

# Fairfax County, Virginia



## Presentation to Silver Line Phase 1 Transportation District

District Commission

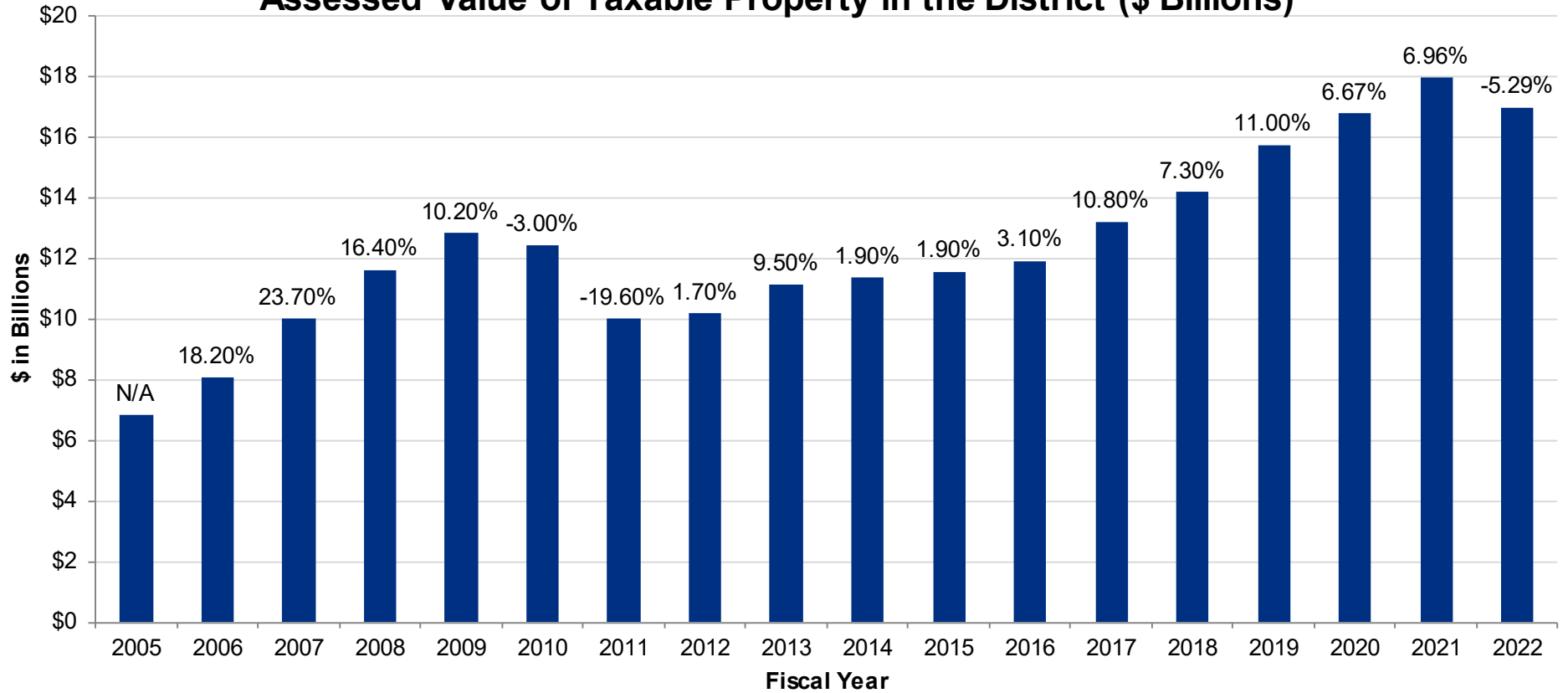
*April 6, 2021*

## Metrorail Silver Line Phase 1



# History of the Tax District

## Assessed Value of Taxable Property in the District (\$ Billions)



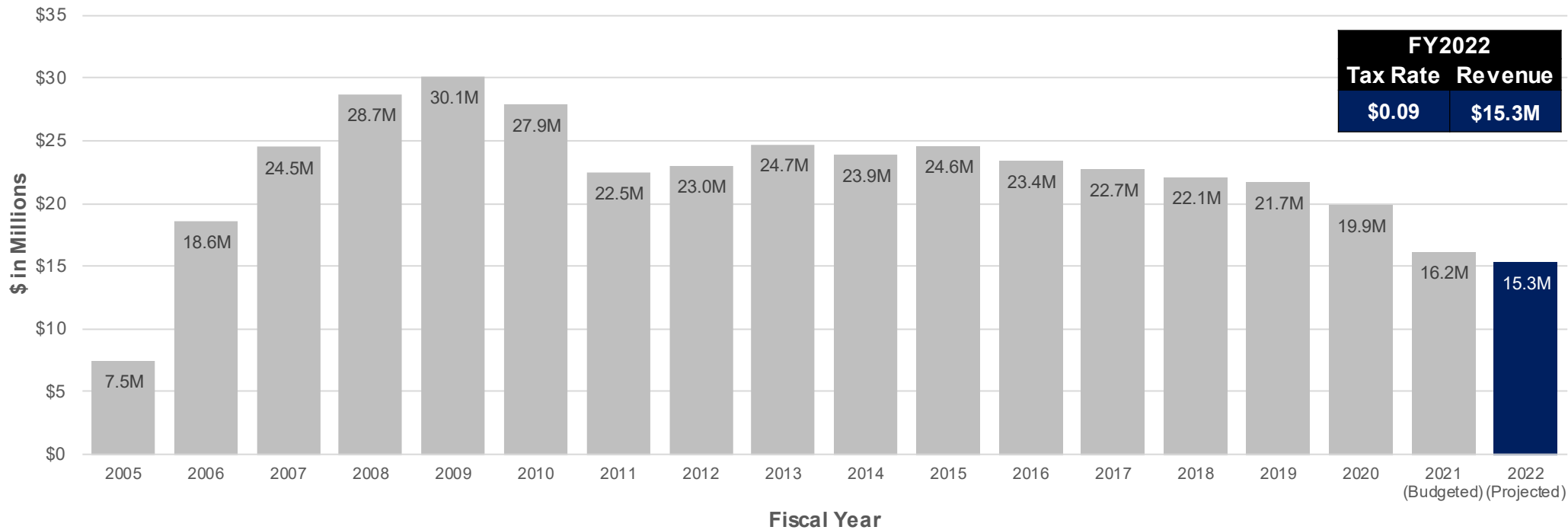
Fiscal Year (Valuation Date)	2005 (1/1/04)	2006 (1/1/05)	2007 (1/1/06)	2008 (1/1/07)	2009 (1/1/08)	2010 (1/1/09)	2011 (1/1/10)	2012 (1/1/11)	2013 (1/1/12)	2014 (1/1/13)	2015 (1/1/14)	2016 (1/1/15)	2017 (1/1/16)	2018 (1/1/17)	2019 (1/1/18)	2020 (1/1/19)	2021 (1/1/20)	2022 (1/21/21)
Assessed Value (\$ in Billions)	6.83	8.08	9.99	11.63	12.82	12.43	9.99	10.17	11.13	11.35	11.56	11.92	13.21	14.17	15.73	16.78	17.94	16.99
District Tax Rate in \$ (per \$100 AV)	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.21	0.21	0.19	0.17	0.15	0.13	0.11	0.09	TBD
AV Growth	-	18.20%	23.70%	16.40%	10.20%	-3.00%	-19.60%	1.70%	9.50%	1.90%	1.90%	3.10%	10.80%	7.30%	11.00%	6.67%	6.96%	-5.29%

Note: The District was created on June 21, 2004.



