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**COUNTY OF LOUDOUN, VIRGINIA  
BOARD OF SUPERVISORS  
FISCAL POLICY**

Originally adopted December 17, 1984  
Revised through January 6, 2016

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**STATEMENT OF POLICY PURPOSE**

The County of Loudoun (the "County") and its governing body, the Board of Supervisors (the "Board"), is responsible to the County's citizens to carefully account for all public funds, to manage County finances wisely and to plan for the adequate funding of services desired by the public, including the provision and maintenance of facilities. Promoting fiscal integrity is an important priority in the County. The following policies and guidelines establish the framework for the County's overall fiscal planning and management.

These policies will be reviewed and, if necessary, updated annually. Any substantive changes will be presented to the Board for approval.

**POLICY GOALS**

This fiscal policy is a statement of the guidelines and goals for the financial management practices of the County. Effective fiscal policy:

- Contributes significantly to the County's ability to insulate itself from fiscal crisis,
- Attempts to maintain a diversified and stable economic base,
- Enhances short term and long term financial integrity by helping to achieve the highest credit and bond ratings possible,
- Maintains continuous communication about the County's financial condition with bond and credit rating institutions and the overall financial community,
- Promotes long term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the County rather than single issue areas,
- Promotes the view of linking long term financial planning with day to day operations, and
- Provides the Board and the citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

To these ends, the following 12 fiscal policy goal statements are presented.

**1. Operating Budget Policies**

- The operating budget is intended to implement the Board's service priorities and vision for the County.
- The budget is a plan for raising and allocating resources. The objective is to enable service delivery with allocated resources. Services must be delivered to the citizens at a level which will meet real needs as efficiently and effectively as possible.
- The County's goal is to pay for all recurring expenditures with recurring revenues and to use nonrecurring revenues for nonrecurring expenditures.
- It is important that a positive unassigned fund balance in the general fund and a positive cash balance in all governmental funds be shown at the end of each fiscal year.

- When deficits appear to be forthcoming within a fiscal year, spending during the fiscal year must be reduced sufficiently to create a positive unassigned fund balance and a positive cash balance.
- Where possible, the County will integrate performance measurements and productivity indicators within the budget. This should be done in an effort to continue to improve the productivity of County programs and employees. Productivity analysis is a dynamic part of County Administration.
- The budget must be structured so that the Board and the general public can readily establish the relationship between revenues, expenditures and the achievement of service objectives. The budget document will include data that illustrates the link and impact of resource investments on service delivery.
- The individual agency budget submissions must be prepared with the basic assumption that the Board will always attempt to minimize the local tax burden.
- The County will avoid tax anticipation borrowing and maintain adequate fiscal reserves in accordance with the fund balance policy.
- The County will annually seek the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award.

Budgetary review by the Board will focus on the following basic concepts:

### **Staff Levels**

The number and distribution of staff will be reviewed and evaluated in the context of service delivery. The Board will seek to limit staff increases to areas where approved growth and support necessitates additional staff; and to reduce staff, if needed, where this can be done without adversely affecting approved service levels. When feasible and cost effective, contracting out services will be considered.

### **Capital Construction**

Emphasis will be placed upon continued reliance on a viable level of "pay-as-you-go" capital construction to fulfill needs in a Board-approved comprehensive Capital Improvements Program. The Board will attempt to fund not less than 10% of the total cost of the Capital Improvements Program through the use of local tax funding, fund balance and other recurring local revenue sources.

### **Program Expansions**

Proposed program expansions above existing service levels must be submitted as budgetary enhancements requiring detailed justification. Every proposed program expansion will be scrutinized on the basis of its relationship to the health, safety and welfare of the community to include analysis of long term fiscal impacts. Emphasis will be placed upon areas identified as high priorities by the Board.

### **New Programs**

Proposed new programs must also be submitted as budgetary enhancements requiring detailed justification. New programs will be evaluated on the same basis as program expansion to include analysis of long term fiscal impacts. Emphasis will be placed upon areas identified as high priorities by the Board.

### **Existing Service Costs**

The justification for base budget program costs will be a major factor during budget review. Program service delivery effectiveness will be represented by performance measures. Those measures will be regularly reviewed.

