

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 2018 as well as the sources of funding supporting these costs:

	FY 2018 Adopted
Expenses	
County Debt Service	\$106,306,444
Lease Revenue Bonds	40,267,781
Park Authority (Laurel Hill Golf Course)	860,369
Fiscal Agent Fees/Cost of Issuance	2,100,000
Subtotal County	\$149,534,594
School Debt Service	\$182,498,066
Lease Revenue Bonds (South County High School)	4,469,887
School Administration Building	3,471,100
Fiscal Agent Fees/Cost of Issuance	1,400,000
Subtotal Schools	\$191,839,053
Total Expenditures	\$341,373,647
Transfer Out to Revenue Stabilization Fund	\$804,000
Total Disbursements	\$342,177,647
Funding	
General Fund Transfer	\$334,989,749
School Operating Fund Transfer	3,471,100
Build America Bonds Subsidy	2,100,000
Park Authority (Laurel Hill Golf Course)	860,369
FCRHA Lease Revenue	176,429
Bond Proceeds to Offset Cost of Issuance	500,000
Fairfax City Revenue	80,000
Total Funding	\$342,177,647

Fund 20000

Consolidated County and Schools Debt Service Fund

General Obligation Bonds

Preliminary expenses for debt service payments associated with FY 2017 bond sales have been incorporated into the FY 2018 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)	\$8,080,250
Mott, Gum Springs, Baileys, & James Lee Community Centers; Herndon Harbor Adult Day Care Center; South County Government Center (EDA)	3,271,900
Mid-County Mental Health Center / Prov. Comm. Center (EDA)	3,869,025
Capital Renewal (Direct Loan)	7,202,020
Lincolnia Center (VRA)	964,869
Lewinsville (EDA)*	1,482,000
Public Safety Headquarters (EDA)	13,088,100
South County High School (EDA)	4,469,887
Workhouse Arts Foundation (EDA)	2,133,188
Laurel Hill Golf Course (EDA)**	860,369
School Administration Building (EDA)***	3,471,100
Subtotal EDA, VRA, and Direct Loan	\$48,892,708

Fairfax County Redevelopment and Housing Authority (RHA):

Gum Springs Head Start Facility	<u>\$176,429</u>
Subtotal RHA	\$176,429

Total Payments **\$49,069,137**

* Bond financing expected to occur in summer 2017.

** Reimbursed by a transfer in from the Park Authority.

***Reimbursed by a transfer in from the School Operating Fund.

Fund 20000

Consolidated County and Schools Debt Service 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 in order 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.

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 and 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 (With Future Fiscal Years to 2020), 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 \$30,000,000 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 LOC. 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 May 2017, Fairfax County is one of only 12 states, 46 counties, and 33 cities to hold a triple-A rating from all three services.

Fund 20000

Consolidated County and Schools Debt Service Fund

The FY 2018 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 2018 capital program supported by general obligation bonds was reviewed in conjunction with the FY 2018 - FY 2022 Adopted Capital Improvement Program (With Future Years to 2027).



The following are ratios and annual sales reflecting debt indicators for FY 2014 - FY 2018:

Net Debt as a Percentage of Market Value of Taxable Property

<u>Fiscal Year Ending</u>	<u>Net Bonded Indebtedness¹</u>	<u>Estimated Market Value²</u>	<u>Percentage</u>
2014	2,832,532,000	221,465,365,745	1.28%
2015	2,863,139,000	233,351,721,357	1.23%
2016	2,875,166,000	241,306,896,262	1.19%
2017 (est.)	2,929,242,000	248,403,290,626	1.18%
2018 (est.)	3,002,833,000	252,978,261,639	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 2014 to FY 2016 Comprehensive Annual Financial Report and Fairfax County Department of Tax Administration; FY 2017 and FY 2018 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

<u>Fiscal Year Ending</u>	<u>Debt Service Requirements¹</u>	<u>General Fund Disbursements²</u>	<u>Percentage</u>
2014	295,451,022	3,637,841,492	8.12%
2015	313,968,578	3,729,624,836	8.42%
2016	323,859,385	3,860,655,340	8.39%
2017 (est.)	333,903,566	4,092,411,773	8.16%
2018 (est.)	354,176,875	4,106,622,164	8.62%

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 2014 to FY 2016 Comprehensive Annual Financial Report; FY 2017 and FY 2018 Fairfax County Department of Management and Budget.

² Source: Fairfax County Department of Management and Budget.

Fund 20000

Consolidated County and Schools Debt Service Fund

Annual Bond Sales

<u>Fiscal Year Ending</u>	<u>Sales (millions)</u>	<u>Total for the Five-Year Period Ending FY 2018</u>
2014	289.64	-
2015	256.30	-
2016	249.73	-
2017	258.00	-
2018 (est.) ¹	275.00	\$1,299.05

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 2018 Funding Adjustments

The following funding adjustments from the FY 2017 Adopted Budget Plan are necessary to support the FY 2018 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 2, 2017.

- ◆ **Disbursement Adjustment**
\$8,578,870
- An increase in disbursements of \$8,578,870 or 2.57 percent is noted for FY 2018. Programmed payments for General Obligation bonds and other tax supported debt service increase \$20,851,103. This is offset by a decrease in the transfer out to Fund 10010, Revenue Stabilization Fund, of \$12,272,233 from the prior year. These monies reflect savings associated with the County's General Obligation Public Improvement Refunding Bonds Series 2015B, 2015C, and 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.

