

DEBT SERVICE

The FY 2027 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 \$109,273,369, which includes \$11.5 million for debt service on Buckingham Village 3 and the Barcroft Acquisition line of credit, and \$7.9 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 2027 adopted General Fund debt service budget totals \$89,737,107.

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 2027 PRIORITIES

The FY 2027 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 \$128 million in new money GO bonds for County Projects in CY 2026 as approved in the referenda from CY 2018, CY 2020, CY 2021, CY 2022, and CY 2024.

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 (<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 2026 are based on the approved projects in the Adopted FY 2025 – FY 2034 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 the Spring of 2025. 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.

2026 NEW MONEY BONDS

The adopted debt service budget was developed assuming a County GO bond sale of approximately \$125 million in late spring of 2026. The initial debt service payments due in FY 2027 are approximately \$8.0 million in the General Fund.

SPRING 2026 NEW MONEY BOND ISSUANCE AND AUTHORIZED BUT UNISSUED BONDS

Referendum Category	Amount Issued	Authorized Unissued Bonds
Local Parks & Recreation	\$25.2	\$22.0
Metro	24.0	20.3
Transportation	28.1	0.0
Metro and Transportation Subtotal	52.1	20.3
Community Infrastructure	50.7	68.2
Total County General Obligation Bonds	\$128.0	\$110.5
School General Obligation Bonds	70.0	97.1
Utility General Obligation Bonds	80.3	83.1
Stormwater General Obligation Bonds	34.7	26.8
Total General Obligation Bonds	\$313.0	\$317.5

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 2027 adopted General Fund debt service budget is \$89,737,107, a two percent increase over the FY 2026 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.

The debt service budget funds both existing debt service for previously issued bonds as well as new debt service on the planned bond sale in May or June of 2026 that will fund FY 2027 projects. Several projects to be funded from the planned bond sale in FY 2026 have been adjusted since the adopted FY 2026 budget was approved in April 2025. This will permit the County to reduce the FY 2026 bond sale, thereby reducing debt service which begins in FY 2027 by \$1.5 million.

	FY 2025 Actual	FY 2026 Adopted	FY 2027 Adopted	% Change '26 to '27
Principal	\$61,020,000	\$65,185,000	\$68,509,500	5%
Interest	35,572,861	41,366,275	40,638,869	-2%
Other (1)	9,411	125,000	125,000	-
Total Expenditures (2)	96,602,272	106,676,275	109,273,369	2%
Less: Debt Service Supported by AHIF	(6,462,881)	(8,966,025)	(11,595,012)	29%
Less: Short-Term Finance Revenue Bonds	(5,654,375)	(9,515,250)	(7,941,250)	-17%
Total Non-AHIF Supported Debt Service	\$84,485,016	\$88,195,000	\$89,737,107	2%

(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 (2013/2017/2020/2023) and for the \$120 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