## **Fiscal Guidelines**

- The level of proposed investment in services will be evaluated within the context of the Board's vision for service delivery and established programmatic priorities. In all program areas, administrative overhead costs should be kept to the absolute minimum.
- Functions should be reviewed in an effort toward reducing duplicative activities within the County government and the autonomous and semiautonomous agencies, which receive appropriations from the governmental funds.
- The budget will provide for adequate maintenance of capital, plant and equipment and for its orderly replacement.
- The County will maintain budgetary controls at the Division/Department level within each organizational unit, although more restrictive controls may be instituted as fiscal circumstances, management prerogatives and programmatic requirements dictate.
- The County will also maintain control between major categories of expenditures (i.e. Personnel, operations and maintenance, capital outlay, etc.).
- The County Administrator will provide quarterly reporting to the Board on the County's financial condition and debt position.
- The County will remain current in payments to its employee and volunteer retirement systems.
- The County will endeavor to comply in all material respects with both funded and unfunded mandates.
- The County will, at a minimum, every four years, produce a report describing major programs including mandates (federal, state, local or other), budgetary information, staffing, and other details, and will provide this report for public review.
- Capital projects in the County government and schools will be reviewed and reconciled annually as part of the fiscal year-end financial closing procedure. A capital project will be closed in the financial records of the County within two years after the project opening or occupancy unless mitigating circumstances exist and approval of the County Administrator has occurred. Subsequent funding after project closing will be addressed as part of the annual appropriation process for the County or Schools.
- The County will annually update a long range (3-5 year) financial forecasting system which will include projections of revenues, expenditures and future costs and financing of capital improvements and other projects that are included in the capital budget and the operating budget.
- The County will annually update a financial trend monitoring system which will examine fiscal trends from the preceding 5 years (trends such as revenues and expenditures per capita and adjusted for inflation, liquidity, operating deficits, etc.). Where possible, trend indicators will be developed and tracked for specific elements of the County's fiscal policy.
- The County will regularly update a series of financial and planning tools to evaluate long term land use, fiscal and demographic issues. Those tools include: the County's Fiscal Impact Model (FIM), Capital Intensity Factor (CIF), the Board-adopted Service Plans and levels, the 20-year growth projections, and the 10-Year Capital Needs Assessment (CNA) document. The review and update cycle of these tools is as follows:

<u>Tool</u>	<u>Review Process</u> <i>(All subject to adoption by Board of Supervisors)</i>	<u>Update Cycle</u>
Fiscal Impact Model (FIM)	Fiscal Impact Committee	Annual
Capital Intensity Factor	Fiscal Impact Committee	Minimally every 4 years, preferably every 2 years
Service Plans and Levels	Board Committee	Every 4 years, on 2 <sup>nd</sup> year of Board Term
20-Year Growth Projections	Fiscal Impact Committee	Biannual Update of Inputs
10-Year Capital Needs Assessment (CNA)	Planning Commission	Every 4 years, on 2 <sup>nd</sup> year of Board Term

## **2. Debt Management Policies**

- The County will not fund current operations from the proceeds of borrowed funds.
- The County will confine long-term borrowing and capital leases to capital improvements, projects, or equipment that cannot be financed from current financial resources.
- The County will analyze market conditions prior to debt issuance to determine the most advantageous average life. When financing capital improvements, or other projects or equipment, the County will repay the debt within a period not to exceed the expected useful life of the project or equipment. Debt related to equipment ancillary to a construction project may be amortized over a period less than that of the primary project.
- The County will not utilize swaps (i.e. interest rate exchange agreements) as a method of financing debt until such time as the Board of Supervisors adopts a specific policy on swap practices.
- The County will attempt to repay debt using a level principal repayment structure.
- The County may, at its discretion, on a project by project basis, subject to a public hearing of the Board on the proposed financing if applicable, use alternative financing mechanisms to the issuance of general obligation (GO) bonds that require a referendum. These alternative financing mechanisms include, but are not limited to: the Virginia Public School Authority (VPSA), the Virginia Resources Authority (VRA), revenue bonds (for revenue supported activities), lease revenue bonds, certificates of participation, letters of credit, commercial paper, private placements, lease purchase agreements, master lease agreement, additional appropriation-based financing or other financing mechanisms that may be created. The policy is to use these financing mechanisms for total project costs as follows:

<u>Total Cost of Project</u>	<u>General Government</u>	<u>School System</u>
\$200,000, up to the cost of a new elementary school for specialized vehicular equipment (e.g., school buses, landfill equipment or fire and rescue vehicles) and information technology equipment and software systems (1)	Lease-Purchase Financing	Lease-Purchase Financing
\$500,000 up to the cost of a new elementary school for constructing and equipping additions or renovations to existing facilities or acquiring, constructing, and equipping new facilities (1)(2)	Alternative Financing Mechanisms	Alternative Financing Mechanisms
Over the cost of a new elementary school for additions, renovations, etc. or new facilities (1)	Alternative Financing Mechanisms	Alternative Financing Mechanisms

**NOTES:**

(1) The cost of a new elementary school is estimated in each year of the adopted Capital Improvements Program.

