

FY 2021-2022 Virginia Beach Budget Response to Council Questions

Question Number: 18

Question:

18a. What impact does the School's requested use of \$69 million have in the City's Debt metrics?

18b. Why was the School's CIP included in your proposed budget?

18c. Why was this information not shared as a part of the discussion at the retreat?

18d. What is your assessment of granting School's the requested borrowing capacity increase?

Date Requested: 3/26/21

Requested By: Councilmember Moss

Department: Budget

Response:

18a. The inclusion of the additional bonds within the Schools CIP has a minimal impact on the City's debt indicators. The table below displays the impact of this debt usage on the City's metrics.

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Net Debt Per Capita (\$3,000)						
With Additional Schools' Debt-Budget Base	2,349	2,673	2,767	2,796	2,802	2,766
Without Schools' Additional Use	2,331	2,629	2,691	2,687	2,663	2,569
	\$ 18	\$ 44	\$ 76	\$ 109	\$ 139	\$ 197
Net Debt Per Capita Income: (6.5%)						
With Additional Schools' Debt-Budget Base	3.90%	4.40%	4.50%	4.40%	4.40%	4.20%
Without Schools' Additional Use	3.90%	4.30%	4.30%	4.30%	4.10%	3.90%
	0.00%	0.10%	0.20%	0.10%	0.30%	0.30%
Net Debt Per Assessed Value: (3.5%)						
With Additional Schools' Debt-Budget Base	1.68%	1.86%	1.88%	1.85%	1.81%	1.74%
Without Schools' Additional Use	1.67%	1.83%	1.83%	1.78%	1.72%	1.61%
	0.01%	0.03%	0.05%	0.07%	0.09%	0.13%
% of Debt Service to General Govt Expenditures (10%)						
With Additional Schools' Debt-Budget Base	8.2%	8.2%	8.3%	8.1%	7.7%	7.4%
Without Schools' Additional Use	8.2%	8.1%	8.2%	7.9%	7.5%	7.1%
	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%

Question Number: 18 (cont.)

18b. The City Manager’s Proposed CIP has always included the Schools CIP request. Next year during the Budget Guidance workshops for the FY 2022-23 Operating Budget and CIP, we will work to seek better clarification from City Council with respect to its expectation on how to handle the Schools’ Superintendent’s Estimate of Needs (SEON), including specifically how best to handle Schools’ CIP requests.

18c. At the retreat, staff mentioned it; however, it is apparent that more emphasis was needed, and we will do a better job of communicating these requests from Schools in the future.

18d. Schools’ primary source of funding in the CIP is \$32.5 million in GO Bonds which has remained at the same level since FY 2014-15. Debt service payments for the issuance of School debt is covered by VBCPS through their discretionary use of the revenue from the revenue sharing formula. Any future debt issuance associated with their requested increase of PFRBs would also be covered through revenue they receive through that formula. From an operating budget standpoint School’s will be responsible for these future debt payments.

There is a historical precedent for the Schools to request PFRBs to fund school modernization and replacement projects. Below is a table of programmed PFRB usage for the past five fiscal years in the Schools’ CIP. Please note, only year one of the CIP is appropriated, and all other years are included for planning purposes only and may change in the next year’s adopted CIP.

Schools CIP							
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY2020-21	FY 2021-22	Total
Adopted FY 2017 PRFB	\$ 20,000,000	\$ 13,000,000	\$ -	\$ 15,000,000	\$ -	\$ -	\$ 48,000,000
	FY 2017-18	FY 2018-19	FY 2019-20	FY2020-21	FY 2021-22	FY 2022-23	Total
Adopted FY 2018 PRFB	\$ 18,000,000	\$ 5,000,000	\$ 20,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	\$ 53,000,000
	FY 2018-19	FY 2019-20	FY2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Adopted FY 2019 PRFB	\$ 5,000,000	\$ 20,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -	\$ 35,000,000
	FY 2019-20	FY2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Adopted FY 2020 PRFB	\$ 20,000,000	\$ 5,000,000	\$ 5,000,000				\$ 30,000,000
	FY2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Adopted FY 2021 PRFB	\$ 15,000,000						\$ 15,000,000
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
Proposed FY 2022 PRFB	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 12,000,000	\$ 12,000,000	\$ 84,000,000