2021 Bond Referendum
FAQs – Frequently Asked Questions

Notice to the Spotsylvania Community

Four bond referendum questions will be on this year's ballot for the November 2, 2021 election. The questions will relate to the possible issuance of General Obligation Public Improvement Bonds to fund capital projects for Public Schools, Transportation, Public Safety, and Parks and Recreation purposes.

If your questions are not answered within these FAQs, you are invited to send questions regarding the bond referendum to: bondreferendum@spotsylvania.va.us

Watch this space! Additional questions or clarifications may be added in response to community questions and concerns. **THANK YOU!**

FAQ Contents

2021 Bond Referendum
FAQs – Frequently Asked Questions

1. **Question:** What is the timeframe used when determining the amount of the referendum?
   Answer: Bond referendum authority allows the County to issue bonds for eight years beyond the date of the referendum. Additionally, the Circuit Court may grant another two years beyond the initial eight years, for a maximum total of 10 years. County staff generally considered expected capital needs for the eight-year time period of fiscal year (FY) 2023 through FY 2030 when determining the amounts included in each category of the 2021 referendum questions.

2. **Question:** What are bonds? How do they work? Do we have to pay them back?
   Answer: Bonds are a financing tool. Specifically, bonds are loans the County takes out to pay for capital projects. The bonds (loans) are repaid through principal and interest payments that generally occur every six months. These principal and interest payments are often referred to as "debt service."

3. **Question:** What types of bonds are used by the County?
   Answer: The County typically uses General Obligation bonds and Lease Revenue bonds for general capital projects. For water and sewer project, the County uses Water/Sewer Revenue bonds.

4. **Question:** What distinguishes General Obligation (GO) bonds from other types of bonds?
   Answer: Under Virginia law, GO bonds require voter approval in order to be available as a financing option to the Board of Supervisors (the "Board"). Lease Revenue and Water/Sewer Revenue bonds do not require voter approval before they may be considered and used by the Board to finance certain types of projects. Because the County has AAA/AAA/Aa1 bond ratings from Fitch, Standard & Poor's and Moody's, respectively, the County generally may obtain lower interest rates on GO bonds than through other financing methods when cash is not available for projects. GO bonds are backed by the County's full faith and credit.

5. **Question:** If the Board can use other financing options, why have a referendum at all?
   Answer: Virginia law requires that a referendum be held in which Spotsylvania voters vote YES or NO to authorize GO bonds as a financing option available to the Board. Voters have the opportunity to vote either YES or NO on each of the questions. If the majority votes YES on a question, then the Board will be authorized to sell GO bonds for the purpose described in the ballot question. If the majority votes NO on a question, the County cannot issue GO bonds to finance the purpose described in the question, but would instead need to find alternative methods to fund the projects.

6. **Question:** How much of the bonds authorized by the 2001, 2005, 2006, and 2014 referenda has been issued?
   Answer:

Referendum	Authorized	Issued	Unissued Balance
2001	$30,000,000	$29,764,045	$235,955 - expired
2005	$277,697,252	$165,751,344	$111,945,908 - expired
2006	$64,346,695	$64,346,695	$0
2014	$241,422,467	$160,302,916	$81,119,551
Total	**$613,466,414**	**$420,165,000**	**$193,301,414**

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7. **Question:** What projects were funded by bonds issued from the 2001, 2005, 2006, and 2014 referenda?
   Answer: Capital projects completed or in progress from the 2001, 2005, 2006, and 2014 referenda include:

Previous Bond-Funded Public Schools Projects
• 1 new elementary school – Cedar Forest Elementary
• 4 elementary additions/renovations – Courthouse Road Elementary; Harrison Road Elementary; Parkside Elementary; and Riverview Elementary
• 1 new middle school – Post Oak Middle
• 1 middle school addition/renovation – Spotsylvania Middle
• 1 high school addition/renovation – Courtland High
• John J. Wright addition/renovation
• New maintenance warehouse
• Various capital maintenance projects
• Technology upgrades/replacements
• New/replacement buses

