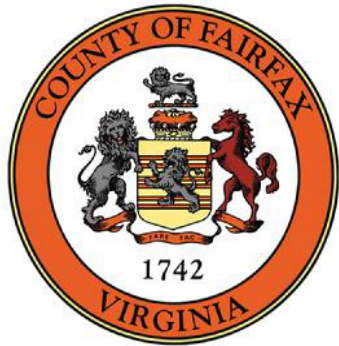


# Fairfax County, Virginia



## Presentation to Silver Line Phase 1 Transportation District

**District Advisory Board**

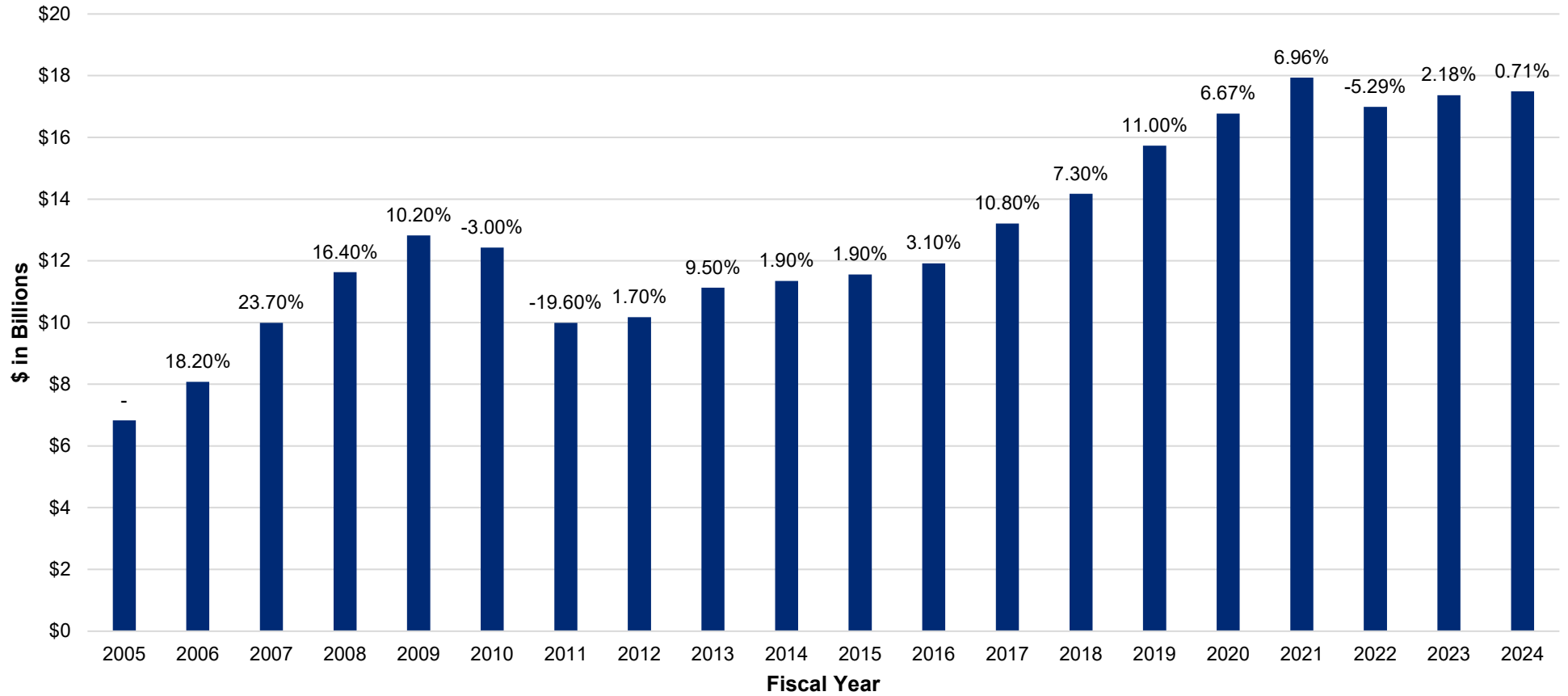
*March 15, 2023*

## Metrorail Silver Line Phase 1



# History of the Tax District

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



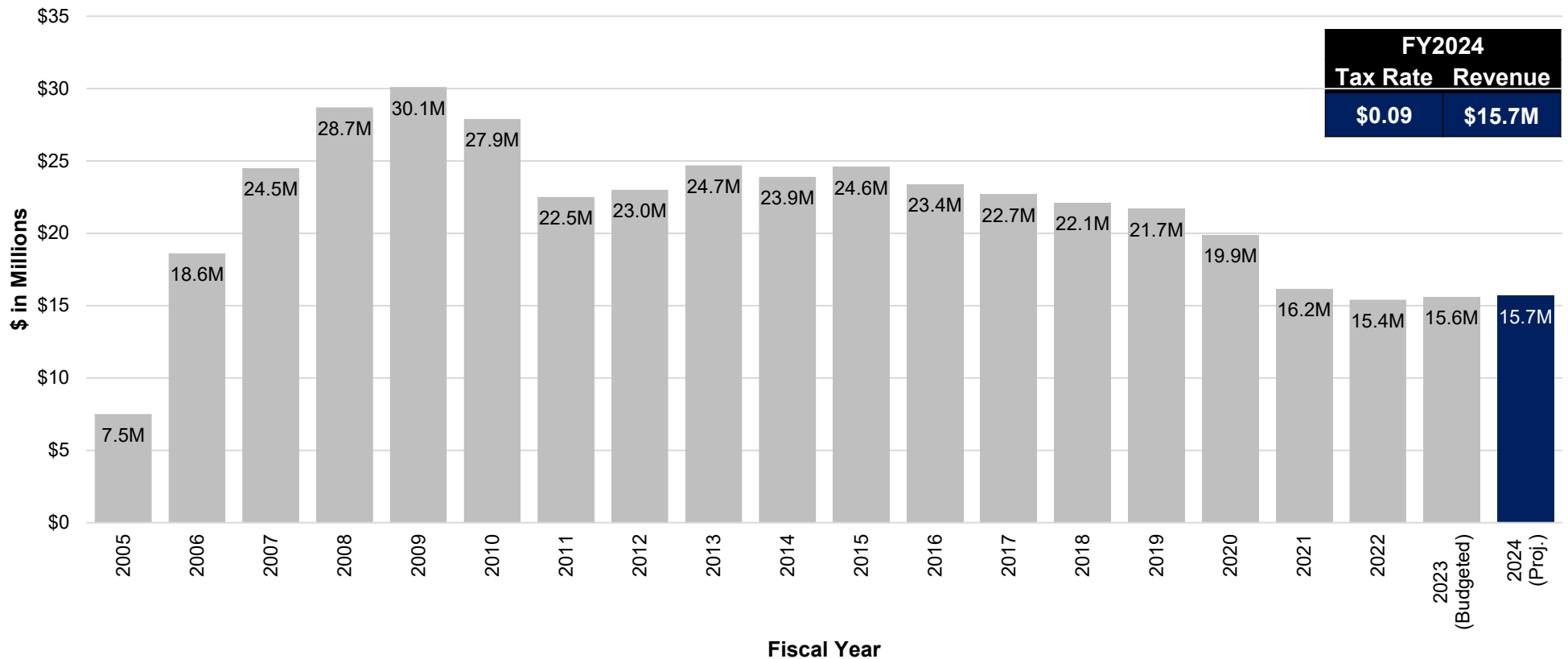
Fiscal Year (Valuation Date)	2005 (1/1/04)	2006 (1/1/05)	2007 (1/1/06)	2008 (1/1/07)	2009 (1/1/08)	2010 (1/1/09)	2011 (1/1/10)	2012 (1/1/11)	2013 (1/1/12)	2014 (1/1/13)	2015 (1/1/14)	2016 (1/1/15)	2017 (1/1/16)	2018 (1/1/17)	2019 (1/1/18)	2020 (1/1/19)	2021 (1/1/20)	2022 (1/1/21)	2023 (1/1/22)	2024 (1/1/23)
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	17.49
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	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%	0.71%



*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 \$413.0 million (as of 6/30/2023)
- In FY 2023, \$15.5 million has been collected through February 2023



Source: Fairfax County's ACFR 2005-2022 & includes interest earnings.

