Fund 20000
Consolidated County and Schools Debt Service Fund

Focus

Fund 20000, Consolidated County and Schools Debt Service Fund, accounts for the general obligation bond debt service of the County as well as general obligation bond debt service 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, payments for Fairfax County Redevelopment and Housing Authority (FCRHA) Lease Revenue bonds, payments to the Virginia Resources Authority (VRA), and direct loans to banking institutions. Revenues for the debt service funds are derived principally from a transfer from the General Fund. Debt service on sewer revenue bonds is reflected in the Enterprise Funds.

The following table includes the debt service payments and projected fiscal agent fees required in FY 2017 as well as the sources of funding supporting these costs:

	FY 2017 Adopted
Expenses	
County Debt Service	$101,220,109
Lease Revenue Bonds	32,206,726
Park Authority (Laurel Hill Golf Course)	829,299
Fiscal Agent Fees/Cost of Issuance	2,100,000
Subtotal County	**$136,356,134**
School Debt Service	$174,655,478
Lease Revenue Bonds (South County High School)	4,644,207
School Administration Building	3,466,725
Fiscal Agent Fees/Cost of Issuance	1,400,000
Subtotal Schools	**$184,166,410**
Total Expenses	**$320,522,544**
Transfer Out to Revenue Stabilization Fund	**$13,076,233**
Total Disbursements	**$333,598,777**
Funding	
General Fund Transfer	$326,446,324
School Operating Fund Transfer	3,466,725
Build America Bonds Subsidy	2,100,000
Park Authority (Laurel Hill Golf Course)	829,299
FCRHA Lease Revenue	176,429
Bond Proceeds to Offset Cost of Issuance	500,000
Fairfax City Revenue	80,000
Total Funding	**$333,598,777**

General Obligation Bonds

Preliminary expenses for debt service payments associated with FY 2016 bond sales have been incorporated into the FY 2017 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 (EDA), Virginia Resources Authority (VRA), and Direct Loan:	
Herrity and Pennino Buildings (EDA)	$8,084,000
Mott, Gum Springs, Baileys, & James Lee Community Centers, Herndon Harbor Adult Day Care Center, South County Government Center (EDA)	3,848,300
Merrifield Center / Providence Community Center (EDA)	5,110,901
Capital Renewal (Direct Loan)	7,290,060
Lincolnia Center (VRA)	984,209
Lewinsville (VRA/EDA)*	1,481,625
Public Safety Headquarters (EDA)	3,096,900
South County High School (EDA)	4,644,207
Workhouse Arts Foundation (EDA)	2,134,302
Laurel Hill Golf Course (EDA)**	829,299
School Administration Building (EDA)***	3,466,725
Subtotal EDA, VRA, and Direct Loan	**$40,970,528**
Fairfax County Redevelopment and Housing Authority (RHA):	
Gum Springs Head Start Facility	$176,429
Subtotal RHA	$176,429
Total Payments	**$41,146,957**

* Bond financing expected to occur in spring / summer 2016.
** 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.

Fund 20000
Consolidated County and Schools Debt Service Fund

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.

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 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. On December 3, 2013, the Board of Supervisors again renewed the LOC in the amount of $100,000,000 for an additional three year contract term. 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. In January 2014, the County authorized a $30 million draw on the LOC to provide interim financing for the acquisition of the leasehold interest of the Lorton Arts Foundation at the Workhouse Arts Center (WAF). Bond proceeds from the Fairfax County Economic Development Authority Series 2014B-Taxable in June 2014 were used to repay the draw on the County's Line of Credit. Thus the goal of a long-term permanent plan of finance for WAF was achieved.

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 January 2016, Fairfax County is one of only 11 states, 46 counties, and 33 cities to hold a triple-A rating from all three services.

The FY 2017 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 2017 capital program supported by general obligation bonds was reviewed in conjunction with the FY 2017 - FY 2021 Adopted Capital Improvement Program (With Future Years to 2026).