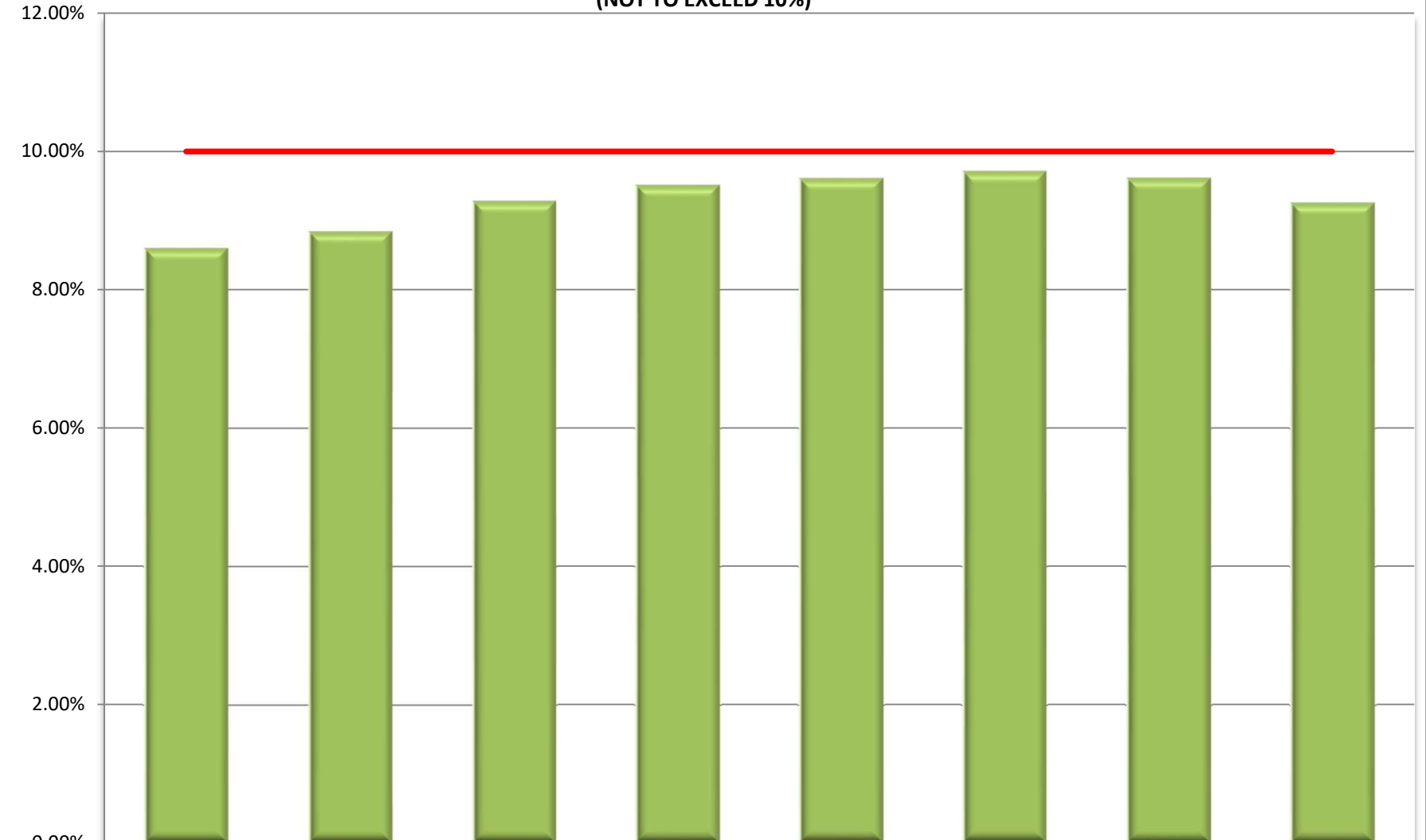
**Arlington County, Virginia
Debt Ratio Forecast
Adopted FY 2027 Budget**

