	13,071,311
2013	2,100,000	2,555,755	4,655,755	7,970,402	12,626,157
2014	2,180,000	2,465,565	4,645,565	7,826,629	12,472,194
2015	2,285,000	2,369,215	4,654,215	7,812,176	12,466,391
2016	2,390,000	2,265,365	4,655,365	7,464,931	12,120,296
2017	2,495,000	2,153,753	4,648,753	4,517,474	9,166,226
2018	2,645,000	2,009,170	4,654,170	4,515,082	9,169,252
2019	2,795,000	1,855,893	4,650,893	2,943,980	7,594,873
2020	2,955,000	1,693,925	4,648,925	1,565,103	6,214,028
2021	3,130,000	1,522,688	4,652,688	0	4,652,688
2022	3,310,000	1,341,308	4,651,308	0	4,651,308
2023	3,470,000	1,178,455	4,648,455	0	4,648,455
2024	3,645,000	1,007,733	4,652,733	0	4,652,733
2025	3,830,000	823,843	4,653,843	0	4,653,843
2026	2,210,000	630,618	2,840,618	0	2,840,618
2027	2,325,000	516,803	2,841,803	0	2,841,803
2028	2,440,000	397,065	2,837,065	0	2,837,065
2029	2,570,000	271,405	2,841,405	0	2,841,405
2030	2,700,000	139,050	2,839,050	0	2,839,050
2031	0	0	0	0	0





CIP Debt Affordability



CIP Debt Affordability - Key Assumptions

- **Existing Debt Service as of January 1, 2005.**
- **Final Year of 2¢ for Capital is Fiscal Year 2007**
- **Assumes Budgeted Debt Service Grows at 4-5% each year.**
- **Debt Service Fund used to Offset Debt Service Peaks.**



Tax Impact Analysis

A	B	C	D	E	F	G	H
TOTAL DEBT SERVICE REQUIREMENTS				TOTAL REVENUES AVAILABLE			
	(B + C)				(E + F)		(G - D)
Fiscal Year	Existing Debt Service	Estimated New Debt Service	Existing and Proposed Debt Service	Estimated Revenues Available	Use of Debt Service Fund	Revenues Available for Debt Service	Additional Funding Needed
2005	\$10,630,872	\$0	\$10,630,872	\$12,690,000	\$0	\$12,690,000	\$0
2006	10,759,344	3,487,490	14,246,834	13,752,000	494,834	14,246,834	0
2007	10,543,489	4,650,648	15,194,136	14,504,000	690,136	15,194,136	0
2008	9,966,036	4,651,633	14,617,669	13,650,000	967,669	14,617,669	0
2009	9,733,679	4,651,175	14,384,854	14,140,000	244,854	14,384,854	0
2010	10,059,332	4,653,250	14,712,582	14,550,000	162,582	14,712,582	0
2011	8,965,331	4,655,345	13,620,676	14,938,000	0	14,938,000	0
2012	8,494,231	4,652,080	13,146,311	15,538,000	0	15,538,000	0
2013	8,045,402	4,655,755	12,701,157	16,138,000	0	16,138,000	0
2014	7,901,629	4,645,565	12,547,194	16,738,000	0	16,738,000	0
					\$2,560,075		\$0



Tax Impact Analysis

- **No additional Tax Rate Increase Needed to Fund Capital.**

Keys:

- **Board Dedication of 2¢ toward Capital Alleviated Potential Tax Rate Increase in the Future.**
 - **Usage of Debt Service Fund**
- **Operational Funding of Projects still to be Addressed.**



Tax Impact Analysis

➤ What happens when the 2007 and 2009 projects are added?

<u>Projects</u>	<u>Estimated Funding Required</u>	<u>Funding Timing</u>	<u>Amortization</u>	<u>Estimated Interest Rate</u>
➤ Parks & Recreation	\$15,000,000	Spring 2006	20 Years Level Debt Service	6.00%
➤ New Elementary School and other School Projects	20,000,000	Spring 2007	25 Years Level Debt Service	6.00%
➤ New Middle School	<u>20,000,000</u>	Spring 2009	25 Years Level Debt Service	6.00%
	\$55,000,000			



