

DEBT SERVICE

The FY 2022 adopted budget includes outstanding and new money debt service on the County's General Obligation (GO) bonds, Industrial Development Authority (IDA) bonds issued for County projects, and expenses associated with bond program administration. Total General Fund debt service is projected at \$82,934,419, which includes \$1.8 million for debt service on Buckingham Village 3 and \$7.6 million for debt service on revenue bonds issued for short-term financed projects and paid for from the short-term finance debt service budget. The Buckingham debt service has been budgeted in Non-Departmental and will be paid for from the Affordable Housing Investment Fund (AHIF). The net FY 2022 adopted General Fund debt service budget totals \$73,564,710.

Payment of School bonded indebtedness is provided for in the School Debt Service Fund and is supported by a transfer from the County's General Fund. Payment of Utility bonded indebtedness (which includes sewer, advanced wastewater, and water bonds) is provided for in the Utilities Enterprise Fund and supported by user fees. Payment of Stormwater bonded indebtedness is provided for in the Stormwater Fund.

FY 2022 PRIORITIES

The FY 2022 priorities for debt management are:

- To preserve the County's credit ratings at Aaa/AAA/AAA from Moody's, Standard & Poor's, and Fitch Ratings, respectively.
- To continue adhering to the County's prudent debt management policies.
- To issue approximately \$50 million in new money GO bonds in CY 2021 as approved in the referenda from CY 2014, CY 2016, CY 2018, and CY 2020.

DEBT POLICY AND CREDIT RATINGS

The County's debt service budget reflects County fiscal policies regarding the prudent use of bond financing. There is no legal limit as to the amount of indebtedness that the County can incur; however, the County maintains and frequently updates a set of policies addressing fiscal integrity and sustainability (see <https://budget.arlingtonva.us/debt-policies/>). These policies help ensure maintenance of the County's triple-A ratings. The policies include the following ratios:

- Ratio of Tax supported Debt Service to General Expenditures (10 percent);
- Ratio of Tax supported General Obligation Debt and Subject to Appropriation Financing to Market Value of County Taxable Real and Personal Property (three percent);
- Ratio of Tax supported General Obligation Debt to Resident Per Capita Income (six percent); and
- Ratio of growth in debt service should be consistent with the projected growth of revenues and not exceed the average ten-year historical revenue growth.

The general obligation bonds planned in CY 2021 are based on the approved projects in the Adopted FY 2021 Capital Improvement Plan (CIP). Outstanding debt service is based on completed bond sales and required principal and interest payments due to bondholders.

The Board’s policies also include guidelines regarding the use of variable-rate debt:

- Variable rate debt exposure should not exceed approximately 20 percent of total outstanding fixed rate debt;
- Debt service on variable rate bonds will be budgeted at a conservative rate;
- Before issuing variable rate bonds, the County will determine how potential spikes in the debt service will be funded; and
- Before issuing any variable rate bonds, the County will determine the impact of the bonds on the County’s total debt capacity under various interest rate scenarios; evaluate the risks inherent in the County’s capital structure, giving consideration to both the County’s assets and its liabilities; and develop a method for budgeting for debt service.

In addition to the County Board debt policies, Arlington County must follow the requirements set out by Article VII of the Constitution of Virginia, the Public Finance Act, and any local charter, resolution, or ordinance in order to incur debt. The issuance of Arlington County GO bonds must also be approved by public referendum. Certain types of debt are excluded from the referendum requirement, including revenue and refunding bonds.

By continually observing these policies, the County has maintained its credit ratings of Aaa/AAA/AAA from Moody’s Investors Services, Standard & Poor’s Corporation, and Fitch Ratings. These ratings were reaffirmed in October 2020 as part of the issuance of the Series 2020 GO bonds. These are the highest credit ratings awarded and reflect the confidence that the rating agencies share in the County’s prudent debt management, economic environment, sound financial position, and stable tax base.

2021 NEW MONEY BONDS

The adopted debt service budget was developed assuming a County GO bond sale of approximately \$50 million in the spring of 2021. The initial debt service payments due in FY 2022 are approximately \$3.0 million in the General Fund and \$3.8 million in the School Debt Service Fund for their issuance of approximately \$38 million of bonds.

