

Fairfax County, Virginia



**Presentation to
Silver Line Phase 1
Transportation District**

District Commission

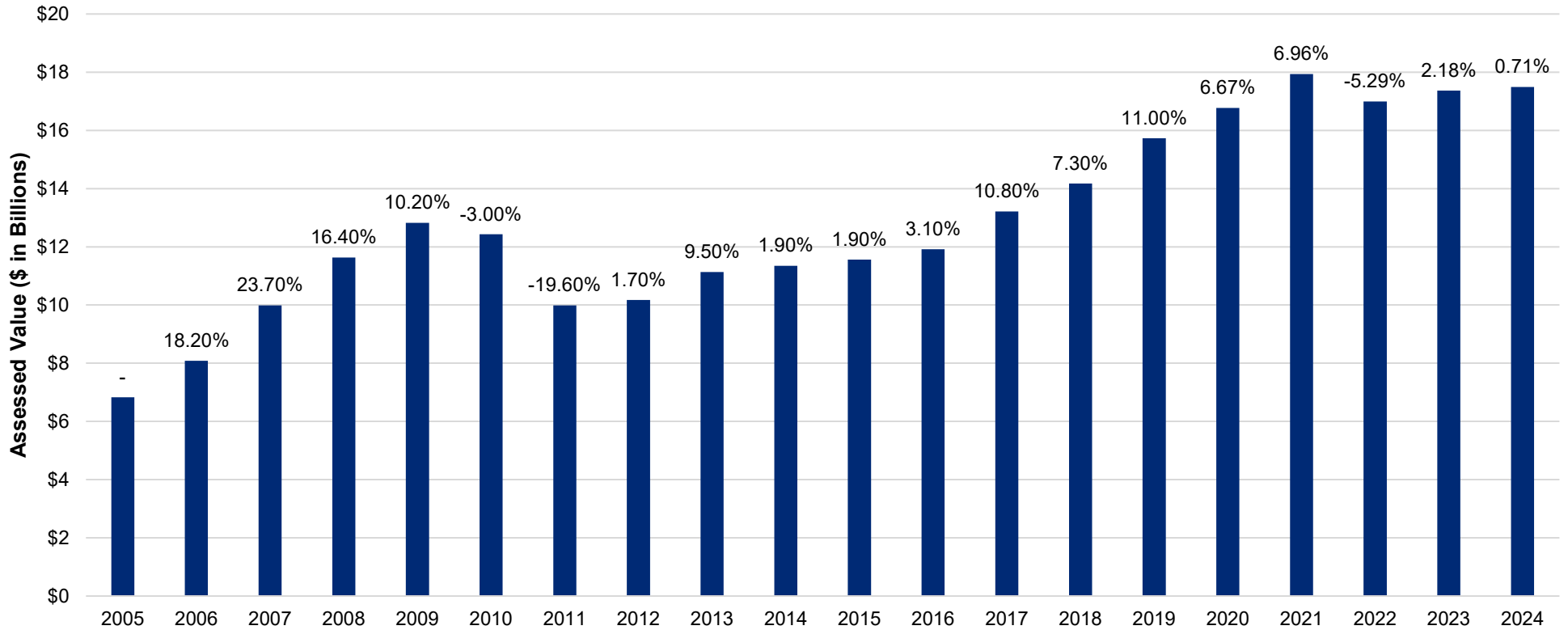
March 28, 2023

Metrorail Silver Line Phase 1



History of the Tax District

Assessed Value of Taxable Property in the District



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%

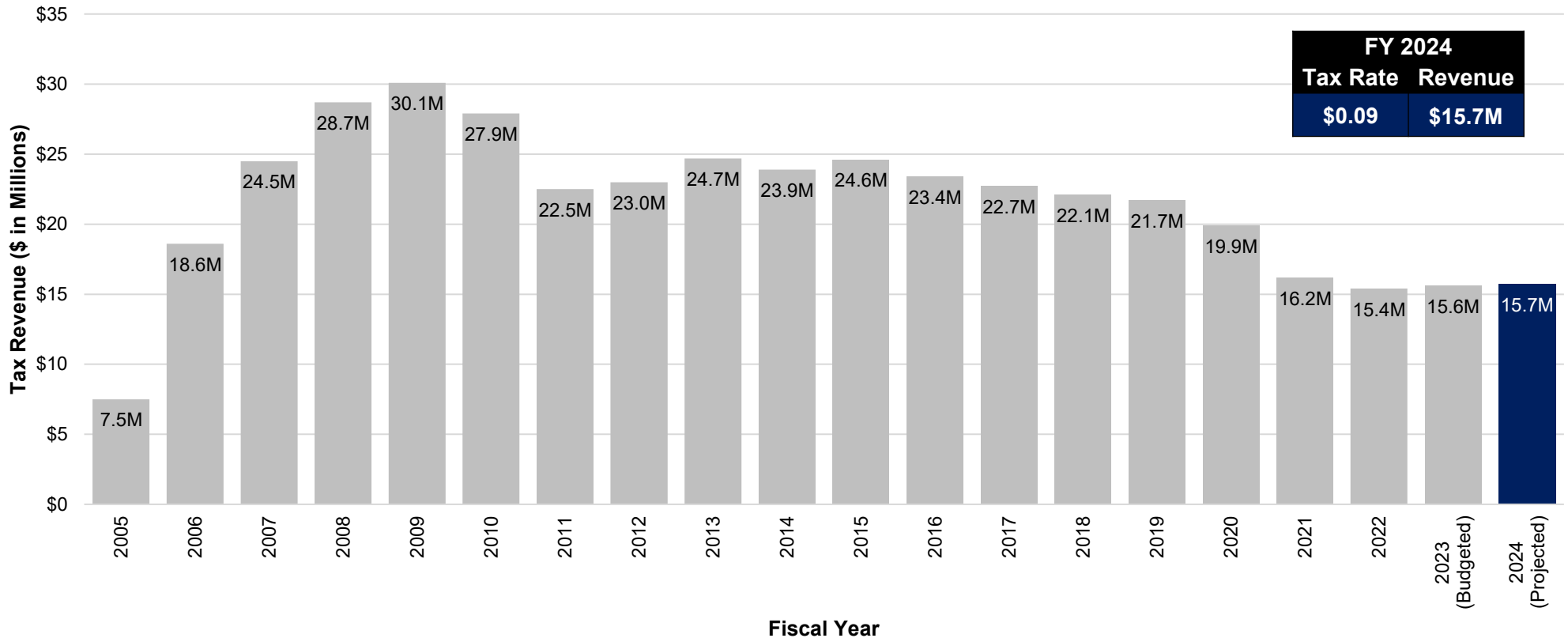


Note: The District was created on June 21, 2004.

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

Annual Phase 1 Tax District Revenues



Source: Fairfax County's ACFR 2005-2022 & includes interest earnings.
 FY 2023 & FY 2024 revenue is an estimate based on the tax year assessed value multiplied by the adopted tax rate.
 In FY 2005, tax was collected for half of the year.