Tax Impact Analysis

A	B	C	D	E	F	G	H
TOTAL DEBT SERVICE REQUIREMENTS				TOTAL REVENUES AVAILABLE			
(B + C)				(E + F)			(G - D)
Fiscal Year	Existing Debt Service	Estimated New Debt Service	Existing and Proposed Debt Service	Estimated Revenues Available	Use of Debt Service Fund	Revenues Available for Debt Service	Additional Funding Needed
2005	\$10,630,872	\$0	\$10,630,872	\$12,690,000	\$0	\$12,690,000	\$0
2006	10,759,344	3,487,490	14,246,834	13,752,000	494,834	14,246,834	0
2007	10,543,489	5,659,248	16,202,736	14,504,000	1,698,736	16,202,736	0
2008	9,966,036	7,139,933	17,105,969	13,650,000	3,455,969	17,105,969	0
2009	9,733,679	7,561,775	17,295,454	14,140,000	3,155,454	17,295,454	0
2010	10,059,332	8,726,950	18,786,282	14,550,000	692,666	15,242,666	(3,543,616)
2011	8,965,331	9,153,145	18,118,476	14,938,000	0	14,938,000	(3,180,476)
2012	8,494,231	9,148,580	17,642,811	15,538,000	0	15,538,000	(2,104,811)
2013	8,045,402	9,151,155	17,196,557	16,138,000	0	16,138,000	(1,058,557)
2014	7,901,629	9,144,765	17,046,394	16,738,000	0	16,738,000	(308,394)
					\$9,497,659		(\$10,195,855)

- **2¢ Additional would need to be Dedicated for Construction of Capital Projects from 2008 to 2012 and another 1¢ in 2013. Does not include any additional costs for annual operations.**



CIP Impact on Key Debt Ratios & Comparison with Selected Virginia Counties



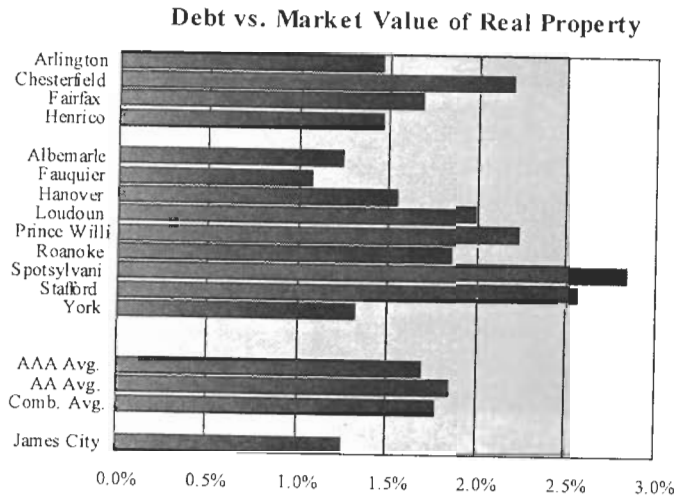
Comparison of Selected Virginia Counties

	2004 Population	Ratings	
		Moody's	S&P
<u>"AAA" Counties</u>			
<i>Arlington County</i>	193,200	<i>Aaa</i>	<i>AAA</i>
<i>Chesterfield County</i>	281,300	<i>Aaa</i>	<i>AAA</i>
<i>Fairfax County</i>	1,007,400	<i>Aaa</i>	<i>AAA</i>
<i>Henrico County</i>	279,600	<i>Aaa</i>	<i>AAA</i>
<u>"AA" Counties</u>			
<i>Albemarle County</i>	90,100	<i>Aaa</i>	<i>AA+</i>
<i>Fauquier County</i>	61,500	<i>Aa2</i>	<i>A+</i>
<i>Hanover County</i>	94,800	<i>Aa1</i>	<i>AA</i>
<i>James City County</i>	53,952	<i>Aa3</i>	<i>AA</i>
<i>Loudoun County</i>	241,800	<i>Aaa</i>	<i>AA+</i>
<i>Prince William County</i>	344,000	<i>Aa2</i>	<i>AA+</i>
<i>Roanoke County</i>	88,200	<i>Aa2</i>	<i>AA</i>
<i>Spotsylvania County</i>	112,000	<i>Aa3</i>	<i>AA</i>
<i>Stafford County</i>	114,900	<i>Aa3</i>	<i>Aa-</i>
<i>York County</i>	61,500	<i>Aa2</i>	<i>AA</i>