(2) In some instances, a referendum for general obligation bond financing may be the only alternative at these levels

- The County will explore the cost effectiveness of issuing refunding bonds when market conditions are such that a minimum of 3% net present value savings in debt service payments will be achieved.
- The County may assist volunteer fire and rescue companies through the Revolving Loan Program. These loans are the preferred method to assist the organization in funding their capital construction and renovation needs greater than \$500,000. Apparatus acquisition assistance will be made through the Capital Projects Fund. Companies requesting a revolving loan must show credit worthiness by providing a current financial statement and IRS Form 990. The loans will bear interest at the AAA/Aaa tax exempt rate at the time of the loan approval. Such loans will be made from and remain an asset of the General Fund.
- The County will annually calculate target debt ratios and include those ratios in the review of financial trends.
- The County's debt capacity shall be maintained within the following primary goals:
  - Annual debt issuance guideline of \$225 million. The debt issuance guideline will be adjusted every five years based on the Consumer Price Index five year rolling average beginning with FY 2017. The debt issuance guideline will be reviewed every five years beginning in FY 2022.
  - Net debt as a percentage of estimated market value of taxable property should not exceed 3.0%.
  - Net debt per capita as a percentage of income per capita should not exceed 8.0%.
  - Debt service expenditures as a percentage of governmental fund expenditures should not exceed 10%.
- Ten year debt payout ratio should be above 60%.
- The affordability index, consisting of the weighted average of the net debt per capita (20%), net debt as a percentage of estimated market value of taxable property (45%), and net debt per capita as a percentage of income per capita (35%) shall be updated annually.
- The annual debt issuance guideline encompasses all traditional County infrastructure projects (e.g. public safety facilities, schools, libraries, equipment, transportation, etc.). Not included in the annual debt issuance calculations are issuances for projects supported by a specific revenue source, major economic development/regional partnership projects (e.g. rail), Community

Development Authorities and Special Assessment Districts, etc. When appropriate, these debt offerings will be factored into the overall debt ratios and financial condition of the County.

- The County recognizes the importance of underlying and overlapping debt in analyzing financial condition. The County will regularly analyze total indebtedness including underlying and overlapping debt. Total overlapping debt should not exceed 0.75% of the total assessed value of taxable property within the County during any year of the County's Six Year Capital Improvement Program.
- The County shall comply with all U.S. Internal Revenue Service rules and regulations regarding issuance of tax-exempt debt, including arbitrage rebate requirements for bonded indebtedness and with all Securities and Exchange Commission requirements for continuing disclosure of the County's financial condition as well as all applicable Municipal Securities Rulemaking Board requirements.
- The County shall comply with all requirements of the Public Finance Act as set forth in Title 15.2, Chapter 26 of the *Code of Virginia* and with any other legal requirements regarding the issuance of bonds or its debt issuing authorities.

### **3. Revenue Policies**

- The County will maintain and monitor a diversified and stable revenue structure to shelter it from short-run fluctuations in any one revenue source.
- The County will estimate its annual revenues by an objective, analytical process.
- The County will develop, and annually update, an Indirect Cost Allocation Plan to document overhead costs for all County agencies to aid in the recovery of indirect costs incurred by the County to support and administer Federal and State grant programs and to provide indirect costs information for a County-wide user fee study.
- The County, where possible, will institute user fees and charges for specialized programs and services in the County. Rates will be established to recover operational as well as overhead or indirect costs and capital or debt service costs. Fees will be regularly reviewed and updated and where applicable, determine if pre-established recovery goals are being met.
- The County will follow an aggressive policy of collecting tax revenues. The annual level of uncollected current property taxes should not exceed 3% unless caused by conditions beyond the control of the County.
- The County should routinely identify intergovernmental aid funding possibilities. However, before applying for or accepting intergovernmental aid, the County will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits as a budgetary enhancement. Therefore:
  - All grant applications, prior to submission, must be approved by the County Administrator upon recommendation by the Budget Officer.
  - Grants may be accepted only by the Board.
  - No grant will be accepted that will incur management and reporting costs greater than the grant amount.
- The County will accrue and designate all land use valuation rollback resulting from a granted rezoning in the Capital Project Fund. These funds are to be dedicated for projects within the impacted subarea of development unless the Board, after considering current fiscal conditions, approves an alternative designation of the funds.