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
GENERAL OBLIGATION BONDS ISSUED - COUNTY (1)	102,620,000	107,900,000	106,120,000	90,415,000	127,800,000	101,155,000	85,760,000	117,520,000
GENERAL OBLIGATION BONDS ISSUED - SCHOOLS (1)	106,150,000	85,950,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
GENERAL OBLIGATION BONDS RETIRED	(97,514,500)	(102,683,900)	(111,843,161)	(119,617,806)	(126,052,283)	(131,778,606)	(134,222,778)	(132,553,078)
NET TAX-SUPPORTED GENERAL OBLIGATION BONDS AT END OF FISCAL YEAR (2)	1,317,275,500	1,408,441,600	1,452,718,439	1,473,515,633	1,525,263,350	1,544,639,744	1,546,176,967	1,581,143,889
SUBJECT-TO-APPROPRIATION BOND ISSUANCE	-	-	-	-	-	-	-	-
SUBJECT-TO-APPROPRIATION BONDS RETIRED	(12,070,000)	(10,365,000)	(10,455,000)	(9,245,000)	(9,300,000)	(5,010,000)	(5,075,000)	(4,100,000)
BARCROFT BONDS ISSUED	120,000,000	-	-	-	-	-	-	-
BARCROFT BONDS RETIRED	(3,830,000)	(4,000,000)	(4,180,000)	(4,370,000)	(4,560,000)	(4,770,000)	(4,980,000)	(5,210,000)
NET TAX-SUPPORTED BONDS AT END OF FISCAL YEAR (3)	1,634,095,500	1,710,896,600	1,740,538,439	1,747,720,633	1,785,608,350	1,795,204,744	1,786,686,967	1,812,343,889
SCHOOLS DEBT SERVICE	67,651,502	73,508,144	78,953,791	81,553,470	83,522,736	85,151,403	85,857,049	83,191,348
GENERAL OBLIGATION BONDS & REVENUE BONDS	89,737,107	93,660,459	102,653,657	110,661,417	116,849,189	123,828,627	127,481,572	128,361,893
AHIF - BARCROFT LINE OF CREDIT	9,830,000	9,904,250	9,888,500	9,874,000	9,850,250	9,837,000	9,813,750	9,800,000
TOTAL COUNTY DEBT SERVICE (4)	99,567,107	103,564,709	112,542,157	120,535,417	126,699,439	133,665,627	137,295,322	138,161,893
TOTAL TAX SUPPORTED BONDED DEBT SERVICE	167,218,610	177,072,852	191,495,948	202,088,888	210,222,175	218,817,030	223,152,371	221,353,242
% GROWTH IN TAX-SUPPORTED G.O. DEBT SERVICE COUNTY ONLY	1.7%	4.4%	9.6%	7.8%	5.6%	6.0%	3.0%	0.7%
% GROWTH IN TAX-SUPPORTED G.O. DEBT SERVICE COUNTY / SCHOOLS	5.7%	6.2%	8.6%	5.8%	4.2%	4.3%	2.1%	-0.8%
GENERAL GOVERNMENT EXPENDITURES (5)	1,942,540,377	2,000,816,588	2,060,841,086	2,122,666,319	2,186,346,308	2,251,936,697	2,319,494,798	2,389,079,642
DEBT SERVICE AS % OF EXPENDITURES	8.61%	8.85%	9.29%	9.52%	9.62%	9.72%	9.62%	9.27%
MARKET VALUATION OF TAXABLE PROPERTY (6)	99,946,383,041	102,944,774,532	106,033,117,768	109,214,111,301	112,490,534,641	115,865,250,680	119,341,208,200	122,921,444,446
NET TAX SUPPORTED DEBT AS % OF MARKET VALUATION (3%)	1.6%	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%
POPULATION (7)	250,328	253,611	256,895	260,179	262,636	265,094	267,551	270,009
DEBT PER CAPITA	\$6,528	\$6,746	\$6,775	\$6,717	\$6,799	\$6,772	\$6,678	\$6,712
INCOME PER CAPITA (8)	\$136,719	\$140,000	\$143,360	\$146,801	\$150,324	\$153,932	\$157,626	\$161,409
NET TAX-SUPPORTED GENERAL OBLIGATION DEBT TO INCOME (NOT TO EXCEED 6%)	4.77%	4.82%	4.73%	4.58%	4.52%	4.40%	4.24%	4.16%

(1) Updated for 2024 GO Bond Issuance. 5% coupon rate assumed on all other bond issuance. Includes bonds planned in APS' Adopted FY 2025 - FY 2034 CIP, updated for cashflow needs.
(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, Stormwater Fund, Transportation Capital Fund, and STF 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 2.0% growth in FY 2027, increasing to 3.0% in FY2028 and beyond.
(6) Includes real, personal property, and public property. Assumes 3.0% growth annually.
(7) Population as of January 1, 2025 using Arlington County estimates with growth as estimated by MWCOG Round 10.0 Forecasts.
(8) Source: Bureau of Economic Analysis Per Capita Income for 2023 with annual 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
Adopted FY 2027 Budget
(NOT TO EXCEED 10%)**