# Revenue Trends

- The tax rate is set on an annual basis as part of the County's budget process and in accordance with the Petition and the District's Financial Policies
- Total tax revenue collected since 2005 is approximately \$382.3 million (as of February 2021)
  - In FY 2021, \$15.98 million has been collected through February 2021
- One Penny = \$1.7 million in revenue in FY 2022



Source: Fairfax County's CAFR 2005-2020 & includes interest earnings.  
 FY 2021 & FY2022 revenue is an estimate based on the tax year assessed value multiplied by the adopted tax rate.  
 In 2005, tax was collected for half of the year.



# Use of Tax District Revenues

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*The Tax District has completed its obligation to fund \$400 million in project costs for Phase 1 of the Silver Line.*

Sources of Funds		
	\$	%
Cash Contributions	\$131,600,000	33%
Series 2011 Bond Proceeds	\$220,000,000	55%
Series 2012 Bond Proceeds	\$48,400,000	12%
<b>Total Sources of Funds</b>	<b>\$400,000,000</b>	<b>100%</b>

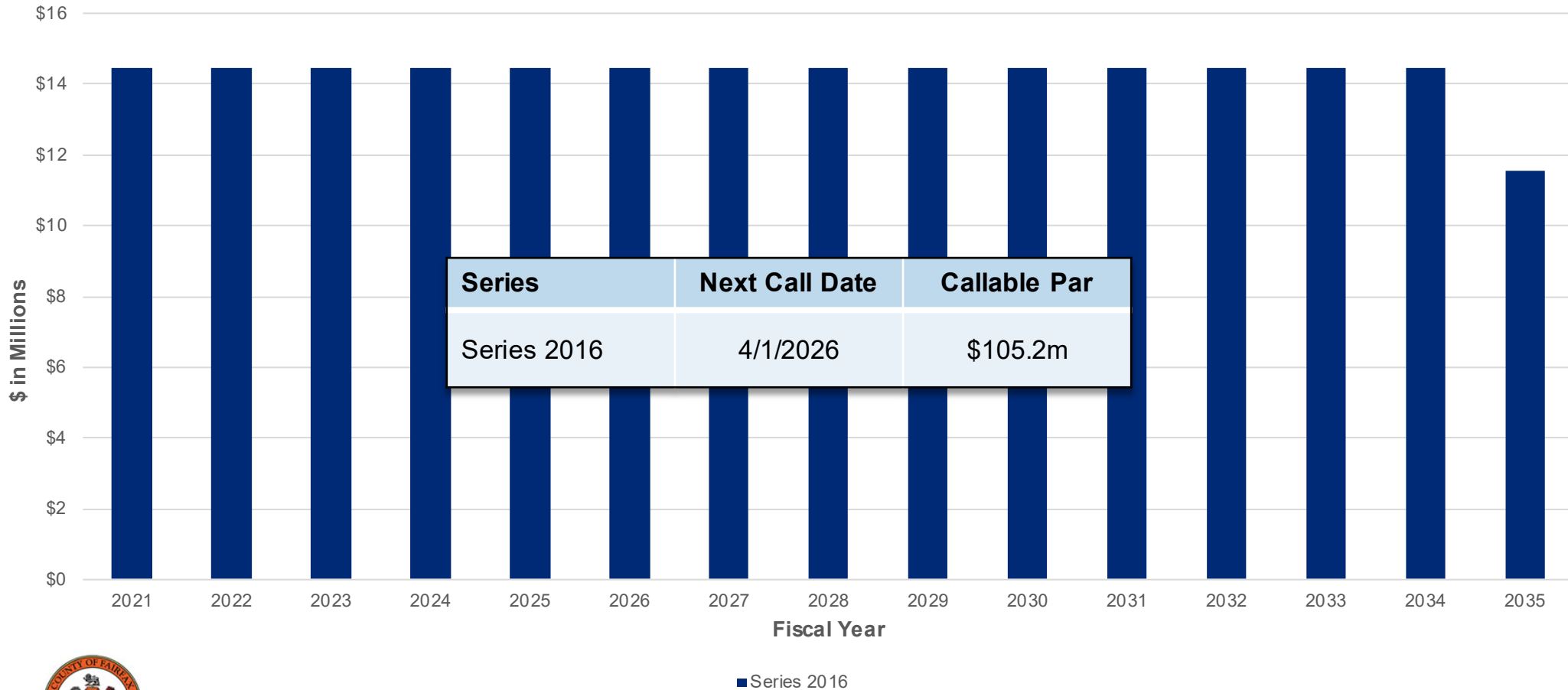


# Debt Profile

**Bonds carry strong ratings of Aaa/AA+/AA+ from Moody's, S&P and Fitch Ratings.<sup>1</sup>**

- As of 6/30/2020, the District has a total of \$156.6 million of debt outstanding
- During FY 2020, the County executed the planned cash pre-payment of \$17.495 million of debt with amounts available in the residual fund
- By redeeming debt early at their call date, annual debt service was reduced by approximately \$0.7 million per year

**Annual Debt Service (Fiscal Year)**



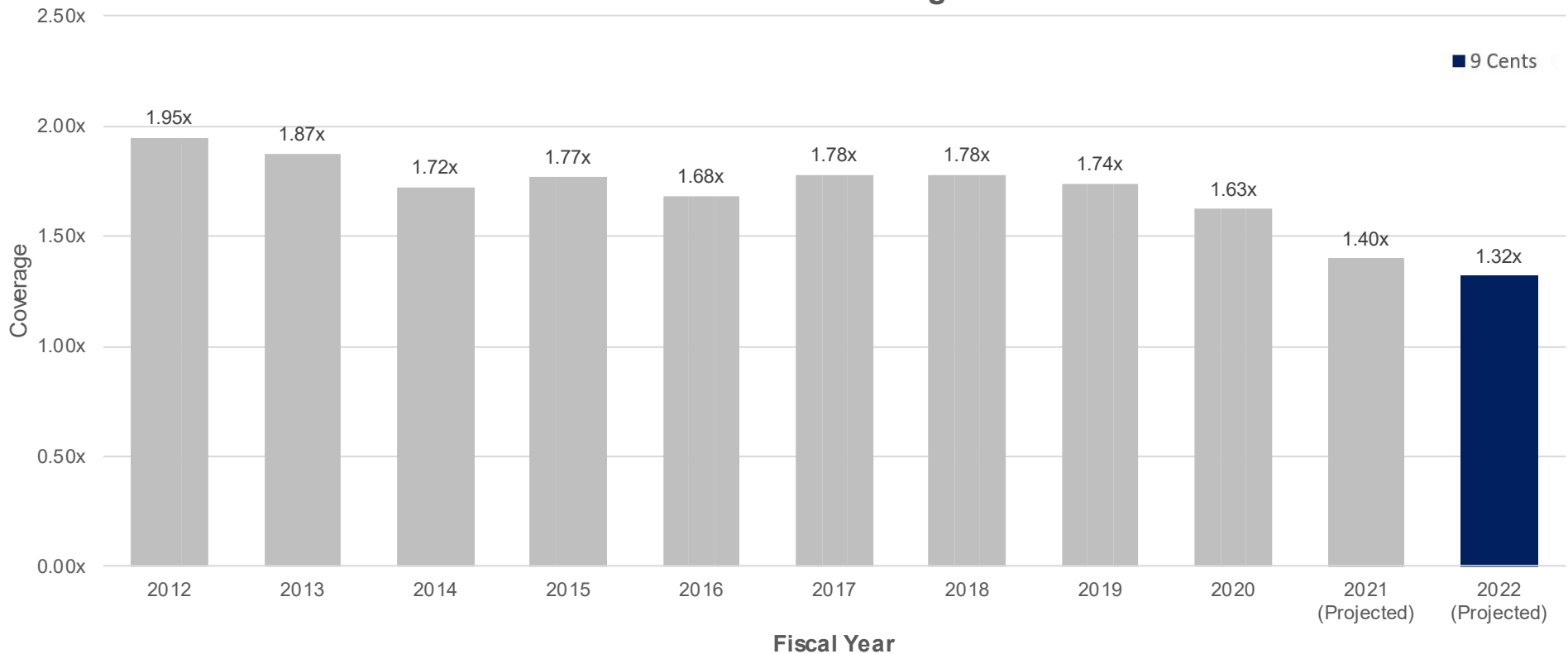
1. Moody's as of: 2/16/2021, S&P as of: 1/14/2021, Fitch as of: 11/17/2020.

