

DEBT SERVICE

Debt Service Overview

Debt Ratios

Debt Service Amortization Schedules

Capital Lease Amortization Schedules

Debt Service Overview

As part of the annual budget process, the City Council adopts a comprehensive set of Financial Policies. These policies serve to establish and document a policy framework for fiscal decision-making and to strengthen the financial management of the City. One of these policies specifically addresses Debt Service, and incorporates two subcomponents. First, debt service targets have been identified for the following: annual debt service expenditures shall be less than nine percent of annual expenditures and outstanding debt shall be less than three percent of assessed valuation. Second, the term of any bond issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

The City of Fairfax must adhere to debt limitations as outlined by the Virginia State Constitution, which notes the City may not issue bonds in excess of 10% of assessed valuation. Per the City's FY 2015 Comprehensive Annual Financial Report (CAFR), approximately \$144.6 million of outstanding debt is applicable to the limit of 10% of assessed value (approximately \$600.6 million). Thus, the City's total net debt applicable to the limit as a percentage of the debt limit is 25.00%.

The City consults with its financial advisors and bond counsel to explore the most cost effective financing options for all debt issuances. This adherence to prudent fiscal management has allowed the City to make several long term infrastructure improvements for its residents. The City currently receives the highest bond ratings from two of the national bond rating organizations - Standard & Poor's and Moody's Investors Service.

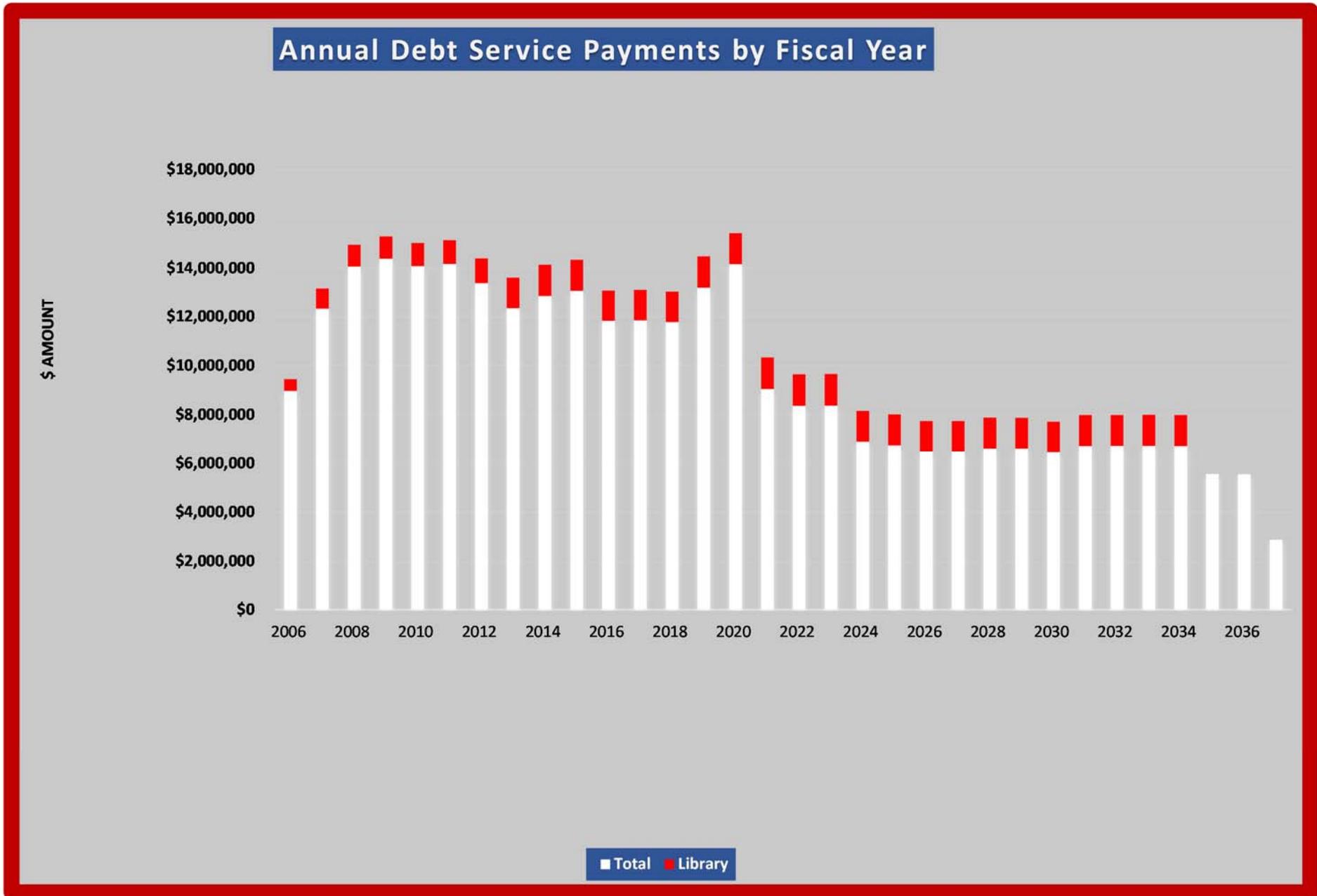
Standard and Poor's Rating Services rated the City AAA, the highest credit rating attainable, citing "...a city economic base that has remained strong throughout the current recession; the city's demonstrated ability to manage its budget effectively translating to a history of strong reserves...strong financial performance and position, aided by financial and debt policies and conservative management..." Of the 39 cities in Virginia, only four currently carry AAA ratings: the cities of Alexandria, Charlottesville, Virginia Beach, and the City of Fairfax. In addition, Moody's has affirmed the Aaa rating for the City, that the City's underlying General Obligation credit is the highest possible. Per Moody's this rating reflects "a favorably-located tax base experiencing recessionary value declines, above-average wealth indices, stable financial operations with satisfactory reserves and a favorable debt profile."