Previous Bond-Funded Public Parks & Library Projects
• 1 new park – Patriot Park
• Salem Church Library addition

Previous Bond-Funded General Government & Public Safety Projects
• 2 new Fire/Rescue stations – Salem Fields (Co. 10); and Lee Hill (Co. 11)
• 4 replacement Fire/Rescue stations – Courthouse (Co. 1); Partlow (Co. 3); Four Mile Fork (Co. 4); and Chancellor (Co. 5)
• Bunkroom addition at Salem Church Road (Co. 6) station
• Replacement schedules for ambulances and fire apparatus
• Animal Shelter addition and renovation
• New Circuit Court building
• New Public Safety building
• Judicial Center renovation
• Public Safety Building addition
• Replacement Public Safety/Computer-Aided Dispatch System

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Previous Bond-Funded Transportation Projects
• Multiple intersection improvement projects[1]
• Paving of "poor" and "fair" unpaved roads[2]
• Roadways and bridge in area of new hospital[3]
• Massaponax Church Road improvements
• Towles Mill Road
• New VRE station/parking area
• Grand Brooks Road resurfacing
• Jones Powell Road improvements
• Roadway improvements at Massaponax and Harrison Crossing[3]
• Various improvements at two I-95 interchanges (Exits 118 & 126)
• Removal of Rt. 3 bumpouts
• Roundabout – Old Plank & Chancellor roads
• Bloomsbury Road improvements
• Transportation improvements in area of new VA clinic

[1]Intersection improvement projects include: Chancellor/Gordon, Harrison/Rt. 1, Mine/Falcon/Spotsylvania, Smith Station/Courthouse, Harrison/Kingswood/Beauclaire, Mine/Hardwood/Campbell, Mine/Lansdowne, Hickory Ridge/Rt. 1, and Thornton Rolling/Rt. 17.

[2]Improvements to roads ranked "poor" were completed on Ham's Ford Road, Sunnybrooke Farm Road, Tribble Road, Pepper Tree Road, Glady Fork Road, and Stewart Road. Improvements to roads ranked "fair" were completed or are in progress/planned for Lanes Corner Road, Belfonte Road, Williams Lane, Haley's Mill Road, Spotswood Furnace Road, Woolfolk Road, Sullivan Road, Mastin Lane, Parker Lane, Mallard Point Lane, Ryland Payne Road, Wigglesworth Road, and Dovey Road.

[3]Debt service on these projects funded through special taxes applied to Special Service Districts.

8. **Question:** By how much has the real estate tax rate been adjusted since 2001 to fund annual principal and interest payments on County bonds?
   Answer: When taking into account equalized rates, the real estate tax rate has been increased by a total of $0.2261 since 2001. Three of those 22.61 pennies have been specifically designated by the Board of Supervisors for debt service stemming from the 2001 and 2005 bond referenda. If we were to look at the debt service existing in the current fiscal year (FY 2022) because of bonds issued from the 2001, 2005, 2006, and 2014 referendum, that amount is $29.9 million or 18 cents on the real estate tax rate. However, revenues other than the real estate tax support debt service as well, so there is not necessarily a one-to-one relationship between debt service and changes in the real estate tax rate. County staff uses the real estate tax rate equivalent as a gauge.

   (**Note:** The equalized rate in a reassessment year is the real estate tax rate that, when applied to new real property assessed values excluding new construction, would yield 101% of revenues that the previous real estate tax rate yielded on the previous assessed values. Every two years, the

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Commissioner of the Revenue's Office of Real Estate Assessments conducts a general reassessment of all real property. Updated assessments take effect in January of even numbered years.)

9. **Question:** Since the County has not used all the money authorized by the 2014 referendum, can it use that balance for these new projects instead of having another referendum?
   Answer: The balance remaining in the 2014 referendum is planned for expenditure and was taken into account (netted out) in determining the amount needed to fund the projects contemplated in the November 2021 referendum. For example, the maximum dollar figure in the Transportation referendum question would be $47 million higher if there was not $47 million in existing bonding authority remaining from the 2014 referendum question for Transportation.

