

Adopted Operating and Capital Budget FY 2011

Debt Service Analysis

*Fredericksburg*TM
TIMELESS.
SPOTSYLVANIA STAFFORD FREDERICKSBURG

This page left blank intentionally.

ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
DEBT LIMIT TABLE

Computation of Legal Debt Margin (7/01/2010)	
Assessed Value of Taxable Real Estate (7/1/10 - preliminary)	\$3,501,342,300
Assessed Value – Public Service Real Estate	\$92,145,563
Assessed Value – Exempt Real Estate	\$723,251,000
Total Assessed Value	\$4,316,738,863
Debt Limit – 4.8% of total assessed value	\$207,203,465
Amount of Debt applicable to debt limit	(\$78,024,147)
Debt Margin	\$129,179,318

- The limit of 4.8% of total assessed value is imposed by the City Council, and applies to the City’s General Obligation debt (including Education-related debt). Revenue bonds supported by water and wastewater user fees are not included in the debt limit.
- The City’s own policy is more restrictive than the 10% limitation against total assessed value allowed cities under the Virginia Constitution.
- The City issued an additional \$10.705 million in debt in the fall of 2007 for the purposes of building replacement water and sewer lines, as well as providing funds for the purchase of land for the proposed Riverfront Park along Sophia Street. Estimated annual debt service expense is \$844,500, allocated as follows: Water Fund – 3.67% (\$30,993); Sewer Fund – 73.12% (\$617,498); and General Fund – 23.21% (\$196,008).
- The City issued \$6.22 million of debt during FY 2010 for various projects in the Wastewater Operating (Sewer) Fund. Projects included improvements to the Wastewater Treatment Plant, pump station improvements, and the City’s share of capital improvements at the Spotsylvania County pump stations.

DEBT SERVICE TABLES

The following table shows debt service requirements for the period FY 2002 – FY 2015. The impact to the General Fund of the debt service for the City’s two new schools can be seen beginning in FY 2005 and FY 2006. The City took advantage of low interest rates to issue \$4,162,000 in refunding bonds in May of 2009, which lowered debt service costs in FY 2009 and going forward.

The City took advantage of the federal government’s Build America Bond program and the Recovery Zone bond program to issue \$6.22 million in debt, with the interest payments subsidized by the federal government. The debt in the Sewer Fund will fall significantly beginning in FY 2014.

The City’s Parking Fund (with the Sophia Street Parking Garage) and the Wastewater Fund (Wastewater Treatment Plant) are capital-intensive, and the debt service as a percentage of those funds is high relative to the Water Fund. The City no longer owns a water plant, and there is not as much debt service in that fund.

However, the City’s adopted capital improvements plan includes major capital projects that will be impossible to construct without some type of debt issuance.

Current Debt Table – Includes Adjustments from FY 2010 Wastewater Bonds

Year	General	Education	Total General (Gen + Ed)	Water Fund	Sewer Fund	Parking Fund	Total
2002	976,376	481,319	1,457,695	585,866	1,230,740	-	3,274,302
2003	2,801,922	541,720	3,343,642	585,657	1,396,644	-	5,325,944
2004	2,274,100	242,049	2,516,149	503,281	1,326,996	-	4,346,425
2005	2,372,435	1,820,716	4,193,151	430,578	1,272,137	-	5,895,867
2006	2,292,809	3,556,069	5,848,878	421,273	1,265,952	-	7,536,102
2007	2,617,147	3,550,857	6,168,004	410,163	1,257,018	284,544	8,119,729
2008	2,704,008	3,554,362	6,258,370	412,926	1,259,451	321,690	8,252,437
2009	2,538,123	3,523,061	6,061,184	385,292	1,841,740	321,492	8,609,708
2010	2,315,778	3,505,649	5,821,427	380,374	1,821,576	321,058	8,344,436
2011	2,287,215	3,500,684	5,787,899	378,165	2,226,767	320,386	8,713,217
2012	1,924,526	3,475,241	5,399,767	343,969	2,235,941	319,478	8,299,154
2013	1,680,851	3,450,603	5,131,454	308,127	2,217,417	320,268	7,977,319
2014	1,629,998	3,448,072	5,078,070	287,005	1,654,682	320,742	7,340,500
2015	1,597,391	3,443,712	5,041,030	284,415	1,103,753	318,964	6,748,236
2016	1,185,840	3,414,185	4,600,025	243,236	1,069,591	318,885	6,231,737