#### **4. Non-Tax Accounts Receivable Policies**

- The County will use proper internal controls to protect its non-tax accounts receivable reflecting amounts owed the County from people, firms and other governmental entities.
- The County will record receivables in a timely manner and provide for appropriate collection methods.
- All non-tax accounts unpaid after one year must be written off, if deemed uncollectible unless otherwise provided for under law or by written agreement.

#### **5. Investment Policies**

- The County will maintain an investment policy based on the GFOA Model Investment Policy and the amended and adopted Investment Policy of the Treasurer, which was last amended in March 2010 by the County's Finance Board.
- The County will conduct an analysis of cash flow needs on an annual basis. Disbursements, collections, and deposits of all funds will be scheduled to ensure maximum cash availability and investment potential.
- The County will, where permitted by law, pool cash from its various funds for investment purposes.
- The County will invest County revenue to maximize the rate of return while preserving the safety of the principal at all times. The prudent person rule shall apply in investing of all County funds.
- The County will regularly review contractual, consolidated banking services.
- The County will invest proceeds from general obligation bonds with an emphasis on minimizing any arbitrage rebate liability.

#### **6. Accounting, Auditing, and Financial Reporting Policies**

- The County will establish and maintain a high standard of accounting practices in conformance with uniform financial reporting in Virginia and Generally Accepted Accounting Principles (GAAP) for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB).
- The County's financial accounting system will maintain records on a basis consistent with accepted standards for local government accounting (according to GASB).
- The County's annual financial reports will present a summary of financial activity by governmental funds and all funds respectively.
- The County's reporting system will also provide monthly information on the total cost of specific services by type of expenditure and revenue, and if necessary, by fund.
- The County will retain the right to perform financial, compliance and performance audits on any entity receiving funds or grants from the County.
- The County will engage an independent firm of certified public accountants to perform an annual financial and compliance audit according to Generally Accepted Auditing Standards (GAAS) and will have these accountants publicly issue an opinion which will be incorporated in the Comprehensive Annual Financial Report.
- The Board's Finance/Government Services and Operations Committee (FGSO) will serve as the Board's Audit Committee and is responsible for approving the selection of the independent firm of certified public accountants (the Board's external auditor) to perform the annual financial and compliance audit, defining the audit scope and receiving the report of the auditor. The County will also maintain an ongoing internal audit function for the performance of fiscal, programmatic and operational audits, as determined by the Board's FGSO Committee.

- The County will annually seek the GFOA Certificate of Achievement for Excellence in Financial Reporting.

## **7. Capital Budget Policies**

- The County will make all capital improvements in accordance with an adopted Capital Improvements Program.
- The County will develop a multi-year plan for capital improvements (CIP), which considers the County's development policies and links development proffers resulting from conditional zonings with the capital plan.
- The County will enact a biennial capital budget based on the multi-year Capital Improvements Program.
- The County will coordinate development of the capital budget with development of the operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget forecasts.
- The County will identify the "full-life" estimated cost and potential funding source for each capital project proposal before it is submitted to the Board for approval.
- The County will determine the total cost for each potential financing method for capital project proposals.
- The County will identify the cash flow needs for all new projects and determine which financing method best meets the cash flow needs of the project.
- When restricted, committed and assigned amounts are available, restricted funds (such as proffers, grants, NVTA and bond proceeds) will be spent first. When more than one category of restricted funds is available for any aspect of a project, the more restrictive of the available funds shall be spent first.
- As part of the capital project closeout process, unspent local tax funding will be transferred to the County or School capital project contingency account to be used at the discretion of the Board of Supervisors. Unspent restricted assets, such as bond proceeds, are required to be reviewed by the Controller's Office prior to closeout. All transfers between projects are required to be approved by the Board of Supervisors.
- The County will strive to update the capital intensity factor every two years, but no less than four years.
- When a project is subject to capital standards, the capital project should first be approved in the Capital Needs Assessment prior to proposal in the Capital Improvements Plan.
- The County will maximize the use of non-debt capital financing sources through the use of alternate sources of funding, including proffers, grants, and other sources of non-local tax funding revenues. The County will attempt to fund not less than 10% of the total cost of the Capital Improvement Program from local tax funding, fund balance and other recurring local revenue sources. The 10% cash provided may be applied equally to all projects or only to specific projects.