10. **Question:** Why doesn't the County pay cash for the projects instead of going into debt to pay for them?
    Answer: Where cash is available, the County does pay cash for certain projects. However, if the County were to pay cash for all projects, it would take time to accomplish the projects as cash is being saved for them over time. If paying cash for time-sensitive projects needed in the near-term, the tax rate and budget may have to be adjusted upwards to incorporate the cash funding of the projects. Such adjustments might vary annually. Instead, the use of bonds as a financing tool spreads the cost of major projects over time and ensures that both current and future users of the projects ultimately share in the costs of those projects.

11. **Question:** If the bond referendum passes, does that guarantee that the full amount of bonds will be issued and all of the projects will be done?
    Answer: No. Before bonds are issued, the Board of Supervisors is assisted by County staff in reviewing whether the issuance of bonds is affordable. Bonds cannot be sold until the Board of Supervisors determines to adopt a resolution authorizing the sale of bonds. The sale of bonds is tied to the County's annual budget and Capital Improvement Plan (CIP) process. As such, all projects in the referendum will be up for discussion and consideration on an annual basis as part of future budgets and CIPs before the Board of Supervisors authorizes any bond sales. Additionally, there are public hearings each Spring on the budget and CIP under consideration by the Board of Supervisors at which time citizens are welcome to speak about bonds or any matters related to the public hearing topic.

    Bond affordability is analyzed by County staff before projects are placed in the budget/CIP for the Board of Supervisor's review and consideration. The County's fiscal policies include a number of policies concerning debt. One of those policies requires that the County's debt service to expenditures ratio to be less than 12% with a goal of not more than 10% by the close of FY 2025. Calculations and projections of debt service to expenditures and other debt ratios for multiple years are considered into the future. If the County is found to be nearing the 10% goal, projects may be shifted out a few years in time, where possible, or eliminated altogether. Another gauge of affordability that must be assessed is whether or not the revenue projected for the budget is sufficient to cover existing principal and interest payments (debt service) as well as the debt service that will come from the issuance of any new bonds.

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12. **Question:** If the referendum fails, does that mean none of the projects will be done?
Answer: No, not necessarily. The County's fiscal policies require new construction of facilities that exceed available budgeted funds to be subject to voter approval. All other types of projects – projects that are not construction of new facilities – may be completed without voter authorization.

To the extent any of the identified projects are new construction, facilities that exceed available budgeted funds are subject to voter approval. However, certain projects specified in the referendum questions are not new facility construction, but rather are maintenance of existing assets (for example, school buildings, fire trucks, ambulances, school buses), which may move forward regardless of the outcome of the referendum. Should the referendum fail, County staff would seek other available funding options for the other-than-new-construction projects.

13. **Question:** Will the bonds be issued all at once? What's the timeframe for issuance?
Answer: The bonds are not anticipated to be issued all at once. The timeframe for issuance of these bonds is over the course of the eight-year period from FY 2023 through FY 2030. The County would not expect to issue the bonds until work on the particular project being financed is expected to occur. Borrowing money and paying interest costs now for a project expected to occur two years from now is unlikely. If the County were to issue all the bonds at one time, that action would cause violation of the County's debt ratio policies and would not be supported by enough annual revenue to pay the debt service on the new bonds.

14. **Question:** What are the debt ratio policies? Why are they important? What is the maximum that could be issued while the County maintains its debt ratios?
Answer: The County's debt ratio policies are as follows:

- Net debt as a percentage of estimated taxable market value should not exceed 3%;
- The ratio of debt service expenditures as a percent of governmental fund expenditures should not exceed 12%. The County will work towards reducing this ratio to not more than 10% by the end of FY 2025; and
- The County's 10-year tax-supported debt and lease payout ratio should be maintained at or above 65% at the end of each adopted five-year CIP.