FY 2023 & FY2024 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

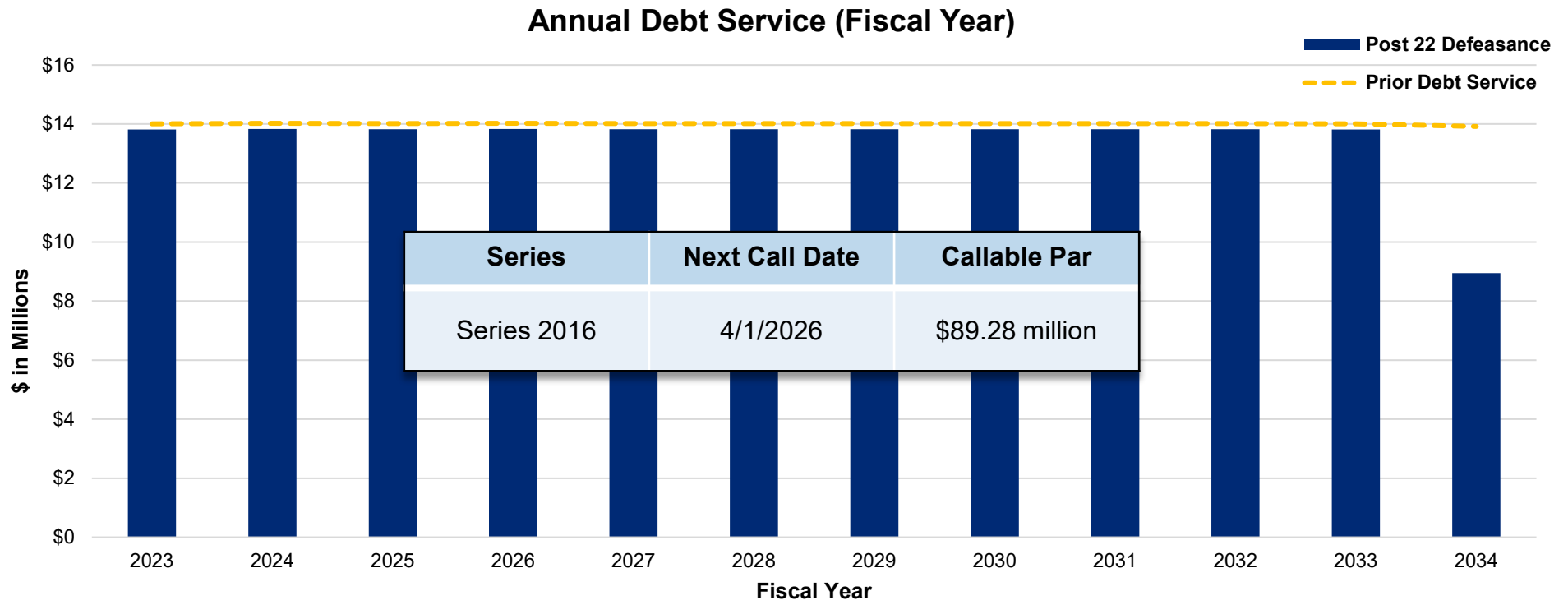
Sources of Funds		
	\$	%
Cash Contribution	\$131,600,000	33%
Series 2011 Bond Proceeds	\$220,000,000	55%
Series 2012 Bond Proceeds	\$48,400,000	12%
<b>Total Sources of Funds</b>	<b>\$400,000,000</b>	<b>100%</b>



