

# Fairfax County, Virginia



## Presentation to Silver Line Phase 1 Transportation District District Commission

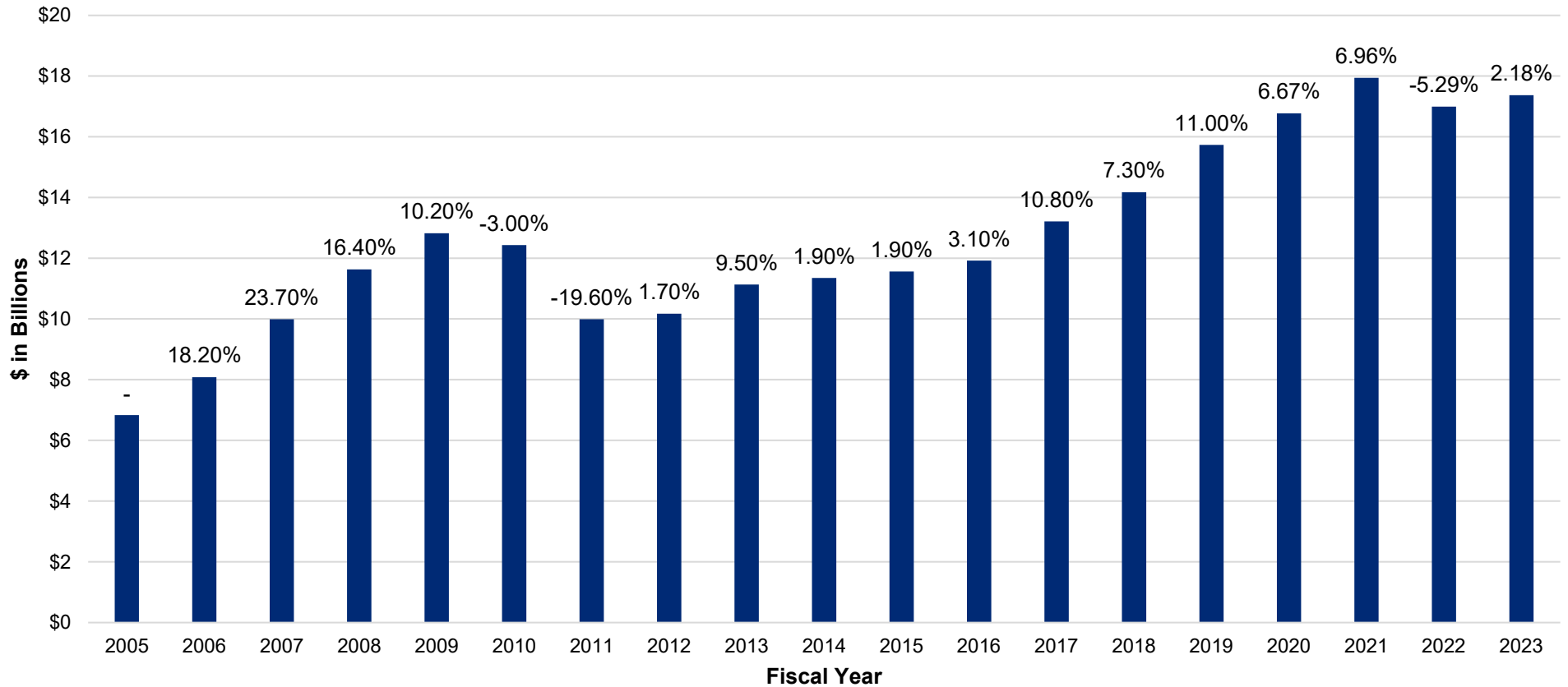
March 29, 2022

## Metrorail Silver Line Phase 1



# History of the Tax District

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



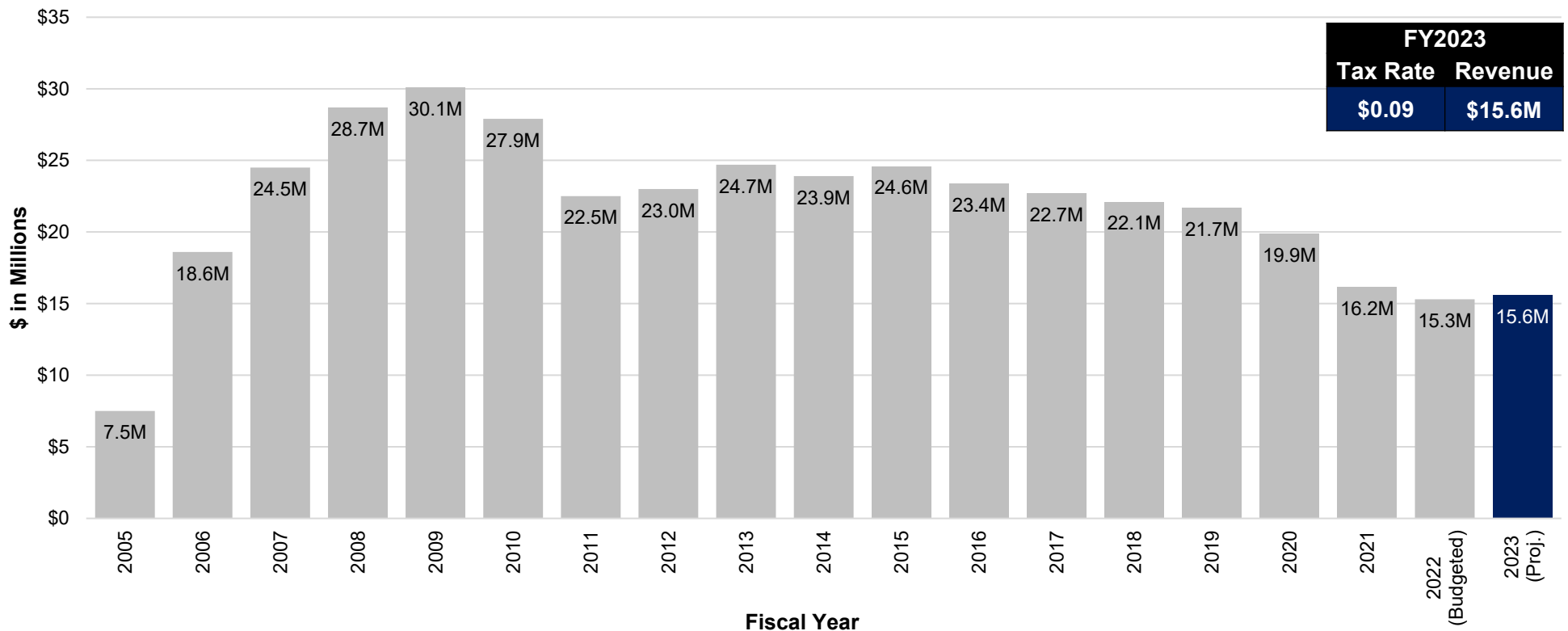
Fiscal Year (Valuation Date)	2005 (1/1/04)	2006 (1/1/05)	2007 (1/1/06)	2008 (1/1/07)	2009 (1/1/08)	2010 (1/1/09)	2011 (1/1/10)	2012 (1/1/11)	2013 (1/1/12)	2014 (1/1/13)	2015 (1/1/14)	2016 (1/1/15)	2017 (1/1/16)	2018 (1/1/17)	2019 (1/1/18)	2020 (1/1/19)	2021 (1/1/20)	2022 (1/1/21)	2023 (1/1/22)
Assessed 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	16.77	17.94	16.99	17.37
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	0.09	0.09
AV Growth	-	18.20%	23.70%	16.40%	10.20%	-3.00%	-19.6%	1.70%	9.50%	1.90%	1.90%	3.10%	10.80%	7.30%	11.00%	6.67%	6.96%	-5.29%	2.18%