FY 11 Debt Service as a % of Total Fund

	Total	Debt Service	% of Total
General	72,120,405	5,787,900	8.03%
Water	3,446,415	378,165	10.97%
Wastewater	6,287,967	2,226,767	35.41%
Parking	643,036	320,386	49.82%

Debt Service Table¹ – Principal and Interest (as of close of FY 2010)²

<i>Fiscal Year</i>	<i>General Obligation – Principal</i>	<i>General Obligation – Interest</i>	<i>Revenue – Principal</i>	<i>Revenue – Interest</i>
2010	3,793,000	3,441,566	961,744	148,126
2011	4,132,000	3,471,346	994,721	115,149
2012	3,862,000	3,327,284	1,028,829	81,041
2013	3,696,000	3,171,450	1,064,107	45,763
2014	3,770,000	3,015,565	545,658	9,276
2015	3,894,000	2,854,236		
2016	3,537,000	2,694,738		
2017	3,690,000	2,540,007		
2018	3,848,000	2,375,241		
2019	3,500,000	2,201,241		
2020	3,655,000	2,031,447		
2021	3,830,000	1,850,925		
2022	4,005,000	1,661,335		
2023	3,980,000	1,467,640		
2024	4,180,000	1,269,259		
2025	4,385,000	1,061,787		
2026	4,600,000	846,861		
2027	4,000,000	642,635		
2028	4,195,000	446,950		
2029	3,545,000	263,664		
2030	3,720,147	94,131		
	78,024,147	40,729,308	4,595,059	399,355

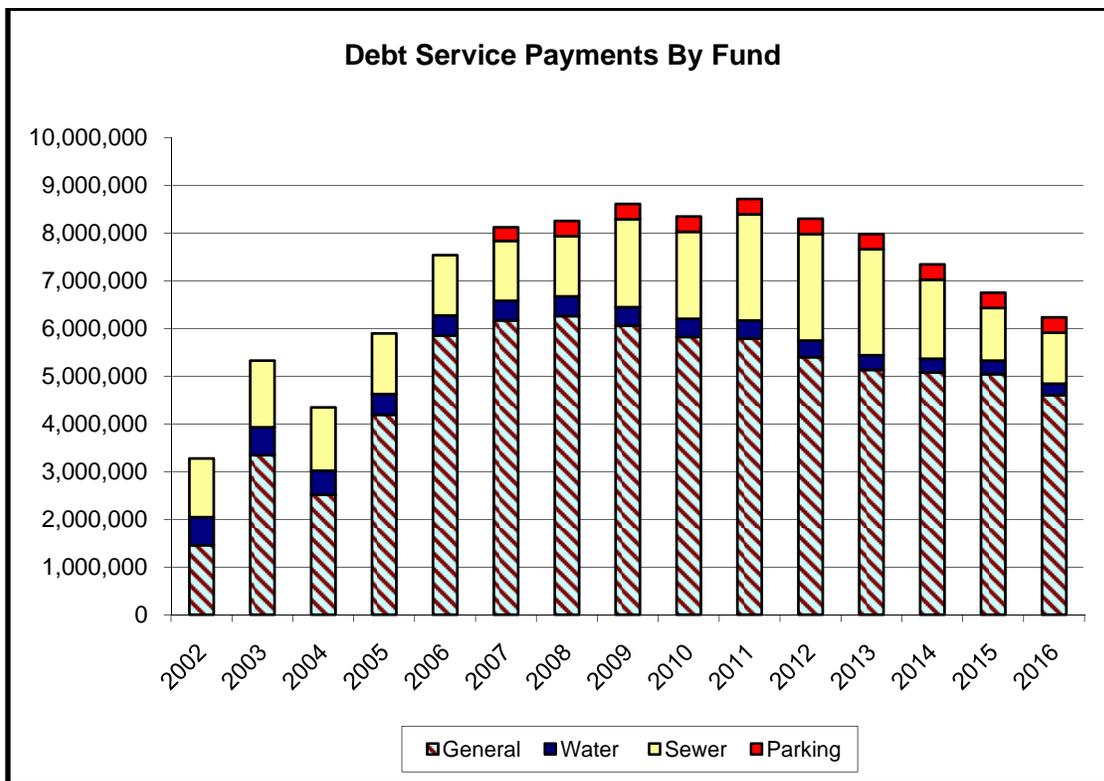
¹ This table is unaudited and preliminary in nature, and is presented for information only.