# Debt Service Coverage Policy

***In 2013, the Advisory Board and Commission adopted a debt service coverage policy to guide tax rate reductions, which was amended in 2020 & has the following parameters:***

- Targeted debt service coverage target will be 1.40x
- Historical debt service coverage will be at or above 1.40x for two prior consecutive audited years before lowering the tax rate
- The tax rate may be lowered by no more than two cents per \$100 of AV in any given year, provided coverage can be maintained at 1.40x in the current year & in the year the tax reduction is effective
- When reducing the tax rate, the District reasonably expects that a forecast of future years' revenue is sufficient to pay annual debt service through final maturity of all debt

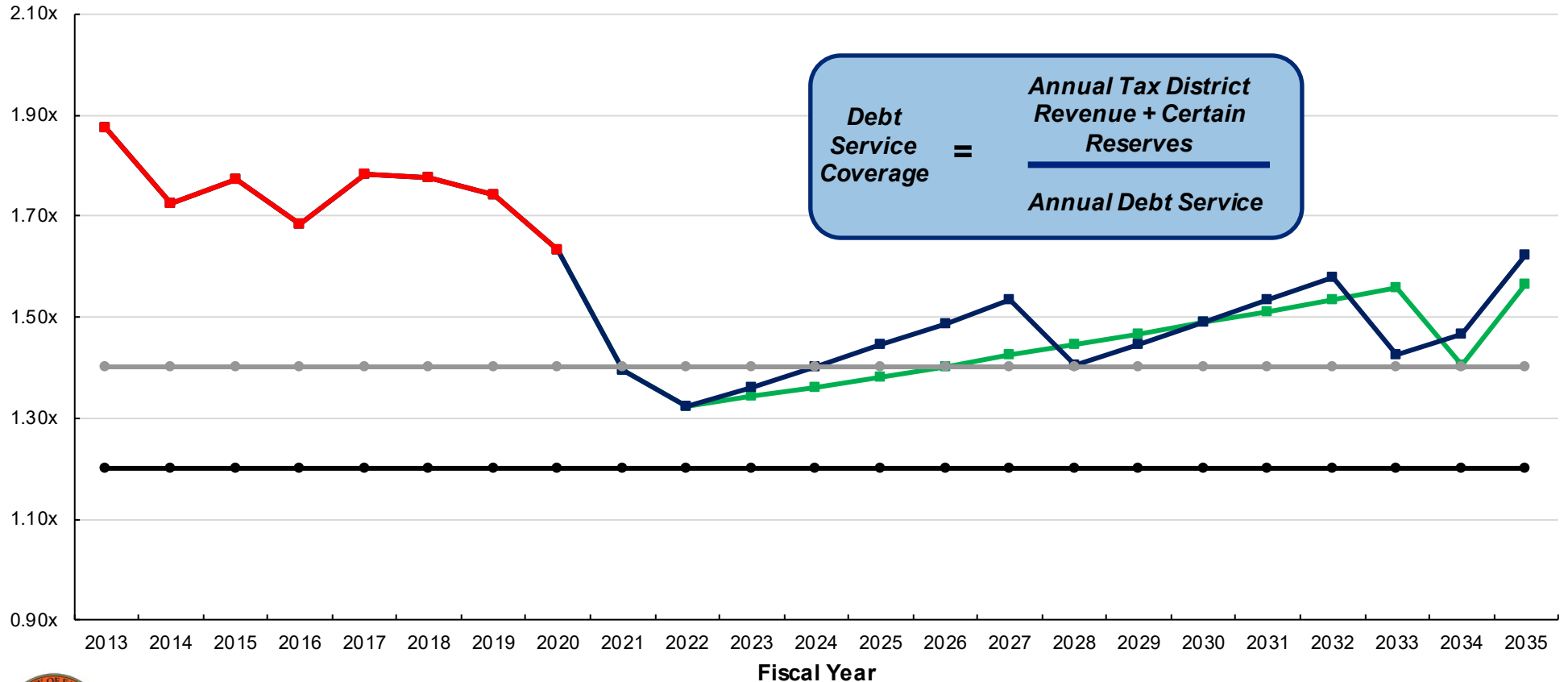
### Debt Service Coverage



# Forecasted Debt Service Coverage

- Debt service coverage was above policy target of 1.4x for the previous two audited fiscal years (FY 2019 and FY 2020)
- FY 2021 coverage is projected to be 1.40x
- Due to the 5.3% decline in AV as of 1/1/2021, debt service coverage at the current tax rate (9 cents) is projected to be 1.32x in FY 2022
- Since this third element of the District's tax reduction policy is not met, maintaining the current tax rate is advisable for FY 2022
- A tax rate increase is not required or advisable in FY 2022