Use of Tax District Revenues

- 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

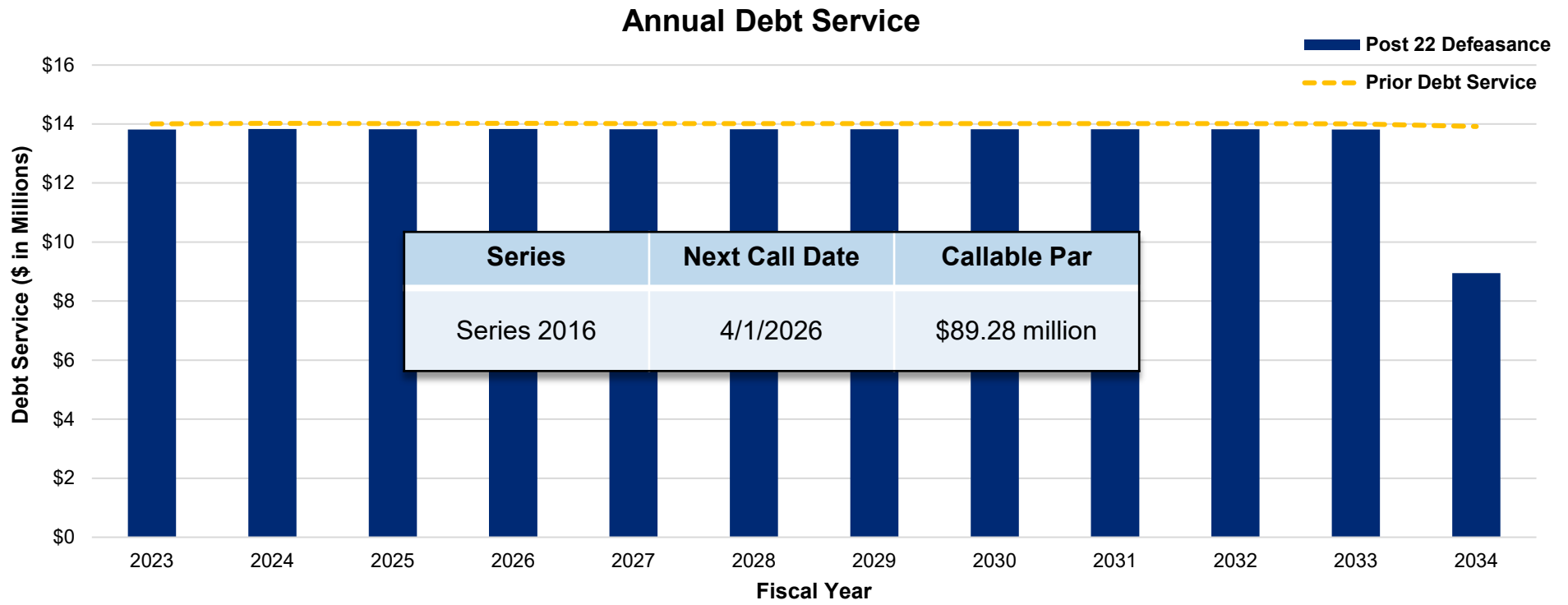
Sources of Funds		
	\$	%
Cash Contribution	\$131,600,000	33%
Series 2011 Bond Proceeds	\$220,000,000	55%
Series 2012 Bond Proceeds	\$48,400,000	12%
Total Sources of Funds	\$400,000,000	100%



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 its 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