SPRING 2021 NEW MONEY BOND ISSUANCE AND AUTHORIZED BUT UNISSUED BONDS

Referendum Category	Amount Issued	Authorized Unissued Bonds
Local Parks & Recreation	7.47	0.00
Metro	21.30	0.00
Transportation	<u>5.64</u>	<u>3.00</u>
Metro & Transportation	26.94	3.00
Community Infrastructure	15.49	8.30
County General Obligation Bonds	\$49.90	\$11.30
School General Obligation Bonds	37.80	24.40
Utility General Obligation Bonds	-	-
Stormwater General Obligation Bonds	7.51	43.33
Total General Obligation Bonds	\$95.21	\$79.03

In \$ millions, numbers may not add due to rounding

SUBJECT TO APPROPRIATION OBLIGATIONS

A “subject to appropriation” pledge represents a promise by the County to seek future appropriation, if needed, for debt service payments on certain financing. The County utilized this type of pledge for a variety of projects that are not financed under voter approved general obligation bond referenda. In the majority of cases, the County’s support pledge has been used as credit enhancement, thereby allowing the project to be financed at a lower cost. In these cases, actual debt repayment will be made from project revenues and should not require General Fund support.

SIGNIFICANT BUDGET CHANGES

The FY 2022 adopted General Fund debt service budget is \$73,564,710, a seven percent increase over the FY 2021 adopted budget. This excludes debt service for bonds issued for short-term finance projects and paid for from short-term finance debt service budget, and also debt service for Buckingham Village 3 and paid for from AHIF funds (budgeted accordingly in Non-Departmental).

	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	% Change '21 to '22
Principal	\$45,988,185	\$42,936,034	\$52,167,528	22%
Interest	27,809,393	27,687,620	30,641,891	11%
Other (1)	4,950	125,000	125,000	-
Total Expenditures (2)	73,812,528	70,748,654	82,934,419	17%
Less: Debt Service Supported by AHIF	(1,785,400)	(1,785,906)	(1,760,453)	(1%)
Less: Short-Term Finance Revenue Bonds	-	-	(7,609,256)	-
Total Non-AHIF Supported Debt Service	\$72,027,128	\$68,962,748	\$73,564,710	7%

(1) Includes trustee fees and other fees related to bond transactions. Expenditures related to cost of issuance are paid with proceeds of the bonds being issued.

(2) Includes the debt service for the IDA Revenue Bonds (2011/2013/2017/2020)

**Outstanding General Fund Debt Service
and Estimated FY 2022 GO Bond Debt Service ⁽¹⁾⁽²⁾**

Fiscal Year	Existing General Fund Debt Service⁽¹⁾			FY2021 GO Bond Debt Service⁽²⁾			Total New and Existing General Fund Debt Service		
	Principal	Interest	Service	Principal	Interest	Service	Principal	Interest	Service
2021	\$42,151,034	\$24,632,617	\$66,783,651	-	-	-	\$42,151,034	\$24,632,617	\$66,783,651
2022	43,640,000	26,758,248	70,398,248	\$997,900	2,043,563	\$3,041,463	44,637,900	28,801,810	73,439,710
2023	45,245,000	24,441,957	69,686,957	1,995,800	2,444,855	4,440,655	47,240,800	26,886,812	74,127,612
2024	47,135,000	22,598,800	69,733,800	2,605,628	2,345,065	4,950,693	49,740,628	24,943,865	74,684,493
2025	48,120,000	20,805,624	68,925,624	2,605,628	2,214,784	4,820,411	50,725,628	23,020,408	73,746,035
2026	46,300,000	18,953,583	65,253,583	2,605,628	2,084,502	4,690,130	48,905,628	21,038,085	69,943,713
2027	46,415,000	17,072,357	63,487,357	2,605,628	1,954,221	4,559,849	49,020,628	19,026,577	68,047,205
2028	43,840,000	15,191,534	59,031,534	2,605,628	1,823,939	4,429,567	46,445,628	17,015,474	63,461,102
2029	41,870,000	13,438,053	55,308,053	2,605,628	1,693,658	4,299,286	44,475,628	15,131,711	59,607,339
2030	41,970,000	11,763,399	53,733,399	2,605,628	1,563,377	4,169,004	44,575,628	13,326,776	57,902,404
2031	41,420,000	10,110,753	51,530,753	2,605,628	1,433,095	4,038,723	44,025,628	11,543,848	55,569,476
2032	39,495,000	8,588,086	48,083,086	2,605,628	1,302,814	3,908,442	42,100,628	9,890,900	51,991,528
2033	35,720,000	7,228,423	42,948,423	2,605,628	1,172,533	3,778,160	38,325,628	8,400,956	46,726,583
2034	30,460,000	6,000,523	36,460,523	2,605,628	1,042,251	3,647,879	33,065,628	7,042,774	40,108,402
2035	29,030,000	4,835,875	33,865,875	2,605,628	911,970	3,517,598	31,635,628	5,747,845	37,383,472
2036	24,940,000	3,766,331	28,706,331	2,605,628	781,688	3,387,316	27,545,628	4,548,019	32,093,647
2037	23,680,000	2,815,100	26,495,100	2,605,628	651,407	3,257,035	26,285,628	3,466,507	29,752,135
2038	17,960,000	1,927,400	19,887,400	2,605,628	521,126	3,126,753	20,565,628	2,448,526	23,014,153
2039	13,820,000	1,257,750	15,077,750	2,605,628	390,844	2,996,472	16,425,628	1,648,594	18,074,222
2040	8,410,000	691,500	9,101,500	2,605,628	260,563	2,866,191	11,015,628	952,063	11,967,691
2041	8,410,000	341,750	8,751,750	2,605,628	130,281	2,735,909	11,015,628	472,031	11,487,659
2042	1,335,000	133,500	1,468,500	-	-	-	1,335,000	133,500	1,468,500
2043	1,335,000	66,750	1,401,750	-	-	-	1,335,000	66,750	1,401,750
Total	\$722,701,034	\$243,419,912	\$966,120,946	\$49,895,000	\$26,766,535	\$76,661,535	\$772,596,034	\$270,186,447	\$1,042,782,481