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 \$397.7 million (as of 6/30/2022)
- In FY 2022, \$15.2 million has been collected through February 2022



Source: Fairfax County's ACFR 2005-2021 & includes interest earnings.  
 FY 2022 & FY2023 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
- Both available funds on hand and debt were used to ensure a balanced funding plan
- Once the \$400 million obligation was met, annual revenue would be used to pay down debt
- The original series of bonds were issued with a final maturity in April, 2037 with a goal to lower the tax rate as assessed value grew

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>

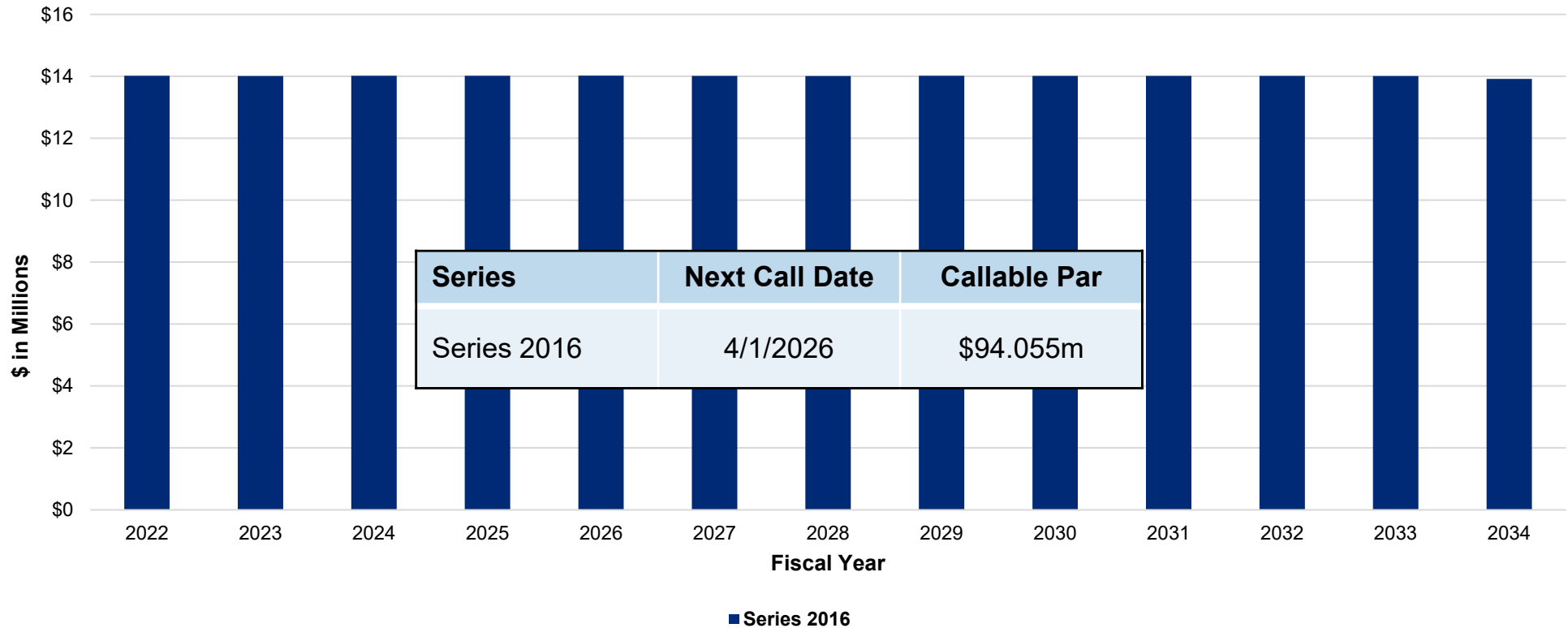


# Debt Profile

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

- As of 6/30/2021, the District has a total of \$137.75 million of debt outstanding
- During FY 2021, the County executed the planned cash prepayment of \$11.19 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 \$0.4 million per year

