



ALBEMARLE COUNTY BOND REFERENDUM 2016

FREQUENTLY ASKED QUESTIONS

GENERAL BOND/FINANCIAL QUESTIONS

1. What is a bond?

Virginia law allows the County of Albemarle (the County) to incur debt and borrow money by issuing bonds. A bond is a type of financial instrument that creates an obligation of the bond issuer, which in this case would be the County, to repay the money it has borrowed. Bonds are a tool used by federal, state, and local governments to raise money to finance capital projects such as the construction of new buildings, or improvements to existing buildings.

If the bond referendum is approved by the voters, the County will be authorized to issue (sell) bonds to individual or institutional investors. The proceeds from the sale of the bonds are the money borrowed by the County. The County, in turn, promises to repay the amount borrowed over time, with interest, to the investors. The periodic repayment of the bond proceeds to the investors over time allows a locality to spread the costs of capital projects over multiple years and multiple generations of taxpayers.

If the referendum is approved by the voters, the type of bond that the County would sell would be a general obligation bond, which is secured by a pledge of the full faith and credit and full taxing power of the County. General obligation bonds, because they are perceived by the market as lower risk investments, typically have a lower interest cost to the issuer compared to other types of bonds.

2. Why is a general obligation bond referendum being proposed?

Before the County may incur a debt from the sale of general obligation bonds, Virginia law requires that a referendum be held and that a majority of the voters authorize the County to incur the debt and borrow the money, except for bonds to be sold to the Virginia Public School Authority. The ballot will state the question (see the answer to General Bond/Financial Question 4, below) for the voters to decide, and the voters will be asked to vote "Yes" or "No."

3. How does borrowing money through the sale of general obligation bonds save money for County taxpayers?

The County's financial advisors have informed the County that borrowing money through the sale of general obligation bonds will likely provide the least expensive financing to pay for the proposed public school project categories identified in the answer to Question 12, below. Because a general obligation bond is backed by the full faith and credit of the bond issuer (the County), the bond is deemed by investors to have a relatively low risk for default (or, put another way, a very high probability of repayment in-full). This allows the bond to be issued at the most competitive interest rate, saving the County money compared to other forms of financing.

4. What is the exact question will be on the ballot in November?

The following question will be included on the ballot:

"Shall the County of Albemarle, Virginia, contract a debt and issue general obligation bonds in the maximum aggregate principal amount of \$35,000,000 for the purpose of providing funds, in addition to any other available funds, to finance the costs of improvements to Albemarle County public schools including designing, building, expanding, and renovating school properties, including new buildings and additions, renovations, and improvements to existing buildings, installing new furnishings and equipment in the public schools, and the related costs to issue the bonds and to reimburse the County for temporary financing? [] YES [] NO"

5. If the bond referendum is approved by the voters, how will my real property taxes be affected?

If the four identified public school project categories are financed by the bond proceeds, it may be necessary for the Board of Supervisors to increase the real estate tax rate by the equivalent of approximately 1.3 cents. This increase will fund all project-related costs including capital, operating, and debt service from the bond referendum. If \$35,000,000 principal amount of bonds are sold, the estimated average annual debt service payment would be approximately \$2.4 million for 20 years.

Albemarle County's current real estate tax rate is \$0.839 per \$100 of assessed value. For the median home value in Albemarle County (\$285,000), a 1.3 cent real estate tax increase would increase the annual real estate tax bill by \$37.05.

6. What would the impact of the bond referendum be on the County's AAA credit rating?

Albemarle County is one of only 49 counties nationwide to have achieved a AAA credit rating from all three rating agencies – Fitch, Moody's, and Standard and Poor's. The bond referendum itself is not expected to have an adverse impact on the County's credit rating. The County's financial advisors have worked closely with the County in preparing for this referendum to decrease any risk to the County's high credit rating. The County is well-below established debt policy benchmarks presently and the bond referendum would not cause the County to exceed those policy limits.

7. How would the bond referendum, if approved by the voters, affect other capital projects in the County?

The County plans for capital projects through the Capital Improvement Plan (CIP). The approved CIP for Fiscal Years 2017-2021 includes funding for the Courts project and all other capital projects that have been approved as part of the adopted Fiscal Year 2017 budget. The voters' approval of the referendum will not adversely impact other County capital projects in the adopted CIP, although issuing general obligation bonds for the projects described in the answer to Question 12 could impact the County's capacity for future borrowing.