## **8. Asset Maintenance, Replacement, and Enhancement Policies**

- The operating budget will provide for minor and preventive maintenance.
- The capital asset preservation budget will provide for the structural, site, major mechanical/electrical rehabilitation, preservation or replacement to the County and School physical plant which requires a total expenditure of \$10,000 or more and has a useful life of ten years or more.

- The appropriations to the fund will be targeted to the annual depreciation of the total County and School physical plant (buildings and improvements, exclusive of land and mobile equipment).
- The capital projects budget will provide for the acquisition, construction, or total replacement of physical facilities to include additions to existing facilities which increase the square footage or asset value of that facility.
- The County will capitalize certain classes of intangible assets per the following guidelines:
- Easements and rights-of-way with a value greater than \$1,000,000 and an expected life of 3 years or more.
- Internally generated computer software with a value greater than \$1,000,000 and an expected useful life of 3 years or more. Staff time must be 100% dedicated to a specific project for internal costs to be considered in the calculation of the capitalization threshold.
- The County will capitalize all other tangible and intangible fixed assets with a value greater than \$5,000 and an expected life of 5 years or more.
- Replacement of major technology systems (software) will be included in the planning for asset replacements in the Computer System Replacement Fund.

#### **9. Risk Management Policies**

- The County will protect its assets by maintaining adequate insurance coverage through either commercial insurance or risk pooling arrangements with other governmental entities.
- The County will reserve an amount adequate to insulate itself from predictable losses when risk cannot be diverted through conventional methods.

#### **10. Fund Balance Policy: County and Schools**

The County has five categories of Fund Balance for financial reporting: 1) Nonspendable; 2) Restricted; 3) Committed; 4) Assigned; and 5) Unassigned. These categories are defined below.

- 1) Nonspendable Fund Balance:** Nonspendable Fund Balance in any fund includes amounts that cannot be spent because the funds are either not in spendable form such as prepaid expenditures and inventories or legally contracted to be maintained intact such as principal of a permanent fund or capital of a revolving loan fund. Nonspendable fund balance is not available for appropriation.
- 2) Restricted Fund Balance:** Restricted Fund Balance in any fund includes amounts that are subject to externally enforceable legal restrictions set by creditors, grantors, contributors, federal or state law, or adopted policies regarding special revenue funds.

The following three categories of Fund Balance: 3) Committed 4) Assigned and 5) Unassigned are considered Unrestricted Fund Balance.

**General Fund Unrestricted Fund Balance:** The Unrestricted Fund Balance policy for the General Fund pertains to both the County and Schools.

- The committed portion of Unrestricted Fund Balance at the close of each fiscal year shall be equal to no less than 10% of operating revenues of the General Fund. This portion of Unrestricted Fund Balance is not maintained for funding recurring expenditures during the normal business cycle and is to be used only in the event of unexpected and non-routine circumstances.
- A withdrawal of the Unrestricted Fund Balance resulting in the remaining balance at less than the targeted 10% level of revenue may be considered if the total projected general fund revenues reflect a decrease from the total current year estimated general fund revenues of at least 3% or in the event of a federally declared natural or national disaster/emergency. Any withdrawal of this type shall be approved by the Board.

- If circumstances require the use of the Unrestricted Fund Balance to a point below the targeted level, the County will develop a plan during the annual appropriations process to replenish the Unrestricted Fund Balance to the 10% targeted level over a period of not more than three (3) years.
- 3) **Committed Fund Balance:** Committed Fund Balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board. Board adoption of the Fiscal Policy commits the 10% targeted level of Unrestricted Fund Balance. Formal Board action includes the annual adoption of the appropriations resolution and subsequent budget amendments. As stated in the appropriations resolution, encumbrances remaining at year-end will be carried over to the next fiscal year. Formal action to commit fund balance must be taken prior to the end of the fiscal year.
  - 4) **Assigned Fund Balance:** Assigned Fund Balance includes amounts that reflect an intended or planned use of fund balance for specific purposes but are neither restricted nor committed. Assigned Fund Balance does not require formal action of the Board and may be assigned by the County Administrator or his designee. Assigned Fund Balance could be used to fill the gap between projected revenues and expenditures in the following fiscal year.
  - 5) **Unassigned Fund Balance:** Unassigned Fund Balance represents the residual fund balance remaining after non-spendable, restricted, committed, and assigned fund balance is deducted. Unassigned Fund Balance is available for appropriation by the Board with first priority given to nonrecurring expenditures or as an addition to fund balance. The General Fund is the only fund that can have a positive Unassigned Fund Balance.