FY 2017 Adopted Budget – City of Fairfax, Virginia

The City is currently repaying bonds for projects to improve City schools, the Blenheim property, streets, municipal buildings, underground utilities, construct a library, purchase and develop open space, improve storm drainage, and develop ball fields and a park. The following chart provides a summary highlight of total debt service and capital lease payments due from the General Fund. Debt service for the Wastewater Fund is noted in section E of this book (Wastewater Fund).

Category	FY 2016 Budget	FY 2017 Adopted
General Obligation (G/O)		
General Government	\$ 1,598,936	\$ 1,606,406
Schools	6,145,440	6,093,660
Total General Obligation	\$ 7,744,376	\$ 7,700,066
Capital Lease		
General Government	\$ 4,762,442	\$ 4,830,674
Schools	582,482	582,701
Total Capital Lease	\$ 5,344,924	\$ 5,413,375
Total Payments	\$ 13,089,300	\$ 13,113,441

The chart on the following page provides a comparative view of total debt service and capital lease payments due from the General Fund for the years 2006 -2037.



FY 2017 Adopted Budget – City of Fairfax, Virginia

Debt Ratios							
CY	Net Bonded Debt (1)	Population	Assessed Value	Debt Per Capita	% of Debt to Assessed Value (2)	Direct Debt Service	Debt Service as % Gen. Fund Expen.
2003	25,180,000	22,251	3,104,766,831	1,132	0.81%	3,279,876	5.20%
2004	43,004,995	21,160	3,852,108,402	2,032	1.12%	3,918,709	5.40%
2005	40,755,000	20,860	4,445,241,300	1,954	0.92%	4,441,388	4.60%
2006	38,390,418	21,407	5,443,890,600	1,793	0.71%	4,093,000	6.50%
2007	122,682,596	21,682	5,608,301,700	5,658	2.19%	6,385,700	9.20%
2008	119,124,230	22,112	5,637,792,000	5,387	2.11%	9,271,124	9.00%
2009	114,767,655	22,418	5,359,097,100	5,119	2.14%	9,644,801	8.70%
2010	110,300,000	22,565	5,359,610,100	4,888	2.06%	9,568,519	7.90%
2011	106,825,000	22,940	4,972,880,538	4,657	2.15%	8,778,887	7.80%
2012	102,605,000	23,461	5,093,200,975	4,373	2.01%	8,578,460	7.30%
2013	101,361,000	23,973	5,221,856,263	4,228	1.94%	8,517,882	6.90%
2014	100,382,000	24,400	5,548,950,800	4,114	1.81%	7,884,006	6.28%
2015	95,983,000	24,919	5,693,020,000	3,852	1.69%	7,824,902	5.77%
2016	91,455,000	24,919	5,834,865,600	3,670	1.57%	7,744,376	5.71%
2017	86,764,000	24,919	6,006,307,600	3,482	1.44%	7,700,066	5.68%

(1) Excludes debt of self-supporting projects and non-bonded debt financing.

