



ROANOKE COUNTY

BOARD OF SUPERVISORS
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February 12, 2021

Donald T. Butzer
Chairman, Roanoke County School Board
5937 Cove Road
Roanoke, VA 24019

Dear Chairman Butzer,

I am in receipt of your letter dated January 28 and the drafts of letters that you indicated would be sent to the parents of students asking them to contact the Board of Supervisors to urge support for approximately \$91 million of expenditures for the construction of three schools to replace the Burton Center for Arts & Technology, W. E. Cundiff Elementary School and Glen Cove Elementary School. You further ask us to place a bond referendum on the November 2021 ballot for the replacement of Burton and ask us to also find a funding mechanism for the replacement of the two elementary schools. Nowhere in your correspondence is an estimate of impact on the tax rates if these projects were all funded simultaneously as you request. Therefore, I have asked our Administration and Finance staff to calculate the impact of \$91 million of debt on the property tax rate. Below is the analysis.

The chart below makes various interest rate assumptions for \$91 million for 20 years and level debt service:

Interest Rate Assumption	Annual Debt Payment(P&I) (20 Years)	Tax Rate Increase	New Tax Rate	Annual Increase to Homeowner
2.5%	\$5,837,389	\$.06263	\$1.15263	\$147.18
3.0%	6,116,629	.06563	1.15563	154.23
4.0%	6,695,939	.07184	1.16184	168.82
5.0%	7,302,075	.07835	1.16835	184.12
6.0%	7,933,795	.08513	1.17513	200.06

*Assumes median sales price of \$235,000

As you can see in the analysis, the annual debt service on the \$91 million of debt would cost in excess of \$5.8 million per year at an assumed interest rate and term of 2.5% for 20 years. This would equate to an increase in the property tax rate of over 6 cents per \$100 of assessed value and would increase the average homeowner's property tax by approximately \$150 per year. I and my fellow members of the Board of Supervisors believe that it would be highly unlikely that a majority of voters would support such a property tax increase in times of economic uncertainty caused by the COVID-19 pandemic.

Despite declining enrollment, the County Board of Supervisors has supported the School budget beyond what is required by the State and has actually exceeded what has been agreed to in policy developed in cooperation with the School Board. Some examples of this support are as follows:

- A Revenue Sharing Agreement is in place to support the operating budget for Roanoke County Public Schools (RCPS). In FY2021, the Schools received \$68.029 million or 41.8131% of net shared revenues. The County will be making a mid-year budget adjustment resulting in the Schools receiving an additional \$1.7 million.
- County Administration is recommending for FY2022 the percentage of 41.8131% remain the same for net shared revenues which will hold the Schools harmless during a time of declining enrollment. This will provide approximately \$837,000 more than the policy requires if approved by the Board of Supervisors.
- RCPS is allowed by policy to keep year-end surpluses and use for capital. This allows them to save cash to put towards capital projects. This policy is above the State Code requirement.
- Policies are also in place regarding the issuance of debt. Over a ten-year period, the Schools receives \$84 million and the County receives \$36 million of bond issue capacity. In FY2020 a 20% increase in the annual amount in debt issue was approved. This has been accomplished within the existing tax rate.
- Roanoke County allocated \$1.9 million in CARES funding to the Schools to assist with their response to the COVID-19 pandemic.

This information demonstrates the County's support and strong commitment to Roanoke County Public Schools. We, on the Board of Supervisors, have always placed funding education at the top of our priority list as we do know the importance of a quality education system for the well-being of our citizens and community.

Finally, as you know the issue of school capital improvements is a statewide as well as local issue that has been a focal point of discussions in the General Assembly for many years. Any real solution to increased capital funding for schools should be approached at the State level.

We would be happy to work with you to elevate this discussion in the General Assembly moving forward.

Sincerely,

A handwritten signature in black ink that reads "Jason Peters". The signature is fluid and cursive, with the first name "Jason" being more prominent than the last name "Peters".

Jason Peters
Chairman, Roanoke County Board of Supervisors

Cc: Daniel R. O'Donnell, County Administrator