¹ Includes both general obligation and subject to revenue bonds. Excludes AHIF and Short-Term Finance bonds

² Includes the issuance of FY 2021 GO bonds (\$49.9MM)

**Ratio of Annual Debt Service for General Obligation Debt
to Total General Governmental Expenditures
Fiscal Years 2018 to 2022 ⁽¹⁾**

Fiscal Year	Principal	Interest	Total Debt Service	Total Expenditures	Ratio of Debt Service to Total Expenditures
2018	87,251,352	34,206,183	121,457,535	1,375,495,727	8.83%
2019	85,168,385	40,780,952	125,949,337	1,416,428,904	8.89%
2020	84,039,899	48,921,008	132,960,907	1,446,764,988	9.07%
2021 ⁽²⁾	78,744,784	43,192,106	121,936,890	1,520,705,985	8.02%
2022 ⁽²⁾	83,262,900	48,714,364	131,977,264	1,543,403,639	8.55%

- (1) Includes General Fund and Arlington Public Schools debt service. Does not include debt service on general obligation bonds payable from the Utilities Enterprise Fund, bonds payable by a pledge of the water and wastewater system, or debt service on revenue bonds payable from the Ballston Garage Enterprise Fund; includes subject to appropriation financings, including 2011 IDA Bonds, 2013 IDA Bonds, 2017 IDA Bonds, and 2020 IDA bonds.
- (2) Estimated Values for Debt Service and Expenditures for FY 2021 and FY 2022

**Key Debt Ratios
Fiscal Years 2018 to 2022⁽³⁾**

Fiscal Year	Population	Estimated Market Value of Taxable Property Calendar Year Ended December 31⁽¹⁾	Net Bonded Indebtedness at June 30⁽²⁾	Net Bonded Indebtedness Per Capita	Net Bonded Indebtedness as a Percent of Market Value (3% Cap)	Per Capita Income	Net Bonded Indebtedness as a Percent Per Capita Income (6% Cap)
2018	225,200	77,994,475,377	1,083,889,914	4,813	1.39%	87,986	5.47%
2019	226,400	80,852,761,690	1,167,441,528	5,157	1.44%	89,487	5.76%
2020	231,800	84,464,076,093	1,083,401,629	4,674	1.28%	95,198	4.91%
2021 ⁽³⁾	234,800	86,259,342,503	1,304,600,000	5,556	1.51%	96,150	5.78%
2022 ⁽³⁾	237,800	87,984,529,353	1,210,287,100	5,090	1.38%	97,111	5.24%

Sources: Market value and net bonded indebtedness – Arlington County Department of Management and Finance. Population data – Bureau of Economic Analysis Per Capita Personal Income (CAINC1)

- (1) Includes real property, personal property and public service corporation property.
- (2) Excludes general obligation bonds payable from the Utilities Enterprise Fund, bonds payable by a pledge of the water and wastewater system, bonds payable from the Transportation Capital Fund, Ballston Parking Garage revenue bonds payable from the Ballston Garage Enterprise Fund and includes subject to appropriation financings, including the 2011 IDA Bonds, 2013 IDA Bonds, and 2017 IDA Bonds. Excludes unamortized bond premium/discount.
- (3) Data for Fiscal Years 2020 and 2021 are estimates