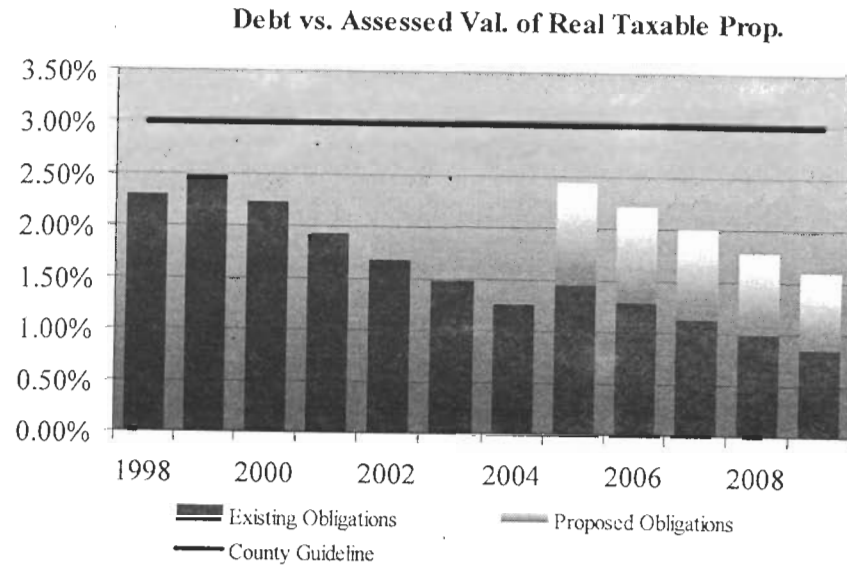


Debt Ratios with Existing & Proposed Debt Service

Current Policy: Debt Outstanding Should Not Exceed 3% of Assessed Valuation of Real Taxable Property.



Source: Comprehensive Annual Financial Reports, 2004.



Assessed Value: 5 Year Growth 7.42%
 Future Growth Projection 4.95%

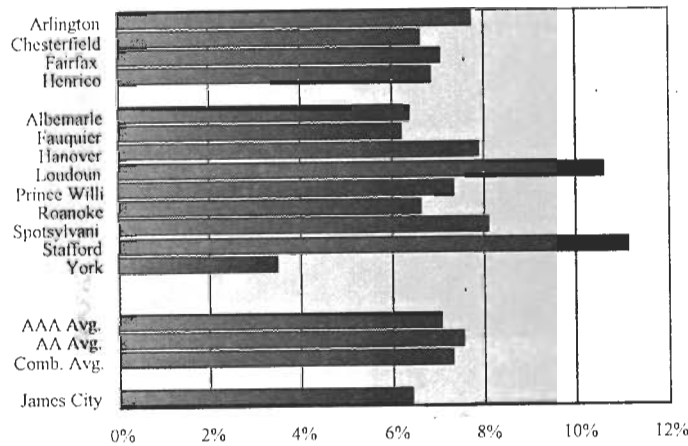
	<u>2007</u>	<u>2009</u>	<u>2011</u>
Remaining Debt Capacity	\$70,690,000	\$108,890,000	\$148,960,000



Debt Ratios with Existing & Proposed Debt Service

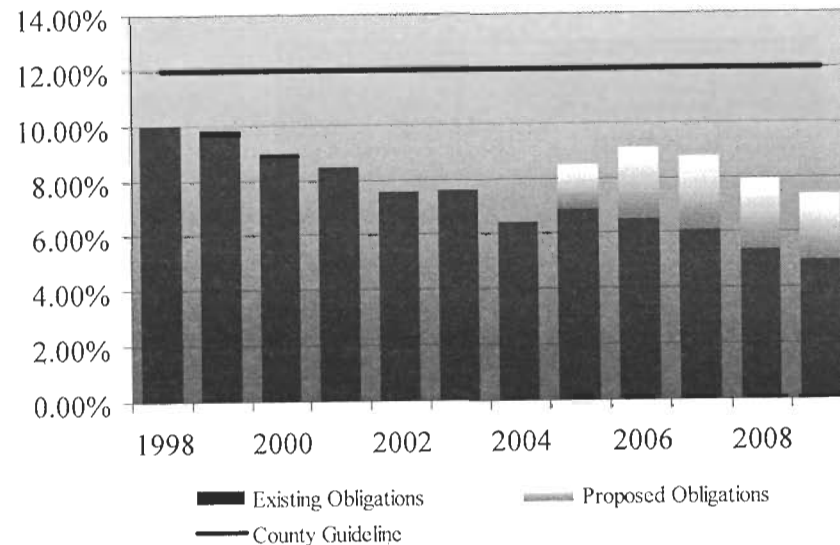
Current Policy: Debt Service as a Percentage of Revenues Should Not Exceed 12 percent.

Debt Service as a % of Revenues



Source: Comprehensive Annual Financial Reports, 2004.

