

**BOARD OF SUPERVISORS  
FINANCE/GOVERNMENT OPERATIONS AND  
ECONOMIC DEVELOPMENT COMMITTEE  
ACTION ITEM**

**SUBJECT:** **Advancement of Projects Included in Fall General Obligation Referenda**

**ELECTION DISTRICT:** Countywide

**STAFF CONTACTS:** John Sandy, County Administration  
Penny Newquist, Finance and Procurement  
Janet Romanchyk, Finance and Procurement  
Nicole Bradley, Finance and Procurement

**PURPOSE:** The purpose of this item is to provide the Board of Supervisors (Board) with background information on the timing of referendum questions and to recommend that general obligation (GO) financed projects advance to referendum to receive voter approval prior to receiving their appropriation.

**RECOMMENDATIONS:** **Staff** recommends that the Finance/Government Operations and Economic Development Committee (FGOEDC) recommend that the Board of Supervisors direct staff to advance the timeline for forwarding any proposed GO bond financed projects as part of the adopted Capital Improvement Program (CIP) to voter referendum. These projects would be targeted for voter referendum during the fiscal year prior to the fiscal year of the Board's appropriation for the each project as part of the Adopted CIP.

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**BACKGROUND:** During the budget process each year, the Board of Supervisors considers and approves various capital improvement projects which require the issuance of debt, local tax funding and/or other sources of financing. Within this funding plan, there are several general government and school capital projects of which the Board desires to use general obligation (GO) bond proceeds to finance over the course of each project. GO bonds are typically sold to finance government improvements benefiting the community as a whole.

GO bonds are secured by the full faith and credit and taxing authority of the County, and require a voter referendum to authorize the issuance of general obligation debt. Virginia Code §15.2-2610 governs the request for, and ordering of, a referendum to gain voter approval to sell general obligation bonds through a special election. Bonds authorized by a referendum may not be issued by a locality more than eight (8) years after the date of the referendum; however, this eight-year period may, at the request of the governing body of the locality, be extended by two additional years for up to ten years after the date of the referendum by order of the circuit court for the locality.

Most recently, the Board made a request to the circuit court for the extension of the County's 2007 referendum during its November 4, 2015 Board meeting to finance renovations to the Sterling Community Center, the Philomont Community Center and for school land purchases including one elementary school and one high school.

Prior to 2013, the County's referendum questions typically identified the specific projects for which approval was sought (and in some cases the specific amount for each project), without allowing for any flexibility in the use of GO bond proceeds for other similar type projects. At its July 3, 2013 meeting, the Board first approved referendum questions that added language to allow for a degree of flexibility in the use of general obligation bond proceeds for like projects.

Although specific projects are still identified, the new question format avoids the need for new referenda or borrowings due to unforeseen changes in the cost or description of projects, as well as allows the County to use excess bond proceeds towards like projects (i.e. other public safety facilities, other public school facilities). The flexibility in the referendum questions allows the Board to direct funds originally planned for renovation of a community center to go towards new construction, or allow funds from cost savings from building one school to be used towards improvements at another public school approved at referendum.

**ISSUES:** Current practice is to bring forward newly adopted projects proposed to be funded by GO bonds to referendum in November of that calendar year. For example, the FY 2017 CIP projects slated for GO financing and adopted in April 2016, would appear on the November 2016 referendum ballot. However, with the adoption of any CIP, the appropriation for these projects occurs on July 1<sup>st</sup> which allows spending to begin immediately.

The item recommends that capital improvement projects advance to referendum prior to their fiscal year of appropriation, or one fiscal year earlier. This change of practice would mean that FY 2018 projects formerly planned in the Adopted CIP (April 2016) for referendum in November 2017 would move to referendum in November 2016 with the FY 2017 projects. Attachment 1 lists the projects by fiscal year. The appropriation for the FY 2018 projects would begin in July 2017.

FY 2018 Projects proposed for November 2016 Referendum are as follows:

Hal & Berni Hanson Regional Park	\$31,845,000
Aldie Fire & Rescue Station Replacement	4,000,000
HS-9 Dulles South Area	<u>117,160,000</u>
Total FY 2018 Projects (2016 Referendum)	\$153,005,000

By gaining voter approval prior to the appropriation, the use of GO funding will be pre-approved, and in the event a project does not receive voter approval, sufficient time will be available to consider alternate funding sources. This change of practice does not impact the use of lease revenue bonds which does not require voter approval. Lease revenue bonds are subject to an appropriation pledge by the County; they are not secured by the full faith and credit and taxing authority of the County.

During staff review, a few questions were raised in determining the impact of advancing the GO funded projects to referendum prior to appropriation:

1. **How will an increase in project costs be funded?** As noted above, if a County or School project is delayed and thereby escalates the cost; or if it is experiencing unexpected cost overruns, the County may use excess bond proceeds, or authorized but unissued debt capacity, if available and allowable. Attachment 2 provides a detailed analysis of the County's authorized and unissued referendum authority. Each project approved by referendum is included along with the amounts previously issued. The remaining balance represents the unissued referenda authority. It should be noted that most referenda questions prior to FY 2013 were project specific; and therefore the remaining referenda authority is not available to be used for other purposes.