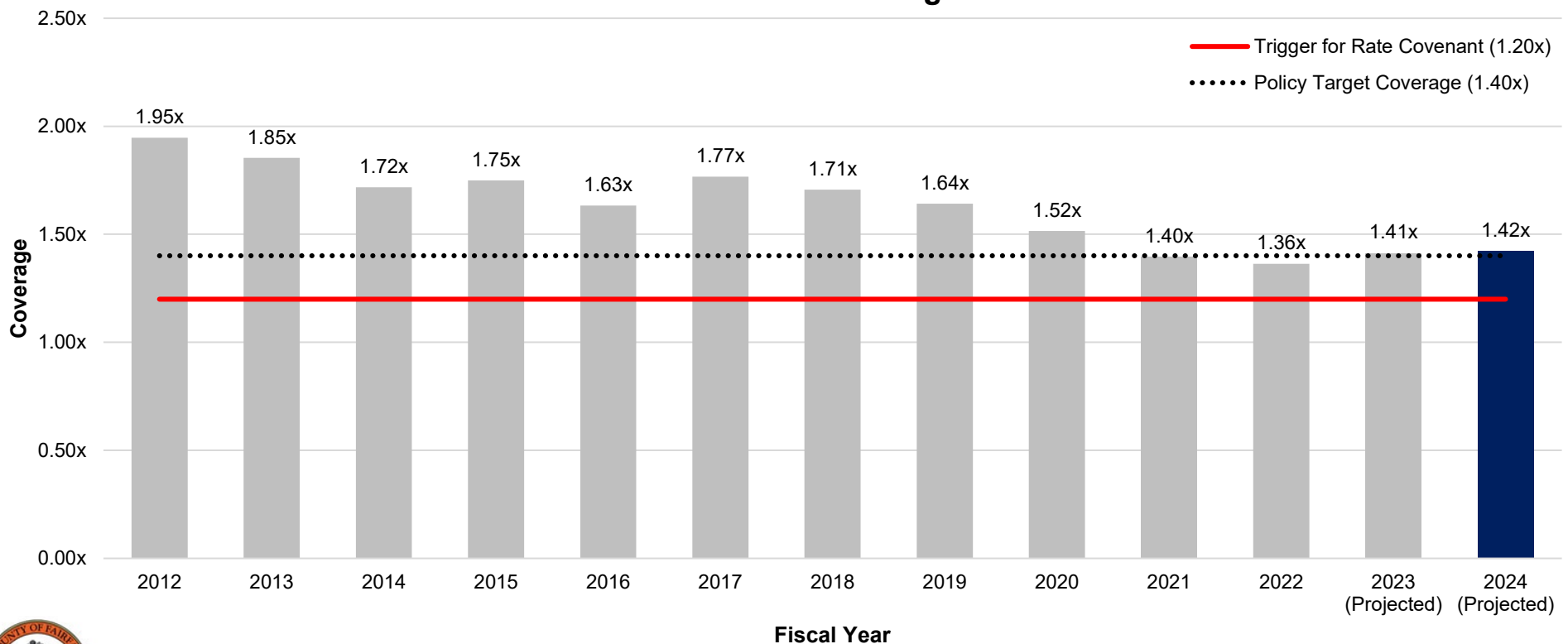


Debt Service Coverage Policy

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 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 be 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