(2) State Limit is 10.0% of real estate assessed value which equates to \$600,630,760.

Per City Debt Policy, Outstanding Debt shall be less than 3% of Assessed Value

General Fund General Obligation Debt Services
Consolidated Debt Service Requirements

Payments During Year

YEAR ENDING <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	4,826,000	2,874,066	7,700,066
2018	4,920,000	2,714,680	7,634,680
2019	3,714,000	2,549,199	6,263,199
2020	4,293,000	2,430,850	6,723,850
2021	4,492,000	2,234,511	6,726,511
2022	4,172,000	2,056,089	6,228,089
2023	4,322,000	1,906,115	6,228,115
2024	2,999,000	1,752,322	4,751,322
2025	3,123,000	1,636,831	4,759,831
2026	3,242,000	1,542,930	4,784,930
2027	3,357,000	1,419,078	4,776,078
2028	3,584,000	1,330,996	4,914,996
2029	3,676,000	1,233,153	4,909,153
2030	3,779,000	1,132,798	4,911,798
2031	4,515,000	1,029,631	5,544,631
2032	4,700,000	849,031	5,549,031
2033	4,845,000	708,031	5,553,031
2034	4,980,000	562,681	5,542,681
2035	5,140,000	413,281	5,553,281
2036	5,295,000	252,656	5,547,656
2037	2,790,000	87,188	2,877,188
Total	\$ 86,764,000	\$ 30,716,117	\$ 117,480,117

Note – This schedule consolidates the debt issuances found on pages J-7 through J-12.

2005 General Obligation Refunding Bonds
(1998 School Bonds)
Principal and Interest, 4-1; Interest, 10-1

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	1,295,000	129,500	1,424,500
2018	1,295,000	64,750	1,359,750
Total	\$ 2,590,000	\$ 194,250	\$ 2,784,250

Purpose: Renovation and construction of Daniels Run and Providence Elementary Schools.

Principal Amount: Original - \$25,600,000; Refunding - \$11,975,000

Date of Issue: Original - April 1998; Refunding – March 2005

Collateral / Property Interest: N/A

General Obligation Refunding Bonds, Series 2010
(2002 General Obligation Bonds)
Principal and Interest, 7-15; Interest, 1-15

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	1,237,650	368,756	1,606,406
2018	1,270,950	335,548	1,606,498
2019	1,302,400	300,126	1,602,526
2020	895,400	258,205	1,153,605
2021	941,650	212,278	1,153,928
2022	978,650	174,057	1,152,707
2023	1,017,500	133,940	1,151,440
2024	510,600	95,738	606,338
2025	538,350	69,514	607,864
2026	547,600	42,365	589,965
2027	573,500	14,338	587,838
Total	\$ 9,814,250	\$ 2,004,865	\$ 11,819,115

Purpose: Renovation and construction of City Hall and Police Headquarters on Old Lee Hwy.

Principal Amount: Original - \$20,000,000; Refunding - \$12,017,600

Date of Issue: Original – July 2002; Refunding – March 2010

Collateral / Property Interest: N/A

General Obligation Refunding Bonds, Series 2010
(2004 & 2005 School Bonds)
Principal and Interest, 7-15; Interest, 1-15

Payments During Year

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL REQUIREMENT
2017	2,107,350	627,882	2,735,232
2018	2,164,050	571,339	2,735,389
2019	2,217,600	511,025	2,728,625
2020	1,524,600	439,646	1,964,246
2021	1,603,350	361,447	1,964,797
2022	1,666,350	296,368	1,962,718
2023	1,732,500	228,060	1,960,560
2024	869,400	163,013	1,032,413
2025	916,650	118,361	1,035,011
2026	932,400	72,135	1,004,535
2027	976,500	24,413	1,000,913
Total	\$ 16,710,750	\$ 3,413,689	\$ 20,124,439

Purpose: Renovation and construction of Fairfax High School and Lanier Middle School.

