# Glossary

**Ad valorem** — The application of a rate percent of value. Taxes are imposed at a rate percentage of the value of goods.

**Amortization of Debt** — The process of paying the principal amount of an issue of securities by periodic payment either directly to security holders or to a sinking fund for the benefit of security holders.

**Amortization Schedule** — A table showing the gradual repayment of an amount of indebtedness, such as a mortgage or bond, over a period of time. This table is often set up to show interest payments in addition to principal repayments.

**Arbitrage** — With respect to the issuance of municipal securities, arbitrage usually refers to the difference between the interest paid on the tax-exempt securities and the interest earned by investing the security proceeds in higher yielding taxable securities. Internal Revenue Service regulations govern arbitrage on the proceeds from issuance of governmental securities.

**Assets** — Resources owned or held by a government which have monetary value. Assets may be tangible or intangible and are expressed in terms of cost or some other value. Assets are probable future economic benefits obtained or controlled by the government as a result past transactions or events.

**Authorized but Unissued Bonds** — Bonds authorized by the Board of Supervisors following a referendum, but not issued to the bond markets. Bonds approved after July 1, 1991 have a maximum of 10 years available by law in which to be issued.

**Bond** — A written promise to pay a designated sum of money (the principal) at a specific date in the future, along with periodic interest at a specified rate. The payments on bonds are identified as Debt Service. Bonds are generally used to obtain long term financing for capital improvements.

**Bond Proceeds** — The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

**Bond Rating** — A rating (made by an established bond rating company) from a schedule of grades indicating the probability of timely repayment of principal and interest on bonds issued.

**Bond Referendum** — A process whereby the voters of a governmental unit are given the opportunity to approve or disapprove a proposed issue of municipal securities. An election is most commonly required in connection with General Obligation Bonds. Requirements for voter approval may be imposed by constitution, statute or local ordinance.

**Bonded Indebtedness** — Outstanding debt by issue of bonds which is repaid by ad valorem or other revenue.

**Budget** — A plan for the acquisition and allocation of resources to accomplish specified purposes. The term may be used to describe special purpose fiscal plans or parts of a fiscal plan, such as "the budget of the Police Department," "the Capital Budget" or "the School Board's budget," or it may relate to a fiscal plan for an entire jurisdiction, such as "the budget of Fairfax County."

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| **Capital Facilities** | Fixed assets, such as buildings or land. |
| **Capital Improvement Program (CIP)** | A plan for future capital project expenditures. The multi-year plan serves as a roadmap for creating, maintaining and funding present and future infrastructure requirements. The Capital Program addresses needs relating to the acquisition, expansion, and rehabilitation of long-lived facilities and systems. The CIP serves as a planning instrument to identify needed capital projects and coordinate the financing and timing of these improvements. |
| **Capital Project** | Major construction, acquisition, or renovation activities which add value to a government's physical assets or significantly increase their useful life. |
| **Capital Projects Funds** | Funds, defined by the State Auditor of Public Accounts, which account for the acquisition and/or construction of major capital facilities or capital improvements other than sewers. These funds can include maintenance and renovation to capital facilities. |
| **Comprehensive Plan** | A long range and dynamic plan used by the Board of Supervisors, the Planning Commission, the Board of Zoning Appeals, County staff and the public to implement community goals and to guide decisions about the built and natural environment, as well as the conservation of cultural and heritage resources. |
| **Costs of Issuance** | The expenses associated with the sale of a new issue of municipal securities, including such items as printing, legal and rating agency fees, and others. |
| **Debt Limit** | The maximum amount of debt which an issuer of municipal securities is permitted to incur under constitutional, statutory or charter provisions. |
| **Debt Service** | The amount of money necessary to pay interest on an outstanding debt; the principal of maturing serial bonds and the required contributions to a sinking fund for term bonds. Debt service on bonds may be calculated on a calendar year, fiscal year, or bond fiscal year basis. |
| **Debt Service Fund** | A fund established to account for the payment of general long-term debt; which includes principal and interest. |
| **ENSNI** | Estimate, No Scope, No Inflation. Term used in the Fairfax County CIP to describe funding estimates for future capital projects which have not yet been scoped and are developed using today's dollars without considering inflation. |
| **Full Faith and Credit** | A pledge of government's taxing power to repay debt obligations that is binding against future Boards of Supervisors and taxpayers. |
| **General Obligation Bond** | A bond which is secured by the full faith and credit of an issuer with taxing power. General Obligation Bonds issued by local units of government are typically secured by a pledge of the issuer's ad valorem taxing power; General Obligation Bonds issued by states are generally based upon appropriations made by the state legislature for the purposes specified. Ad valorem taxes necessary to pay debt service on General Obligation Bonds are often not subject to the constitutional property tax millage limits. Such bonds constitute debts of the issuer and normally require approval by election prior to issuance. |
| **Infrastructure** | The physical assets of a government (e.g., streets, water, sewer, public buildings and parks). |

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| **Interest** | The amount paid by a borrower as compensation for the use of borrowed money. This amount is generally an annual percentage of the principal amount. |
| **Issuing Bonds** | To "issue" bonds means to sell, deliver, and receive payment for bonds. The County may issues bonds throughout the year upon determining the amount of cash necessary to implement projects during that year. |
| **Lease Purchase** | This method of financing allows the County to construct or acquire property and pay for it over a period of time by installment payments rather than an outright purchase. The time payments include an interest charge which is typically reduced because the lessor does not have to pay income tax on the interest revenue. |
| **Long-Term Debt** | Debt with a maturity of more than one year after the date of issuance. |
| **Pay-As-You-Go Financing** | The portion of capital outlay which is financed from current revenue, rather than by borrowing. |
| **Paydown Construction** | Capital construction funded with current year General Fund revenues as opposed to construction financed through the issuance of bonds. This is also referred to as "pay-as-you-go" construction. |
| **Per Capita Debt** | The amount of an issuing municipality's outstanding debt divided by the population residing in the municipality. This is used as an indication of the issuer's credit position since it can be used to compare the proportion of debt borne per resident with that borne by the residents of other municipalities. |
| **Principal** | The face amount of a security payable on the maturity date. |
| **Rating Agencies** | The organizations which provide publicly available ratings of the credit quality of securities issuers. The term is most often used to refer to the nationally recognized agencies, Moody's Investors Service, Inc., Standard & Poor's Corporation, and Fitch Investors. |
| **Referendum** | A referendum is a means by which a legislative body requests the electorate to approve or reject proposals such as constitutional amendments, long-term borrowing; and other special laws. |
| **Refunding** | A procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer's interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. |
| **Sewer Funds (Enterprise Funds)** | A group of self-sufficient enterprise funds that support the Wastewater Management Program. Revenues consist of bond sales, availability fees (a one-time fee paid before connection to the system and used to defray the cost of major plant and trunk construction), connection charges (a one-time fee to defray the cost of the lateral connection between a building and the trunk), service charges (quarterly fees based on water usage which defray operating costs and debt service), and interest on invested funds. Expenditures consist of construction costs, debt service and the cost of operating and maintaining the collection and treatment systems. |
| **Short-Term Debt** | Debt with a maturity of less than one year after the date of issuance. |