**The order of spending resources:** When an expenditure is incurred for purposes for which restricted, committed, assigned and unassigned amounts are available for use, the County considers restricted fund balance to be spent first, then committed fund balance, then assigned fund balance, and lastly unassigned fund balance.

**Self-Insurance Fund:** The fund balance policy for the Self-Insurance Fund pertains to both the County and Schools.

The fund balance in the Self-Insurance Fund at the fiscal year end will be maintained as a percentage of expenditures in each component of the fund. The percentage will be established annually by professional judgment based on funding techniques utilized, loss records, and required retentions. The County will select an external agency for this annual review.

## **11. Criteria Policy for Establishment of Special Assessment Districts**

A “special assessment” or “special assessment district” refers to any of the various mechanisms in the Code of Virginia that allows the County to impose a special ad valorem tax or special assessment for local improvements on property within a defined area, for the purpose of financing public improvements or services within the district. Examples include, without limitation, Service Districts, Community Development Authorities, and Transportation Improvement Districts.

The following criteria are set forth as the minimum requirements that must be satisfied for the Board to lend its support to the creation of a special assessment district. As such, proposed districts that cannot meet these minimum requirements will have their requests for support rejected by the Board on the basis that it endangers the County’s own credit worthiness in the financial markets. The Board takes this opportunity to emphasize that other considerations also may apply. In effect, these criteria are set forth only as the minimum standards for the establishment of a district. However, the ability to meet the criteria described below will carry considerable weight with the Board.

The County has determined that under certain circumstances, the creation of a Special Assessment District (a “District”) can further the economic development/quality growth management/redevelopment goals of the County. Of equal importance is that the County’s financial assets not be at risk. These guidelines are designed to ensure that the County goals are met.

**Limited to Projects which Advance County's Plans.** The proposed project or purpose for establishing a District must advance the County's adopted comprehensive plan or provide greater benefit to the ultimate property owners utilizing the proposed facilities and be in line with the Board's Vision and Strategic Goals.

Public Improvements to be financed by the Project or District must be related to and guided by standards and policies approved by the Board as identified in the Capital Improvements Program, Capital Needs Assessment Document, or the County's Adopted Capital Facility Standards.

The County would not expect to utilize special assessment debt to finance typical project infrastructure costs, (e.g., utilities, normally proffered improvements, or subdivision/site plan requirements) absent a compelling (a) commercial or economic development interest, (b) benefit to the broader community, or (c) public health or safety concern.

**Description of Project and District Petition.** The petitioners shall submit for County staff review, prior to petitioning the County Board of Supervisors for action, a plan of the proposed District. This submission must include as a minimum:

- The special assessment district's proposed petition to the County Board of Supervisors;
- A map of district boundaries and properties served;
- A general development plan of the district;
- Proposed district infrastructure including probable cost;
- A preliminary feasibility analysis showing project phasing, if applicable, and projected land absorption with the district;
- A schedule of proposed special assessment district financings and their purpose;
- A discussion of the special assessment district's proposed financing structure and how debt service is paid;
- The methodology for determining special assessments within the district;
- Background information on the developers and/or property owners in the current proposal or previous involvement with other districts in Virginia and elsewhere; and,
- Level of equity to be provided and when such equity would be incorporated into the proposed Plan of Finance.

The petitioner shall respond to and incorporate changes to the proposed petition requested by staff. Failure to incorporate changes will result in a staff recommendation against the creation of the special assessment district.

The petition must address:

- Protections for the benefit of the County with respect to repayment of debt, incorporation, and annexation;
- Protections for the benefit of individual lot owners within the District's boundaries with respect to foreclosure and other collection actions should their respective assessment be paid or is current; and
- Payment of the County's costs related to the administration of the District, specifically including the County's costs to levy and collect any special tax or assessment.

**Consistency with County Planning Documents.** The petitioner must demonstrate how the project or purpose for establishing the District is/or could be consistent with the Comprehensive Plan, Zoning Ordinance, and if applicable, the Capital Improvement Program, the Capital Needs Assessment and

the Adopted Capital Facility Standards, or other facility planning documents approved by the Board of Supervisors.

**Impact on County Credit Rating.** The District, either individually or when considered in aggregate with previously approved Districts, shall not have a negative impact upon the County's debt capacity or credit rating. The majority of this debt will be considered and treated as overlapping debt. In order to protect the County's long term fiscal stability and credit standing, all proposed debt must be in conformance with the County's Debt Management Policies (section #2). Exemptions to this policy may be made if the projects to be financed directly replace capital projects in the current Capital Improvement Program, or the Capital Needs Assessment Document. Maturities of special district debt shall approximate the average of the County's other special assessment debt.

