Consolidated County and Schools Debt Service Fund

Focus

The Consolidated Debt Service Fund accounts for the general obligation bond debt service of the County as well as general obligation bond debt for the Fairfax County Public Schools (FCPS). In addition, debt service expenditures are included for the Economic Development Authority Lease Revenue bonds and School facilities and payments for Fairfax County Redevelopment and Housing Authority (FCRHA) Lease Revenue bonds. Revenues for the debt service funds are derived principally from a transfer from the General Fund. It should be noted that debt service on sewer revenue bonds is reflected in the Enterprise Funds.

The following is a chart illustrating the debt service payments and projected fiscal agent fees required in FY 2013 as well as the sources of funding supporting these costs:

		FY 2013 Adopted Budget
Expenses		
County Debt Service		$103,103,536
Lease Revenue Bonds		14,374,939
Park Authority (Laurel Hill Golf Course)		876,113
Fiscal Agent Fees/Cost of Issuance		1,200,000
	Subtotal	**$119,554,588**
School Debt Service		$160,245,453
Lease Revenue Bonds (South County High School)		5,448,500
School Administration Building		3,776,323
Fiscal Agent Fees/Cost of Issuance		800,000
	Subtotal	**$170,270,276**
Total Expenses		**$289,824,864**
Funding		
General Fund Transfer		$279,293,598
School Operating Fund Transfer		3,776,323
Build America Bonds Subsidy		3,182,291
FCRHA Lease Revenue		2,316,539
Park Authority (Laurel Hill Golf Course)		876,113
Bond Proceeds to Offset Cost of Issuance		300,000
Fairfax City Revenue		80,000
Total Funding		**$289,824,864**

General Obligation Bonds

Preliminary expenses for debt service payments associated with FY 2012 bond sales have been incorporated into the FY 2013 projections.

Capital Leases
Funding is included for the following Capital Leases which were issued by other entities, but are actually supported by the County and paid through County Debt Service subject to annual appropriation by the Board of Supervisors:

Economic Development Authority:	
Herrity and Pennino Buildings	$ 8,085,750
Mott, Gum Springs, Baileys, & James Lee Community Centers, Herndon Harbor Adult Day Care Center, South County Government Center	3,972,650
South County High School	5,448,500
Laurel Hill Golf Course	876,113*
School Administration Building	3,776,323**
Subtotal	**$22,159,335**
Fairfax County Redevelopment and Housing Authority:	
Gum Springs Head Start Facility	$ 176,429
Herndon Senior Center	895,860
Braddock Glen Senior Center and Southgate Community Center	1,244,250
Subtotal	**$2,316,539**
Total	**$24,475,874**

* Reimbursed by a transfer in from the Park Authority.

**Reimbursed by a transfer in from the School Operating Fund.

Debt Service Ratios
The Board of Supervisors has adopted specific debt indicators within the *Ten Principles of Sound Financial Management* to effectively manage the County's bonded indebtedness. The *Ten Principles* state that the County's debt ratios shall be maintained at the following levels:

- Net debt as a percentage of estimated market value should always remain less than 3.0 percent; and

- The ratio of debt service expenditures as a percentage of Combined General Fund disbursements should remain under 10.0 percent.

The Board of Supervisors annually reviews the cash requirements for capital project financing to determine the capacity to incur additional debt for construction of currently funded projects as well as capital projects in the early planning stages. In FY 1992 and FY 1994, bond projects were deferred in order to reduce planned sales and remain within capacity guidelines.

Consolidated County and Schools
Debt Service Fund

During the adoption of the FY 2008 Adopted Budget Plan, the Ten Principles of Sound Financial Management were revised to allow for the use of variable rate debt. Variable rate obligations are debt obligations that are quite frequently used for short-term or interim debt financing and have an interest rate that is reset periodically, usually for periods of less than one year. Variable rate debt is typically used to take advantage of low short-term rates in anticipation of converting to longer-term fixed rate financing for complex projects or to mitigate the impact of volatile markets. Also, variable rate debt reduces interest costs and typically provides the ability to redeem bonds without a prepayment penalty. It is anticipated that the use of variable rate debt will provide opportunities for interest rate savings, reduce arbitrage payments and promote more accurate sizing for long-term bond issues.

On November 19, 2007 the Board of Supervisors approved the Master Trust Agreement, Bank Note and related documents associated with acquisition of a $200,000,000 revolving line of credit (LOC) from Bank of America. On October 19, 2010 the Board of Supervisors approved a renewal of the LOC in the amount of $100,000,000. Any line of credit borrowings will be in conformance with the *FY 2011 Revised Budget Plan* and the FY 2011-FY 2015 Capital Improvement Program, or specific Board of Supervisors action approving such use. Variable rate debt will be used when it is most advantageous to the County in comparison to other financing options. A Variable Rate Debt Committee will carefully review each County department's request for use of the LOC and monitor the usage. The County has developed policies and procedures related to the use of variable rate debt and will monitor LOC usage closely.