	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Projection	8.61%	8.85%	9.29%	9.52%	9.62%	9.72%	9.62%	9.27%
Ceiling	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Chart C

**Summary of Tax-Supported General Obligation Bonds & Subject To Appropriation-Type Financings ⁽¹⁾
Ratio of Outstanding Debt to Market Value
Adopted FY 2027 Budget
As of June 30**

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Tax-Supported General Obligation Debt	\$1,317,275,500	\$1,408,441,600	\$1,452,718,439	\$1,473,515,633	\$1,525,263,350	\$1,544,639,744	\$1,546,176,967	\$1,581,143,889
Tax-Supported Subject to Appropriation ("STA") Debt								
Capital Equipment Short Term Financing (2)	53,194,087	55,328,287	57,511,458	63,149,087	60,965,372	60,088,772	62,652,715	71,661,687
Industrial Development Authority (IDA) Bonds (3)	62,865,000	57,585,000	52,215,000	46,780,000	41,285,000	36,275,000	31,200,000	27,100,000
Subtotal	\$116,059,087	\$112,913,287	\$109,726,458	\$109,929,087	\$102,250,372	\$96,363,772	\$93,852,715	\$98,761,687
Project-Supported Subject to Appropriation ("STA") Debt (4)								
IDA Revenue Refunding Bonds (Ballston Skating Facility) (5)	11,445,000	9,225,000	6,975,000	4,690,000	2,365,000	-	-	-
Subtotal	11,445,000	9,225,000	6,975,000	4,690,000	2,365,000	-	-	-
Total Tax-Supported General Obligation (GO) & ALL STA Financings	1,444,779,587	1,530,579,887	1,569,419,897	1,588,134,720	1,629,878,722	1,641,003,517	1,640,029,682	1,679,905,575
Total <u>Tax-Supported</u> GO and <u>Tax-Supported</u> STA Financings	1,433,334,587	1,521,354,887	1,562,444,897	1,583,444,720	1,627,513,722	1,641,003,517	1,640,029,682	1,679,905,575
Total <u>Project-Supported</u> STA Financings	11,445,000	9,225,000	6,975,000	4,690,000	2,365,000	-	-	-
Market Value of Taxable Property	99,946,383,041	102,944,774,532	106,033,117,768	109,214,111,301	112,490,534,641	115,865,250,680	119,341,208,200	122,921,444,446
Total <u>Tax-Supported</u> GO & ALL STA Financings as Percent of Market Value (Not to Exceed 4%)	1.45%	1.49%	1.48%	1.45%	1.45%	1.42%	1.37%	1.37%
Total <u>Tax-Supported</u> GO & <u>Tax-Supported</u> STA Financings as Percent of Market Value	1.43%	1.48%	1.47%	1.45%	1.45%	1.42%	1.37%	1.37%
Total <u>Project-Supported</u> STA Financings (Credit Enhancement) as Percent of Market Value (2)	0.01%	0.01%	0.01%	0.00%	0.00%	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.