It is the intent of the County that this debt be self-supporting. Debt is deemed self-supporting when sufficient revenue is generated for at least three consecutive years to pay all of the required debt payments.

**Due Diligence.** A due diligence investigation performed by the County or its agents must confirm petition information regarding the developers, property owners, and/or underwriting team, and the adequacy of the developer's or property owner's financial resources to sustain the project's proposed financing. Developers will be required to grant full access to all accounting records, project pro formas and any other required financial information for any project involving a financial partnership with the County.

**Project Review and Analysis.** A financial and land use assessment performed by the County or its agents must demonstrate that the District's proposed development, financial, and business plan is sound, and the proposed project or purpose for establishing a District is economically feasible and has a high likelihood of success. The analysis must confirm why establishing a District is superior to other financing mechanisms from a public interest perspective.

**Petitioner to Pay County Costs.** The County may require that the Petitioner agree to cover the County's costs for all legal, financial and engineering review and analysis and to provide a suitable guaranty for the payment of these costs. The County's estimated costs shall be itemized to show anticipated engineering, legal, and financial, consultant and other fees.

**Credit Requirements.** The debt obligations are issued by the District to finance or refinance infrastructure of the project:

- The Board will retain practical and legal control of any debt issued by the district.
- The Board will approve a district debt issuance only after it has been determined the issue can reasonably be expected to receive an investment grade rating from a nationally recognized statistical rating agency (i.e., Fitch, Moody's, Standard and Poor's) including investment grade ratings derived from a credit enhancement (i.e., letter of credit, bond insurance, etc.) or demonstrate some other form of financial safeguard to the bond purchasers. Or
- The Board will approve a district debt issuance only after it has been determined that the district has acquired a credit enhancement device sufficient to guarantee payment of lease payments or debt service in the event of default until such time as the district's outstanding debt as compared to its estimated taxable assessed value is estimated not to exceed 10%. Or
- The District limits its issuance of obligation to minimum \$100,000 denominations, thereby attracting only bondholders recognizing the inherent risk.
- The District's outstanding debt obligations as compared to the appraised value of property or adjusted appraised value if partial development has occurred within District boundaries as if the infrastructure being financed was in-place will be an important consideration in the ultimate review of the Project. As such, careful detailing of the level of debt as a percentage of the current and future appraisal value will be important criteria.

**Requirement for Approved Financing Plan.** The ordinance creating the District shall include a provision requiring the District to submit a financing plan to the County for approval prior to the issuance of any District obligations. Such financing plan shall include details specific to the financing proposed to be undertaken, including, but not limited to more complete and detailed information of those applicable items required under the section entitled Description of Project and District Petition above.

**No Liability to County.** *The County shall not pledge either its full faith and credit or any moral obligation toward the repayment of principal and interest on any debt issued by the district.* The project must pose no direct or indirect liability to the County, and the developer and/or District must reasonably provide for the type protection of the County from actions or inactions of the District as specified in the letter of intent at time of petition. All documents relating to the project shall reflect the fact that the County has no financial liability for present or future improvements connected with the project whether or not contemplated by the ordinance creating the District or as that ordinance may be amended. The ordinance will contain a provision that acknowledges that the County has no moral or legal obligation to support the debt of the district, but that the County retains the authority and ability to protect the County's credit.

**Conditions and Covenants.** Any ordinance creating a special district may include appropriate conditions related to the size and timing of District debt. In addition, the County may require covenants to be attached to the property that incorporate the salient commitments related to the proposed District improvements, the public benefits and the special assessments.

**Annual Review.** These guidelines shall be reviewed at least annually.

## **12. Policy for Public-Private Solicitations**

The Board has adopted guidelines within Article 7 of the County's Procurement Resolution to implement the Public-Private Education Facilities and Infrastructure Act of 2002, Va. Code § 56-575.1, et seq. ("PPEA"), and the Public-Private Transportation Act of 1995, Va. Code §33.2-1800, et seq. (as re-codified effective October 14, 2014, formerly codified as §56-556, et seq.) ("PPTA") (individually an "Act"; together, the "Acts"). These guidelines apply to all procurements under the PPEA and PPTA where the County is the "responsible public entity" (RPE), the "affected jurisdiction" or the "affected locality or public entity" within the meaning of Virginia Code § 56-575.1 and Va. Code § 33.2-1800 (formally §56-557.)

