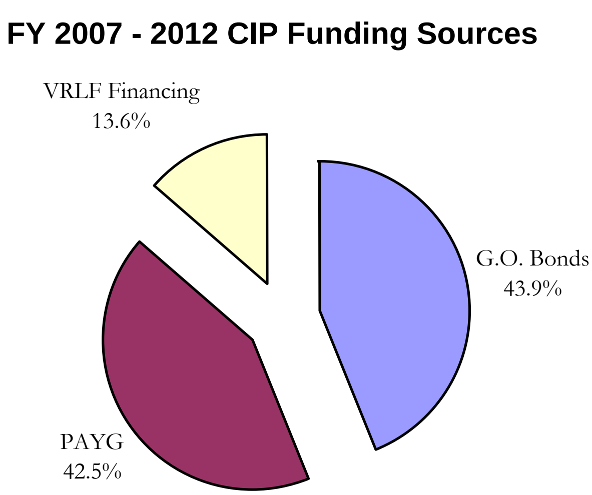
Bond, VRLF and PAYG Comparison

The $766.6 million FY 2007 - FY 2012 CIP funding strategy includes 43.90% in General Obligation (G.O.) Bond financing, 13.6% in Virginia Revolving Loan Fund (VRLF) financing, and 42.5% in PAYG appropriations which includes state & federal grants, utility fees and other sources of revenue. VRLF proceeds are exclusively used to finance Water & Sewer Utility Fund Capital Projects. All VRLF related debt service costs are supported by utility user fees and have no effect on local tax rates.

Bond, VRLF and PAYG Funding Source Summary ($ in 000s)

Government Entity	Bond	% of CIP	VRLF	% of CIP	PAYG	% of CIP	Total
County Capital Funding	133,200	17.4%	-	0.0%	156,453	20.4%	289,653
Utility Capital Funding	79,000	10.3%	104,300	13.6%	138,496	18.1%	321,796
Schools Capital Funding (1)	124,893	16.3%	-	0.0%	30,754	4.0%	155,647
Total Program Funding	**337,093**	**43.9%**	**104,300**	**13.6%**	**325,703**	**42.5%**	**767,096**

(1) Schools Capital includes estimates for FY 2007 - FY 2010 only as the APS FY 2007 - FY 2012 CIP is currently in preliminary development.



Arlington, Virginia

Adopted FY 2005 - FY 2010 to Proposed FY 2007 - FY 2012 Bonds

Program Detail ($ in 000s)

