

July 3, 2017

Financial Projects of \$50M for School Building Program

The county financial advisors and I have ran a few scenarios on a potential \$50 million capital project which would be funded by debt. The financial advisors were a little more conservative than I but the numbers are still within an acceptable range this early in the analysis.

We recognized that in 2022 some final debt payments are made which releases about \$1.9 million in revenue and by 2023 amortization of the \$50 million would fully begin.

Needed in 2023

The amortization of \$50 according to bond counsel's estimates is a little over \$3 million. So \$3 million minus \$1.9 (revenue being released) equals \$1.1 million of needed additional funds. In this case around 8-10 cents in additional property tax or equivalent revenue would be needed in 2023.

Here is the bigger problem- according to bond counsel to service the \$50m debt (draw down basis) up until 2023 the county needs \$7 million, my estimates were \$6 million.

So to pay the interest on a draw down basis and then having to pay some principal, the county needs to establish revenue or transfers into the debt service fund of \$6-7 million for the next five (5) years.

Even if the 8-10 cents in property tax were approved (now) with an amendment of the tax rate resolution filed for consideration at our next meeting, the shortage would still around \$2 million.

In order to make obligations for operations or in this case capital projects the county must have established revenues to support either the project directly or obligations due to authorization of indebtedness.