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 Fairfax County 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 wastewater revenue bonds is reflected in the Enterprise Funds.

The following table includes the debt service payments and projected fiscal agent fees required in FY 2020 as well as the sources of funding supporting these costs:

	FY 2020 Adopted
Expenses	
County Debt Service	$108,957,460
Lease Revenue Bonds	24,722,156
Park Authority (Laurel Hill Golf Course)	919,485
Fiscal Agent Fees/Cost of Issuance	1,200,000
Subtotal County	**$135,799,101**
School Debt Service	$193,025,160
Lease Revenue Bonds (South County High School)	4,117,022
School Administration Building	3,470,500
Fiscal Agent Fees/Cost of Issuance	800,000
Subtotal Schools	**$201,412,682**
Total Disbursements	**$337,211,783**
Funding	
General Fund Transfer	$329,741,798
School Operating Fund Transfer	3,470,500
Build America Bonds Subsidy	2,500,000
Park Authority (Laurel Hill Golf Course)	919,485
Bond Proceeds to Offset Cost of Issuance	500,000
Fairfax City Revenue	80,000
Total Funding	**$337,211,783**

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General Obligation Bonds
Preliminary expenses for debt service payments associated with FY 2019 bond sales have been incorporated into the FY 2020 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:	
Mott, Gum Springs, Baileys, & James Lee Community Centers; Herndon Harbor Adult Day Care Center; South County Government Center (EDA)	$2,056,500
Merrifield Mental Health Center (EDA)*	3,768,146
Capital Renewal (Direct Loan)	2,025,940
Lincolnia Center (VRA)	929,943
Lewinsville (EDA)	1,316,805
Public Safety Headquarters (EDA)	12,495,000
South County High School (EDA)	4,117,022
Workhouse Arts Foundation (EDA)	2,129,823
Laurel Hill Golf Course (EDA)**	919,484
School Administration Building (EDA)***	3,470,500
Total Payments	**$33,229,163**

* Includes Series 2012 New Money and Series 2017 Refunding
** 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 (Ten Principles)* 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.

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 to reduce planned sales and remain within capacity guidelines.

During the adoption of the FY 2008 Adopted Budget Plan, the *Ten Principles* 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.

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 Global Ratings (awarded 1978), and a AAA from Fitch Ratings (awarded 1997). As of January 2019, Fairfax County is one of only 13 states, 47 counties, and 33 cities to hold a triple-A rating from all three services.

Fairfax County Bond Ratings

Moody's Investor Service	Standard and Poor's Global Ratings	Fitch Ratings
Aaa	**AAA**	**AAA**
Since 1975	*Since 1978*	*Since 1997*

As part of the FY 2019 Adopted Budget Plan and future budgets, the County included an additional $25 million in general obligation bonds for the Fairfax County Public Schools, thereby increasing their annual total from $155 million to $180 million. This revised amount was sold in January 2019 and the debt service is included in the FY 2020 budget. The change to the County's annual bond sale limits has been revised as part of the *Ten Principles of Sound Financial Management*. Debt ratio impact with respect to capacity and affordability will continue to be reviewed on an annual basis.

The following are ratios and annual sales reflecting debt indicators for FY 2016 - FY 2020:

Net Debt as a Percentage of Market Value of Taxable Property

Fiscal Year Ending	Net Bonded Indebtedness[1]	Estimated Market Value[2]	Percentage
2016	2,875,166,000	241,306,896,262	1.19%
2017	2,895,516,000	248,802,572,781	1.16%
2018	2,918,416,000	253,512,049,641	1.15%
2019 (est.)	2,922,384,000	262,158,107,097	1.11%
2020 (est.)	3,078,764,000	271,193,369,966	1.14%

[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 2016 to FY 2018 Comprehensive Annual Financial Report and Fairfax County Department of Tax Administration; FY 2019 and FY 2020 Fairfax County Department of Management and Budget and Department of Tax Administration.

[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
2016	323,859,385	3,860,655,340	8.39%
2017	313,389,406	4,005,844,810	7.82%
2018	337,076,503	4,112,554,168	8.20%
2019 (est.)	375,831,589	4,398,872,474	8.54%
2020 (est.)	351,862,158	4,449,429,561	7.91%

[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 2016 to FY 2018 Comprehensive Annual Financial Report; FY 2019 and FY 2020 Fairfax County Department of Management and Budget.

[2] Source: Fairfax County Department of Management and Budget.