	Adopted FY 05, 07, 09 Bond Referenda				Proposed FY 07, 09, 11 Bond Referenda			
PROGRAM CATEGORY	Adopted FY 2005 Bond	Adopted FY 2007 Bond	Adopted FY 2009 Bond	Adopted FY 05-10 TOTAL	Proposed FY 2007 Bond	Proposed FY 2009 Bond	Proposed FY 2011 Bond	Proposed FY 07-12 TOTAL
LOCAL PARKS & RECREATION								
Land & Facility Acquisition	4,000	2,000	2,000	8,000	-	-	-	-
Recreation Center Development	9,000	21,600	-	30,600	26,000	3,000	-	29,000
Athletic Field Improvements	-	-	-	-	-	-	-	-
Parks & Open Space Development	61,750	2,840	2,710	67,300	10,000	5,000	-	15,000
Public Art Program	500	300	150	950	-	-	-	-
Parks & Recreation MC	-	-	-	-	-	-	-	-
Total Project Cost	75,250	26,740	4,860	106,850	36,000	8,000	-	44,000
TRANSPORTATION								
PEDESTRIAN INITIATIVES								
WALKArlington (1)	1,000	2,500	2,500	6,000	-	-	-	-
Trails & Bikeways	325	530	390	1,245	-	-	-	-
Arterials	4,600	7,600	7,250	19,450	8,900	5,000	5,000	18,900
Neighborhood Traffic Calming	1,000	2,000	2,000	5,000	-	-	-	-
Transit	150	1,250	600	2,000	-	-	-	-
Development Related Improvements	-	-	-	-	-	-	-	-
Bridge Rehabilitation	-	-	-	-	-	-	-	-
Transportation MC	3,100	800	1,000	4,900	-	-	-	-
Total Project Cost	10,175	14,680	13,740	38,595	8,900	5,000	5,000	18,900
COMMUNITY CONSERVATION								
Neighborhood Conservation	10,000	9,000	8,000	27,000	5,900	-	-	5,900
Commercial Revitalization	3,000	3,000	3,000	9,000	-	-	-	-
Total Project Cost	13,000	12,000	11,000	36,000	5,900	-	-	5,900
PUBLIC / GOVERNMENT FACILITIES								
Public Facilities Development	9,750	5,500	-	15,250	-	-	-	-
Emergency Infrastructure					5,000	3,000	3,000	11,000
Public Facilities MC	-	-	-	-	-	-	-	-
Total Project Cost	9,750	5,500	-	15,250	5,000	3,000	3,000	11,000
STORM DRAINAGE								
Channel Improvements & Environmental Quality	750	780	900	2,430	-	-	-	-
Storm Drainage Improvements	700	720	1,000	2,420	-	-	-	-
Storm Drainage MC	1,500	1,600	1,700	4,800	-	-	-	-
Total Project Cost	2,950	3,100	3,600	9,650	-	-	-	-
METRO								
METRO	18,500	17,000	17,000	52,500	18,600	17,000	15,000	50,600
Ballston Metro West	-	-	-	-	2,800	-	-	2,800
Total Project Cost	18,500	17,000	17,000	52,500	21,400	17,000	15,000	53,400
Bond Issuance Expense	250	250	250	750	-	-	-	-
TOTAL COUNTY CAPITAL	**129,875**	**79,270**	**50,450**	**259,595**	**77,200**	**33,000**	**23,000**	**133,200**
WATER & SEWER INFRASTRUCTURE								
Sanitary Sewer System Improvements	-	-	-	-	10,000	-	-	10,000
WPCP Expansion Capital	-	-	-	-	60,000	-	-	60,000
Non-Expansion Capital	-	9,000	-	9,000	9,000	-	-	9,000
Total Project Cost	**-**	**9,000**	**-**	**9,000**	**79,000**	**-**	**-**	**79,000**
SCHOOLS CAPITAL	**78,128**	**63,626**	**61,267**	**203,021**	**63,626**	**61,267**	**TBD**	**124,893**
TOTAL COUNTY, W/S INFRASTRUCTURE & SCHOOLS CAPITAL COSTS	**208,003**	**151,896**	**111,717**	**471,616**	**219,826**	**94,267**	**23,000**	**337,093**

Debt Capacity Analysis

In developing the CIP, the County establishes its long-range plan for pay-as-you-go (PAYG) and bond/lease purchase financing of its six-year capital program. In determining the level of capital projects to finance and the method of financing, the County considers its financial ability to undertake these projects. The financial capability analysis includes a review of debt capacity factors and the impact of the costs of the proposed CIP on these debt capacity factors. Debt capacity factors indicate the ability of the County to sell bonds and then to meet planned annual principal and interest payments. These are based on the relationships among the value of the County's property tax base, the income of its residents and the effects of principal and interest payments on the annual budget and total outstanding debt. The relationships between these determinants are expressed as debt ratios.

While there is no legal limit in Virginia on the level of general obligation debt issued by Virginia counties, Arlington has issued and plans to issue its general obligation debt prudently. Arlington will remain within the acceptable range of debt capacity factors with the proposed CIP. The impacts of the FY 2007-2012 CIP on the County's debt ratios are illustrated on the following pages.

The amount of debt that the County carries is moderate when compared to its tax base. For example, in FY 1978 the County's outstanding General Fund serviced tax-supported general obligation debt equaled 2.54 percent of the tax base. At the end of FY 2005, this ratio was 1.58 percent. In FY 2007, the ratio is projected to decrease to 1.52 percent. A decrease to 1.19percent is expected in FY 2012. These debt ratio levels are lower than those included in the FY 2005-2010 adopted CIP due to the growth experienced by the market value of taxable property. It is recommended that this ratio should not exceed four percent including the revenue and lease financing issues where the County has provided a "subject-to-appropriation" type of pledge.