**Annual Debt Service (Fiscal Year)**

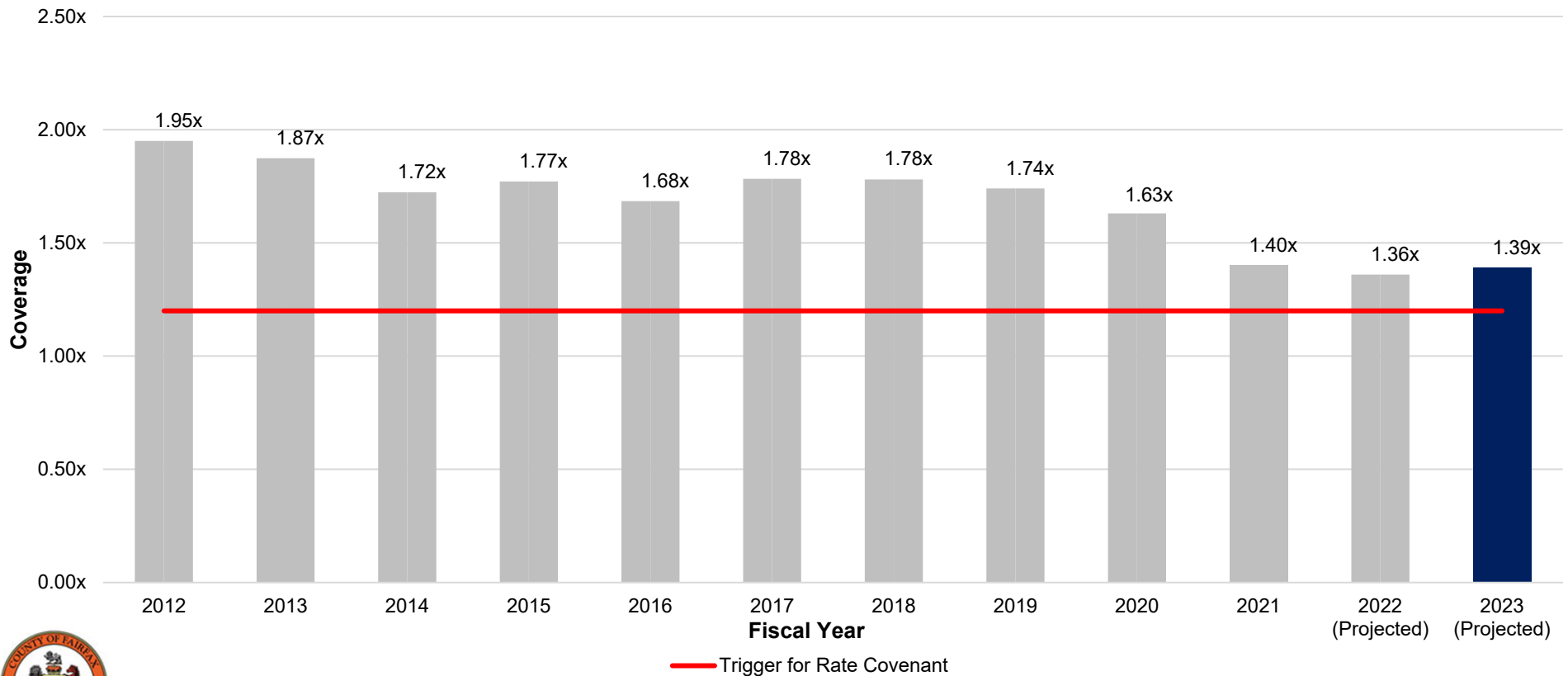


# Debt Service Coverage Policy

***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 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

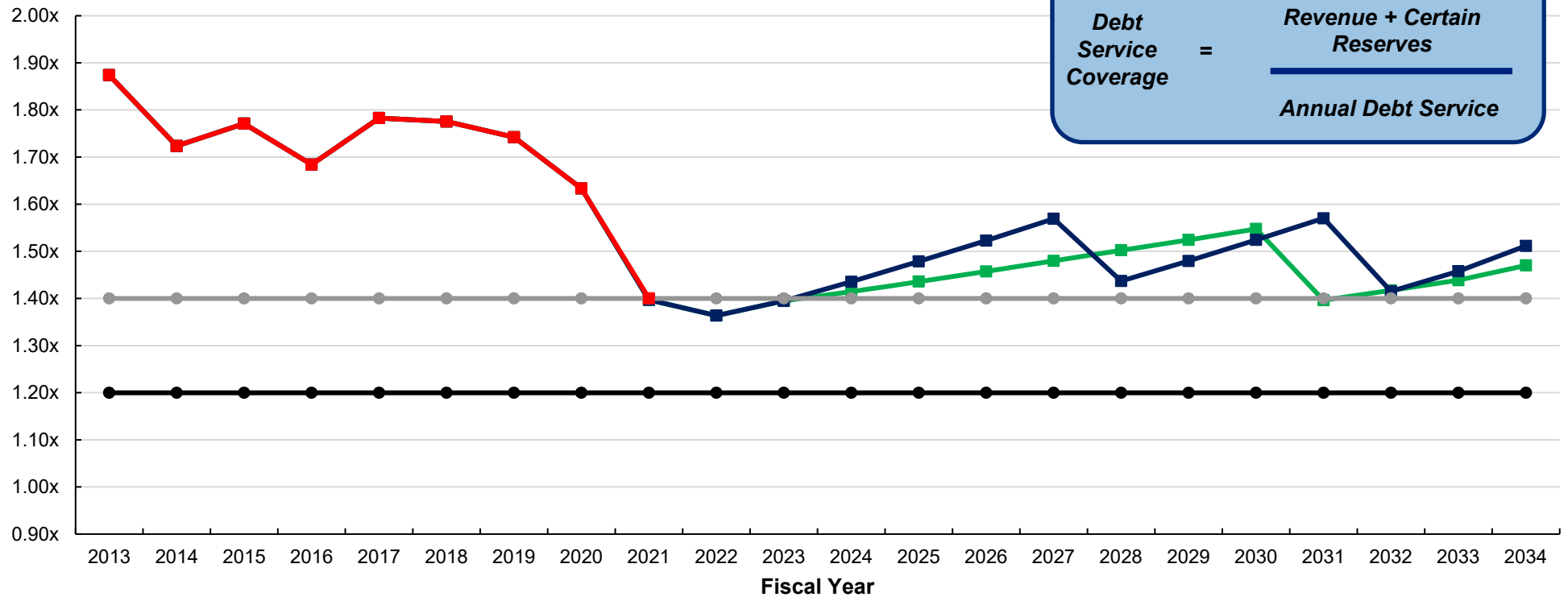
**Debt Service Coverage**



# Forecasted Debt Service Coverage

- Debt service coverage was equal to or above policy target of 1.40x for the previous two audited fiscal years
  - FY 2020 = 1.63x
  - FY 2021 = 1.40x
- FY 2022 coverage is projected to be 1.36x, below the 1.40x threshold
- Since coverage in the current fiscal year (FY2022) can not be maintained at or above 1.40x, maintaining the current tax rate is advisable for FY 2023
- A tax rate increase is not required or advisable in FY 2023