Annual General Obligation Bond Sales

FY	Par	Premium	Total
2016	$217.04	$33.65	$250.69
2017	228.38	30.98	259.36
2018	219.64	33.21	252.85
2019	214.74	32.62	247.36
2020 (Est.)	300.00	0.00	300.00
Total	**$1,179.80**	**$130.46**	**$1,310.26**

[1] Actual County and School bond sale amounts are based on the cash requirements for each project and municipal bond market conditions. As part of the FY 2019 Adopted Budget Plan, annual County bond sales were increased by $25 million from $275 million (or $1.375 billion over a five-year period) to $300 million (or $1.5 billion over a five-year period). These amounts above reflect project fund deposits (par + premium) and exclude refunding bond sales. The change to the County's annual bond sale limit has been revised as part of the *Ten Principles of Sound Financial Management*. Debt ratio impact with respect to capacity and affordability will continue to be reviewed on an annual basis.

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FY 2020 Funding Adjustments

The following funding adjustments from the FY 2019 Adopted Budget Plan are necessary to support the FY 2020 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 May 7, 2019.

- **Disbursement Adjustment** **($12,761,648)**

  A decrease in expenditures of $12,761,648 or 3.7 percent is primarily attributable to scheduled requirements for existing debt service payments. The decrease takes into account scheduled General Obligation bond payments as well as the retirement of past bond issuances for County administration buildings and a Capital Renewal loan.

Changes to FY 2019 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2019 Revised Budget Plan since passage of the FY 2019 Adopted Budget Plan. Included are all adjustments made as part of the FY 2018 Carryover Review, FY 2019 Third Quarter Review, and all other approved changes through April 30, 2019.

- **Carryover Adjustments** **$11,422,724**

  As part of the *FY 2018 Carryover Review*, the Board of Supervisors approved funding of $11,422,724 for anticipated debt requirements in FY 2019 associated with bond sales and capital requirements as outlined in the FY 2019-FY 2023 Adopted Capital Improvement Program.

- **Third Quarter Adjustments** **($12,165,352)**

  As part of the *FY 2019 Third Quarter Review*, the Board of Supervisors approved a decrease of $12,165,352 due to lower than expected debt service payments from new money bond sales and savings from prior years' bond refundings. In addition, a Transfer Out of $12,100,000 was included to Fund 30000, Metro Operations and Construction, for the County's share of Metro's retroactive collective bargaining payments for recently completed labor negotiations and contract increase for Metro Access (Paratransit Services). Moreover, a transfer out of $2,000,000 was included to Fund 80000, Park Revenue and Operating Fund, as a one-time action to help with the projected revenue shortfall in that fund. Staff will work to identify repayment from Fund 80000 in future fiscal years.

Fund 20000
Consolidated County and Schools Debt Service Fund

FUND STATEMENT

Fund 20000, Consolidated Debt Service

	FY 2018 Actual	FY 2019 Adopted Budget Plan	FY 2019 Revised Budget Plan	FY 2020 Advertised Budget Plan	FY 2020 Adopted Budget Plan
Beginning Balance	**$22,148,358**	**$0**	**$13,422,724**	**$0**	**$4,065,352**
Revenue:					
Build America Bonds Subsidy	$2,582,389	$2,600,000	$2,600,000	$2,500,000	$2,500,000
Miscellaneous Revenue	18,731	0	0	0	0
Bond Proceeds	680,834	500,000	500,000	500,000	500,000
Revenue from Fairfax City	23,627	80,000	80,000	80,000	80,000
Total Revenue	$3,305,581	$3,180,000	$3,180,000	$3,080,000	$3,080,000
Transfers In:					
County Debt Service:					
General Fund (10001) for County	$145,858,796	$149,052,944	$147,052,944	$131,759,616	$131,759,616
FCRHA Lease Revenue Bonds (10001)	176,429	0	0	0	0
Public Safety Construction (30070)[1]	0	0	6,000,000	0	0
Park Authority Lease Revenue Bonds (80000)	860,369	888,354	888,354	919,485	919,485
Subtotal County Debt Service	$146,895,594	$149,941,298	$153,941,298	$132,679,101	$132,679,101
Schools Debt Service:					
General Fund (10001) for Schools	$189,130,953	$193,381,033	$193,381,033	$197,982,182	$197,982,182
School Admin Building (S10000)	3,471,100	3,471,100	3,471,100	3,470,500	3,470,500
Subtotal Schools Debt Service	$192,602,053	$196,852,133	$196,852,133	$201,452,682	$201,452,682
Total Transfers In	$339,497,647	$346,793,431	$350,793,431	$334,131,783	$334,131,783
Total Available	**$364,951,586**	**$349,973,431**	**$367,396,155**	**$337,211,783**	**$341,277,135**
Expenditures:					
General Obligation Bonds:					
County Principal	$70,155,200	$69,820,700	$74,045,700	$69,917,200	$69,917,200
County Interest	36,224,379	32,447,434	36,301,394	32,850,995	32,850,995
Debt Service on Projected County Sales	0	8,389,400	0	6,189,265	6,189,265
Subtotal County Debt Service	$106,379,579	$110,657,534	$110,347,094	$108,957,460	$108,957,460
Schools Principal	$121,934,800	$120,309,300	$127,069,300	$122,952,800	$122,952,800
Schools Interest	60,617,171	54,252,681	60,459,479	54,402,880	54,402,880
Debt Service on Projected School Sales	0	13,687,900	0	15,669,480	15,669,480
Subtotal Schools Debt Service	$182,551,971	$188,249,881	$187,528,779	$193,025,160	$193,025,160
Subtotal General Obligation Bonds	$288,931,550	$298,907,415	$297,875,873	$301,982,620	$301,982,620