The following are ratios and annual sales reflecting debt indicators for FY 2013 - FY 2017:

Net Debt as a Percentage of Market Value of Taxable Property

Fiscal Year Ending	Net Bonded Indebtedness[1]	Estimated Market Value[2]	Percentage
2013	2,575,596,000	214,232,636,323	1.20%
2014	2,832,532,000	221,465,365,745	1.28%
2015	2,863,139,000	233,351,721,357	1.23%
2016 (est.)	2,908,782,106	241,013,081,462	1.21%
2017 (est.)	2,946,592,736	248,078,112,533	1.19%

[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. Source: FY 2013 to FY 2015 Comprehensive Annual Financial Report; FY 2016 and FY 2017 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
2013	289,714,000	3,533,098,000	8.20%
2014	295,451,000	3,637,841,000	8.12%
2015	313,968,578	3,729,624,800	8.42%
2016 (est.)	336,370,922	3,894,131,184	8.64%
2017 (est.)	333,903,566	4,012,539,820	8.32%

[1] The amount includes total principal and interest payments on the County's outstanding tax supported debt obligations, including General Obligation Bonds, economic development authority bonds, and other tax supported debt obligations budgeted in other funds. Source: FY 2013 to FY 2015 Comprehensive Annual Financial Report; FY 2016 and FY 2017 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 2017
2013	$249.23	-
2014	289.64	-
2015	256.30	-
2016 (est.) [1]	249.73	-
2017 (est.) [1]	274.14	$1,319.04

[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, par amounts of 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 reflect project fund deposits (par + premium) and exclude refunding bond sales.

FY 2017 Funding Adjustments

The following funding adjustments from the FY 2016 Adopted Budget Plan are necessary to support the FY 2017 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 April 26, 2016.

♦ **Disbursement Adjustment** **$11,698,435**

An increase in disbursements of $11,698,435 or 3.63 percent is primarily attributed to a transfer out of $13,076,233 to Fund 10010, Revenue Stabilization Fund. These monies reflect savings associated with the County's General Obligation Public Improvement Refunding Bonds Series 2015B and 2015C. This transfer out is consistent with the County's revised financial policies incorporated as part of the FY 2016 Adopted Budget Plan to increase reserves levels with savings from bond refundings. The transfer out is offset by a reduction in scheduled requirements for programmed debt service of $1,377,798 or 0.43 percent.

Changes to FY 2016 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2016 Revised Budget Plan since passage of the FY 2016 Adopted Budget Plan. Included are all adjustments made as part of the FY 2015 Carryover Review, FY 2016 Third Quarter Review, and all other approved changes through April 30, 2016.

♦ **Carryover Adjustments** **$10,180,090**

As part of the *FY 2015 Carryover Review*, the Board of Supervisors approved funding of $10,180,090 in Operating Expenses to provide funding for bond sales scheduled during FY 2016.

♦ **Third Quarter Adjustments** **($4,491,652)**

As part of the *FY 2016 Third Quarter Review*, the Board of Supervisors approved a reduction of $4,491,652 due to a transfer out to Fund 10010, Revenue Stabilization, reflecting the allocation of savings from the County's General Obligation Public Improvement Refunding Bonds Series 2015B, 2015C and 2016A.

Fund 20000
Consolidated County and Schools Debt Service Fund

FUND STATEMENT

Fund 20000, Consolidated Debt Service

	FY 2015 Actual	FY 2016 Adopted Budget Plan	FY 2016 Revised Budget Plan	FY 2017 Advertised Budget Plan	FY 2017 Adopted Budget Plan
Beginning Balance	$10,487,298	$0	$10,213,173	$0	$0
Revenue:					
Build America Bonds Subsidy	$2,951,575	$2,100,000	$2,100,000	$2,100,000	$2,100,000
Miscellaneous Revenue	8,556	0	0	0	0
Bond Proceeds	994,076	500,000	500,000	500,000	500,000
Revenue from Fairfax City	119,527	80,000	80,000	80,000	80,000
Total Revenue	$4,073,734	$2,680,000	$2,680,000	$2,680,000	$2,680,000
Transfers In:					
County Debt Service:					
General Fund (10001) for County	$132,726,567	$127,616,867	$127,616,867	$136,576,225	$136,576,225
FCRHA Lease Revenue Bonds (10001)	1,015,590	176,429	176,429	176,429	176,429
Park Authority Lease Revenue Bonds (80000)	770,349	800,994	800,994	829,299	829,299
Subtotal County Debt Service	$134,512,506	$128,594,290	$128,594,290	$137,581,953	$137,581,953
Schools Debt Service:					
General Fund (10001) for Schools	$177,141,176	$187,157,477	$187,157,477	$189,870,099	$189,870,099
School Admin Building (S10000)	3,143,814	3,468,575	3,468,575	3,466,725	3,466,725
Subtotal Schools Debt Service	$180,284,990	$190,626,052	$190,626,052	$193,336,824	$193,336,824
Total Transfers In	$314,797,496	$319,220,342	$319,220,342	$330,918,777	$330,918,777
Total Available	$329,358,528	$321,900,342	$332,113,515	$333,598,777	$333,598,777