# Debt Profile

***Bonds carry strong ratings of Aa1 /AA+/AA+ from Moody's, S&P and Fitch Ratings.***

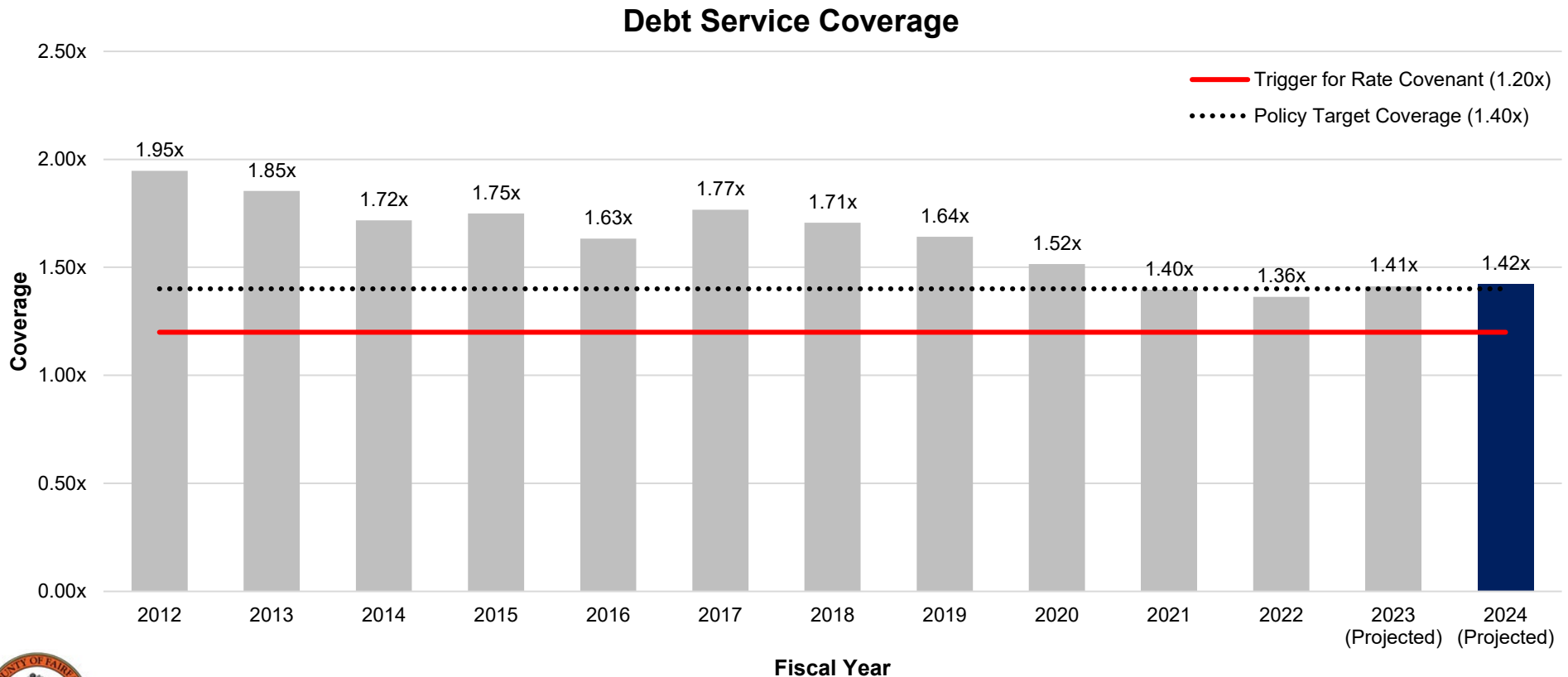
- As of 6/30/2022, the District has a total of \$125.06 million of debt outstanding
- During FY 2022, the County executed the planned cash prepayment of \$4.78 million of debt with amounts available in the residual fund plus excess amounts in the debt service reserve fund and revenue stabilization fund
- By redeeming debt early at their call date, annual debt service was reduced by approximately \$0.2 million per year
- Moody's established new criteria in November 2022 for how they rate debt issued by US Counties & Cities & as a result of the new criteria, the rating on the Series 2016 Bonds was lowered to Aa1 on February 21, 2023