Debt Service vs. Revenues



Revenues: 5 Year Growth 7.39%
 Future Growth Projection 6.00%

	2007	2009	2011
Remaining Debt Capacity	\$162,350,000	\$153,590,000	\$144,820,000

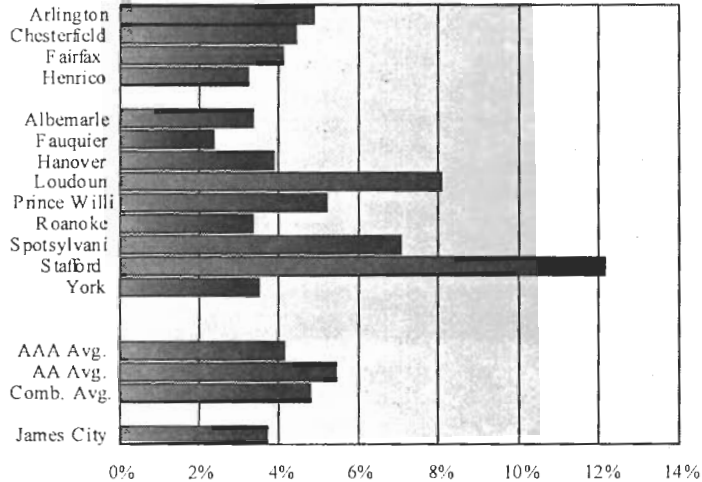
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Debt Ratios with Existing & Proposed Debt Service

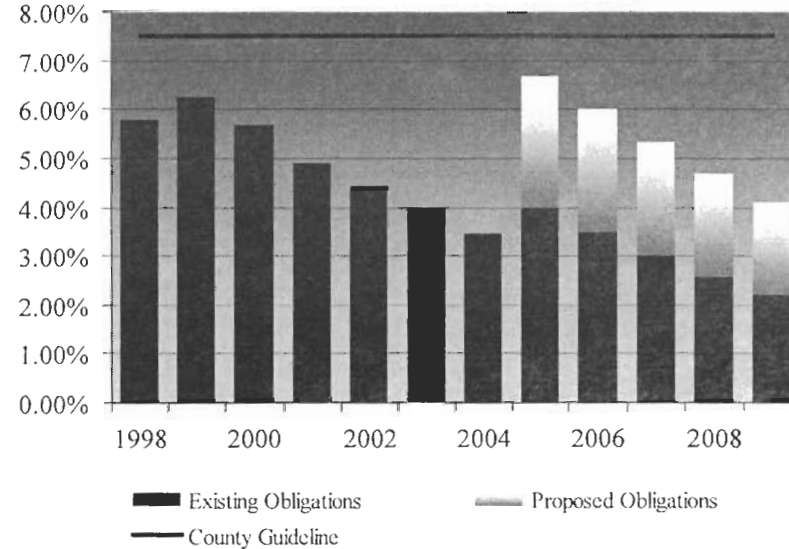
Current Policy: Debt vs. Income Should Not Exceed 7.5%

Debt vs. Total Personal Income



Source: Comprehensive Annual Financial Reports, 2004.

Debt vs. Income



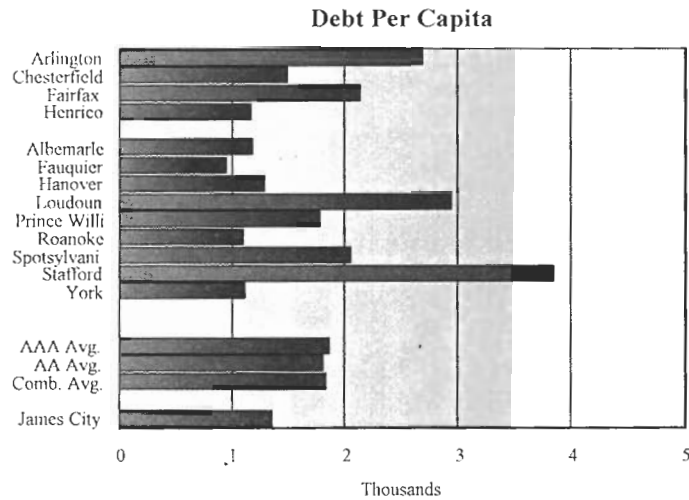
Income: 5 Year Growth 3.70%
 Future Growth Projection 3.70%

	<u>2007</u>	<u>2009</u>	<u>2011</u>
Remaining Debt Capacity	\$57,880,000	\$101,180,000	\$148,740,000