The projected ratios are based on the proposed Capital Improvement Program budgets submitted by the County Manager and the preliminary numbers prepared by the Schools' staff. Other debt ratios also mirror the County's strong financial position and ability to finance the level of debt proposed in the CIP. It should be noted that these debt ratios include only general obligation tax-supported debt and the IDA Lease Revenue Bonds sold in FY 2005, and do not include revenue and master lease-financing issues where the County has provided a "subject-to-appropriation" type pledge. In the last chart of this section, the customary general obligation debt to the tax base ratio chart has been amended to also show the effect of the "subject-to-appropriation" backed capital financing. The County estimates that it will issue $361.7 million in debt during FY 2007 through FY 2012 based on the Proposed CIP. During this same period, the County will reduce its debt by $335.7 million. This represents an overall increase of $26.0 million or 4 percent during this six-year period. On average, Arlington County retires 71 percent of its debt in ten years or less.

Another debt ratio that reflects the good financial administration of the County is the relationship between Debt Service to General Expenditures. In FY 2005 for every dollar spent by the County and Schools about 7.6 cents will be applied toward debt service. The County estimates that in FY 2012 for every dollar spent by the County, 8.9 cents would be applied toward debt service. It is recommended that this ratio not exceed 10 cents in debt service for every dollar spent by the County and Schools.

Another assessment is the Debt to Income ratio. At the end of FY 2005 this ratio was 5.2 percent. The County estimates that the Debt to Income ratio will reach a pick level of 5.5 percent at the end of FY 2007 and come down by FY 2012 to 4.4 percent. It is recommended that this ratio not exceed six percent.

The bond rating agencies that rate the County's debt for potential investors use these debt ratios, coupled with other County and community economic factors. The three major bond rating agencies, Moody's Investors Service, Standard & Poor's, and Fitch Ratings currently rate the County Aaa/AAA /AAA (the highest possible). Arlington is one of a select national group of about 23 counties that hold these coveted Aaa/AAA/AAA ratings from the three major rating agencies. Finally, the County's bond sale in March 2006 and historical County bond trading in the secondary market confirm that Arlington belongs within the very top group of municipal credits in the national bond market. The funding levels contained in this CIP would maintain this status.