Fund 20000
Consolidated County and Schools Debt Service Fund

FUND STATEMENT

Fund 20000, Consolidated Debt Service

	FY 2015 Actual	FY 2016 Adopted Budget Plan	FY 2016 Revised Budget Plan	FY 2017 Advertised Budget Plan	FY 2017 Adopted Budget Plan
Expenditures:					
General Obligation Bonds:					
County Principal	$72,850,600	$62,141,100	$66,446,100	$60,568,700	$60,568,700
County Interest	33,818,050	30,492,349	33,550,533	31,239,009	31,239,009
Debt Service on Projected County Sales	0	8,795,000	8,994,820	9,412,400	9,412,400
Subtotal County Debt Service	$106,668,650	$101,428,449	$108,991,453	$101,220,109	$101,220,109
Schools Principal	$108,939,400	$113,313,900	$120,378,900	$106,736,300	$106,736,300
Schools Interest	57,821,750	52,925,253	57,704,552	53,627,078	53,627,078
Debt Service on Projected School Sales	0	14,842,000	0	14,292,100	14,292,100
Subtotal Schools Debt Service	$166,761,150	$181,081,153	$178,083,452	$174,655,478	$174,655,478
Subtotal General Obligation Bonds	$273,429,800	$282,509,602	$287,074,905	$275,875,587	$275,875,587
(County):					
EDA Lease Revenue Bonds	$21,200,382	$24,498,675	$24,498,675	$27,430,161	$27,430,161
Workhouse Arts Foundation	2,130,489	2,130,852	2,130,852	2,134,302	2,134,302
VRA 2013A - Lincolnia; VRA/EDA - Lewinsville	1,009,347	996,703	996,703	2,465,834	2,465,834
FCRHA Lease Revenue Bonds	1,015,590	176,429	176,429	176,429	176,429
Park Authority Lease Revenue Bonds	770,349	800,994	800,994	829,299	829,299
(Schools):					
EDA Schools Lease Revenue Bonds	8,136,721	8,287,087	8,287,087	8,110,932	8,110,932
Subtotal Other Tax Supported Debt Service	$34,262,878	$36,890,740	$36,890,740	$41,146,957	$41,146,957
Other Expenses[1]	$3,452,677	$2,500,000	$3,623,135	$3,500,000	$3,500,000
Total Expenditures	$311,145,355	$321,900,342	$327,588,780	$320,522,544	$320,522,544
Transfers Out:					
Revenue Stabilization Fund (10010)[2]	$0	$0	$4,524,735	$13,076,233	$13,076,233
County Insurance Fund (60000)	8,000,000	0	0	0	0
Total Transfers Out	$8,000,000	$0	$4,524,735	$13,076,233	$13,076,233
Total Disbursements	$319,145,355	$321,900,342	$332,113,515	$333,598,777	$333,598,777
Ending Balance[3]	$10,213,173	$0	$0	$0	$0
Unreserved Ending Balance	$10,213,173	$0	$0	$0	$0

[1] In order to account for expenditures in the proper fiscal year, an audit adjustment in the amount of $33,083.12 has been reflected as a decrease to expenditures in FY 2015. This impacts the amount carried forward and results in an increase of $33,083.12 to the *FY 2016 Revised Budget Plan* expenditures. This audit adjustment is included in the FY 2015 Comprehensive Annual Financial Report (CAFR). Details of the audit adjustment were included in the FY 2016 Third Quarter Package.

[2] These monies reflect savings associated with the County's General Obligation Public Improvement Refunding Bonds Series 2015B, 2015C, and Series 2016A. This transfer out is consistent with the County's revised financial policies incorporated as part of the FY 2016 Adopted Budget Plan to increase reserves levels with savings from bond refundings.

[3] The change in ending fund balance is the result of use of fund balance to offset projected debt service requirements.