# 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:***

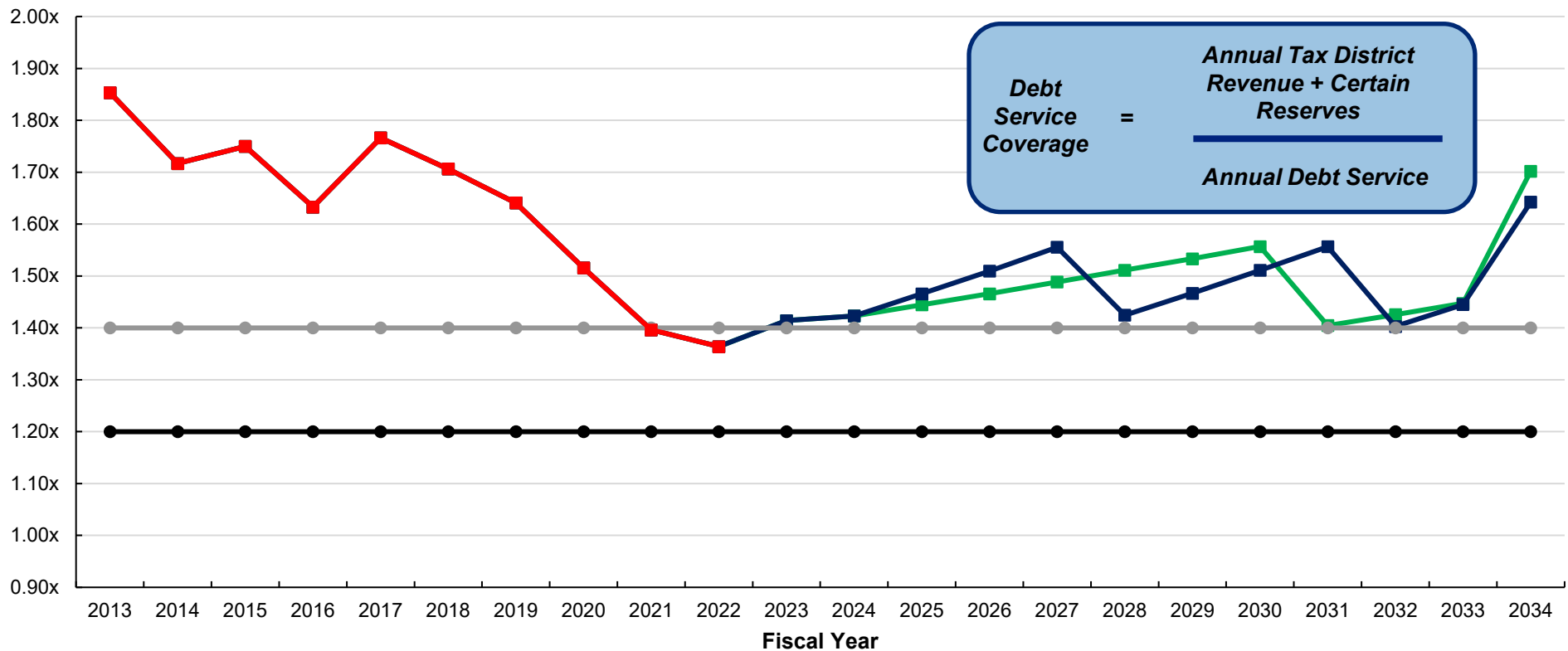
- Targeted debt service coverage target will be 1.40x
- Historical debt service coverage will be at or above 1.40x for two prior consecutive audited years before lowering the tax rate
- The tax rate may be lowered by no more than two cents per \$100 of AV in any given year, provided coverage can maintained 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



# Forecasted Debt Service Coverage

- Debt service coverage was equal to or below the policy target of 1.40x for the previous two audited fiscal years
  - FY 2021 = 1.40x
  - FY 2022 = 1.36x
- FY 2023 coverage is projected to be 1.41x, above the 1.40x threshold
- Since coverage in the prior fiscal year (FY 2022) was below 1.40x, maintaining the current tax rate is advisable for FY 2024
- A tax rate increase is not required or advisable in FY 2024