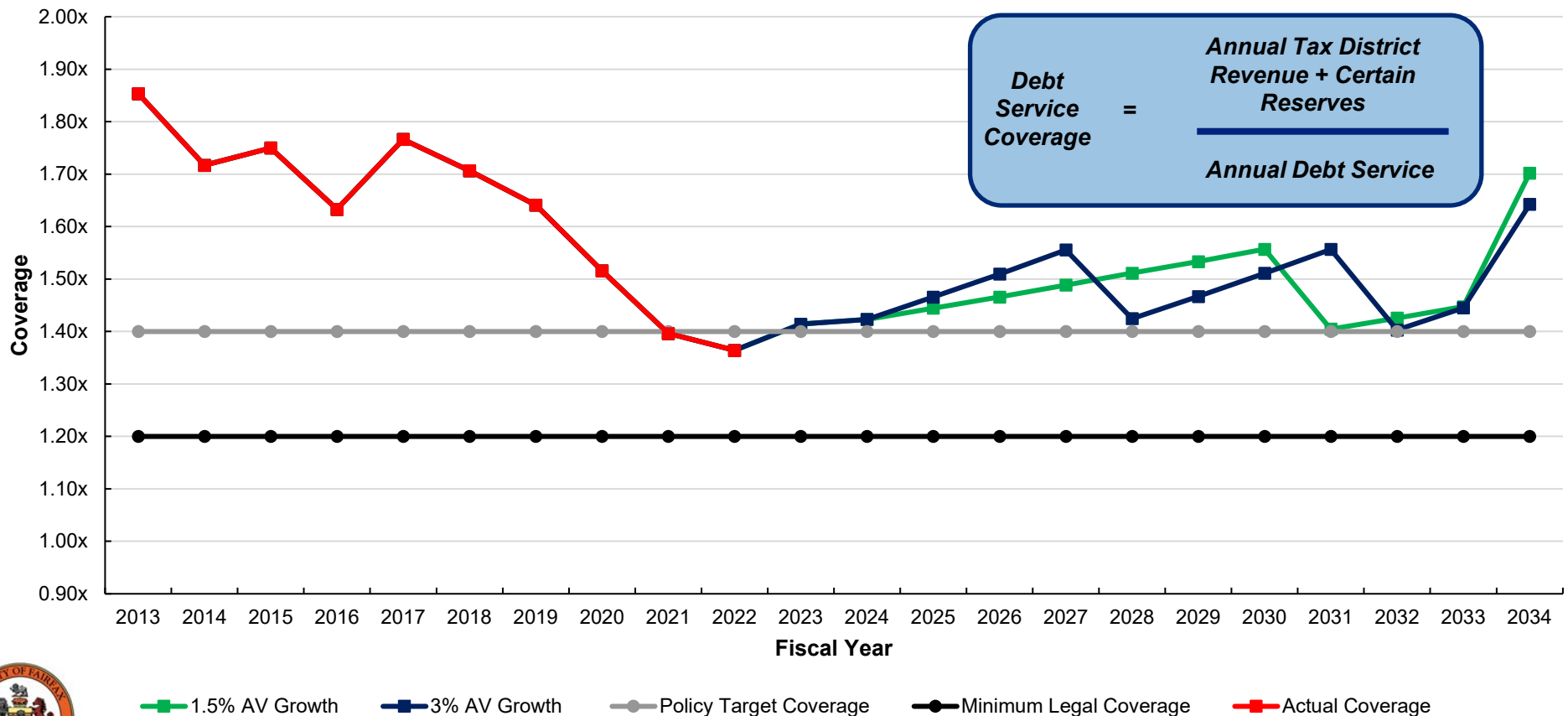
Debt Service Coverage



Forecasted Debt Service Coverage

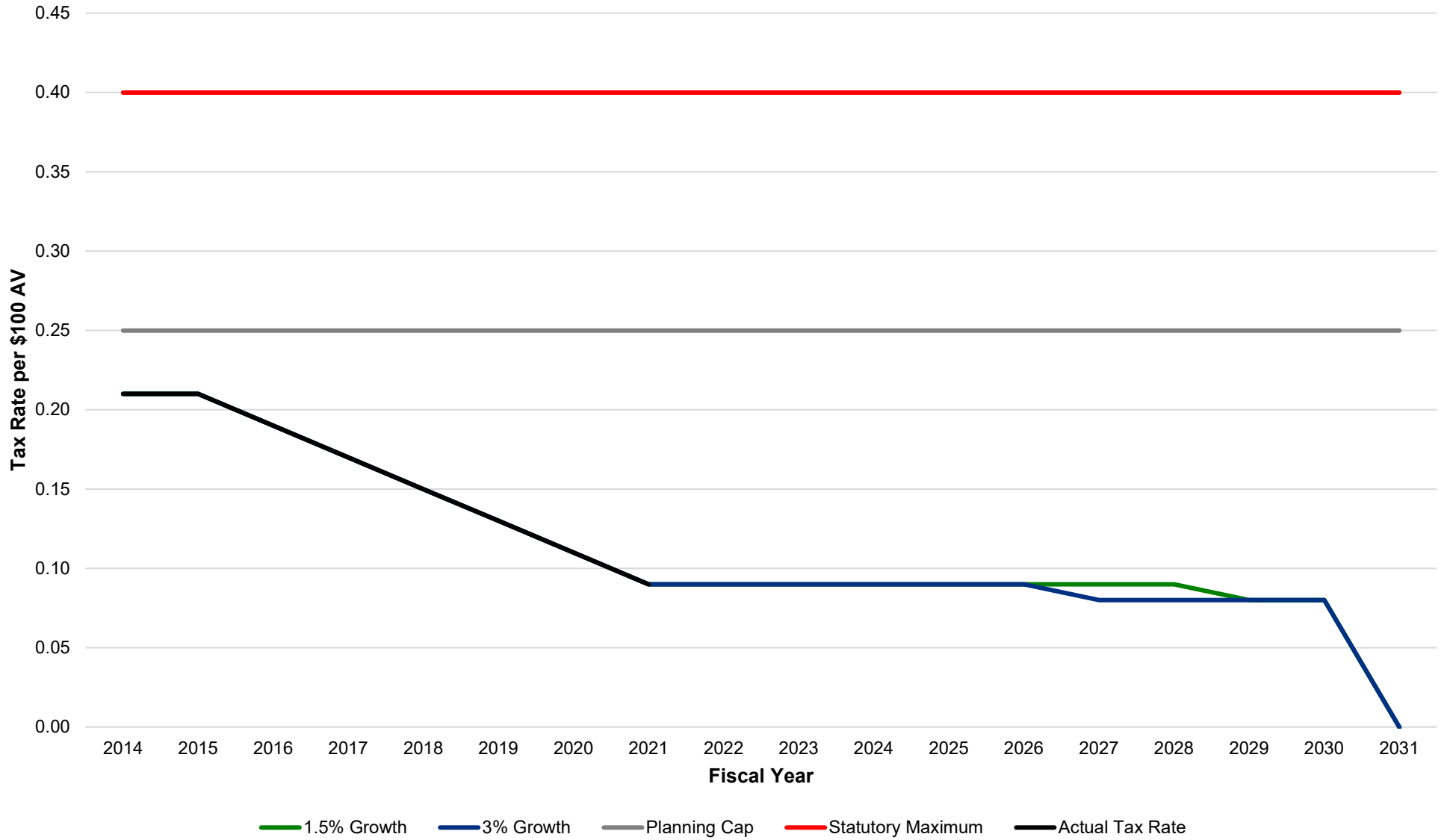
- Debt service coverage was equal to or below the policy target of 1.40x for the previous two audited fiscal years
 - FY 2021 = 1.40x
 - FY 2022 = 1.36x
- FY 2023 coverage is projected to be 1.41x, above the 1.40x threshold
- Since coverage in the prior fiscal year (FY 2022) was below 1.40x, maintaining 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



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

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.