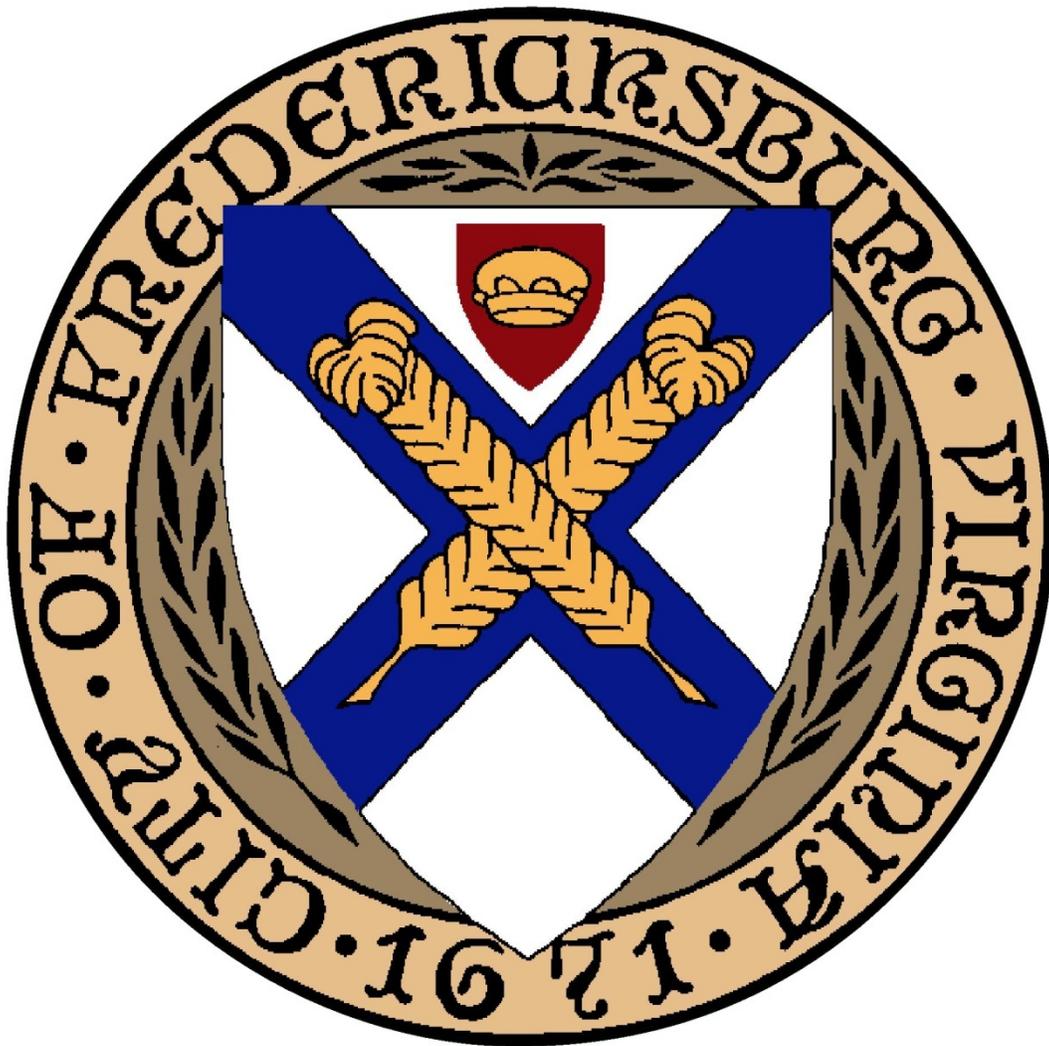
² The FY 2010 issue is included, which included federal subsidies in the form of interest credits. The interest column here shows interest net of these credits.