Changes to FY 2017 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2017 Revised Budget Plan since passage of the FY 2017 Adopted Budget Plan. Included are all adjustments made as part of the FY 2016 Carryover Review, FY 2017 Third Quarter Review, and all other approved changes through April 30, 2017.

- ◆ **Carryover Adjustments**
\$12,763,051
- As part of the *FY 2016 Carryover Review*, the Board of Supervisors approved funding of \$12,763,051 in Operating Expenses to provide funding for bond sales scheduled during FY 2017.

Fund 20000

Consolidated County and Schools Debt Service Fund

FUND STATEMENT

Fund 20000, Consolidated Debt Service

	FY 2016 Actual	FY 2017 Adopted Budget Plan	FY 2017 Revised Budget Plan	FY 2018 Advertised Budget Plan	FY 2018 Adopted Budget Plan
Beginning Balance	\$10,213,173	\$0	\$12,763,051	\$0	\$0
Revenue:					
Build America Bonds Subsidy	\$2,889,783	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000
Miscellaneous Revenue	23,482	0	0	0	0
Bond Proceeds	867,997	500,000	500,000	500,000	500,000
Revenue from Fairfax City	49,465	80,000	80,000	80,000	80,000
Total Revenue	\$3,830,727	\$2,680,000	\$2,680,000	\$2,680,000	\$2,680,000
Transfers In:					
County Debt Service:					
General Fund (10001) for County	\$127,616,867	\$136,576,225	\$136,576,225	\$145,858,796	\$145,858,796
FCRHA Lease Revenue Bonds (10001)	176,429	176,429	176,429	176,429	176,429
Park Authority Lease Revenue Bonds (80000)	800,994	829,299	829,299	860,369	860,369
Subtotal County Debt Service	\$128,594,290	\$137,581,953	\$137,581,953	\$146,895,594	\$146,895,594
Schools Debt Service:					
General Fund (10001) for Schools	\$187,157,477	\$189,870,099	\$189,870,099	\$189,130,953	\$189,130,953
School Admin Building (S10000)	3,468,575	3,466,725	3,466,725	3,471,100	3,471,100
Subtotal Schools Debt Service	\$190,626,052	\$193,336,824	\$193,336,824	\$192,602,053	\$192,602,053
Total Transfers In	\$319,220,342	\$330,918,777	\$330,918,777	\$339,497,647	\$339,497,647
Total Available	\$333,264,242	\$333,598,777	\$346,361,828	\$342,177,647	\$342,177,647

Fund 20000

Consolidated County and Schools Debt Service Fund

FUND STATEMENT

Fund 20000, Consolidated Debt Service

	FY 2016 Actual	FY 2017 Adopted Budget Plan	FY 2017 Revised Budget Plan	FY 2018 Advertised Budget Plan	FY 2018 Adopted Budget Plan
Expenditures:					
General Obligation Bonds:					
County Principal	\$66,446,000	\$60,568,700	\$64,683,700	\$65,585,200	\$65,585,200
County Interest	33,353,679	31,239,009	34,173,503	31,451,244	31,451,244
Debt Service on Projected County Sales	0	9,412,400	15,125,957	9,270,000	9,270,000
Subtotal County Debt Service	\$99,799,679	\$101,220,109	\$113,983,160	\$106,306,444	\$106,306,444
Schools Principal	\$120,379,000	\$106,736,300	\$113,476,300	\$115,084,800	\$115,084,800
Schools Interest	57,038,669	53,627,078	58,293,672	53,463,266	53,463,266
Debt Service on Projected School Sales	0	14,292,100	2,885,506	13,950,000	13,950,000
Subtotal Schools Debt Service	\$177,417,669	\$174,655,478	\$174,655,478	\$182,498,066	\$182,498,066
Subtotal General Obligation Bonds	\$277,217,348	\$275,875,587	\$288,638,638	\$288,804,510	\$288,804,510
Other Tax Supported Debt Service (County):					
EDA Lease Revenue Bonds	\$24,498,675	\$27,430,161	\$27,430,161	\$35,511,295	\$35,511,295
Workhouse Arts Foundation	2,130,852	2,134,302	2,134,302	2,133,188	2,133,188
VRA 2013A - Lincolnia; EDA - Lewinsville	996,703	2,465,834	2,465,834	2,446,869	2,446,869
FCRHA Lease Revenue Bonds	176,429	176,429	176,429	176,429	176,429
Park Authority Lease Revenue Bonds	800,994	829,299	829,299	860,369	860,369
Other Tax Supported Debt Service (Schools):					
EDA Schools Lease Revenue Bonds	8,287,087	8,110,932	8,110,932	7,940,987	7,940,987
Subtotal Other Tax Supported Debt Service	\$36,890,740	\$41,146,957	\$41,146,957	\$49,069,137	\$49,069,137
Other Expenses	\$1,868,368	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Total Expenditures	\$315,976,456	\$320,522,544	\$333,285,595	\$341,373,647	\$341,373,647
Transfers Out:					
Revenue Stabilization Fund (10010) ¹	\$4,524,735	\$13,076,233	\$13,076,233	\$804,000	\$804,000
Total Transfers Out	\$4,524,735	\$13,076,233	\$13,076,233	\$804,000	\$804,000
Total Disbursements	\$320,501,191	\$333,598,777	\$346,361,828	\$342,177,647	\$342,177,647
Ending Balance²	\$12,763,051	\$0	\$0	\$0	\$0
Unreserved Ending Balance	\$12,763,051	\$0	\$0	\$0	\$0

¹ 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.

² The change in ending fund balance is the result of use of fund balance to offset projected debt service requirements.