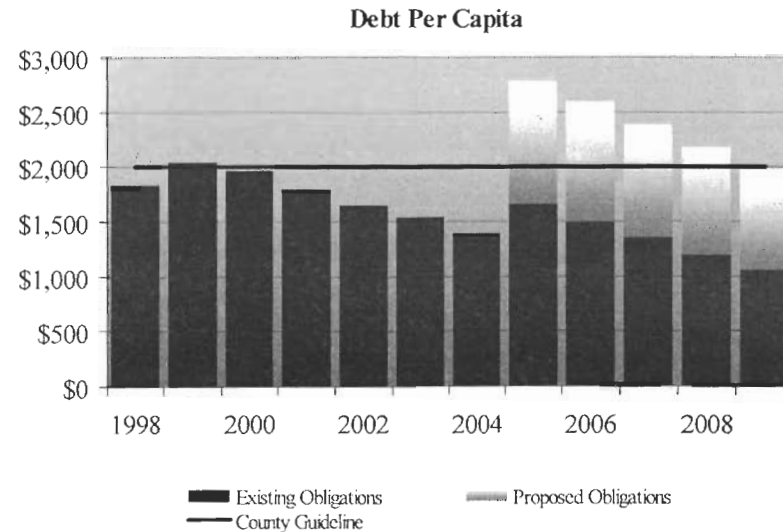


Debt Ratios with Existing & Proposed Debt Service

Current Policy: Debt per Capita Should Not Exceed \$2,000.



Source: Comprehensive Annual Financial Reports, 2004.



Population: 5 Year Growth 2.74%
 Future Growth Projection 2.74%

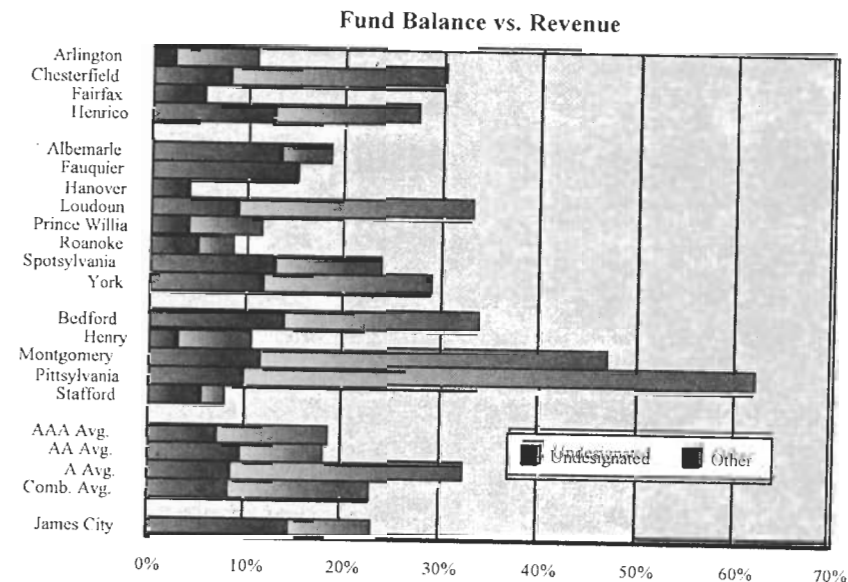
Remaining Debt Capacity	2007	2009	2011
	n/a	\$1,750,000	\$26,050,000



Fund Balance Designated for Fiscal Liquidity

Current Policy: Fund Balance designated for Fiscal Liquidity equal to no less than 8%, with a target of 12%, of the total operating budget.

	<u>Total Operating Revenue*</u>	<u>Fiscal Liquidity</u>	<u>Fiscal Liquidity as a % of Revenues</u>
2000	\$107,049,734	\$8,824,904	8.24%
2001	\$115,811,198	\$11,318,281	9.77%
2002	\$128,149,377	\$12,267,484	9.57%
2003	\$131,552,134	\$13,127,031	9.98%
2004	\$146,620,455	\$13,864,878	9.46%



Note: Undesignated also includes Fiscal Liquidity figures.

* General Fund plus Component Unit Schools.



Greenspace/Open Space Financing

Question: If the Board Redirected 1¢ from the Debt Service Fund to Greenspace/Open Space Financing How Much Could be Financed?

Answer: Beginning in FY 2006 the Board could finance \$5.7 million. If it waited until FY 2009 that amount could be a little over \$7.0 million. If the Board issued \$5.7 million in FY 2006 it could add another \$2.3 million in FY 2011 (\$8.0 million less \$5.7 million). This assumes a 10 year financing at 4.5% and the value of a penny growing at 7% per year.

