

DEBT SERVICE

The FY 2024 proposed 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 \$92,011,212, which includes \$9.6 million for debt service on Buckingham Village 3 and the Barcroft Acquisition line of credit and \$3.9 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 2024 proposed General Fund debt service budget totals \$79,531,024.

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 2024 PRIORITIES

The FY 2024 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 \$95 million in new money GO bonds in CY 2023 as approved in the referenda from CY 2016, CY 2020, CY 2021 and CY 2022.

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://www.arlingtonva.us/Government/Programs/Budget-Finance/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 2023 are based on the approved projects in the Adopted FY 2023 – FY 2032 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 May 2021 as part of the issuance of the Series 2021 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.

2023 NEW MONEY BONDS

The proposed debt service budget was developed assuming a County GO bond sale of approximately \$95 million in the spring of 2023. The initial debt service payments due in FY 2024 are approximately \$5.3 million in the General Fund, \$9.7 million in the School Debt Service Fund for their issuance of approximately \$98 million of bonds, and \$1.5 million in the stormwater fund for their issuance of approximately \$15 million of bonds.

SPRING 2023 NEW MONEY BOND ISSUANCE AND AUTHORIZED BUT UNISSUED BONDS

Referendum Category	Amount Issued	Authorized Unissued Bonds
Local Parks & Recreation	13.35	15.91
Metro	20.70	42.60
Transportation	<u>22.01</u>	<u>9.02</u>
Metro & Transportation	42.71	51.62
Community Infrastructure	39.15	44.19
County General Obligation Bonds	\$95.21	\$111.72
School General Obligation Bonds	97.89	114.53
Utility General Obligation Bonds	8.75	168.61
Stormwater General Obligation Bonds	14.56	62.84
Total General Obligation Bonds	\$216.41	\$457.70

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 2024 proposed General Fund debt service budget is \$79,531,024, a three percent increase over the FY 2023 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 the Barcroft acquisition loan. These are paid for from AHIF funds and budgeted accordingly in Non-Departmental.

	FY 2022 Actual	FY 2023 Adopted	FY 2024 Proposed	% Change '23 to '24
Principal	\$48,596,752	\$52,676,950	\$54,040,000	3%
Interest	30,368,936	32,569,562	37,846,212	16%
Other (1)	58,011	125,000	125,000	-
Total Expenditures (2)	79,023,699	85,371,512	92,011,212	8%
Less: Debt Service Supported by AHIF	(2,132,595)	(3,935,105)	(9,587,688)	144%
Less: Short-Term Finance Revenue Bonds	(3,379,423)	(4,325,500)	(2,892,500)	(33%)
Total Non-AHIF Supported Debt Service	\$73,511,681	\$77,110,907	\$79,531,024	3%

- (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 (2013/2017/2020) and for the \$150 million Barcroft Line of Credit borrowing. Debt service on the line of credit is paid for from AHIF and does not include interest revenue received on the Barcroft acquisition loan.