Chart A

ARLINGTON COUNTY, VIRGINIA

IMPACT OF PROPOSED FY 2007 - 2012 CAPITAL IMPROVEMENT PROGRAM ON DEBT RATIOS

	Actual	Adopted	Proposed	Projected				
	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
PAY-AS-YOU-GO APPROPRIATIONS (1)	33,644,123	123,256,249	91,785,000	131,729,000	91,153,000	48,914,000	33,386,000	32,586,000
NEW DEBT ISSUANCE	88,525,000	61,335,000	105,417,704	68,240,974	89,333,722	42,612,900	35,582,600	20,550,000
GENERAL OBLIGATION UTILITY BOND ISSUANCE	6,000,000	-	85,342,000	-	-	-	-	-
IDA LEASE REVENUE BONDS	-	-	-	-	-	-	-	-
CAPITAL PLAN	128,169,123	184,591,249	282,544,704	285,311,974	180,486,722	91,526,900	68,968,600	53,136,000
TAX SUPPORTED GENERAL OBLIGATION BONDS RETIRED (2)	37,354,050	42,480,320	45,599,320	50,526,742	55,940,905	58,867,387	61,702,766	63,087,493
NET TAX-SUPPORTED DEBT AT END OF FISCAL YEAR (3)	614,725,290	633,579,970	693,398,354	711,112,586	744,505,404	728,250,917	702,130,751	659,593,258
SCHOOLS DEBT SERVICE	24,148,593	27,163,506	28,492,408	34,388,183	36,276,016	39,276,827	39,796,787	38,444,589
COUNTY DEBT SERVICE - Including IDA Lease Rev. Bonds starting in FY 06	36,310,655	43,802,834	47,964,367	49,291,955	53,878,602	55,494,017	57,021,635	58,477,172
Less: E911 Additional Surcharge to be applied to IDA Lease Revenue Bonds(8)	-	(2,041,667)	(2,041,667)	(2,041,667)	(2,041,667)	(2,041,667)	(2,041,667)	(2,041,667)
TOTAL TAX SUPPORTED DEBT SERVICE (3)	60,459,248	68,924,673	74,415,108	81,638,471	88,112,951	92,729,178	94,776,755	94,880,093
BUDGETED GENERAL EXPENDITURES (4)	792,120,278	831,575,630	879,526,471	914,707,530	951,295,831	989,347,664	1,028,921,571	1,070,078,434
DEBT SERVICE AS PERCENTAGE OF EXPENDITURES	7.6%	8.3%	8.5%	8.9%	9.3%	9.4%	9.2%	8.9%
MARKET VALUATION OF TAXABLE PROPERTY (5)	44,717,396,841	52,889,465,246	54,476,149,203	56,110,433,679	57,793,746,690	59,527,559,091	61,313,385,863	63,152,787,439
NET TAX SUPPORTED DEBT AS PERCENTAGE OF MARKET VALUATION	1.37%	1.20%	1.27%	1.27%	1.29%	1.22%	1.15%	1.04%
POPULATION (6)	198,267	200,226	203,227	206,228	209,228	212,229	214,444	216,659
DEBT PER CAPITA	$3,100	$3,164	$3,412	$3,448	$3,558	$3,431	$3,274	$3,044
INCOME PER CAPITA (7)	$59,236	$60,595	$61,928	$63,291	$64,683	$66,106	$67,560	$69,047
NET TAX-SUPPORTED DEBT TO INCOME	5.2%	5.2%	5.5%	5.4%	5.5%	5.2%	4.8%	4.4%

NOTES

(1) Includes General Capital Fund, School Capital Fund, Utilities Capital Fund, and federal and state capital grants which are appropriated. Also includes DEQ/VRA loan to the Wastewater Pollution Control Plant.
(2) Includes general government, WMATA, School bonds, and IDA Lease Revenue Bonds
(3) Excludes credit support commitments on revenue bonds or lease-backed bond financings, includes IDA Lease Revenue Bonds. For Subject to Appropriation debts, see Chart C.
(4) Includes expenditures of the General Fund and certain Special Revenue Funds of the County and School Board. It is assumed 4 percent growth starting FY 2008
(5) Assumes approximately 3 percent growth in market value of taxable property starting FY 2007
(6) Population growth as estimated by the Arlington County Planning Division.
(7) Source: Arlington County Planning Division, Planning Research and Analysis Team (PRAT)
(8)E911 incremental surcharge - Starting FY 2005 - to be applied to the IDA Lease Revenue Bonds - ECC Project - The revenues for FY 2005 are not included. The FY 2006 Revenues has been reduced based on actual experience.