<u>Fiscal Year</u>	<u>1¢ Grown at 7% per year</u>	<u>Borrowing Capacity at any given year</u>
2006	\$725,000	\$5,736,721
2007	775,750	6,138,291
2008	830,053	6,567,972
2009	888,156	7,027,730
2010	950,327	7,519,671
2011	1,016,850	8,046,048
2012	1,088,030	8,609,271
2013	1,164,192	9,211,920
2014	1,245,685	9,856,754
2015	1,332,883	10,546,727



Financing Schedule

- **April 26**
 - **County Board Meeting to Approve Documents and Parameters Resolution for the GO and Lease Revenue Bond Sale.**
Ask EDA to be Issuer of Lease Revenue Bonds.
- **Post April 26**
 - **EDA will meet to approve Documents and Parameters Resolution for Lease Revenue Bonds.**
- **April 28-29**
 - **Rating Agencies Tour the County.**
- **By May 16th**
 - **Ratings Received.**
- **May 16**
 - **Preliminary Official Statement Printed and Mailed.**
- **May 24**
 - **GO Bond Sale.**
- **May 25**
 - **Lease Revenue Bond Sale.**
- **June 9**
 - **Closing and Investment of Funds.**

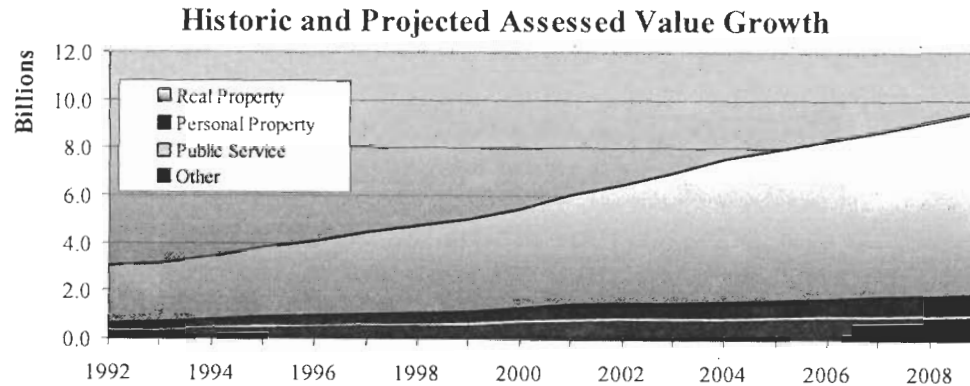
All Dates are Preliminary and subject to change.