DEBT SERVICE CHART

The following chart shows the trend to declining debt service payments after FY 2011, and gives a sense of the relative weight of the debt in the different funds – General, Water, Sewer, and Parking. The General Fund debt includes the debt issued for education – in this case, the two new schools (the new Upper Lafayette Elementary School and the replacement James Monroe High School.)

In reviewing this chart, bear in mind that the City will need to add significant levels of new debt to construct the new courthouse. The court activity could add between \$3 and \$3.5 million to the General Fund debt, beginning in FY 2012, depending upon the final budget, the length of issue, and the interest rates charged at the time of issue.





Adopted Operating and Capital Budget FY 2011

Fund Balance Analysis

*Fredericksburg*TM
TIMELESS.
SPOTSYLVANIA STAFFORD FREDERICKSBURG

This page left blank intentionally.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
GENERAL FUND**

Table 1 – FY 2007 Activities

Beginning Fund Balance FY 2007		23,481,416
	Add: Total Revenues FY 2007	67,879,266
	Add: Total Transfers In FY 2007	2,025,672
	Deduct: Total Expenditures FY 2007	60,124,160
	Deduct: Total Transfers Out FY 2007	11,590,401
	Net Change in Fund Balance	(1,809,623)
Ending Fund Balance FY 2007		21,671,793
Designations at End of Year for FY 2007		
	Reserved: Encumbrances & Prepays	747,450
	Designated for Capital	4,134,755
	Designated for Security Center	1,818,627
	Designated for Education Debt Service	1,503,627
	Designated – Other	1,091,697
	Undesignated Unreserved	12,375,637
Total		21,671,793

Notes for Table 1

- ❖ The City Council has “designated” portions of the fund balance for specific uses, such as for capital projects. In addition, funds that are encumbrances or pre-pays become reservations of fund balance, and are re-appropriated through budget supplements.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
GENERAL FUND**

Table 2 – FY 2008 Activities

Beginning Fund Balance FY 2008		21,671,793
	Add: Total Revenues FY 2008	68,836,323
	Add: Total Transfers In FY 2008	1,764,622
	Add: Proceeds from Asset Sale	23,729
	Deduct: Total Expenditures FY 2008	(65,132,024)
	Deduct: Total Transfers Out FY 2008	(9,188,601)
	Change in Balance	(3,695,591)
Ending Fund Balance FY 2008		17,975,842
Designations at End of Year for FY 2008		
	Reserved: Encumbrances & Prepaids	225,153
	Designated for Capital	2,989,255
	Designated for Security Center	1,618,627
	Designated for Education Debt Service	1,303,627
	Designated for Health Insurance Claims	950,000
	Designated – Other	154,072
	Undesignated Unreserved	10,735,108
Total		17,975,842

Notes for Table 2

- ❖ As a note, in the fund balance tables, the Transfer to City Schools is treated as an expenditure for consistency with the audit reports.
- ❖ The FY 2008 Original Budget had planned the use of the following fund balances from the following designations:
 - \$200,000 from Security Center
 - \$200,000 from School Debt Service
 - \$1,700,000 from Designated for Capital
 - \$1,762,000 from Undesignated Unreserved.
 - \$3,862,000 Total

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
GENERAL FUND**

Table 3 – FY 2009 Activities

Beginning Fund Balance FY 2009		17,975,842
	Add: Total Revenues FY 2009	70,496,809
	Add: Total Transfers In FY 2009	1,291,607
	Add: Proceeds from Asset Sale	76,293
	Deduct: Total Expenditures FY 2009	(65,071,366)
	Deduct: Total Transfers Out FY 2009	(8,654,513)
	Change in Balance	(1,861,170)
Ending Fund Balance FY 2009		16,114,672
Designations at End of Year for FY 2009		
	Reserved: Encumbrances & Prepaids	189,721
	Designated for Capital	2,989,255
	Designated for Security Center	726,159
	Designated for Education Debt Service	411,159
	Designated for Health Insurance Claims	860,000
	Designated – Other	167,837
	Undesignated Unreserved	10,770,541
Total		16,114,672