Chart B

RATIO OF TAX-SUPPORTED DEBT SERVICE TO GENERAL EXPENDITURES

FY 1978 - 2012

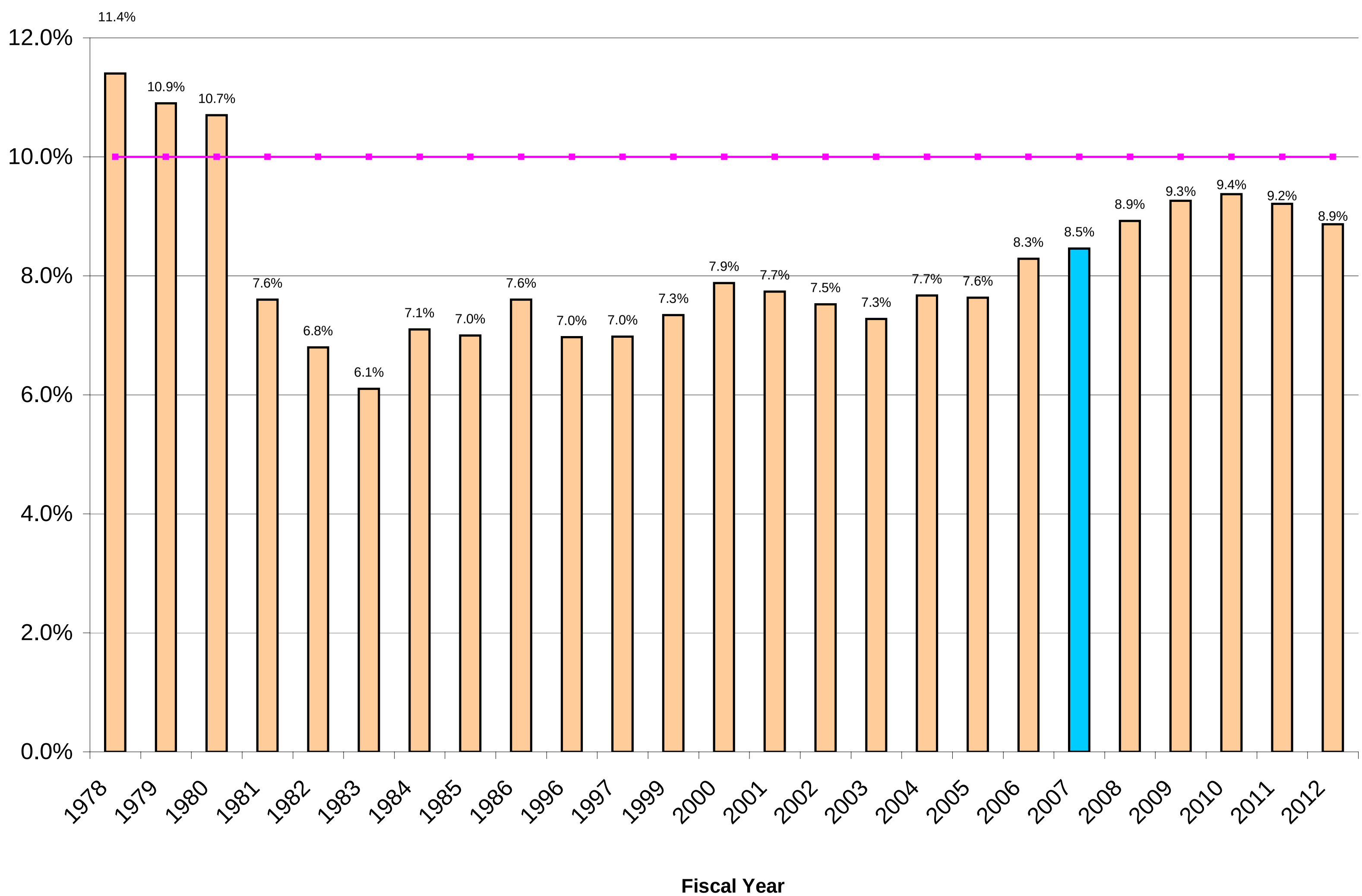


Chart C

SUMMARY OF TAX-SUPPORTED GENERAL OBLIGATION BONDS & SUBJECT TO APPROPRIATION-TYPE FINANCINGS (7)
Ratio of Outstanding Debt to Market Value
As of June 30