Appendix



Historic and Projected Assessed Value Growth

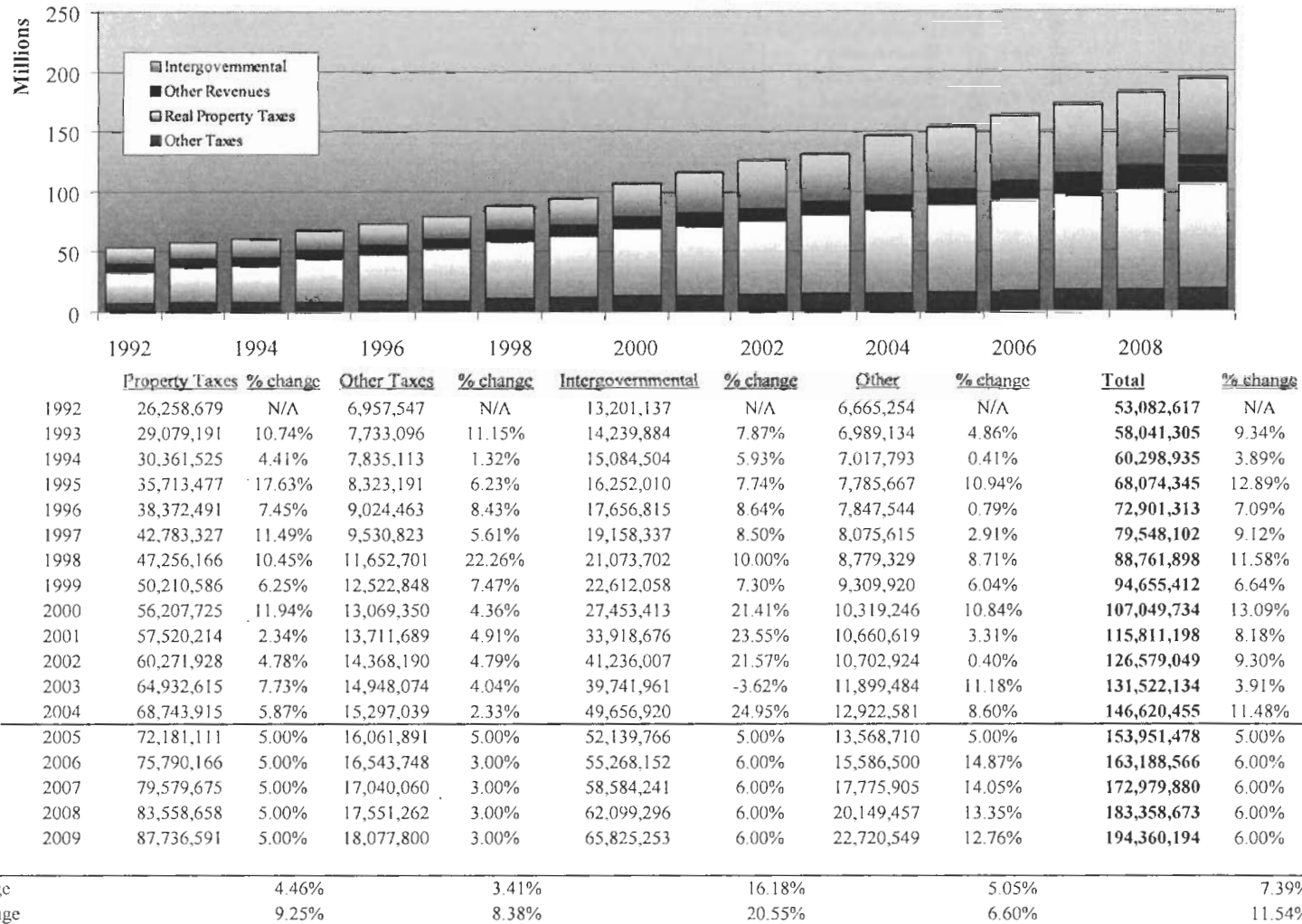


	<u>Real Property</u>	<u>% change</u>	<u>Personal Property</u>	<u>% change</u>	<u>Public Service</u>	<u>% change</u>	<u>Other</u>	<u>% change</u>	<u>Total</u>	<u>% change</u>
1992	\$2,396,309,200	N/A	\$221,715,103	N/A	\$96,762,494	N/A	\$318,477,597	N/A	\$3,033,264,394	N/A
1993	2,495,077,700	4.12%	239,120,013	7.85%	108,113,430	11.73%	347,233,443	9.03%	3,189,544,586	5.15%
1994	2,627,964,000	5.33%	286,320,401	19.74%	123,814,834	14.52%	410,135,235	18.12%	3,448,234,470	8.11%
1995	2,890,167,090	9.98%	325,746,537	13.77%	126,513,888	2.18%	452,260,425	10.27%	3,794,687,940	10.05%
1996	3,115,601,694	7.80%	359,787,791	10.45%	128,984,942	1.95%	488,772,733	8.07%	4,093,147,160	7.87%
1997	3,443,111,310	10.51%	391,877,787	8.92%	132,276,794	2.55%	524,154,581	7.24%	4,491,420,472	9.73%
1998	3,650,018,119	6.01%	399,249,984	1.88%	140,757,498	6.41%	540,007,482	3.02%	4,730,033,083	5.31%
1999	3,901,523,500	6.89%	422,071,919	5.72%	140,747,498	-0.01%	562,819,417	4.22%	5,027,162,334	6.28%
2000	4,185,440,000	7.28%	500,618,775	18.61%	145,841,491	3.62%	646,460,266	14.86%	5,478,360,532	8.98%
2001	4,585,882,700	9.57%	583,751,601	16.61%	150,801,630	3.40%	734,553,231	13.63%	6,054,989,162	10.53%
2002	4,983,279,400	8.67%	599,119,465	2.63%	163,054,266	8.13%	762,173,731	3.76%	6,507,626,862	7.48%
2003	5,457,560,000	9.52%	602,841,268	0.62%	165,415,976	1.45%	768,257,244	0.80%	6,994,074,488	7.48%
2004	6,024,565,600	10.39%	614,647,310	1.96%	163,577,218	-1.11%	778,224,528	1.30%	7,581,014,656	8.39%
2005	6,325,793,880	5.00%	645,379,676	5.00%	167,555,730	2.43%	812,935,406	4.46%	7,951,664,692	4.89%
2006	6,642,083,574	5.00%	677,648,659	5.00%	171,631,008	2.43%	849,279,667	4.47%	8,340,642,908	4.89%
2007	6,974,187,753	5.00%	711,531,092	5.00%	175,805,404	2.43%	887,336,496	4.48%	8,748,860,745	4.89%
2008	7,322,897,140	5.00%	747,107,647	5.00%	180,081,329	2.43%	927,188,976	4.49%	9,177,275,092	4.90%
2009	7,689,041,997	5.00%	784,463,029	5.00%	184,461,253	2.43%	968,924,282	4.50%	9,626,890,562	4.90%
5-yr Average		8.79%		4.56%		2.43%		4.08%		7.42%
10-yr Average		10.85%		8.87%		2.93%		7.21%		10.21%