As a result of County financial policies, prudent fiscal management and a strong economy, the County has been awarded the strongest credit rating possible from the three major national rating services. The County holds a Aaa from Moody's Investors Service (awarded 1975), a AAA from Standard and Poor's Ratings Service (awarded 1978), and a AAA from Fitch Ratings (awarded 1997). As of May 2012, Fairfax County is one of only 8 states, 39 counties, and 34 cities to hold a triple-A rating from all three services.

The FY 2013 debt service budget has been prepared on the basis of the construction and bond sale limitations set in place by the Board of Supervisors. The FY 2013 capital program supported by general obligation bonds was reviewed in conjunction with the FY 2013 - FY 2017 Adopted Capital Improvement Program (With Future Years to 2022).

Consolidated County and Schools
Debt Service Fund

The following are ratios and annual sales reflecting debt indicators for FY 2009 - FY 2013:

Net Debt as a Percentage of Market Value of Taxable Property

Fiscal Year Ending	Net Bonded Indebtedness[1]	Estimated Market Value[2]	Percentage
2009	$2,131,273,000	$245,145,594,000	0.87%
2010	2,318,699,000	222,671,526,000	1.04%
2011	2,554,051,000	203,621,876,000	1.25%
2012 (est.)	2,604,429,353	207,153,261,189	1.26%
2013 (est.)	2,698,936,070	213,546,013,533	1.26%

[1] The amount includes outstanding General Obligation Bonds and other tax supported debt obligations as of June 30 in the year shown and is from the Fairfax County Department of Management and Budget.

[2] Source: Fairfax County Department of Tax Administration and the Department of Management and Budget.

Debt Service Requirements as a Percentage of Combined General Fund Disbursements

Fiscal Year Ending	Debt Service Requirements[1]	General Fund Disbursements[2]	Percentage
2009	$276,105,000	$3,354,860,267	8.23%
2010	277,370,000	3,309,904,535	8.38%
2011	285,550,695	3,343,688,525	8.54%
2012 (est.)	295,263,433	3,467,032,723	8.52%
2013 (est.)	301,099,013	3,537,786,676	8.51%

[1] The amount includes total principal and interest payments on the County's outstanding tax supported debt obligations, including general obligation bonds and other tax supported debt obligations budgeted in other funds. Source: Fairfax County Department of Management and Budget.

[2] Source: Fairfax County Department of Management and Budget.

Annual Bond Sales

Fiscal Year Ending	Sales (millions)	Total for the Five-Year Period Ending FY 2013
2009	$199.51	-
2010	269.10	-
2011	171.39	-
2012 (est.)[1]	220.67	-
2013 (est.)[1]	274.76	1,135.43

[1] Actual County and School bond sale amounts are based on the cash requirements for each project and municipal bond market conditions. Based on Board policy, annual sales will be $275.0 million per year or $1.375 billion over a five-year period with a technical limit of $300.0 million in any given year. These amounts exclude refunding bond sales.

FY 2013 Funding Adjustments

The following funding adjustments from the FY 2012 Adopted Budget Plan are necessary to support the FY 2013 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the budget on May 1, 2012.

- **Disbursement Adjustment** **$1,974,829**
  An increase in disbursements of $1,974,829 or 0.7 percent is primarily attributable to scheduled requirements for existing debt service.

Changes to FY 2012 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2012 Revised Budget Plan since passage of the FY 2012 Adopted Budget Plan. Included are all adjustments made as part of the FY 2011 Carryover Review, FY 2012 Third Quarter Review, and all other approved changes through April 24, 2012.

- **Carryover Adjustments** **$14,742,544**
  As part of the *FY 2011 Carryover Review*, the Board of Supervisors approved funding of $14,742,544 in Operating Expenses to provide funding for bond sales scheduled during FY 2012.

- **Third Quarter Adjustments** **($3,142,312)**
  As part of the *FY 2012 Third Quarter Review*, the Board of Supervisors approved a net reduction of $3,142,312 to generate savings to meet FY 2012 requirements.