Fund 20000
Consolidated County and Schools Debt Service Fund

FUND STATEMENT

Fund 20000, Consolidated Debt Service

	FY 2018 Actual	FY 2019 Adopted Budget Plan	FY 2019 Revised Budget Plan	FY 2020 Advertised Budget Plan	FY 2020 Adopted Budget Plan
Other Tax Supported Debt Service (County):					
EDA Lease Revenue Bonds	$33,910,292	$34,492,405	$34,492,405	$20,345,584	$20,345,584
Workhouse Arts Foundation	2,133,188	2,129,551	2,129,551	2,129,823	2,129,823
VRA 2013A - Lincolnia; EDA - Lewinsville	2,326,468	3,793,454	3,793,454	2,246,749	2,246,749
FCRHA Lease Revenue Bonds	973,650	0	0	0	0
Park Authority Lease Revenue Bonds	860,369	888,354	888,354	919,485	919,485
Other Tax Supported Debt Service (Schools):					
EDA Schools Lease Revenue Bonds	7,940,987	7,762,252	7,762,252	7,587,522	7,587,522
Subtotal Other Tax Supported Debt Service	$48,144,954	$49,066,016	$49,066,016	$33,229,163	$33,229,163
Other Expenses	$1,473,198	$2,000,000	$2,288,914	$2,000,000	$2,000,000
Total Expenditures	$338,549,702	$349,973,431	$349,230,803	$337,211,783	$337,211,783
Transfers Out:					
Revenue Stabilization Fund (10010)[2]	$804,000	$0	$0	$0	$0
Information Technology (10040)[3]	6,937,760	0	0	0	0
Metro Operations and Construction (30000)[4]	0	0	12,100,000	0	0
Infrastructure Replacement and Upgrades (30020)[3]	5,237,400	0	0	0	0
Park Revenue and Operating Fund (80000)[5]	0	0	2,000,000	0	0
Total Transfers Out	$12,979,160	$0	$14,100,000	$0	$0
Total Disbursements	$351,528,862	$349,973,431	$363,330,803	$337,211,783	$337,211,783
Ending Balance[6]	$13,422,724	$0	$4,065,352	$0	$4,065,352

[1] A Transfer In of $6,000,000 from Fund 30070, Public Safety Construction, is related to the Public Safety Headquarters project. Per the terms of the bond documents, bond proceeds available after payment of construction related costs are to be transferred to offset debt service expenses for the project.

[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. No transfer out is reflected for FY 2020 per the final debt service figures from previous bond refundings as there is no applicable savings.

[3] A Transfer Out of $6,937,760 was included for Fund 10040, Information Technology, for IT projects, and a Transfer Out of $5,237,400 was included for Fund 30020, Infrastructure Replacement and Upgrades, for infrastructure replacement and upgrades at County facilities. This funding was available due to lower than expected debt service payments as a result of new money bond sales and savings from prior years' bond refundings.

[4] A Transfer Out is included for Fund 30000, Metro Operations and Construction, for the County's share of retroactive collective bargaining payments ($7,600,000) and a contract rate increase with MetroAccess for Paratransit Services ($4,500,000).

[5] A Transfer Out is included for Fund 80000, Park Revenue and Operating Fund, as a one-time action to help with the projected revenue shortfall in that fund.

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