Historic and Projected Revenue Growth

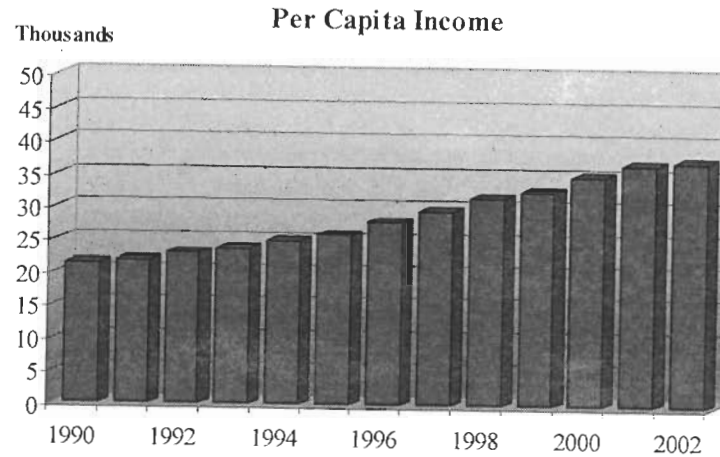
Historic and Projected Revenues, by Source





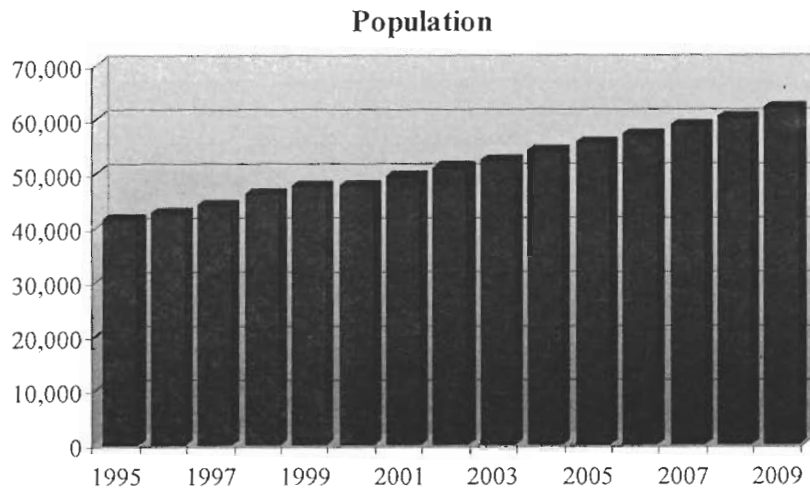
Historic and Projected Per Capita Income

Per Capita		
Year	Income	% Change
1992	22,937	N/A
1993	23,671	3.20%
1994	24,800	4.77%
1995	25,783	3.96%
1996	27,846	8.00%
1997	29,424	5.67%
1998	31,496	7.04%
1999	32,664	3.71%
2000	34,825	6.62%
2001	36,719	5.44%
2002	37,322	1.64%
2003	38,703	3.70%
2004	40,135	3.70%
2005	41,619	3.70%
2006	43,159	3.70%
2007	44,756	3.70%
5-yr Average		3.70%
10-yr Average		5.77%





Historic and Projected Population Growth



<u>Year</u>	<u>Population</u>	<u>% Change</u>
1995	41,271	2.99%
1996	42,530	3.05%
1997	44,019	3.50%
1998	45,998	4.50%
1999	47,451	3.16%
2000	47,445	-0.01%
2001	49,256	3.82%
2002	50,858	3.25%
2003	52,303	2.84%
2004	53,952	3.15%
2005	55,432	2.74%
2006	56,952	2.74%
2007	58,515	2.74%
2008	60,120	2.74%
2009	61,769	2.74%

5-yr Average	2.74%
10-yr Average	3.07%

Source: 1995-2004 James City County 2004 CAFR, 2000 US Census Bureau