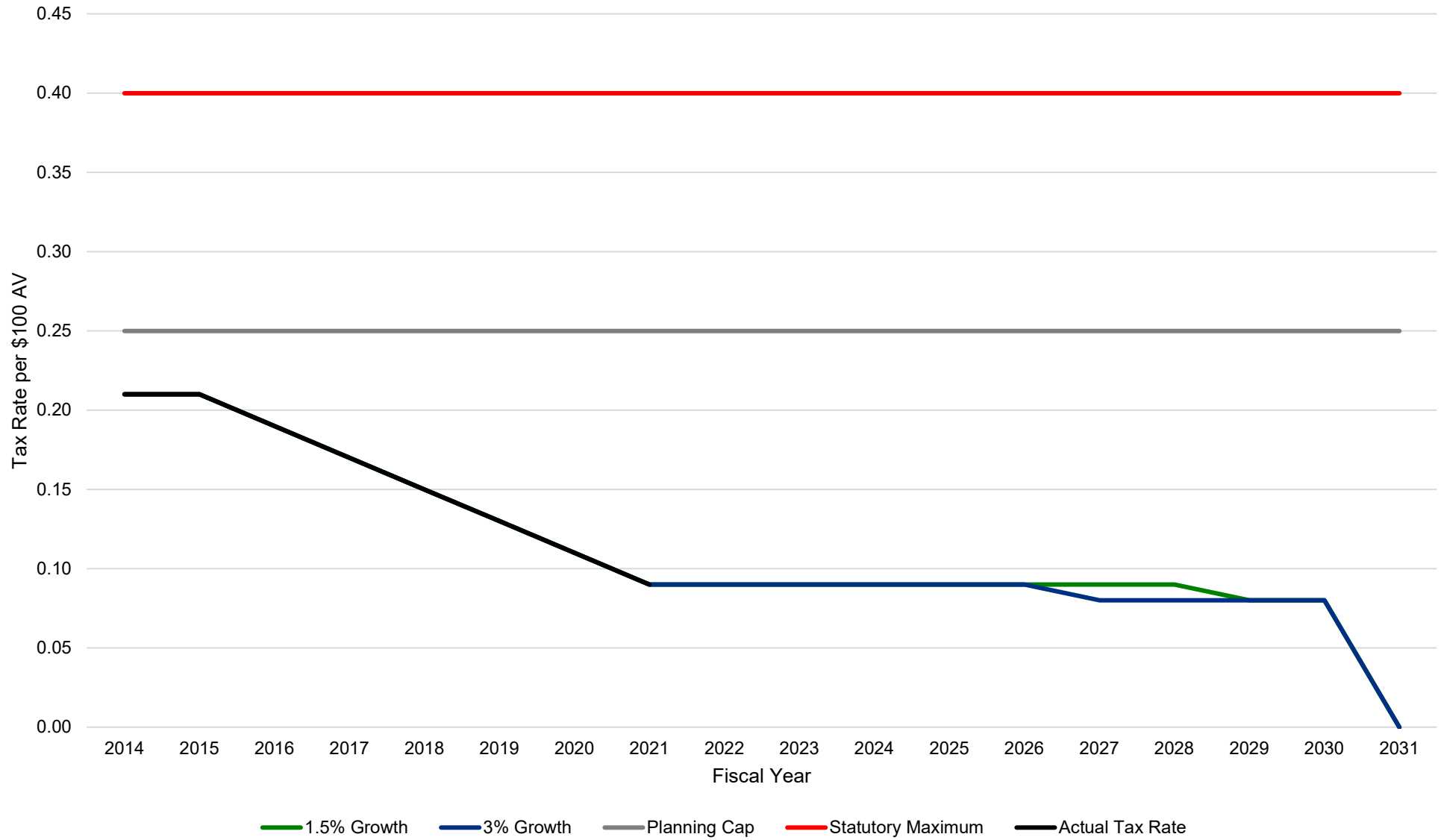
**Debt Service Coverage**  
Assumes 9 cent Tax Rate & No prepayments



■ 1.5% AV Growth    
 ■ 3% AV Growth    
 ● Policy Target 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 2024)



# 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 (MADS) (\$34.6 million)
  - A) Debt Service Reserve Fund secures outstanding bonds & is fully funded at MADS (\$13.8 million)
  - B) Revenue Stabilization Fund secures outstanding bonds & is fully funded at MADS (\$13.8 million)
  - C) Residual Fund is fully funded (by policy) at half of MADS (\$6.9 million)
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.