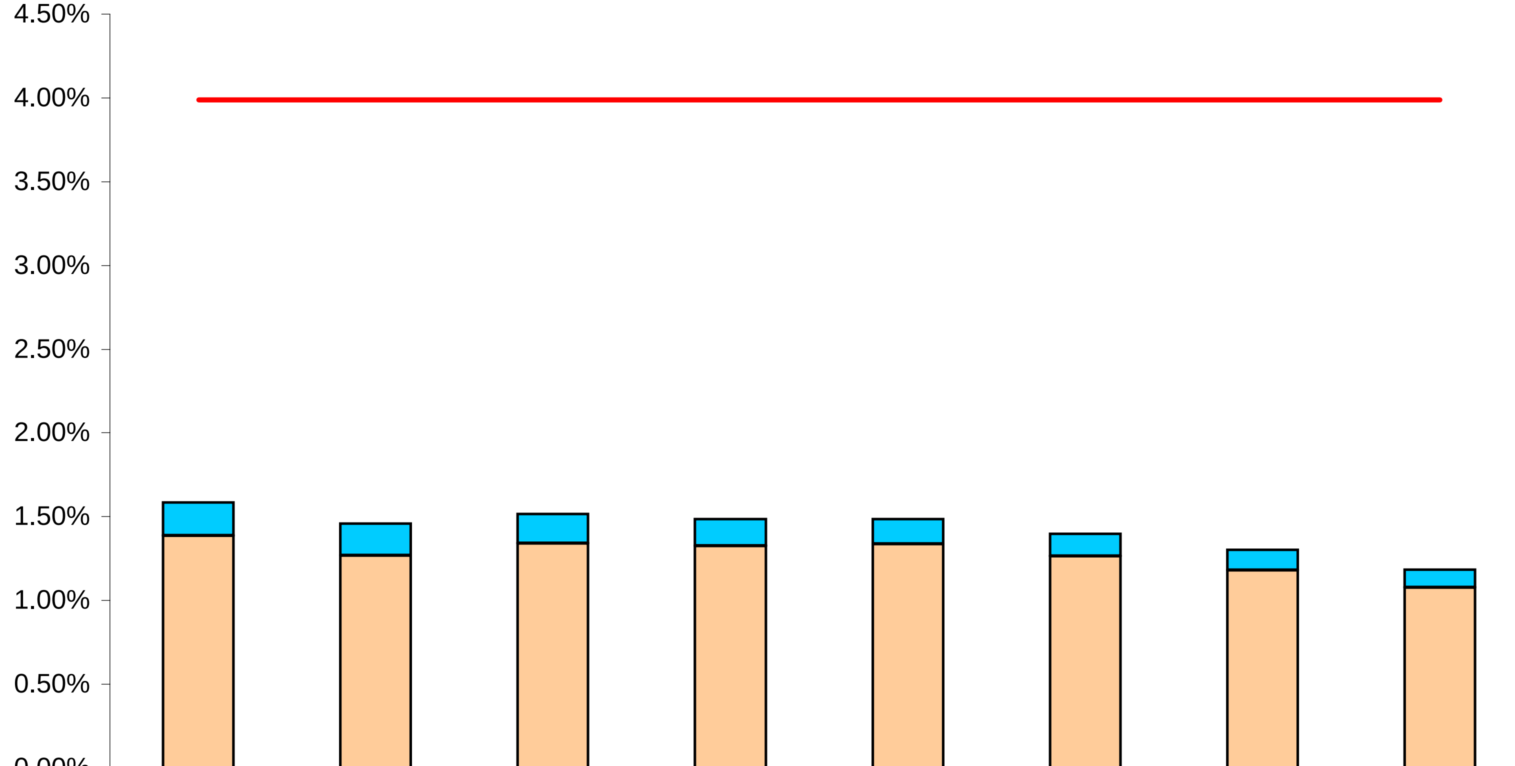
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Tax-Supported General Obligation Debt (Except IDA Lease Rev. Bond	$554,185,290	$575,494,970	$638,183,354	$658,932,586	$697,385,404	$686,350,917	$665,615,751	$628,648,258
Tax-Supported Subject to Appropriation ("STA") Debt								
Capital Equipment Leases (1)	5,533,067	21,706,031	16,420,321	11,818,789	8,369,623	5,120,160	2,665,216	867,969
IDA Lease Revenue Bonds (6)	60,540,000	58,085,000	55,215,000	52,180,000	47,120,000	41,900,000	36,515,000	30,945,000
AHIF+ Program (9)	-	16,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Peumansend Creek Regional Jai	1,587,858	1,464,258	1,340,952	1,217,047	1,091,854	968,254	847,938	724,338
No. Va. Criminal Justice Academy	151,810	147,936	167,665	168,023	-	-	-	-
Subtotal	$67,812,735	$97,403,225	$93,143,938	$85,383,859	$76,581,477	$67,988,414	$60,028,154	$52,537,307
Project-Supported Subject to Appropriation ("STA") Debt (2)								
Ballston Public Parking Garage	14,800,000	14,300,000	13,800,000	13,300,000	12,800,000	12,300,000	11,800,000	11,300,000
IDA Lease Revenue Bonds (Ballston Skating Facility Project) (8	35,700,000	35,700,000	35,700,000	35,700,000	35,200,000	34,300,000	33,370,000	32,395,000
Waste-to-Energy Plant (3)	29,775,000	26,340,000	22,640,000	18,395,000	15,400,000	9,476,133	5,786,321	2,003,880