Principal Amount: Original - \$42,000,000 & \$44,800,000; Refunding - \$20,462,400

Date of Issue: Original – December 2004 & November 2005; Refunding – March 2010

Collateral / Property Interest: N/A

General Obligation Refunding Bonds, Series 2011
(2004 & 2005 School Bonds)
Principal and Interest, 7-15; Interest, 1-15

Payments During Year

YEAR ENDING <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL REQUIREMENT</u>
2017	35,000	70,741	105,741
2018	35,000	69,978	104,978
2019	35,000	69,215	104,215
2020	35,000	68,507	103,507
2021	35,000	67,744	102,744
2022	35,000	66,981	101,981
2023	40,000	66,163	106,163
2024	1,480,000	57,443	1,537,443
2025	1,525,000	16,623	1,541,623
Total	\$ 3,255,000	\$ 553,393	\$ 3,808,393

Purpose: Advanced refunding of a portion of the 2004 and 2005 school bonds for the renovation and construction of Fairfax High School and Lanier Middle School.

Principal Amount: \$3,415,000

Date of Issue: November 2011

Collateral / Property Interest: N/A

General Obligation Refunding Bonds, Series 2012A
(2004 & 2005 School Bonds)
Principal and Interest, 7-15; Interest, 1-15

Payments During Year

YEAR ENDING JUNE 30	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL REQUIREMENT</u>
2017	151,000	510,756	661,756
2018	155,000	506,633	661,633
2019	159,000	502,402	661,402
2020	163,000	498,061	661,061
2021	167,000	493,611	660,611
2022	1,492,000	489,052	1,981,052
2023	1,532,000	448,321	1,980,321
2024	139,000	406,497	545,497
2025	143,000	402,702	545,702
2026	1,762,000	398,798	2,160,798
2027	1,807,000	350,696	2,157,696
2028	3,584,000	301,365	3,885,365
2029	3,676,000	203,522	3,879,522
2030	3,779,000	103,167	3,882,167
Total	\$ 18,709,000	\$ 5,615,583	\$ 24,324,583

Purpose: Advanced refunding of a portion of the 2004 and 2005 school bonds for the renovation and construction of Fairfax High School and Lanier Middle School.

Principal Amount: \$19,346,000

Date of Issue: June 2012

Collateral / Property Interest: N/A

General Obligation Refunding Bonds, Series 2012B
(2004 & 2005 School Bonds)
Principal and Interest, 7-15; Interest, 1-15

Payments During Year

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL REQUIREMENT
2017	-	1,166,431	1,166,431
2018	-	1,166,431	1,166,431
2019	-	1,166,431	1,166,431
2020	1,675,000	1,166,431	2,841,431
2021	1,745,000	1,099,431	2,844,431
2022	-	1,029,631	1,029,631
2023	-	1,029,631	1,029,631
2024	-	1,029,631	1,029,631
2025	-	1,029,631	1,029,631
2026	-	1,029,631	1,029,631
2027	-	1,029,631	1,029,631
2028	-	1,029,631	1,029,631
2029	-	1,029,631	1,029,631
2030	-	1,029,631	1,029,631
2031	4,515,000	1,029,631	5,544,631
2032	4,700,000	849,031	5,549,031
2033	4,845,000	708,031	5,553,031
2034	4,980,000	562,681	5,542,681
2035	5,140,000	413,281	5,553,281
2036	5,295,000	252,656	5,547,656
2037	2,790,000	87,188	2,877,188
Total	\$ 35,685,000	\$ 18,934,338	\$ 54,619,338

Purpose: Advanced refunding of a portion of the 2004 and 2005 school bonds for the renovation and construction of Fairfax High School and Lanier Middle School.