8. What are the consequences if the bond referendum is rejected by voters?

If the voters do not approve the bond referendum, the County will not be able to use general obligation bonds to finance the four school projects in the referendum. An alternative form of financing would need to be identified or the scope and timing of the projects would need to be altered.

9. If the bond referendum is approved, when will the money be spent?

A successful bond referendum does not automatically translate into immediate bond issuance or appropriation of funds received from the sale of the bonds. The Board of Supervisors will examine economic conditions, the budget, and other factors when weighing and voting on individual bond issuance decisions. The voters' approval of a bond referendum question is only the first step of the

process. All projects that will be funded by the proceeds from the sale of the bonds will be subject to discussion and consideration on an annual basis as part of future budgets and Capital Improvement Plans (CIP) before the Board authorizes any bond sales. Bonds authorized by a referendum may not be issued by the County more than 8 years after the date of the referendum. This 8-year period may be extended an additional 2 years by the Circuit Court upon request by the Board of Supervisors.

10. Can proceeds from the sale of the bonds be used for projects other than those that have been identified?

Proceeds from the sale of the bonds are required to be spent on capital projects that are within the scope of the public school projects identified in the ballot question. While the language of the question refers generally to public school projects, the School Board and the Board of Supervisors have identified four specific projects that are expected to be funded by the bond proceeds. To spend the funds on projects other than the four public school project categories identified in the answer to Question 12, below, the Board of Supervisors would have to first determine that any proposed new project was within the scope of the ballot question, approve the project, and then appropriate the funds accordingly.

11. On what date will the bond referendum be held?

The bond referendum will be held on November 8, 2016, which is the same date as the general election. Voters voting in the general election will have the opportunity to vote on the bond referendum at the same time.

PROJECT-SPECIFIC QUESTIONS

12. What projects are within the scope of the bond referendum and what are their costs?

The referendum asks voters to approve the borrowing of up to \$35 million for public school projects. The School Board and Board of Supervisors currently expect to use the bonds to finance projects within the following four categories:

- Approximately \$2.9 million to build security improvements at four schools: Baker-Butler Elementary, Scottsville Elementary, Henley Middle, and Murray High.
- Approximately \$15.2 million for Woodbrook Elementary that would add an estimated 16 new classrooms to alleviate overcrowding at Woodbrook, Agnor-Hurt, and Greer elementary schools, add space for the potential expansion of the preschool program,

modernize the schools' existing classrooms, and add a full-size gymnasium that will be available for not only the students, but also the larger community.

- Approximately \$10.9 million for updating nearly 100 of the School Division's 850 classrooms, impacting about 25 of its 26 schools. These include classrooms that have not been improved in 25 years, many of which lack natural light or are not configured for the energy and electricity requirements of a contemporary learning environment.
- Approximately \$6 million for the addition of an estimated three science laboratories and the modernization of approximately seven existing labs at Western Albemarle High School, allowing the new Environmental Studies Academy at that school to operate at full capacity.

13. How were the projects selected?

Each year, the School Board and staff work with a citizens' advisory committee to develop an updated Capital Improvement Program for schools. The advisory committee is comprised of community volunteers who represent every magisterial district. The committee reviews enrollment projections, instructional needs, and current facility conditions, as well as residential and commercial development in Albemarle County and financing and construction alternatives to determine which capital projects to recommend to the School Board. The School Board evaluates these recommendations, can make revisions, and prioritizes each project in order of importance and urgency. In May, 2016, the School Board adopted a resolution requesting that the Board of Supervisors ask the Albemarle County Circuit Court to order an election on the question stated in the answer to Question 4, above.

Among the factors that determined the projects to be included within the scope of this bond referendum were:

- Current and projected enrollment;
- How best to reduce use of trailers for classrooms;
- Demographics that impact school facilities and classroom conditions across the school system; and
- A 2014 classroom condition assessment that determined that most classrooms do not meet current educational requirements.