Chart A

Arlington County, Virginia Debt Ratio Forecast Proposed FY 2024 Budget

	FY 2024 Proposed	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
GENERAL OBLIGATION BONDS ISSUED - COUNTY (1)	78,920,000	110,300,000	68,295,000	88,435,000	78,740,000	100,305,000	72,405,000	84,400,000	72,405,000
GENERAL OBLIGATION BONDS ISSUED - SCHOOLS (1)	73,750,000	45,320,000	24,430,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
GENERAL OBLIGATION BONDS RETIRED	89,309,500	94,536,500	98,690,417	106,463,394	108,770,606	112,481,072	118,267,844	121,939,422	125,011,472
NET TAX-SUPPORTED GENERAL OBLIGATION BONDS AT END OF FISCAL YEAR (2)	1,290,275,529	1,351,359,029	1,345,393,612	1,352,365,218	1,347,334,612	1,360,158,540	1,339,295,696	1,326,756,273	1,299,149,801
SUBJECT-TO-APPROPRIATION BOND ISSUANCE	-	-	-	-	-	-	-	-	-
SUBJECT-TO-APPROPRIATION BONDS RETIRED	6,110,000	6,185,000	5,105,000	8,380,000	8,610,000	8,850,000	9,075,000	9,295,000	9,340,000
NET TAX-SUPPORTED BONDS AT END OF FISCAL YEAR (3)	1,522,675,529	1,577,574,029	1,566,503,612	1,565,095,218	1,551,454,612	1,555,428,540	1,525,490,696	1,503,656,273	1,466,709,801
SCHOOLS DEBT SERVICE	65,155,908	67,031,429	67,400,243	70,373,977	70,361,144	70,180,441	70,553,895	69,679,436	68,635,878
COUNTY DEBT SERVICE (4)	81,164,337	88,221,123	94,113,495	99,214,772	102,388,216	106,818,612	113,688,920	118,071,355	122,051,230
BARCROFT DEBT SERVICE	7,829,375	7,984,375	8,357,292	9,632,708	7,758,225	7,761,525	7,768,300	7,768,100	7,770,700
TOTAL TAX SUPPORTED DEBT SERVICE	154,149,620	163,236,927	169,871,030	179,221,457	180,507,584	184,760,578	192,011,116	195,518,892	198,457,808
% GROWTH IN TAX-SUPPORTED DEBT SERVICE COUNTY ONLY	7.6%	8.7%	6.7%	5.4%	3.2%	4.3%	6.4%	3.9%	3.4%
% GROWTH IN TAX-SUPPORTED DEBT SERVICE COUNTY / SCHOOLS	14.5%	5.9%	4.1%	5.5%	0.7%	2.4%	3.9%	1.8%	1.5%
GENERAL GOVERNMENT EXPENDITURES (5)	1,698,902,257	1,732,880,302	1,767,537,908	1,811,726,356	1,857,019,515	1,903,445,003	1,951,031,128	1,999,806,906	2,049,802,079
DEBT SERVICE AS % OF EXPENDITURES	9.07%	9.42%	9.61%	9.89%	9.72%	9.71%	9.84%	9.78%	9.68%
MARKET VALUATION OF TAXABLE PROPERTY (6)	88,464,815,778	90,764,900,988	93,124,788,414	95,918,532,066	98,796,088,028	101,759,970,669	104,812,769,789	107,957,152,883	111,195,867,469
NET TAX SUPPORTED DEBT AS % OF MARKET VALUATION (3%)	1.7%	1.7%	1.7%	1.6%	1.6%	1.5%	1.5%	1.4%	1.3%
POPULATION (7)	239,980	242,220	244,570	246,920	249,270	251,620	253,970	256,320	258,670
DEBT PER CAPITA	\$6,345	\$6,513	\$6,405	\$6,338	\$6,224	\$6,182	\$6,007	\$5,866	\$5,670
INCOME PER CAPITA (8)	\$112,830	\$115,538	\$118,311	\$121,150	\$124,058	\$127,035	\$130,084	\$133,206	\$136,403

NET TAX-SUPPORTED GENERAL OBLIGATION DEBT TO INCOME (NOT TO EXCEED 6%)	5.62%	5.64%	5.41%	5.23%	5.02%	4.87%	4.62%	4.40%	4.16%
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(1) Includes bonds planned County and APS bonds in Adopted FY 2023 - FY 2032 CIP

(2) Excludes General Obligation bonds issued for the Utilities Fund

(3) Excludes credit support commitments on revenue bonds or lease-backed bond financings. Includes subject to appropriation bonds supported by the County's General Fund. For all subject to appropriation debts, see Chart C.

(4) Includes both General Obligation and Subject to Appropriation debt service. Excludes Utilities Fund and Transportation Capital Fund Debt Service and other debt costs. Includes AHIF bonds

(5) Includes expenditures of General Fund and certain Special Revenue Funds of the County and School Board. Assumes 1.0% growth in FY 2025, increasing to 2.5% in FY2027 and beyond

(6) Includes real, personal property, and public property. Assumes 2.4% growth in FY 2025, increasing up to 3.0% in FY2027 and beyond

(7) Population as of 2020 Census (April 1, 2020) with growth as estimated by MWCOC Round 8.4 Forecasts.