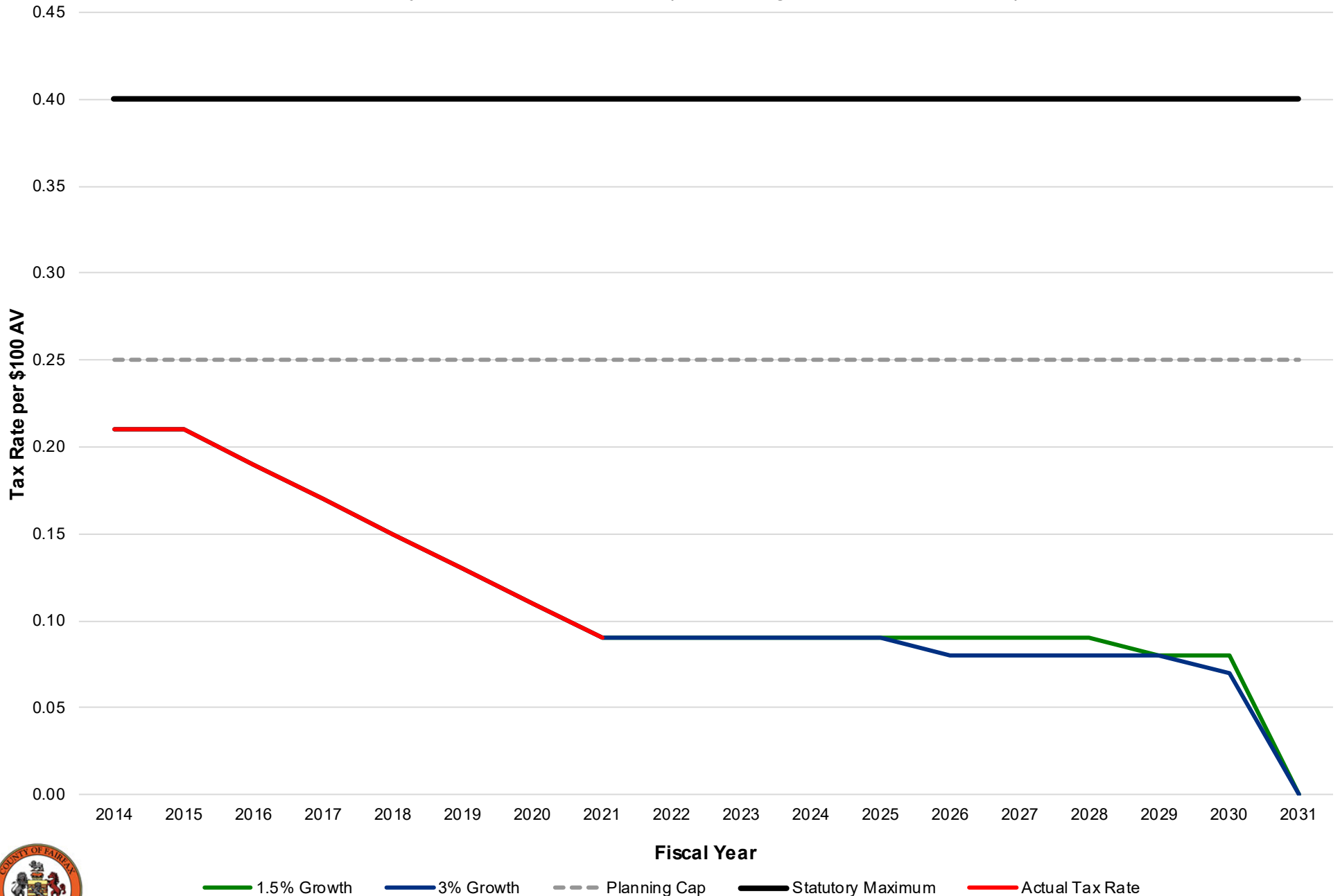
## Debt Service Coverage



■ 1.5% AV Growth    
 ■ 3% AV Growth    
 ● Policy Minimum Coverage    
 ● Minimum Legal Coverage    
 ■ Actual Coverage

# Projected Tax Rates by AV Growth (Early Prepayments)

**Dulles Rail Phase 1 Tax District**  
Tax Rate by AV Growth Scenario (Assuming 9 cents in FY 2022)





# Reserve Policy

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***In 2013, the Advisory Board and Commission adopted a reserve policy, which indicated:***

1. The Commission will also consider balances in the Revenue Stabilization Subfund and the Residual Subfund when setting the tax rate;
2. The District will maintain all reserves at or above the legally required minimums at all times;
3. The District will target the aggregate reserve balances to equal approximately 2.5x Maximum Annual Debt Service (MADS)
  - A) Debt Service Reserve Fund secures outstanding bonds & is fully funded at MADS
  - B) Revenue Stabilization Fund secures outstanding bonds & is fully funded at MADS
  - C) Residual Fund is fully funded (by policy) at half of MADS
4. When feasible and economically advantageous, the District will consider using excess funds in the Residual Subfund to accelerate the retirement of Bonds in advance of their stated maturity.