Gates of Ballston (4a)	-	23,000,000	23,000,000	23,000,000	23,000,000	23,000,000	23,000,000	23,000,000
Gates of Arlington (4)	7,000,000	-	-	-	-	-	-	-
Subtotal	$87,275,000	$99,340,000	$95,140,000	$90,395,000	$86,400,000	$79,076,133	$73,956,321	$68,698,880
LESS: State Regional Jail Reimbursement (5)	(1,126,000)	(1,126,000)	(1,126,000)	(1,126,000)	(1,126,000)	(1,126,000)	(1,126,000)	(1,126,000)
Total Tax-Supported General Obligation (GO) & ALL STA Financings	$708,147,025	$771,112,195	$825,341,292	$833,585,445	$859,240,881	$832,289,463	$798,474,226	$748,758,444
Total *Tax-Supported* GO and *Tax-Supported* STA Financings	$620,872,025	$671,772,195	$730,201,292	$743,190,445	$772,840,881	$753,213,331	$724,517,905	$680,059,565
Total *Project-Supported* STA Financings (2)	$87,275,000	$99,340,000	$95,140,000	$90,395,000	$86,400,000	$79,076,133	$73,956,321	$68,698,880
Market Value of Taxable Property	$44,717,396,841	$52,889,465,246	$54,476,149,203	$56,110,433,679	$57,793,746,690	$59,527,559,091	$61,313,385,863	$63,152,787,439
Total Tax-Supported GO & ALL STA Financings as Percent of Market Value	1.58%	1.46%	1.52%	1.49%	1.49%	1.40%	1.30%	1.19%
Total *Tax-Supported* GO & *Tax-Supported* STA Financings as Percent of Market Value	1.39%	1.27%	1.34%	1.32%	1.34%	1.27%	1.18%	1.08%
Total *Project-Supported* STA Financings (Credit Enhancement) as Percent of Market Value (2)	0.20%	0.19%	0.17%	0.16%	0.15%	0.13%	0.12%	0.11%