(8) Source: Bureau of Economic Analysis 2021 estimates for FY 2022, with growth of 2.4% consistent with PCPI annual growth in Virginia from 2010 - 2020

Chart B

**Ratio of Tax-Supported Debt Service
to General Expenditures
Proposed FY 2024 Budget
(NOT TO EXCEED 10%)**

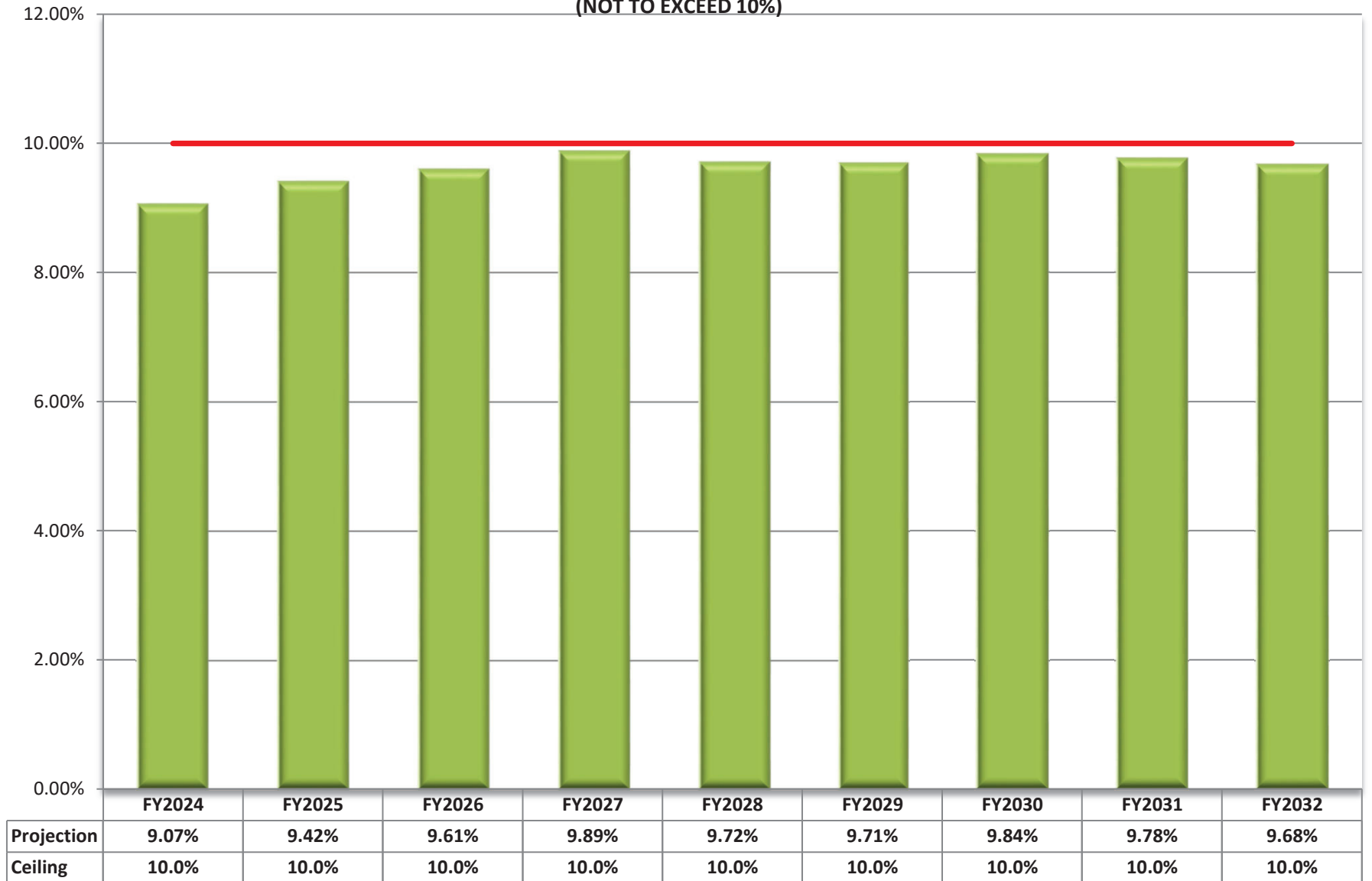


Chart C

Summary of Tax-Supported General Obligation Bonds & Subject To Appropriation-Type Financings ⁽¹⁾ Ratio of Outstanding Debt to Market Value Proposed FY 2024 Budget As of June 30