14. Why are there only school projects being proposed for this bond referendum?

The Board of Supervisors is in the process of identifying strategic objectives that will determine the priority of local government projects to be considered for possible future general obligation bond financing. The Board's

timeline did not permit projects to be included in the 2016 bond referendum. The selected school projects were deemed urgent and consistent with already established School Board priorities.

15. Why are the selected projects necessary now?

These projects have been recommended by the School Division's Long-Range Planning Citizens Advisory Committee for several years, and they address needs that have become more urgent over time. A second Citizens Advisory Committee has recommended that the current overcapacity in schools could not be resolved through a redistricting process. The modernization program would upgrade classrooms (some of which are more than 25 years old) that no longer are compatible with the contemporary learning needs of students.

Student enrollment has increased by more than 1,000 since the last new public school opened in Albemarle County in 2002. Under current space allocations, one-third of all students now attend schools that are overcrowded and this percentage is expected to exceed 50 percent in a few years if no new school capacity is added.

16. How did this overcrowding happen?

Albemarle County's consistent population growth and significant constraints in its capital budget dating back to the recession have combined to create substantial pressure in meeting public service needs. The County's population was 68,000 in 1990 but is projected to exceed 115,000 in 2020.

The core services of government, including but not limited to public safety and education, have been significantly challenged to keep pace with this steady expansion. Many school facilities and resources, such as science labs, have not been updated or expanded since the parents of today's children were in school; in some cases, since their grandparents were students.

17. Why not move students from overcrowded schools to schools that are not overcrowded through redistricting?

In the 2013/14 school year, students were redistricted from Agnor-Hurt Elementary School to Broadus Wood, Woodbrook, and Greer elementary schools. In 2015 a redistricting committee looked at redistricting options for Greer and found no reasonable solutions. In October 2015, the committee concluded the following in its final report: "After exhausting all redistricting options, the committee could not find a viable solution they could recommend to solve the overcrowding at Greer.



Options were removed for consideration based on factors that varied from the receiving school not having sufficient capacity, or the number of students was not sufficient to provide adequate relief, or the demographics of a neighborhood were such that it would actually increase the economically disadvantaged levels at Greer.” At this point, available classroom space is not sufficient to resolve all overcrowding and what space is available is not in locations that would make redistricting viable.

18.If Albemarle High School is overcrowded, why isn't the School Division planning to use bond financing to build a new high school?

Albemarle High School's overcrowding solutions are being studied now and recommendations for a long-term solution will be reviewed by the Long-Range Planning Advisory Committee and then reviewed and approved by the School Board in the coming year. The topic is complex and warrants a detailed study. In the meantime, the School Division has been forced to bring back trailers to the school for the first time in eight years and at an estimated cost of \$750,000 over five years.

19. Would my local school benefit if this bond referendum is approved?

Every school with the exception of Red Hill Elementary School is expected to benefit from the upgrades that will address deficiencies in nearly 100 classrooms across all schools. A modernization of Red Hill's classroom and media center is already underway and will be complete during the 2016/17 school year.

20.How will these projects benefit taxpayers who don't currently have children in public schools?

These projects will improve school facilities widely used by the community. In addition to their instructional use, school facilities serve the community as meeting spaces and centers for civic and recreational and fitness use. The School Division estimates that during the 2014-15 school year, more than 13,000 community events were held at school facilities that were attended by nearly two million persons. These totals do not include athletic or recreational activities scheduled by the County's Parks & Recreation Department. Among organizations that benefited from community use were:

- PTOs;
- Churches;
- Boy and Girl Scouts;
- Public safety meetings;
- Community/neighborhood meetings; and
- Community leagues for youth soccer, basketball and baseball.

VOTE TUESDAY, NOV. 8

This November 8, a question will appear on the general election ballot asking voters to vote YES or NO on whether Albemarle County should issue General Obligation Bonds to finance improvements at 25 of the County's 26 public schools.

Albemarle County encourages its citizens to vote. Find links to important voter information, such as how to register to vote, find your polling location, or request an absentee ballot, on the website at Albemarle.org/BondReferendum.

SCHEDULE A SPEAKER

If you would like a speaker to discuss the 2016 Bond Referendum at your next meeting or event, call 434-975-9330 or email bondreferendum@k12albemarle.org.

FOR MORE INFORMATION

web www.albemarle.org/BondReferendum
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