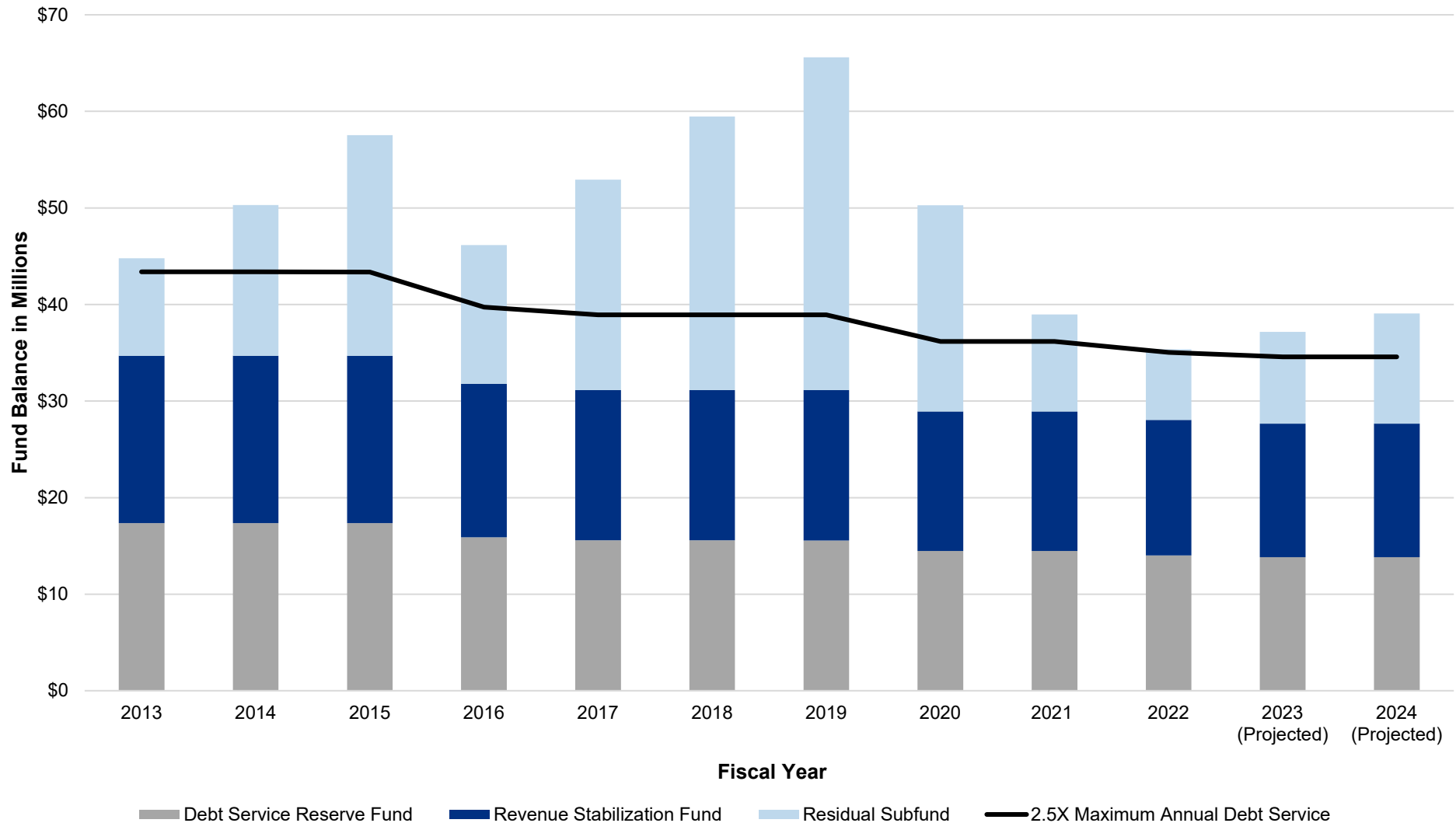
***No changes have been made to this policy.***



# Projected Total Reserves

***Based on slower AV growth in recent years and a stable tax rate, annual revenue exceeds debt service by only minor amounts, lowering early cash pre-payments of debt.***

**Silver Line Phase I Reserves**



Note: Assumes 9 cent tax rate in FY2024.

## Recommendation & Next Steps

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- Maintain tax rate at \$0.09/\$100 for FY 2024
- Continue to monitor economic benefits for early cash prepayments of the Series 2016 Bonds

Expected Date	Event
3/15/2023	District Advisory Board meeting
3/28/2023	District Commission meeting
5/2/2023	Board of Supervisors FY 2024 Budget Mark-Up
5/9/2023	Board of Supervisors Adopts FY 2024 Budget