**Debt Service Coverage  
Assumes 9 cents Tax Rate**



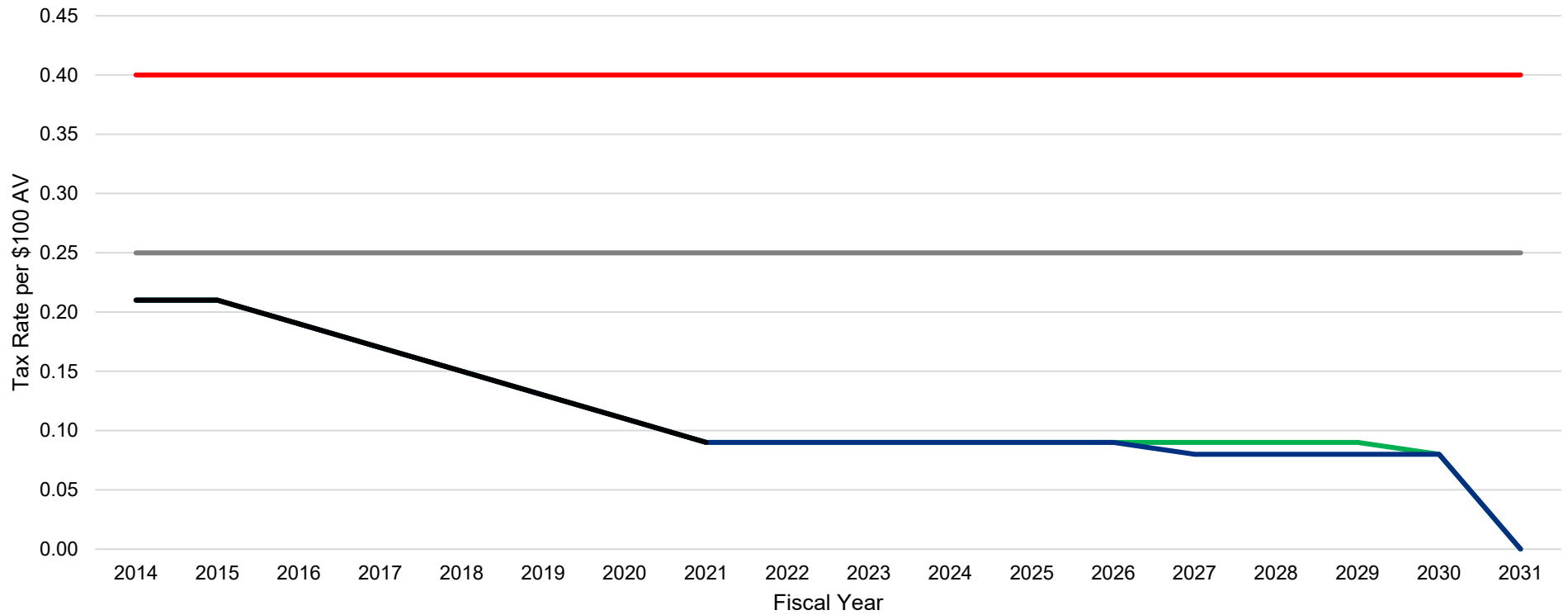
$$\text{Debt Service Coverage} = \frac{\text{Annual Tax District Revenue} + \text{Certain Reserves}}{\text{Annual Debt Service}}$$