Notes for Table 3

- ❖ The FY 2009 original Operating and Capital Budget included the use of the following fund balances from the following designations:
 - \$1,448,780 from Designation for Capital
 - \$1,440,551 from Designation for Regional Security Center
 - \$1,100,000 from Designation for School Debt Service
 - \$3,989,331 Total
- ❖ The City’s use of balance in FY 2009 was substantially less than the budgeted amount. The City used the following amounts from the following designations:
 - \$90,000 from Health Insurance Claims
 - \$892,467 from Education Debt Service
 - \$892,468 from Security Center
 - (\$13,765) – additions to Designated – Other (Court Maintenance Fund)
 - \$1,861,170 – Total Use of Balance
- ❖ The City used fund balance in FY 2009; however, no Undesignated Unreserved Fund Balance was used. The Undesignated Unreserved balance remains in excess of 12% of the prior year revenues, which is a City Council Financial Policy. The 12% target level based upon FY 2009 revenues is \$8.46 million.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
GENERAL FUND**

Table 4 – FY 2010 Original Appropriation

Fund Balance Designations	FY 2009 Beginning	FY 2009 Estimated	FY 2009 Adjustment to Balance Reservations¹	FY 2009 Ending	FY 2010 Appropriation	FY 2010 Projection
Reserved: Encumbrances & Prepays	225,153	-	(35,432)	189,721	-	189,721
Designated for Capital	2,989,255	-		2,989,255	-	2,989,255
Designated for Security Center	1,618,627	(892,467)		726,160	(178,075)	548,085
Designated for Education Debt Service	1,303,627	(892,467)		411,160	(203,625)	207,535
Designated for Health Insurance Claims	950,000	(90,000)		860,000	-	860,000
Designated – Other	154,072	-		167,837	(125,000)	42,837
Undesignated Unreserved	10,735,108	-	35,432	10,770,540	(914,590)	9,855,950
Total	17,975,842	(1,874,934)	-	16,114,672	(1,421,290)	14,693,383

Notes for Table 4

- ❖ The FY 2010 Operating and Capital Budget included the use of the following fund balances from the following designations:
 - \$914,590 from Undesignated Unreserved
 - \$178,075 from Designation for Regional Security Center
 - \$203,625 from Designation for School Debt Service
 - \$1,296,290 Total
- ❖ These tables are based upon Exhibit 3 of the City’s Comprehensive Annual Financial Report. The CAFR treats the balance of the Courthouse Maintenance Fund as a designation in the General Fund – shown here as “Designated – Other.” The City also budgeted \$125,000 from the Courthouse Maintenance Fund to transfer to the Public Facilities Capital Fund for a project to move the Clerk of the Circuit Court back to the Circuit Court building. Adding this use of balance to the General Fund use of balance shows a total use of \$1,421,290.

¹ The actual reservations for encumbrances and pre-paid expenses will vary depending upon the outcome of the final audit, and may increase or decrease the amount of undesignated unreserved fund balance slightly as adjustments for prepaid expenses and encumbrances vary from year-to-year.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
GENERAL FUND**

Table 5 – FY 2010 Amended Appropriation

Fund Balance Designations	FY 2009 Ending	FY 2010 Appropriation	FY 2010 Budget Endpoint	FY 2010 – Release of Designations	FY 2010 Amended Budget Endpoint
Reserved: Encumbrances & Prepays	189,721	(189,721)	-	-	-
Designated for Capital	2,989,255	(560,000)	2,429,255	-	2,429,255
Designated for Security Center	726,160	(178,075)	548,085	(548,085)	-
Designated for Education Debt Service	411,160	(203,625)	207,535	(207,535)	-
Designated for Health Insurance Claims	860,000	-	860,000	-	860,000
Designated – Other	167,837	(125,000)	42,837	-	42,837
Undesignated Unreserved	10,770,540	(914,590)	9,855,950	755,620	10,611,570
Total	16,114,672	(2,171,011)	13,943,662	-	13,943,662