Principal Amount: \$35,685,000

Date of Issue: September 2012

Collateral / Property Interest: N/A

General Fund Capital Lease Schedule
Consolidated Capital Lease Payment Requirements

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	3,449,881	1,963,494	5,413,375
2018	3,548,141	1,866,693	5,414,834
2019	6,419,770	1,795,945	8,215,715
2020	7,213,615	1,487,103	8,700,719
2021	2,275,141	1,325,575	3,600,716
2022	2,164,401	1,243,781	3,408,182
2023	2,253,880	1,163,427	3,417,307
2024	2,338,679	1,073,314	3,411,993
2025	2,282,470	976,823	3,259,293
2026	2,079,960	881,817	2,961,777
2027	2,177,760	790,495	2,968,255
2028	2,275,870	699,981	2,975,851
2029	2,369,320	605,488	2,974,808
2030	2,305,000	501,930	2,806,930
2031	2,050,000	395,113	2,445,113
2032	2,160,000	287,231	2,447,231
2033	2,275,000	173,584	2,448,584
2034	2,390,000	57,644	2,447,644
Total	\$ 52,028,889	\$ 17,289,440	\$ 69,318,328

Note – This schedule consolidates schedules found on pages J-14 through J-21.

Advanced Refunding of EDA Bond 2012
(2005 Public Facility Bond - Library Project)
Principal and Interest, 10-1; Interest, 4-1

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	539,089	729,251	1,268,340
2018	565,007	703,369	1,268,376
2019	593,517	674,576	1,268,093
2020	622,026	644,322	1,266,348
2021	655,719	611,580	1,267,299
2022	686,821	580,248	1,267,069
2023	720,514	548,345	1,268,859
2024	754,207	511,644	1,265,851
2025	795,675	471,928	1,267,603
2026	837,143	430,087	1,267,231
2027	878,612	388,739	1,267,351
2028	920,080	348,038	1,268,119
2029	961,549	305,472	1,267,020
2030	1,008,201	257,874	1,266,074
2031	1,062,628	204,809	1,267,437
2032	1,119,647	148,888	1,268,535
2033	1,179,258	89,978	1,269,236
2034	1,238,869	29,880	1,268,749
Total	\$ 15,138,561	\$ 7,679,028	\$ 22,817,588

Purpose: Advanced refunding of the 2005 Public Facility Lease (EDA) – Library Project

Principal Amount: Library Project - \$17,160,146
 Total Refunding Principal - \$33,105,000

Date of Issue: June 2012

Collateral / Property Interest: City Hall & Property Yard

Advanced Refunding of EDA Bond 2012
(2005 Public Facility Bond - Downtown Projects)
Principal and Interest, 10-1; Interest, 4-1

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	500,911	677,605	1,178,516
2018	524,993	653,556	1,178,549
2019	551,483	626,802	1,178,286
2020	577,974	598,691	1,176,664
2021	609,281	568,267	1,177,548
2022	638,179	539,155	1,177,334
2023	669,486	509,511	1,178,997
2024	700,793	475,409	1,176,202
2025	739,325	438,506	1,177,831
2026	777,857	399,628	1,177,485
2027	816,388	361,208	1,177,596
2028	854,920	323,390	1,178,310
2029	893,451	283,838	1,177,289
2030	936,799	239,611	1,176,410
2031	987,372	190,304	1,177,676
2032	1,040,353	138,343	1,178,696
2033	1,095,742	83,606	1,179,348
2034	1,151,131	27,764	1,178,895
Total	\$ 14,066,439	\$ 7,135,194	\$ 21,201,633

Purpose: Advanced refunding of the 2005 Public Facility Lease (EDA) – Downtown Projects

Principal Amount: Downtown Projects - \$15,944,854
 Total Refunding Principal - \$33,105,000

Date of Issue: June 2012

Collateral / Property Interest: City Hall & Property Yard

COPS Refunding Series B 2011
Ball Fields
Principal and Interest, 7-15 & 1-15

YEAR ENDING <u>JUNE 30</u>	Payments During Year		<u>TOTAL REQUIREMENT</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2017	297,100	116,236	413,336
2018	306,400	106,953	413,353
2019	3,220,300	137,101	3,357,401
Total	\$ 3,823,800	\$ 360,291	\$ 4,184,091

Purpose: Development of ball fields and other amenities at the Stafford Property, Draper Drive Park, Providence Park and Providence Elementary School.

Principal Amount: \$5,164,800

Date of Issue: April 2011

Collateral / Property Interest: Stafford Property, Jester Property, Ted Greffe Park, Ashby Pond Conservatory site (Conard Property), Blenheim Property, and the former Weight Watchers building site.