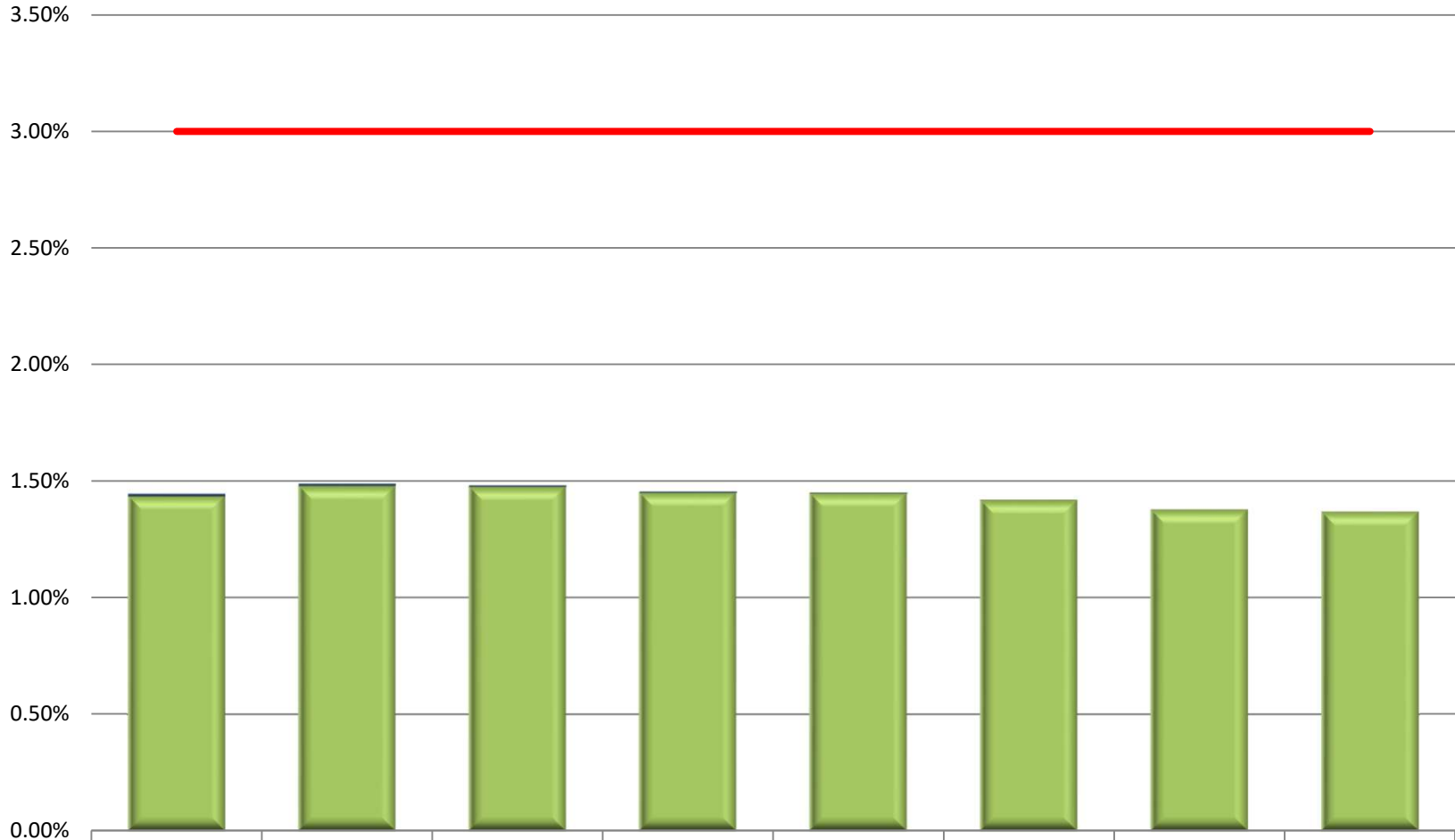
(3) Includes the Series 2013, 2017 IDA Bonds, the 2020 A & B IDA Bonds, and Series 2023B IDA bonds.

(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
Adopted FY 2027 Budget**



	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Project-Supported	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax-Supported	1.43%	1.48%	1.47%	1.45%	1.45%	1.42%	1.37%	1.37%
Not to Exceed 3%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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

Chart E

**Ratio of Tax-Supported General Obligation Debt to Income
Adopted FY 2027 Budget
Not to Exceed 6%**