Virginia law does not establish legal debt limits for counties. However, based on guidance from the bond rating agencies and advice from the County's financial advisors, the Board of Supervisors adopted voluntary debt ratio policies, initially in 2000 (and the Board has amended those polices periodically based on advice from the County's financial advisors and staff), all as a means to secure a AAA bond rating for the County and keep debt in check relative to the overall County budget. These ratio policies set boundaries on debt.

Based on existing debt and on assumptions of out-year expenditures and projected growth in assessed values, the maximum additional referendum authority for which bonds could be issued while maintaining these ratios is estimated at $402.8 million over the next eight years.

15. **Question:** Why doesn't the County use proffers to pay for some of these projects?
Answer: The County cannot forecast the timing of receipt of proffers. Proffers must be "in hand" before they are applied to a project. If one or more proffers are available when the time comes to

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place a particular project in the annual budget/CIP, the County may assume the use of proffers to reduce the amount of bonds (or other type of funding) needed for the project(s).

16. **Question:** What is the potential tax rate impact assuming the maximum amount of bonds on each referendum question is issued?
Answer:

Category	Amount	Potential Tax Rate Impact	
		Gross D.S.	Net D.S.
Transportation	$101.7M	$0.05	$0.04
Public Safety	$32.2M	$0.02	<$0.01
Schools	$206.8M	$0.11	$0.03
Parks & Recreation	$58.0M	$0.03	$0.03
Total	**$398.7M**	**$0.21**	**<$0.11**

"D.S." stands for debt service

17. **Question:** What's the difference between the gross and net potential impacts on the tax rate? Why are you showing two sets of numbers?
Answer: The "Gross D.S." numbers reflect the real estate tax rate equivalent of the full debt service (annual principal and interest) if bonds totaling the maximum amount in each question were to be issued. The gross numbers do not account for the declining nature of existing debt service, which amounts are already known based on existing amortization schedules for bonds that have been sold previously. The "Net D.S." numbers factor in the known decline in existing debt service over time.

18. **Question:** Explain why there is such a significant difference between the gross and net potential tax rate impacts for the Schools category.
Answer: Existing Schools debt service will decrease by approximately $17.0 million over the next eight years. At its highest point, the estimated debt service on all $206.8 million included in the referendum for Schools equates to 11 pennies on the real estate tax rate. However, if we were to factor in the $17.0 million decline in existing debt service, the net impact to Schools debt service would equate to 3 pennies on the real estate tax rate.

19. **Question:** Why are you referring only to the real estate tax rate? What about other taxes? Will those be impacted by these bonds, as well?
Answer: For reference purposes, County staff refers to the cost of County expenditures in terms of the real estate tax equivalent. In reality, other tax rates such as personal property could be adjusted instead of or in addition to the real estate tax rate. It also could be the case that natural increases in revenue from sales, meals, recordation and other taxes are sufficient to cover all or a portion of the added costs of debt service in any given year. If the referendum questions are approved by voters, and funding debt service associated with the new bonds becomes part of the annual budget, another consideration could be reducing other government expenses to offset the increase in debt service. Every year County staff and, ultimately, the Board determine what steps to take to balance the budget. Funding of debt service is one of many variables that must be weighed by County staff

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and the Board as part of the decision-making process associated with balancing any given annual budget.

20. **Question:** How can I calculate the potential change in my tax bill if the referendum questions are approved by voters?
Answer: We have created and made available an online calculator for this purpose at https://www.spotsylvania.va.us/2219/Potential-Impact-on-Tax-Bill. Alternately, you can manually calculate the impact on your bill using the following template as a guide. Note that this template assumes the current 2021 average residential taxpayer assessed value of $234,624. The assessed value of your property may vary from the average. Your assessed value can be found on the real estate tax bill sent to you in May 2021 and may also be found online at https://www.spotsylvania.va.us/502/Assessment-Office.