COPS Refunding Series C 2011
Schools/Transportation

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	519,000	191,611	710,611
2018	535,000	175,414	710,414
2019	552,000	158,689	710,689
2020	4,705,000	72,928	4,777,928
Total	\$ 6,311,000	\$ 598,641	\$ 6,909,641

Purpose: Additional financing to cover the estimated funding shortfall associated with the renovation and construction of Lanier Middle School.

Principal Amount: \$8,574,000

Date of Issue: May 2011

Collateral / Property Interest: Westmore Park.

Energy Services Financing 2014
Principal and Interest, 7-15 & 1-15

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	82,470	37,051	119,521
2018	87,840	35,039	122,879
2019	93,460	32,898	126,358
2020	99,310	30,620	129,930
2021	105,400	28,200	133,600
2022	111,750	25,632	137,382
2023	118,380	22,911	141,291
2024	125,280	20,029	145,309
2025	132,470	16,979	149,449
2026	139,960	13,755	153,715
2027	147,760	10,353	158,113
2028	155,870	6,755	162,625
2029	164,320	2,964	167,284
Total	\$ 1,564,270	\$ 283,184	\$ 1,847,454

Purpose: Finance the purchase and installation of energy saving equipment at various City buildings. Energy cost savings should cover debt service.

Principal Amount: \$1,708,450

Date of Issue: November 2013

Collateral / Property Interest: Equipment purchased with lease proceeds

Old Town Square Lease Financing 2014
Principal and Interest, 8-1; Interest, 2-1

Payments During Year

YEAR ENDING <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2017	260,000	103,370	363,370
2018	265,000	96,886	361,886
2019	275,000	90,217	365,217
2020	280,000	83,363	363,363
2021	290,000	76,323	366,323
2022	295,000	69,098	364,098
2023	305,000	61,688	366,688
2024	310,000	54,093	364,093
2025	320,000	46,313	366,313
2026	325,000	38,347	363,347
2027	335,000	30,196	365,196
2028	345,000	21,798	366,798
2029	350,000	13,215	363,215
2030	360,000	4,446	364,446
Total	\$ 4,315,000	\$ 789,350	\$ 5,104,350

Purpose: Finance the construction of a public park at North Street & University Drive, erect a pedestrian barrier at North Street and Route 123, and renovate a parking lot at East Street.

Principal Amount: \$4,570,000

Date of Issue: May 2014

Collateral / Property Interest: Park property, Old Town Hall, Police Firing Range and East Street parking lot

Police Firing Range Lease Financing 2014
Principal and Interest, 8-1; Interest, 2-1

Payments During Year

YEAR ENDING JUNE 30	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL REQUIREMENT</u>
2017	250,000	48,510	298,510
2018	255,000	43,208	298,208
2019	260,000	37,800	297,800
2020	265,000	32,288	297,288
2021	270,000	26,670	296,670
2022	275,000	20,948	295,948
2023	280,000	15,120	295,120
2024	285,000	9,188	294,188
2025	295,000	3,098	298,098
Total	\$ 2,435,000	\$ 236,828	\$ 2,671,828

Purpose: Renovate the police firing range located at the City’s Property Yard

Principal Amount: \$2,680,000

Date of Issue: May 2014

Collateral / Property Interest: Park property, Old Town Hall, Police Firing Range and East Street parking lot

Various Vehicle & Equipment Leases
Principal and Interest, 7-15

Payments During Year

YEAR ENDING <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL REQUIREMENT</u>
2017	1,001,311	59,861	1,061,172
2018	1,008,901	52,269	1,061,170
2019	874,010	37,862	911,872
2020	664,305	24,894	689,199
2021	344,741	14,536	359,277
2022	157,651	8,700	166,351
2023	160,500	5,852	166,351
2024	163,399	2,952	166,351
Total	\$4,374,819	\$206,924	\$4,581,743

Purpose: Various capital lease/purchase agreements to finance the replacement of vehicles and equipment.

Principal Amount: Various; payments beginning in 2017 contain projections for a potential lease in FY16 to finance the purchase of vehicles/equipment >\$100k each.

Date of Issue: Various

Collateral / Property Interest: Vehicles / Equipment / Synthetic Turf at FHS

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