Bond Rating Considerations

NOVEMBER 25, 2014

Triple AAA Rating

- Fairfax County has Triple-A ratings from all three rating agencies
- The Triple AAA rating has saved the County $662 million since 1978
- Absent specific, proactive steps, two of the County's ratings will face negative pressure in the next 12 months, including a potential downgrade
- Rating agencies have specified 3 areas of concern

Issue #1: One-Time Balances

- **Issue:**
  - Occasionally, County has utilized one-time balances for recurring expenses in order to balance the budget. No one-time funds were used to balance FY 2015.
    - FY 2015 = $0
    - FY 2014 = $17.5 million
    - FY 2013 = $61.1 million
- **Recommendation:**
  - Do not use one-time funding for recurring expenses

Issue #2: Pension Funding

- ## Issue:
  - As of June 30, 2013, the County's three retirement systems had a combined funded status of under 80%
- ## Recommendation:
  - Continue the long-term plan to increase the funded status of each system
    - The Board approved over $9 million in additional funding for the pension systems in the FY 2015 Adopted Budget
  - The County's goal is to reach a 90% funded status for all plans by 2025 and 100% by 2030
    - This requires investments of over $9 million annually for the next few years
  - Recommend Board revise Retirement funding policy to not reduce rates until systems reach 100% funded status

Issue #3: Reserves

- ## Issue:
  - The County's fund balances and reserves are lower than those of other Triple AAA rated jurisdictions
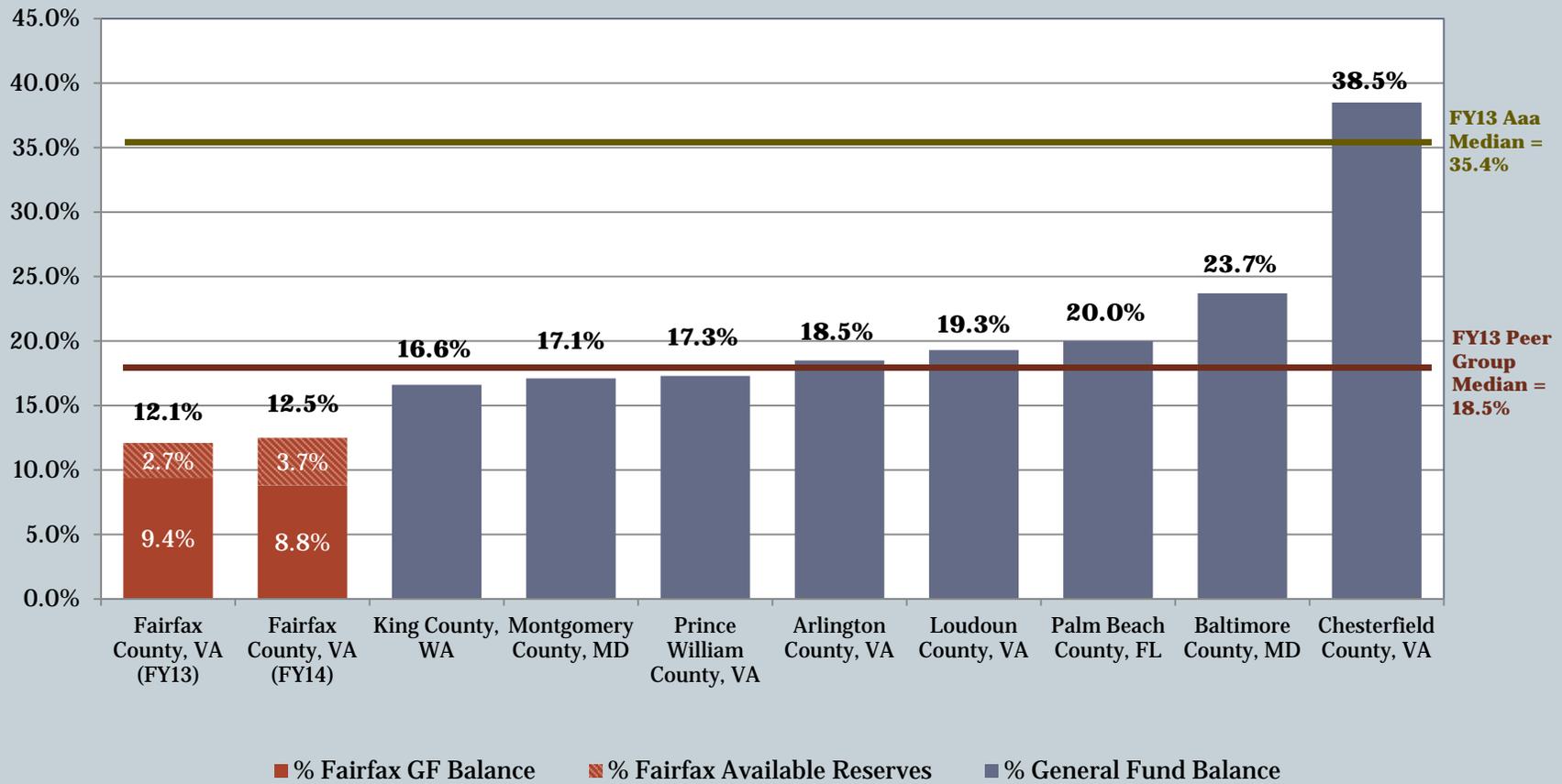 - Refer to chart on next slide

- ## Recommendation:
  - Staff will return to the Board with recommendations and strategies to increase fund balances and reserves

Reserves compared to Other Jurisdictions

General Fund Balance as a % of Revenues

Next Steps

- Staff will draft letter to rating agencies demonstrating Board's commitment to addressing these 3 areas of concern for the Board's January 13 meeting
- GO Bond Sale planned for February 2015