Other alternate funding sources such as bond premium, lease revenue bonds, proffers, local tax funding, Virginia Public School Authority (VPSA) bonds (for school projects) or other financing vehicles may be evaluated. This situation also occurs under our current practice.

2. **If a referendum question fails, what options are available to fund projects?** School projects may be sold through VPSA with some limitations. Any project that is the subject of a failed referendum which has not been reversed by a subsequent successful referendum, may be eligible for consideration. This may happen only if both the County's governing body and School Board have approved resolutions stating that the project(s) are essential and that **one** of the following has occurred:

- a) the resolutions have been unanimously approved by both the County and School Board, or
- b) at least two years have passed since the referendum, or
- c) The Virginia Department of Education has determined that an emergency exists for the project(s).

In addition, other financing vehicles may be available for both County and School projects that have failed at referendum including lease revenue bonds. Investors may demand higher interest rates, or a one-notch reduction in the County's bond rating in this circumstance (e.g. one-notch off the County's typical AA+ rating for its lease revenue bonds would be an Aa rating). Again, this situation exists regardless of the timing of the referendum. However, advancing the date of the referendum provides additional time for the County to consider alternatives should a referendum question fail.

3) **How will unanticipated additions to the CIP be handled?**

Should a new project be appropriated prior to a referendum, that project may be added to the fall referendum question, or funded using another financing vehicle such as lease revenue bonds or VPSA funding for schools. Another alternatives would be the use of local tax funding, proffers or another non-debt source of funding for the project until it passes referendum as an exception to the County's fiscal policy, which requires restricted funds such as bond proceeds to be spent first.

4) **How will the size of the referendum be communicated?**

There may be concern that by consolidating two years of general obligation backed debt the amount to be approved by the voters is greater than the average total amount from prior referenda. Staff is aware of this concern and will be working with Public Affairs and Communication on an plan that addresses this change of practice.

**FISCAL IMPACT:** None.

**DRAFT MOTIONS:**

I move the Board of Supervisor direct staff to advance the timeline for seeking referendum approval for projects in the adopted Capital Improvements Program (CIP), which are anticipated to be financed through general obligation bonds, by including such projects in the County's annual referendum request in the year before funding appropriation for the project is scheduled for appropriation in the CIP.

OR

I move an alternative motion.

**ATTACHMENTS:**

- Attachment 1. Projects Recommended for Fall 2016 Referendum
- Attachment 2. Authorized Unissued Debt Analysis

**PROJECTS RECOMMENDED FOR FALL 2016 REFERENDUM**

**ATTACHMENT 1**

<b>FY 2017 PROJECTS</b>	<b>Adopted CIP</b>	<b>Referenda Amount</b>
<b>Parks &amp; Recreation and Library Services Projects</b>		
Ashburn Rec & Community Ctr	44,270,000	<u>44,270,000</u>
<b>Public Safety Projects</b>		
Station 20 Leesburg VFD Expansion	4,000,000	
Lovettsville Fire Station Replacement	<u>13,500,000</u>	<u>17,500,000</u>
<b>Transportation Projects</b>		
Shelhorn Rd	8,000,000	
Braddock/Supreme/Summerall	2,000,000	
Rt. 7/Route 690 Interchange	<u>8,000,000</u>	<u>18,000,000</u>
<b>Schools</b>		
ES-28 Dulles South	38,770,000	
ES Three Classroom Additions-Dulles	16,320,000	
MS-7 Dulles South Area	<u>60,820,000</u>	<u>115,910,000</u>
	<b>FY 2017 Total</b>	<u><b>195,680,000</b></u>

<b>FY 2018 PROJECTS</b>	<b>Adopted CIP</b>	<b>Referenda Amount</b>
<b>Parks &amp; Recreation and Library Services Projects</b>		
Hal & Berni Hanson Regional Park	31,845,000	<u>31,845,000</u>
<b>Public Safety Projects</b>		
Aldie Fire Rescue Station Repl	4,000,000	<u>4,000,000</u>
<b>Schools</b>		
HS-9 Dulles South Area	117,160,000	<u>117,160,000</u>
	<b>FY 2018 Total</b>	<u><b>153,005,000</b></u>
	<b>Grand Total</b>	<u><b>348,685,000</b></u>

**Grand Total by Function**

<b>Parks &amp; Recreation and Library Services Projects</b>	76,115,000
<b>Public Safety Projects</b>	21,500,000
<b>Transportation Projects</b>	18,000,000
<b>Schools</b>	<u>233,070,000</u>
	<u><b>348,685,000</b></u>

