ARLINGTON
VIRGINIA

DEBT SERVICE

The FY 2025 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 $100,065,498, which includes $9.7 million for debt service on Buckingham Village 3 and the Barcroft Acquisition line of credit, and $5.7 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 2025 adopted General Fund debt service budget totals $84,647,699.

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 2025 PRIORITIES

The FY 2025 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 $82 million in new money GO bonds for County Projects in CY 2024 as approved in the referenda from CY 2018, 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 (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 2024 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 2023 as part of the issuance of the Series 2023 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.

2024 NEW MONEY BONDS

The adopted debt service budget was developed assuming a County GO bond sale of approximately $82 million in late spring of 2024. The initial debt service payments due in FY 2025 are approximately $5.8 million in the General Fund, $7.1 million in the School Debt Service Fund for their issuance of approximately $75 million of bonds, and $3.0 million in the stormwater fund for their issuance of approximately $36 million of bonds.

SPRING 2024 NEW MONEY BOND ISSUANCE AND AUTHORIZED BUT UNISSUED BONDS

Referendum Category	Amount Issued	Authorized Unissued Bonds
Local Parks & Recreation	$17.62	$8.44
Metro	21.50	-
Transportation	10.52	-
Metro & Transportation	32.02	-
Community Infrastructure	31.94	27.43
County General Obligation Bonds	**$81.58**	**$35.87**
School General Obligation Bonds	75.17	39.36
Utility General Obligation Bonds	28.17	149.20
Stormwater General Obligation Bonds	35.92	41.49
Total General Obligation Bonds	**$220.84**	**$265.92**

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 2025 adopted General Fund debt service budget is $84,647,699, a six percent increase over the FY 2024 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 2023 Actual	FY 2024 Adopted	FY 2025 Adopted	% Change '24 to '25
Principal	$53,340,000	$54,040,000	$58,805,000	9%
Interest	31,332,886	37,846,212	41,135,498	9%
Other (1)	29,969	125,000	125,000	-
Total Expenditures (2)	84,702,855	92,011,212	100,065,498	9%
Less: Debt Service Supported by AHIF	(4,892,179)	(9,587,688)	(9,763,424)	2%
Less: Short-Term Finance Revenue Bonds	(3,071,625)	(2,892,500)	(5,654,375)	95%
Total Non-AHIF Supported Debt Service	$76,739,051	$79,531,024	$84,647,699	6%

(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 $135 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.