***No changes have been made to this policy.***



# Early Prepayment of Debt with Available Funds

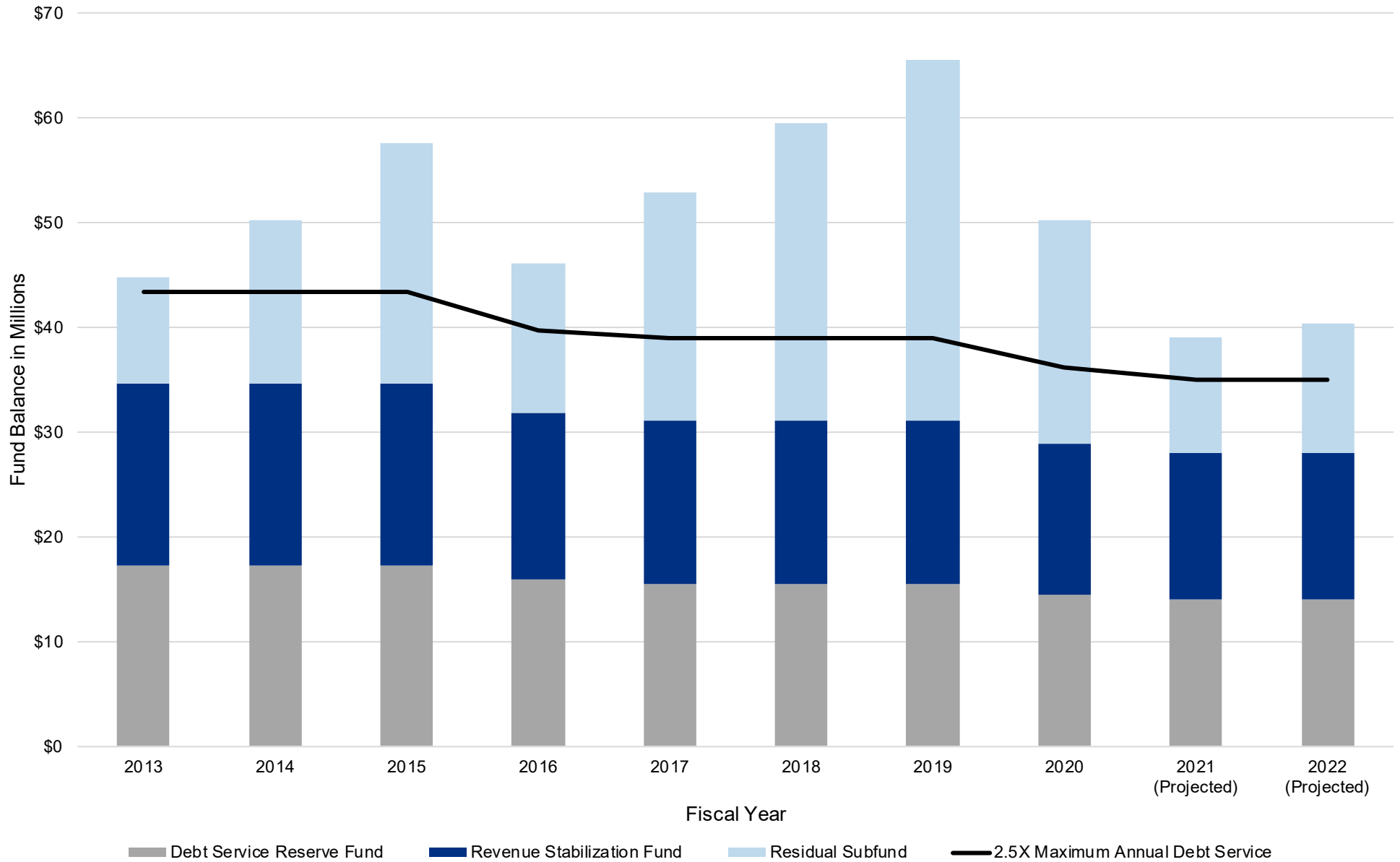
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- The County has an appropriation in FY 2021 for \$13 million which can be used for an early pre-payment of certain outstanding debt with amounts available in the Residual Fund
- Estimated annual debt service reduction of approximately \$441,000 per year
- Anticipate additional release from reserves that can be used to further pre-pay debt in FY 2022.
- Commission authorization required to release excess funds from Revenue Stabilization Fund



# Projected Total Reserves

## Silver Line Phase I Reserves



Note: Assumes 9 cent tax rate in FY2022 and approximately \$13 million early pre-payment of debt in FY2021.

# Recommendation & Next Steps

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- Maintain tax rate at \$0.09/\$100 for FY 2022
- Complete early pre-payment of debt with amounts available in Residual Fund estimated at \$13 million during FY2021
- Approve resolution allowing release of excess funds in the Revenue Stabilization Fund

Expected Date	Event
3/15/2021	District Advisory Board meeting
4/6/2021	District Commission meeting
4/27/2021	Board of Supervisors FY 2022 Budget Mark-Up
5/4/2021	Board of Supervisors Adopts FY 2022 Budget