Notes for Table 5

- ❖ The three amendments that use fund balance so far in the FY 2010 budget year include:
 - Resolution 09-97 - \$400,000 transferred to the Public Facilities Capital Fund for the Cal Ripken, Sr. Baseball Field project
 - Resolution 10-04 - \$189,721 appropriated for encumbrances. Encumbrances are recorded and re-appropriated annually, as part of the fiscal year close-out process.
 - Resolution 09-124 - \$160,000 appropriated from Fund Balance Designated for Capital for a project to lay telecommunications fiber between the Police Department and downtown City facilities
- ❖ Added to the original \$1,296,290, the General Fund appropriated use of balance in FY 2010 is \$2,046,011. This does not include the \$125,000 use of Courthouse Maintenance Fund (“Designated – Other”) funds.
- ❖ City Council also adopted Resolution 10-28, which releases the designations for School Debt Service and Education Debt Service back to the Undesignated Unreserved balance at the close of FY 2010.
 - The 12% of prior year revenue policy goal would leave an undesignated unreserved fund balance of \$8,459,617 for consideration in FY 2011. The use of balance in the budget for FY 2011 includes: \$500,000 (equivalent to the General Fund Contingency in the Recommended budget for FY 2011)

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
GENERAL FUND**

Table 6 – FY 2011 Original Appropriation

Fund Balance Designations	FY 2010 Projection	FY 2011 Appropriation	FY 2012 Projection
Reserved: Encumbrances & Prepaids	403,443	-	403,443
Designated for Capital	3,789,255	-	3,789,255
Designated for Security Center	-	-	-
Designated for Education Debt Service	-	-	-
Designated for Health Insurance Claims	950,000	-	950,000
Designated – Other	42,837	-	42,837
Undesignated Unreserved	12,575,504	500,000	12,075,504
Total	17,761,039	500,000	17,261,039

Notes for Table 6

- ❖ The 12% of prior year revenue policy goal would leave an undesignated unreserved fund balance of \$8,459,617 for consideration in FY 2011. The use of balance in the budget for FY 2011 includes:
 - \$500,000 (equivalent to the General Fund Contingency in the Recommended budget for FY 2011)
- ❖ The “FY 2010 Projection” is based upon unaudited estimates for each of these funds. The City anticipates at this point that final revenues have exceeded final expenditures, and the City will add rather than use balance.
- ❖ The City Manager’s Recommended Budget included a \$200,000 allowance from fund balance against future state budget cuts. During the review period by City Council, it became apparent that this allowance was unnecessary, and the City Council did not include it in the final adopted budget.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
SOCIAL SERVICES FUND**

Beginning Fund Balance FY 2007		92,203
	Net Change in Fund Balance	(59,051)
Ending Fund Balance FY 2007		33,152
Beginning Fund Balance FY 2008		33,152
	Net Change in Fund Balance	(29,612)
Ending Fund Balance FY 2008		3,540
Beginning Fund Balance FY 2009		3,540
	Net Change in Fund Balance	75,983
Ending Fund Balance FY 2009		79,523
Beginning Fund Balance FY 2010		79,523
	Appropriation in FY 2010	-
Ending Fund Balance FY 2010		79,523
Beginning Fund Balance FY 2011		79,523
	Appropriation in FY 2011	-
Ending Fund Balance FY 2011		79,523

Table Notes

- ❖ The City used a small amount of Social Services Fund Balance in FY 2008 to lower the required transfer from the General Fund.
- ❖ For the purposes of the audit report, the activities of the Social Services Fund (Fund 201) and the Social Services Grant Fund (Fund 213) are combined.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
SCHOOL OPERATING FUND**

Beginning Fund Balance FY 2007		455,933
	Net Change in Fund Balance	256,471
Ending Fund Balance FY 2007		712,404
Beginning Fund Balance FY 2008		712,404
	Net Change in Fund Balance	581,390
Ending Fund Balance FY 2008		1,293,794
Beginning Fund Balance FY 2009		1,293,794
	Net Change in Fund Balance	92,220
Ending Fund Balance FY 2009		1,386,014
Beginning Fund Balance FY 2010		1,386,014
	Amended Appropriation in FY 2010	(1,386,014)
	Anticipated Actual Use of Balance FY 2010	480,000
Ending Fund Balance FY 2010		1,866,014
Beginning Fund Balance FY 2011		1,866,014
	Appropriation in FY 2011	(250,000)
Ending Fund Balance FY 2011		1,616,014

