County of Fairfax, Virginia

MEMORANDUM

DATE: JAN 19 2016

TO: Board of Supervisors

FROM: Edward L. Long Jr.
County Executive

SUBJECT: County Bond Ratings

At the December 2, 2015 Board of Supervisors meeting, staff requested Board action to approve a resolution and the necessary documents to proceed with the County's General Obligation Bond Sale Series 2016A. As part of the bond sale process, the County requested and received bond ratings from all three rating agencies. The County's triple-A bond rating was affirmed by Standard & Poor's, Fitch Ratings, and Moody's Investors Service. Standard & Poor's and Fitch reaffirmed the stable outlook for the County. I am also very pleased to note that Moody's revised its outlook on the County from negative to stable. As cited in the report, one of the main reasons behind the return to stable outlook was the Board's "recently strengthened comprehensive fiscal policies," in addition to the County's "large and diverse tax base with socioeconomic indices that are well above average, and reasonable debt burden with manageable future borrowing plans."

As the Board will recall, in January 2014, Moody's maintained the County's Aaa bond rating, but revised the outlook from stable to negative. The reasons cited for this action were concerns over the County's structural imbalance, reserve balances and pension liability funding. During the FY 2016 Advertised Budget Plan, several recommendations were presented and subsequently adopted by the Board to address the issues raised by Moody's.

The following provides a summary of these revisions. First, the County will maintain a structurally balanced budget. This is reflected in the FY 2015 and FY 2016 Adopted Budget Plan, as no use of one time monies were used to balance the budget. Second, the County increased its existing reserve level policies. The Managed Reserve increased from 2 to 4 percent of General Fund Disbursements; the Revenue Stabilization Reserve increased from 3 to 5 percent of General Fund Disbursements; and a new Economic Opportunity Reserve was established at 1 percent of General Fund Disbursements. As a result, the County's reserve policy will be more in-line with other triple-A jurisdictions. Funding of this increase has already begun, but will take several years to fully fund the new target levels. Third, the County committed to increased pension funding levels, which is reflected through higher employer contribution rates by adjusting the amortization level to 93% in FY 2015, 95% in FY 2016, and 97% as noted in the FY 2017 financial forecast presented to the Board in November 2015.

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The County is planning for the General Obligation Bond Series 2016 bond sale on January 26, 2016. Staff will provide an additional NIP to the Board on the result of the sale when completed.

The County has held a Aaa rating from Moody's since 1975, a AAA rating from Standard and Poor's since 1978 and a AAA rating from Fitch Ratings since 1997. As of May 2015, 10 states, 40 counties, and 30 cities have a triple-A bond rating from all three major rating agencies. As a result of the County's excellent triple-A bond rating, the County has saved an estimated $702.53 million from County bond and refunding sales.

Again, the Board deserves the credit for the return to stable outlook by the unanimous commitment to the revised financial policies. These changes reflect the Board's firm adherence to the County maintaining its triple-A bond rating.

If there are any questions on this matter, please do not hesitate to contact me.

cc: Joseph Mondoro, Chief Financial Officer
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