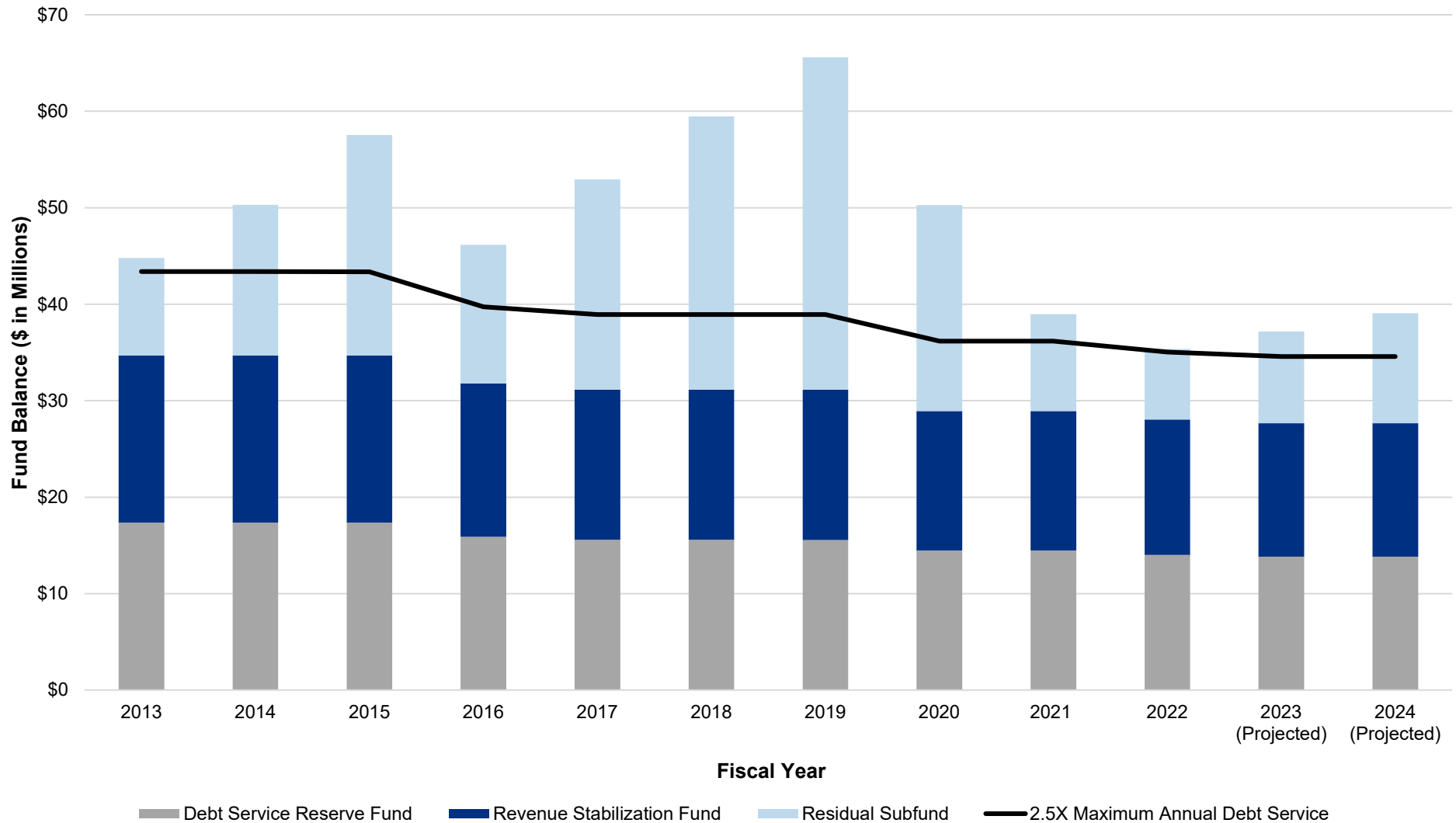
No changes have been made to this policy.



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 1 Reserves



Note: Assumes 9 cent tax rate in FY 2024.



Recommendation & Next Steps

- 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