Notes

- ❖ The City of Fredericksburg School Board has discretion over the funds allocated to the School Operating Fund. Operating revenues come largely from Funds from the Commonwealth and transfers from the General Fund.
- ❖ The City appropriated \$375,000 in fund balance for School Operations in FY 2010. This helps to offset the decline in the transfer from the General Fund in FY 2010. The School Board requested the remaining part of their fund balance also be appropriated, and City Council amended the budget in Resolution 10-46 to do so.
- ❖ Based on preliminary year-end reports, it appears that the City Schools will add to their balance at the close of FY 2010. It is important to emphasize that these are unaudited, and not final, results.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
CITY GRANTS FUND**

Beginning Fund Balance FY 2007		672,108
	Net Change in Fund Balance	248,871
Ending Fund Balance FY 2007		920,979
Beginning Fund Balance FY 2008		920,979
	Net Change in Fund Balance	168,245
Ending Fund Balance FY 2008		1,089,224
Beginning Fund Balance FY 2009		1,089,224
	Net Change in Balance	(243,413)
Ending Fund Balance FY 2009		845,811
Beginning Fund Balance FY 2010		845,811
	Amended Appropriation for FY 2010	(390,744)
Ending Fund Balance FY 2010		455,067
Beginning Fund Balance FY 2011		455,067
	Appropriation in FY 2011	-
Ending Fund Balance FY 2011		455,607

Notes

- ❖ The Beginning Fund Balance FY 2011 is an unaudited estimate, based on the FY 2010 budget figures. At this writing, the final revenue and expenditure activities in the City Grants Fund have yet to be determined.
- ❖ The City Council usually considers requests for re-appropriations of balances to help support ongoing grant activities after the close of the fiscal year. Many grants are on a federal fiscal year cycle, with a fiscal year that begins October 1st. In addition, many grants last for two or more years, depending upon the award.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
SCHOOL GRANT FUND**

Beginning Fund Balance FY 2007		397,175
	Net Change in Fund Balance	164,731
Ending Fund Balance FY 2007		561,906
Beginning Fund Balance FY 2008		561,906
	Net Change in Fund Balance	51,624
Ending Fund Balance FY 2008		613,530
Beginning Fund Balance FY 2009		613,530
	Net Change in Fund Balance	669
Ending Fund Balance FY 2009		614,199
Beginning Fund Balance FY 2010		614,199
	Fund Balance Appropriation	-
Ending Fund Balance FY 2010		614,199
Beginning Fund Balance FY 2011		614,199
	Appropriation in FY 2011	-
Ending Fund Balance FY 2011		614,199

Notes

- ❖ The balance in the School Grants Fund may be re-appropriated in order to support ongoing educational activities supported by grants from the state or federal government, as directed by the Fredericksburg City School Board.
- ❖ The Beginning Fund Balance FY 2010 is an unaudited figure based on revenue and expenditure activity in FY 2009.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011
FUND BALANCE ANALYSIS
COMPREHENSIVE SERVICES ACT FUND**

Beginning Fund Balance FY 2007		55,295
	Net Change in Fund Balance	13,737
Ending Fund Balance FY 2007		69,032
Beginning Fund Balance FY 2008		69,032
	Net Change in Fund Balance	130,573
Ending Fund Balance FY 2008		199,605
Beginning Fund Balance FY 2009		199,605
	Net Change in Fund Balance	-
Ending Fund Balance FY 2009		199,605
Beginning Fund Balance FY 2010		199,605
	Fund Balance Appropriation	-
Ending Fund Balance FY 2010		199,605
Beginning Fund Balance FY 2011		199,605
	Appropriation in FY 2011	-
Ending Fund Balance FY 2011		199,605

Notes

- ❖ The balance in the School Grants Fund may be re-appropriated in order to support ongoing educational activities supported by grants from the state or federal government, as directed by the Fredericksburg City School Board.
- ❖ The Beginning Fund Balance FY 2011 is an unaudited figure based on the lack of budgeted use of balance in FY 2010.

*Fredericksburg*TM
TIMELESS.
SPOTSYLVANIA STAFFORD FREDERICKSBURG

This page left blank intentionally.