Substitute your assessed value for the $234,624 shown in the calculations below. *Note that these are based on the use of gross, not net debt service. The online calculation will make both assumptions available to you to consider.*

Bond Question	Pennies to Fund Principal & Interest	Calculation of Individual Impact	Potential Tax Bill Impact
Schools	$0.11	(Assessed value ÷ 100) x $0.11 = ($234,624 ÷ 100) x $0.11 = $2,346.24 x $0.11 =	$258.09
Transportation	$0.05	(Assessed value ÷ 100) x $0.05 = ($234,624 ÷ 100) x $0.05 = $2,346.24 x $0.05 =	$117.31
Public Safety	$0.02	(Assessed value ÷ 100) x $0.02 = ($234,624 ÷ 100) x $0.02 = $2,346.24 x $0.02 =	$46.92
Parks & Recreation	$0.03	(Assessed value ÷ 100) x $0.03 = ($234,624 ÷ 100) x $0.03 = $2,346.24 x $0.03 =	$70.39
Total	**$0.21**		**$492.71**

21. **Question:** If funds approved for a particular referendum category are not used, can they be used for another referendum category?
Answer: No. Funds from any particular referendum category can be used for expenditures only within that category (for similar projects). For example, suppose the fire trucks planned in the Public Safety category end up costing $1 million less than currently projected. By law, that $1 million savings can be used for ambulances or other Public Safety-type projects referenced in the Public Safety question, but cannot be used for Schools, Transportation, or any purpose other than Public Safety projects.

It should be noted that the Schools, Transportation and Public Safety questions are written so as to allow the Board of Supervisors flexibility to use the funds for projects similar to those outlined in the category's question, in the event that the County's CIP and related funding priorities change in the

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future. On the contrary, the Parks & Recreation question limits the issuance of the bonds to fund the construction and equipping of an indoor swimming and fitness facility.

22. **Question:** If other revenue sources increase, can those increased revenues be used to offset future tax increases to pay the debt service?
Answer: Yes. Also, the Board of Supervisors could decide to reduce other expenditures to free up additional funds to pay all or a portion of debt service increases. Funding of debt service is one of many variables that must be weighed by County staff and the Board as part of the decision-making process associated with balancing any given annual budget.

23. **Question:** Would the County issue 20-year bonds to finance a piece of equipment with an expected 8-year useful life?
Answer: No. Federal tax law requires that the County align the term of the bonds issued with the expected economic life of the various projects being financed. For example, due to the varying life expectancies of projects and equipment for which bonds are expected to be issued in Summer 2021, the County will issue 5-year, 7-year, 10-year, 12-year, 15-year, and 20-year bonds.

24. **Question:** Why would a voter choose yes on this for higher taxes?
Answer: The County is not able to advocate for a vote one way or the other on the referendum questions. Instead, the County can present facts for voters to consider as they determine how they will vote. These facts relate to your question:

    - A “no” vote on any referendum question does not necessarily prohibit the applicable projects from being completed. For example, some projects, such as major maintenance on school buildings and replacement of fire trucks, ambulances and school buses may, if the Board so determines, move forward regardless of the outcome of the referendum.
    - The use of bonds as a financing tool spreads the cost of major projects over time and ensures that both current and future users of the projects being financed ultimately share in the costs of those projects.
    - Because of its exceptional bond ratings, the County generally may obtain lower interest rates on General Obligation (GO) bonds than through other financing options, when cash is not available for projects. These interest costs, regardless of whether attributable to GO bonds or other higher interest rate financing options, are generally paid for by the revenue received from local real estate taxes, local personal property taxes and other local sources.
    - Under Virginia law, GO bonds require voter approval to be available to the County as a financing option.
    - We have provided data showing the potential real estate tax rate/tax bill impacts ***if*** 100% of the GO bonds authorized in the referendum are sold and ***if*** the Board chooses to pay for the principal and interest on those GO bonds through adjustment to the real estate tax rate. However, the Board could decide to use increased revenue from other sources or could decide to reduce other expenditures to free up funds to pay all or a portion of any increased principal and interest on any GO bonds authorized by and issued under the referendum. Funding of principal and interest on any bonds is one of many variables that must be weighed by County staff and the Board as part of the decision-making process associated with balancing any given annual budget.

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