Response to Questions on the FY 2009 Advertised Budget Plan

Request By: Supervisor Herrity and Supervisor Frey

Question: At the budget meeting on March 28, 2008, the County Executive mentioned that the Penny for Affordable Housing was being used to pay the debt service of some of the properties purchased under the Penny for Affordable Housing.

a. Are expenditures from the Penny for Affordable Housing considered General Fund expenditures as the Penny for Affordable Housing needs to be approved every year?
b. If there is debt that relies on the Penny for Affordable Housing (assuming it is General Fund debt service) why is this debt not listed in the CIP?
c. If there is debt that relies on the Penny for Affordable Housing (assuming it is General Fund debt service) why was the debt not considered in the presentation of debt that must be kept under the 10% debt service cap?
d. Are the debt rating services aware of this debt? If they are not and become aware of it what is their likely reaction?
e. How much of the FY 2009 Penny for Affordable Housing is committed?

Response: **a.** The Penny for Affordable Housing funding is posted to Fund 319, The Penny for Affordable Housing Fund. In this manner, all revenues and expenditures are separately tracked for this purpose. As such, the expenditures are not direct General Fund expenditures or included as General Fund disbursements since no transfer of General Fund dollars occurs.

b. Currently, there are two projects, Crescent and Wedgewood, for which County debt has been incurred payable from the Penny for Affordable Housing Fund. This information is contained in several sections of the FY 2009 –FY 2013 Advertised Capital Improvement Program.

The Fiscal Policies and Summary Charts section contains information about Penny Fund projects in Table C, Debt Capacity Analysis under FCRHA Lease Revenue.

Also the Community Improvements section of the CIP from page 73 to 82 contains information on Housing Development projects. Crescent is discussed on page 80 and Wedgewood is discussed on page 78. Both projects are listed on the multi-year funding chart on page 81. In addition, there is an FY 2009 funding obligation for Olley Glen (CIP, page 78) that is direct Penny Fund support, not debt service, in the amount of $6.3 million as approved by the Board of Supervisors on December 3, 2007.

c. Debt service support for these projects is treated on par with our general obligation debt and is included in our calculations for our debt ratios. See the chart on debt ratios below presented at the CIP workshop presentation on March 28th. These debt ratios were based on the Debt Capacity chart below, a copy of which was included in the CIP workshop presentation on March 28th. FCRHA Lease Revenue Bonds are shown as a separate line item on this Debt Capacity chart and these dollars are included in the ratio calculations.

Revenue Impact on Debt Ratios – Debt as a % of General Fund Revenues (10% limit)

	Forecast Revenue Growth Assumption	0% Revenue Growth Assumption	Negative Growth in 2010 Assumption
FY 2009	8.55%	------	-----
FY 2010	8.99%	8.99%	8.99%
FY 2011	9.35%	9.43%	9.63%
FY 2012	9.55%	9.82%	9.83%
FY 2013	9.55%	10.00%	9.82%

Debt Capacity Analysis
FY 2009 – FY 2013 Advertised Capital Improvement Program
($ in millions)

PURPOSE	UNISSUED	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	2009-2013 TOTAL
Libraries (2004)	29.08	3.00	11.52	12.52	2.04	0.00	0.00	26.08
Roads (2004, 2007)	138.29	1.23	23.10	33.59	30.37	25.00	25.00	137.06
NVRPA (2004)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Metro (2004)	100.84	37.56	29.70	22.90	10.68	0.00	0.00	63.28
Storm Drainage (none outstanding)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation (non-road) (2004)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Human Services (2004)	16.50	0.00	6.65	9.85	0.00	0.00	0.00	16.50
Juvenile Detention (2004)	10.00	0.00	5.40	4.60	0.00	0.00	0.00	10.00
Public Safety Facilities (2002, 2006)	112.52	4.34	12.00	32.00	32.50	20.60	11.08	108.18
Commercial Revitalization(1988)	6.63	0.00	2.50	1.00	1.80	1.33	0.00	6.63
Parks (2004, 2006)	66.66	50.03	13.06	3.57	0.00	0.00	0.00	16.63
Schools (Bus garage) (2007)	50.00	0.00	5.00	5.00	20.00	20.00	0.00	50.00
Public Safety Renewal (2006)	12.00	3.00	3.00	3.00	3.00	0.00	0.00	9.00
Subtotal County	**542.520**	**99.16**	**111.93**	**128.03**	**100.39**	**66.93**	**36.08**	**443.36**
Fund 390, Schools (2003)	204.360	135.32	60.08	8.96	0.00	0.00	0.00	69.04
(2005)	246.325	0.00	94.92	146.04	5.37	0.00	0.00	246.33
(2007)	315.200	0.00	0.00	0.00	149.63	155.00	10.57	315.20
Subtotal Schools	**765.885**	**135.32**	**155.00**	**155.00**	**155.00**	**155.00**	**10.57**	**630.57**
Total General Obligation Bonds	**1308.405**	**234.48**	**266.93**	**283.03**	**255.39**	**221.93**	**46.65**	**1073.93**
FCRHA Lease Revenue		40.00	60.00	0.00	0.00	0.00	0.00	60.00
EDA Lease Revenue (PPEA Projects)		0.00	0.00	0.00	0.00	85.00	20.00	105.00
Subtotal PPEA/FCRHA Support		**40.00**	**60.00**	**0.00**	**0.00**	**85.00**	**20.00**	**165.00**
Total Current Program	**1308.405**	**274.48**	**326.93**	**283.03**	**255.39**	**306.93**	**66.65**	**1238.93**

d. The credit rating agencies were consulted prior to the issuance of the debt associated with the Crescent and Wedgewood properties as well as during the County's regular rating processes.

The Wedgewood BAN was rated by Standard & Poor's and Moody's Investor Services. Each rating agency rated the BAN at the highest possible level for short-term notes, SP1+ and MIG-1 respectively. This excellent credit rating reflects the Triple-A rating of Fairfax County and the County's support for the note principal and interest payments via The Penny for Affordable Housing Fund, subject to appropriation, the County's demonstrated commitment to affordable housing and the expectation of market access for renewal notes or a long-term refinancing with a County guarantee.

The Crescent 5-year BAN was rated by Standard & Poor's (S&P) and Moody's Investor Services. S&P rated the BAN AA+ which is one step below the County's AAA rating and is the highest rating attainable for notes repaid subject to annual appropriation. Moody's rated the BAN Aa2 which is a high quality credit rating that is only two steps off the County's Aaa rating. This excellent credit rating reflects the Triple-A rating of Fairfax County and the County's support for the note principal and interest payments via The Penny for Affordable Housing Fund, subject to appropriation, the County's demonstrated commitment to affordable housing and the expectation of market access for long-term refinancing with a County guarantee.

e. The FY 2009 Penny fund allocation is $22,800,000 of which there are the following FY 2009 commitments:

Crescent	$2,934,883	(interest and principal)
Wedgewood	$3,303,365	(interest only)
Olley Glen	$6,300,000	(one-time)
Total Commitments	$12,538,248	

Additional details for the subsequent years are shown in response to Supervisor Herrity's question on the next page.