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

# Projected Tax Rates by AV Growth (With Prepayments)

**Dulles Rail Phase 1 Tax District**  
Tax Rate by AV Growth Scenario (Assuming 9 cents in FY 2023)



1.5% Growth    3% Growth    Planning Cap    Statutory Maximum    Actual Tax Rate





# Reserve Policy

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

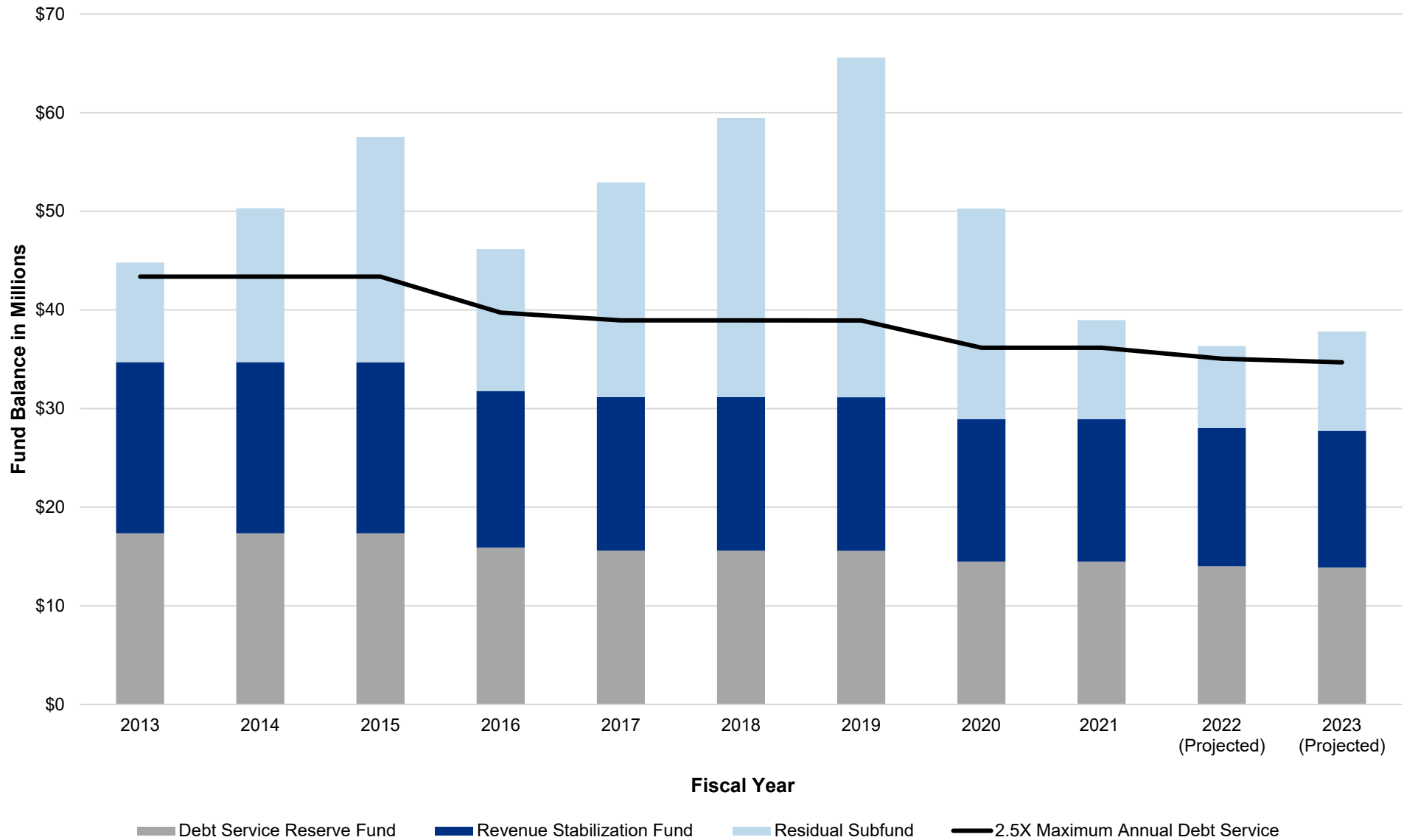
1. The Commission will also consider balances in the Revenue Stabilization Subfund and the Residual Subfund when setting the tax rate;
2. The District will maintain all reserves at or above the legally required minimums at all times;
3. The District will target the aggregate reserve balances to equal approximately 2.5x Maximum Annual Debt Service (currently totaling \$35 million)
  - A) Debt Service Reserve Fund secures outstanding bonds & is fully funded at Maximum Annual Debt Service (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.***



# Projected Total Reserves (With Defeasance)

## Silver Line Phase I Reserves



Note: Assumes 9 cent tax rate in FY2023 & \$4.2M defeasance in FY2022.



# Recommendation & Next Steps

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- Maintain tax rate at \$0.09/\$100 for FY 2023
- Complete early prepayment of debt with amounts designated in the budget and available from various fund releases during FY 2022

Expected Date	Event
3/10/2022	District Advisory Board meeting
3/29/2022	District Commission meeting
4/26/2022	Board of Supervisors FY 2023 Budget Mark-Up
5/10/2022	Board of Supervisors Adopts FY 2023 Budget