Consolidated County and Schools
Debt Service Fund

FUND STATEMENT

Fund Type G20, Debt Service Funds | **Fund 200 and 201, Consolidated Debt Service**

	FY 2011 Actual	FY 2012 Adopted Budget Plan	FY 2012 Revised Budget Plan	FY 2013 Advertised Budget Plan	FY 2013 Adopted Budget Plan
Beginning Balance	**$12,468,562**	**$0**	**$14,905,001**	**$0**	**$162,457**
Revenue:					
Build America Bonds Subsidy	$3,182,291	$0	$3,182,291	$0	$3,182,291
Miscellaneous Revenue	87,015	0	0	0	0
Bond Proceeds	335,573	300,000	300,000	300,000	300,000
Revenue from Fairfax City	90,078	78,770	78,770	80,000	80,000
Total Revenue	$3,694,957	$378,770	$3,561,061	$380,000	$3,562,291
Transfers In:					
County Debt Service:					
General Fund (001) for County	$117,166,102	$116,981,575	$114,387,844	$117,718,825	$114,536,534
FCRHA Lease Revenue Bonds (001)	4,494,041	2,392,289	2,392,289	2,316,539	2,316,539
Neighborhood Imp. (Fund 314)	250,939	0	0	0	0
Park Authority Lease Revenue Bonds (170)	827,813	853,313	853,313	876,113	876,113
Subtotal County Debt Service	$122,738,895	$120,227,177	$117,633,446	$120,911,477	$117,729,186
General Fund (001) for Schools	$160,208,882	$163,470,564	$159,739,692	$164,757,064	$164,757,064
School Admin Building (090)	3,773,722	3,773,523	3,773,523	3,776,323	3,776,323
Subtotal Schools Debt Service	$163,982,604	$167,244,087	$163,513,215	$168,533,387	$168,533,387
Total Transfers In	$286,721,499	$287,471,264	$281,146,661	$289,444,864	$286,262,573
Total Available	**$302,885,018**	**$287,850,034**	**$299,612,723**	**$289,824,864**	**$289,987,321**

Consolidated County and Schools Debt Service Fund

FUND STATEMENT

Fund Type G20, Debt Service Funds | **Fund 200 and 201, Consolidated Debt Service**

	FY 2011 Actual	FY 2012 Adopted Budget Plan	FY 2012 Revised Budget Plan	FY 2013 Advertised Budget Plan	FY 2013 Adopted Budget Plan
Expenditures:					
General Obligation Bonds:					
County Principal	$72,422,055	$68,552,621	$68,552,621	$67,026,900	$67,026,900
County Interest	33,950,187	30,911,374	36,808,392	29,900,098	29,900,098
Debt Service on Projected County Sales	0	4,728,000	3,506,704	6,176,538	6,176,538
Subtotal County Debt Service	$106,372,242	$104,191,995	$108,867,717	$103,103,536	$103,103,536
Schools Principal	$98,622,945	$94,517,378	$94,517,378	$96,463,100	$96,463,100
Schools Interest	55,687,001	51,332,886	60,178,412	52,452,444	52,452,444
Debt Service on Projected School Sales	0	11,591,000	9,669,984	11,329,909	11,329,909
Subtotal Schools Debt Service	$154,309,946	$157,441,264	$164,365,774	$160,245,453	$160,245,453
Subtotal General Obligation Bonds	$260,682,188	$261,633,259	$273,233,491	$263,348,989	$263,348,989
Other Tax Supported Debt Service (County):					
EDA Lease Revenue Bonds	$12,098,094	$12,078,350	$12,078,350	$12,058,400	$12,058,400
FCRHA Lease Revenue Bonds	2,468,977	2,392,289	2,392,289	2,316,539	2,316,539
Park Authority Lease Revenue Bonds	827,813	853,313	853,313	876,113	876,113
Other Tax Supported Debt Service (Schools):					
EDA Schools Lease Revenue Bonds	9,473,623	9,367,823	9,367,823	9,224,823	9,224,823
Subtotal Other Tax Supported Debt Service	$24,868,507	$24,691,775	$24,691,775	$24,475,875	$24,475,875
Other Expenses [1]	$1,835,822	$1,525,000	$1,525,000	$2,000,000	$2,000,000
Total Expenditures	$287,386,517	$287,850,034	$299,450,266	$289,824,864	$289,824,864
Transfers Out:					
Fund 303, Capital Projects Funds	$593,500	$0	$0	$0	$0
Total Transfers Out	$593,500	$0	$0	$0	$0
Total Disbursements	**$287,980,017**	**$287,850,034**	**$299,450,266**	**$289,824,864**	**$289,824,864**
Ending Balance[2]	**$14,905,001**	**$0**	**$162,457**	**$0**	**$162,457**
Unreserved Ending Balance	**$14,905,001**	**$0**	**$162,457**	**$0**	**$162,457**

[1] In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of $162,457.10 has been reflected as an decrease to FY 2011 expenditures to accurately record expenditure accruals. The audit adjustment has been included in the FY 2011 Comprehensive Annual Financial Report (CAFR). Details of the Audit Adjustments were included in the FY 2012 Third Quarter package.

[2] The change in ending fund balance is the result of use of fund balance to offset projected debt service requirements. Figures will be adjusted as necessary during the FY 2012 Carryover process to reflect additional changes to debt service figures as a result of new money and refunding bond sales that occurred in FY 2012.