**ANALYSIS OF PROJECTS APPROVED AT REFERENDA  
WITH OUTSTANDING BONDS TO BE ISSUED**

PROJECT	REFERENDUM AMOUNT APPROVED	AMOUNT PREVIOUSLY ISSUED	AMOUNT AUTHORIZED AND UNISSUED
<b>2007 Referendum</b>			
Renovation of five existing community centers (Extended)	13,510,000	8,700,000	4,810,000
Design, construct and equip Western Loudoun Sheriff Substation (Expired)	8,330,000	6,935,000	1,395,000
Purchase Land including water and sewer for two elementary schools and one high school (Extended)	15,475,000	8,000,000	7,475,000
<b>SUBTOTAL 2007</b>	<b>\$37,315,000</b>	<b>\$23,635,000</b>	<b>\$13,680,000</b>
<b>2008 Referendum</b>			
Cost to design, construct and equip Route 9 and 671 Area Fire & Rescue Station	8,585,000	5,285,000	3,300,000
Cost to design, construct and equip Ashburn/Dulles ES-20	21,810,000	20,810,000	1,000,000
Cost to design, construct and equip Dulles Area HS-7	82,235,000	65,825,000	16,410,000
<b>SUBTOTAL 2008</b>	<b>\$112,630,000</b>	<b>\$91,920,000</b>	<b>\$20,710,000</b>
<b>2010 Referendum</b>			
Cost to design, construct and equip Leesburg Area ES-15	27,820,000	22,229,763	5,590,237
<b>SUBTOTAL 2010</b>	<b>\$27,820,000</b>	<b>\$22,229,763</b>	<b>\$5,590,237</b>
<b>2011 Referendum</b>			
Cost to acquire fire and rescue capital apparatus	3,000,000	2,693,475	306,525
Cost to design, construct and equip Moorefield Station ES-16; Ashburn Area ES-22; Ashburn Area MS-6; Ashburn Area HS-8; and Park View High School Renovation	169,620,000	133,169,000	36,451,000
<b>SUBTOTAL 2011</b>	<b>\$172,620,000</b>	<b>\$135,862,475</b>	<b>\$36,757,525</b>
<b>2012 Referendum</b>			
Cost to acquire and equip fire and rescue capital apparatus	\$2,750,000	\$2,537,762	212,238
Loudoun Valley Estates II High School HS-6	\$81,215,000	\$69,815,000	11,400,000
Dulles South Elementary School ES-21	\$28,820,000	\$27,000,000	1,820,000
Loudoun Valley High School Renovation	\$26,115,000	\$21,235,000	4,880,000
<b>SUBTOTAL 2012</b>	<b>\$138,900,000</b>	<b>\$120,587,762</b>	<b>\$18,312,238</b>
<b>2013 Referendum</b>			
Upgrade irrigation systems of athletic fields; costs of the Dulles South Multi-Purpose Center, Lovettsville District Park and other public park facilities	\$34,255,000	\$8,020,000	26,235,000
Improvements of Belmont Ridge Road and other public roads	\$3,180,000	\$0	3,180,000
Acquire and equip fire and rescue capital apparatus; costs of a new Lucketts Fire Station and other public safety facilities	\$14,175,000	\$880,000	13,295,000
Costs of Mercer MS addition; Freedom High School addition; upgrades to Loudoun County High School stadium; and other public school facilities	\$10,755,000	\$9,325,000	1,430,000
<b>SUBTOTAL 2013</b>	<b>\$62,365,000</b>	<b>\$18,225,000</b>	<b>\$44,140,000</b>

**ANALYSIS OF PROJECTS APPROVED AT REFERENDA  
WITH OUTSTANDING BONDS TO BE ISSUED**

PROJECT	REFERENDUM AMOUNT APPROVED	AMOUNT PREVIOUSLY ISSUED	AMOUNT AUTHORIZED AND UNISSUED
<b>2014 Referendum</b>			
Design and construct an animal shelter, acquire fire and rescue apparatus, acquire land for Sterling Park Rescue Squad & Sterling Volunteer FD Replacement Station; and design, construct & equip Sterling Volunteer FD Replacement Station and other public safety facilities	\$34,690,000	\$4,010,000	30,680,000
Relocate, renovate, expand and equip Sterling Library; renovate and equip Sterling Community Center; and other public park, recreational and library facilities	\$10,935,000	\$4,850,000	6,085,000
Design, construct and equip ES-27 & MS-9 , Dulles North; Advanced Technology Academy and other public school facilities	\$162,900,000	\$25,000,000	137,900,000
<b>SUBTOTAL 2014</b>	<b>\$208,525,000</b>	<b>\$33,860,000</b>	<b>\$174,665,000</b>
<b>2015 Referendum</b>			
Design, construct and equip ES-31 & HS-11, Dulles North and other public school projects	\$150,995,000	\$0	150,995,000
Acquire fire and rescue apparatus and other public safety projects	\$2,940,000	\$0	2,940,000
<b>SUBTOTAL 2015</b>	<b>\$153,935,000</b>	<b>\$0</b>	<b>\$153,935,000</b>
<b>TOTAL REFERENDUM OUTSTANDING</b>	<b>\$914,110,000</b>	<b>\$446,320,000</b>	<b>\$467,790,000</b>

Prepared 3/31/16; Department of Finance and Procurement