



## Adopted Operating and Capital Budget FY 2010

### Debt Service Analysis

*Fredericksburg*<sup>TM</sup>  
**TIMELESS.**  
SPOTSYLVANIA STAFFORD FREDERICKSBURG

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ADOPTED OPERATING AND CAPITAL BUDGET FY 2010  
DEBT LIMIT TABLE

<b>Computation of Legal Debt Margin (7/01/2009)</b>	
Assessed Value of Taxable Real Estate (7/1/09 - preliminary)	\$3,497,666,100
Assessed Value – Public Service Real Estate	\$87,776,155
Assessed Value – Exempt Real Estate	\$724,062,200
Debt Limit – 4.8% of total assessed value	\$206,856,214
Amount of Debt applicable to debt limit	(\$75,597,000)
Debt Margin	\$131,259,214

- 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).

## 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. Barring the issuance of any further debt, the City’s debt service requirements will peak in FY 2009. 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. Specifically, the court project and the improvements to the wastewater treatment plant will both require major additional debt issuances to accomplish.

### Current Debt Table – Includes Adjustments from FY 2009 Refunding Issue

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	1,819,364	320,386	8,305,814
2012	1,924,526	3,475,241	5,399,767	343,969	1,789,792	319,478	7,853,006
2013	1,680,851	3,450,603	5,131,454	308,127	1,771,022	320,268	7,530,871
2014	1,629,998	3,448,072	5,078,070	287,005	1,213,034	320,742	6,898,851
2015	1,597,391	3,443,712	5,041,030	284,415	657,504	318,964	6,301,987

FY 10 Debt Service as a % of Total Fund

	Total	Debt Service	% of Total
General	72,498,490	5,821,427	8.03%
Water	3,531,600	380,374	10.77%
Wastewater	6,050,802	1,821,576	30.10%
Parking	638,778	321,058	50.26%

**Debt Service Table – Principal and Interest**

<i>Fiscal Year</i>	<i>General Obligation – Principal</i>	<i>General Obligation – Interest</i>	<i>Revenue – Principal</i>	<i>Revenue – Interest</i>
<b>2009</b>	3,875,000	3,624,838	929,860	180,010
<b>2010</b>	3,793,000	3,441,566	961,744	148,126
<b>2011</b>	3,922,000	3,273,944	994,721	115,149
<b>2012</b>	3,627,000	3,116,136	1,028,829	81,041
<b>2013</b>	3,456,000	2,965,001	1,064,107	45,763
<b>2014</b>	3,530,000	2,813,916	545,659	9,276
<b>2015</b>	3,644,000	2,657,987		
<b>2016</b>	3,282,000	2,505,989		
<b>2017</b>	3,425,000	2,358,909		
<b>2018</b>	3,573,000	2,204,743		
<b>2019</b>	3,215,000	2,041,660		
<b>2020</b>	3,360,000	1,883,349		
<b>2021</b>	3,520,000	1,714,626		
<b>2022</b>	3,685,000	1,537,437		
<b>2023</b>	3,645,000	1,356,541		
<b>2024</b>	3,835,000	1,171,560		
<b>2025</b>	4,025,000	976,673		
<b>2026</b>	4,230,000	774,880		
<b>2027</b>	3,615,000	584,884		
<b>2028</b>	3,795,000	404,006		
<b>2029</b>	3,130,000	235,468		
<b>2030</b>	3,290,000	79,783		
	<b>79,472,000</b>	<b>41,723,894</b>	<b>5,524,919</b>	<b>579,365</b>

## DEBT SERVICE CHART

The following chart shows the trend to declining debt service payments after FY 2008, 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.)

As a note, the City intends to pay the Parking portion of the debt from surplus motor fuels taxes; however, the issue is a General Obligation issue that counts against the City’s debt limits. The Water and the Sewer obligations are considered revenue obligations, and are secured by the City’s water and sewer rates. These issues are not considered General Obligations of the City, and are not calculated against the debt service limits of the City.

In reviewing this chart, bear in mind that the City will need to add significant levels of new debt to construct the new courthouse, and to perform needed rehabilitation of equipment at the Wastewater Treatment Plant. 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. If the City issued a ten year loan for the Wastewater Plant improvements, then that issue could add around \$500,000 per year in the Wastewater Fund, beginning as soon as FY 2011.