(1) New Master Lease Agreement was signed in February 2006
(2) Debt service on these financings is intended to be repaid by user fees or tenant rental income, not by County General Fund revenue
(3) Includes Arlington's share of the EPA-mandated retrofit of the waste-to-energy plant.
(4) Debt refunded with Gates of Ballston - IDA Revenue Bonds
(4a) The County Board approved the credit support for the long-term financing of the Gates of Ballston for an amount not to exceed $23.0 million
(5) Includes principal only
(6) Includes the following projects: Arlington County Trades Center, Arlington County George Mason Center, ERP, and ECC
(7) Does not include Utility Self-supporting debt
(8) Includes the bonds to be issued by the IDA to finance the construction of two ice rinks, the office space, and the training facility on top of the 8th Level at the Ballston Parking Garage
(9) IDA additional funding for affordable housing financed by SunTrus

Chart D

RATIO OF TAX SUPPORTED GENERAL OBLIGATION & SUBJECT TO APPROPRIATION FINANCING

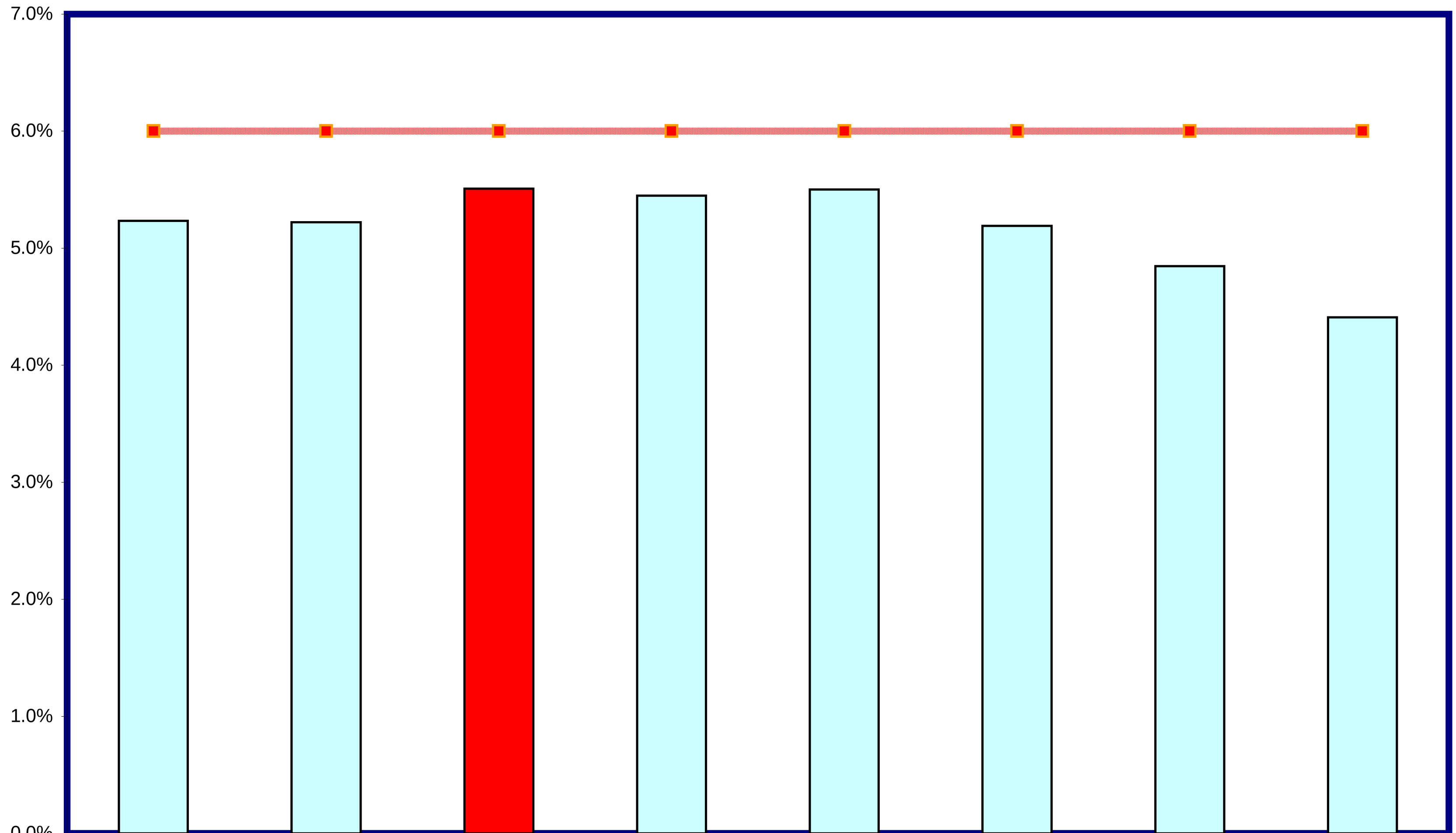
As Percent of Market Value FY 2005 - FY 2012



	2005	2006	2007	2008	2009	2010	2011	2012
Project-Supported	0.20%	0.19%	0.17%	0.16%	0.15%	0.13%	0.12%	0.11%
Tax-Supported	1.39%	1.27%	1.34%	1.32%	1.34%	1.27%	1.18%	1.08%
Ceiling	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Chart E

RATIO OF TAX SUPPORTED GENERAL OBLIGATION DEBT TO INCOME
FY 2005 - 2012



	2005	2006	2007	2008	2009	2010	2011	2012
RATIO	5.2%	5.2%	5.5%	5.4%	5.5%	5.2%	4.8%	4.4%
CEILING	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%