	FY 2023 Proposed	FY 2024 Proposed	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Tax-Supported General Obligation Debt	\$1,226,915,029	\$1,290,275,529	\$1,351,359,029	\$1,345,393,612	\$1,352,365,218	\$1,347,334,612	\$1,360,158,540	\$1,339,295,696	\$1,326,756,273	\$1,299,149,801
Tax-Supported Subject to Appropriation ("STA") Debt										
Capital Equipment Short Term Financing (2)	25,451,636	34,464,471	42,829,379	48,290,857	56,049,621	49,770,786	50,277,607	55,657,286	54,852,357	51,271,429
Industrial Development Authority (IDA) Bonds (3)	85,455,000	79,345,000	73,160,000	68,055,000	62,865,000	57,585,000	52,215,000	46,780,000	41,285,000	36,275,000
Subtotal	\$110,906,636	\$113,809,471	\$115,989,379	\$116,345,857	\$118,914,621	\$107,355,786	\$102,492,607	\$102,437,286	\$96,137,357	\$87,546,429
Project-Supported Subject to Appropriation ("STA") Debt (4)										
IDA Revenue Refunding Bonds (Ballston Skating Facility) (5)	19,710,000	17,945,000	15,800,000	13,635,000	11,445,000	9,225,000	6,975,000	4,690,000	2,365,000	-
Subtotal	19,710,000	17,945,000	15,800,000	13,635,000	11,445,000	9,225,000	6,975,000	4,690,000	2,365,000	-
Total Tax-Supported General Obligation (GO) & ALL STA Financing	1,357,531,665	1,422,030,000	1,483,148,408	1,475,374,469	1,482,724,839	1,463,915,398	1,469,626,147	1,446,422,981	1,425,258,631	1,386,696,230
Total <u>Tax-Supported</u> GO and <u>Tax-Supported</u> STA Financings	1,337,821,665	1,404,085,000	1,467,348,408	1,461,739,469	1,471,279,839	1,454,690,398	1,462,651,147	1,441,732,981	1,422,893,631	1,386,696,230
Total <u>Project-Supported</u> STA Financings	19,710,000	17,945,000	15,800,000	13,635,000	11,445,000	9,225,000	6,975,000	4,690,000	2,365,000	0
Market Value of Taxable Property	86,391,421,658	88,464,815,778	90,764,900,988	93,124,788,414	95,918,532,066	98,796,088,028	101,759,970,669	104,812,769,789	107,957,152,883	111,195,867,469
Total <u>Tax-Supported</u> GO & ALL STA Financings as Percent of Market Value (Not to Exceed 4%)	1.57%	1.61%	1.63%	1.58%	1.55%	1.48%	1.44%	1.38%	1.32%	1.25%
Total <u>Tax-Supported</u> GO & <u>Tax-Supported</u> STA Financings as Percent of Market Value	1.55%	1.59%	1.62%	1.57%	1.53%	1.47%	1.44%	1.38%	1.32%	1.25%
Total <u>Project-Supported</u> STA Financings (Credit Enhancement) as Percent of Market Value (2)	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%

(1) Excludes Self-supporting debt in the Utility Fund

(2) Includes existing and planned capital equipment short term financing in the General Fund, Auto Fund, Utilities Fund and Schools Fund