Individually-negotiated comprehensive agreements between private entities and the County ultimately will define the respective rights and obligations of the parties for Public-Private projects. The version of the Acts that is in effect (at the time of execution of a comprehensive agreement under procurement as to that procurement) is controlling in the event of any conflict.

The Acts allow private entities to include innovative financing methods, including the imposition of user fees or service payments, tax overlay districts, special assessment districts, land swaps, property up-zonings or TIF-like mechanisms, etc. in a proposal. However, the County reserves the right to utilize its own financing mechanism as a less costly alternative. Any/all partnership solicitations shall not have a negative impact upon the County's debt capacity or credit rating.

Any debt issued by the partnership must conform to the County's Debt Management Policies (section #2). Solicitations wherein the County provides all or a substantial portion of the funding must include financial protections for the County as the "First Tier" lender meant to give the County first priority, ahead of other potential financial lenders, to take possession of assets or revenues in the event of a default to mitigate this risk.

Solicitations should include a "Security Reserve" that would provide immediate cash flow for the County to pay financial obligations should there be delinquency in any payments. This cash flow will supplement continued tax revenues that are collected from activities that continue to occur in the development area during any financial challenges. Any excess funds in the security reserve will be used to prepay the public investment.

A Public-Private Partnership should result in a fair contract that balances the needs of both partners while ultimately protecting the public's interest. There are six critical components of any successful partnership: political leadership, public sector involvement, comprehensive plan, dedicated income

stream, stakeholder communication, and proper partner selection.

Preference will be afforded Public-Private solicitations that are fiscally prudent and in line with the Board's Vision and Strategic Goals. The petitioner must demonstrate how the solicitation will advance the County's adopted Comprehensive Plan or provide greater benefit to the ultimate property owners utilizing the proposed facilities. Public Improvements specified within the solicitation must be related to and guided by standards and policies approved by the Board as identified in the Capital Improvements Program, Capital Needs Assessment Document, or the County's adopted Capital Facility Standards.

The County is seeking private partners that will bring the best value to projects as opposed to the lowest bidder. Factors that can contribute "value" to a project include, but are not limited to: project design, project delivery schedule, use of innovation, access to expertise, project financing, risk transference and user fee schedule (if applicable) over the duration of the partnership.

The County will conduct an in depth examination and evaluation of potential private partners and their proposed projects including, but not limited to, qualifications & experience, financial capability, references, risk transference and any litigation and/or controversy that the potential partners and their key staff members may be involved in. This information will assist the County in finding partners that are experienced and will bring the "best value" to the partnership, and ultimately the residents of Loudoun County over the course of the long-term partnership.

The County will consider the relevancy and extent of specific technical experience and expertise of the designated key staff members of the submission team, not simply the entity as a whole. The County will also analyze how this experience and expertise benefits the County and the project. Benefits of the partnership may include accelerated project delivery, greater access to technology and innovation, risk transference, alternative financing methods and cost-efficiencies that result in lower operating costs. Ultimately, the partnership must provide some measurable public benefit that the residents of Loudoun cannot access or achieve without the private partner.

A Financial Due Diligence investigation performed by the County or its agents must confirm solicitation information regarding the adequacy of the private partner's financial resources to sustain the project's proposed financing. Private partners will be required to grant full access to all accounting records, project pro formas and any other required financial information for any project involving a financial partnership with the County.

Any/all costs incurred by the County during the examination, evaluation and due diligence investigations will be advanced or reimbursed by the solicitor in accordance with the Acts.

Risk should be assigned to the partner that is best equipped to manage or prevent that risk from occurring or that is in a better position to recover the costs associated with the risk. The goal of the partnership should be to combine the best capabilities of the public and private sectors for mutual benefit. It is the intention of the County to maintain control of the asset or enterprise produced by the partnership, oversee the operation and maintenance, and regulate the amount of private involvement to protect the integrity of any public asset. The County will set the parameters and expectations for the partnership to address the public's needs. If the partnership does not live up to its contractual expectations, the County will regain ownership of the asset or enterprise system.

It should be noted that Risk is not limited to just liability but includes the assumption of responsibility for uncertainties conceptual, operational and financial that could threaten the goals of the partnership, including, but not limited to, design and construction costs, regulatory compliance, environmental clearance, performance, and customer satisfaction.

**Annual Review.** These guidelines shall be reviewed at least annually.