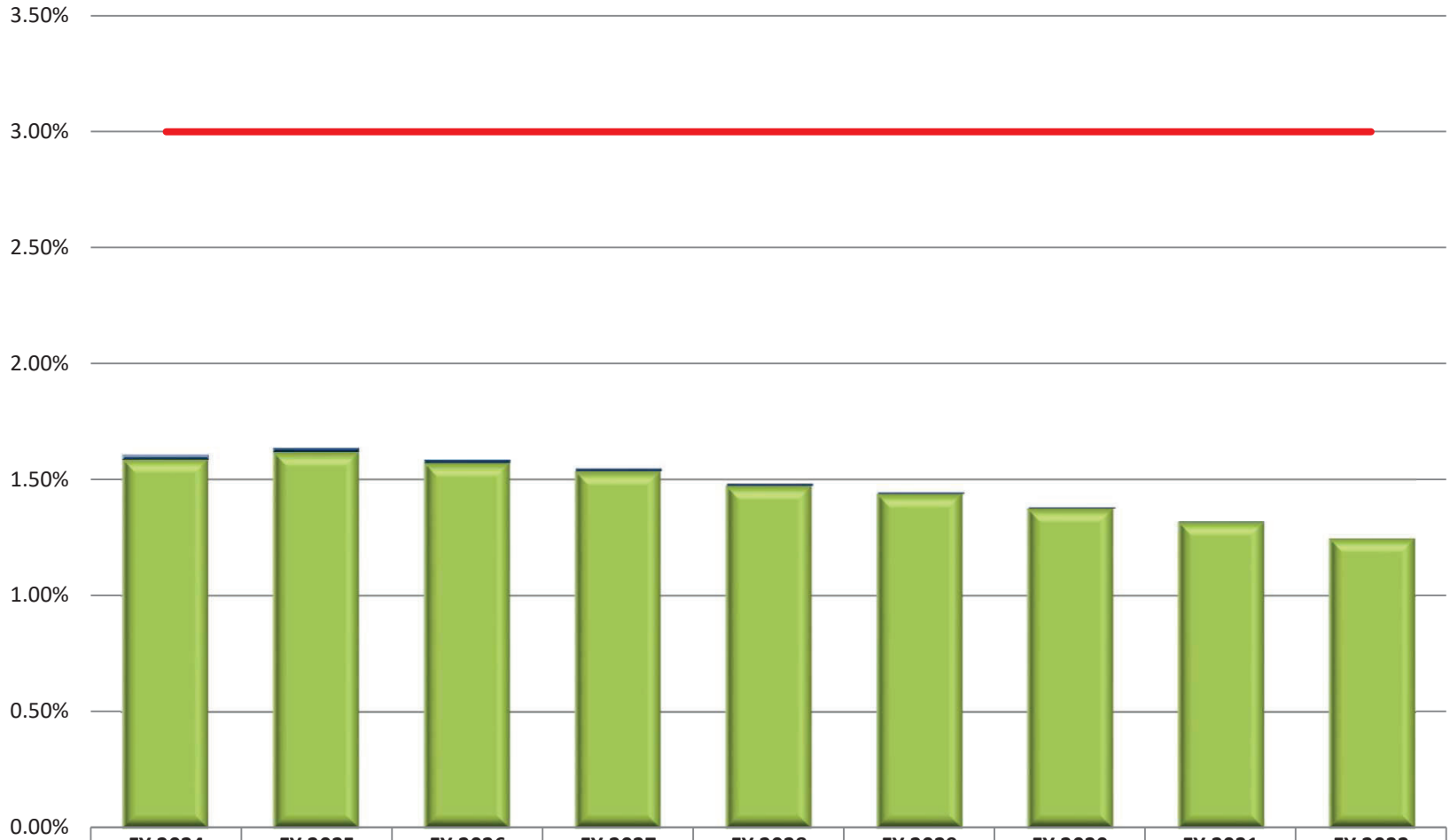
(3) Includes the Series 2013, 2017 IDA Bonds, the 2020A IDA Bonds, and \$11.23MM of Series 2020B IDA bonds issued to refund the Series 2011 IDA bonds

(4) Debt service on these financings is intended to be repaid by user fees or tenant rental income, not by County General Fund revenues.

(5) Includes \$19.71 million of Series 2020B IDA revenue refunding bonds issued to refinance the construction of two ice rinks, the office space, and the training facility on top of the 8th Level at the Ballston Parking Garage.

Chart D

**Ratio of Tax-Supported & Subject to Appropriation Financing
as a Percentage of Market Value
Proposed FY 2024 Budget**



■ Tax-Supported
 ■ Project-Supported
 — Not to Exceed 3%

Chart E

Ratio of Tax-Supported General Obligation Debt to Income
Proposed FY 2024 Budget
Not to Exceed 6%

