

## Adopted Operating and Capital Budget FY 2012

### Debt Service Analysis

ADOPTED BUDGET FY 2012  
DEBT LIMIT TABLE

<b>Computation of Legal Debt Margin (7/01/2011)</b>	
Assessed Value of Taxable Real Estate (7/1/11 - preliminary)	\$3,606,739,500
Assessed Value – Public Service Corporation	\$121,621,419
Assessed Value – Exempt Real Estate	\$772,814,100
Total Assessed Value	\$4,501,175,019
Debt Limit – 4.8% of total assessed value	\$216,056,401
Amount of Debt applicable to debt limit	(\$73,892,000)
Debt Margin	\$142,164,401

- 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 impacts from FY 2010 through FY 2020. 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.

### Current Debt Service Table

<b>Year</b>	<b>General</b>	<b>Education</b>	<b>Total General (Gen + Ed)</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Parking Fund</b>	<b>Total</b>
2010	\$2,487,409	\$3,369,115	\$5,856,524	\$361,147	\$1,792,579	\$321,342	\$8,331,592
2011	\$2,468,659	\$3,366,385	\$5,835,044	\$359,097	\$2,254,927	\$320,670	\$8,769,739
<b>2012</b>	<b>\$2,066,127</b>	<b>\$3,370,340</b>	<b>\$5,436,467</b>	<b>\$327,234</b>	<b>\$2,277,353</b>	<b>\$319,761</b>	<b>\$8,360,815</b>
2013	\$1,795,161	\$3,365,853	\$5,161,014	\$293,543	\$2,263,874	\$320,552	\$8,038,983
2014	\$1,738,268	\$3,367,795	\$5,106,063	\$273,483	\$1,701,589	\$321,026	\$7,402,161
2015	\$1,702,304	\$3,365,913	\$5,068,217	\$271,080	\$1,151,352	\$319,247	\$6,809,896
2016	\$1,245,264	\$3,369,950	\$4,615,214	\$232,666	\$1,126,351	\$319,168	\$6,293,398
2017	\$1,241,595	\$3,369,653	\$4,611,247	\$233,408	\$1,126,304	\$320,710	\$6,291,669
2018	\$1,234,670	\$3,369,893	\$4,604,563	\$234,118	\$1,126,441	\$319,781	\$6,284,903
2019	\$897,734	\$3,370,415	\$4,268,149	\$51,710	\$1,124,711	\$318,249	\$5,762,820
2020	\$889,238	\$3,366,093	\$4,255,330	\$51,026	\$1,123,575	\$318,177	\$5,748,108

FY 12 Debt Service as a % of Total Fund

	Total	Debt Service	% of Total
General	75,684,610	5,436,467	7.18%
Water	3,482,000	337,234	9.69%
Wastewater	6,300,000	2,277,353	36.15%
Parking	650,630	319,761	49.15%

**Debt Service Table<sup>1</sup> – Principal and Interest (as of close of FY 2011)**

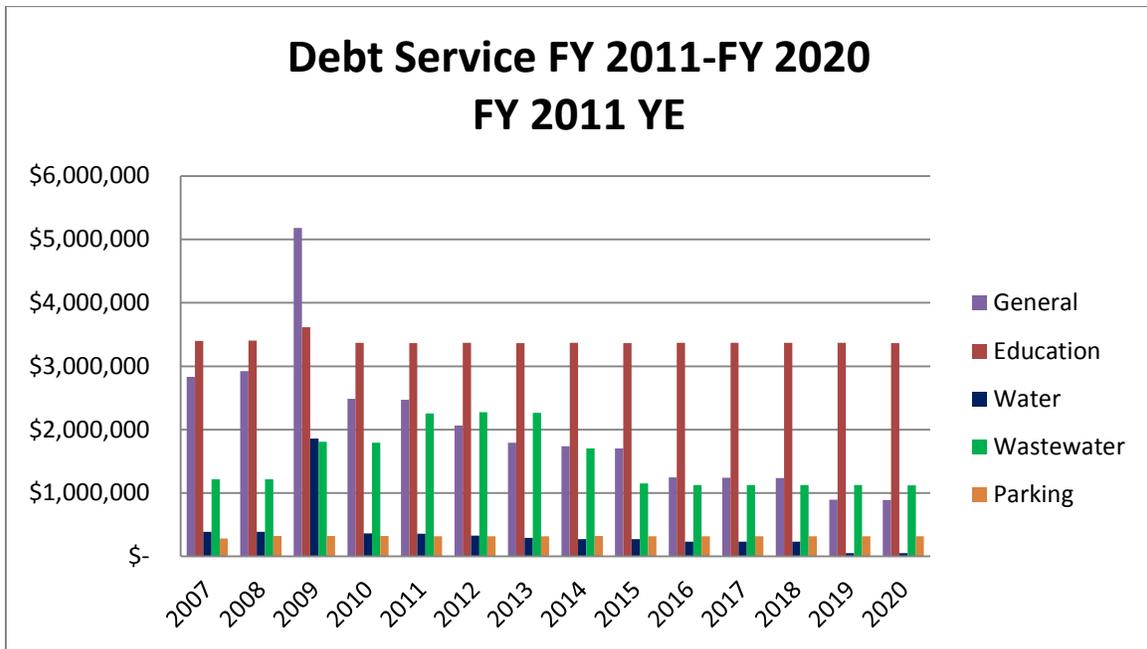
<i>Fiscal Year</i>	<i>General Obligation – Principal</i>	<i>General Obligation – Interest</i>	<i>Revenue – Principal</i>	<i>Revenue – Interest</i>
<b>2011</b>	4,132,000.00	3,527,869.23	994,721	115,149
<b>2012</b>	3,862,000.00	3,388,945.23	1,028,829	81,041
<b>2013</b>	3,696,000.00	3,233,113.20	1,064,107	45,763
<b>2014</b>	3,770,000.00	3,077,225.86	545,658	9,276
<b>2015</b>	3,894,000.00	2,915,896.48		
<b>2016</b>	3,537,000.00	2,756,398.36		
<b>2017</b>	3,690,000.00	2,601,668.98		
<b>2018</b>	3,848,000.00	2,436,902.73		
<b>2019</b>	3,500,000.00	2,262,819.59		
<b>2020</b>	3,655,000.00	2,093,108.35		
<b>2021</b>	3,830,000.00	1,912,585.23		
<b>2022</b>	4,005,000.00	1,722,996.48		
<b>2023</b>	3,980,000.00	1,529,300.85		
<b>2024</b>	4,180,000.00	1,330,919.60		
<b>2025</b>	4,385,000.00	1,116,670.70		
<b>2026</b>	4,600,000.00	894,675.00		
<b>2027</b>	4,000,000.00	682,785.85		
<b>2028</b>	4,195,000.00	479,127.91		
<b>2029</b>	3,545,000.00	286,733.66		
<b>2030</b>	3,720,000.00	105,870.60		
<b>Total</b>	73,892,000.00	34,827,744.66	2,638,594	136,080

<sup>1</sup> This table is unaudited and preliminary in nature, and is presented for information only.

## DEBT SERVICE CHART

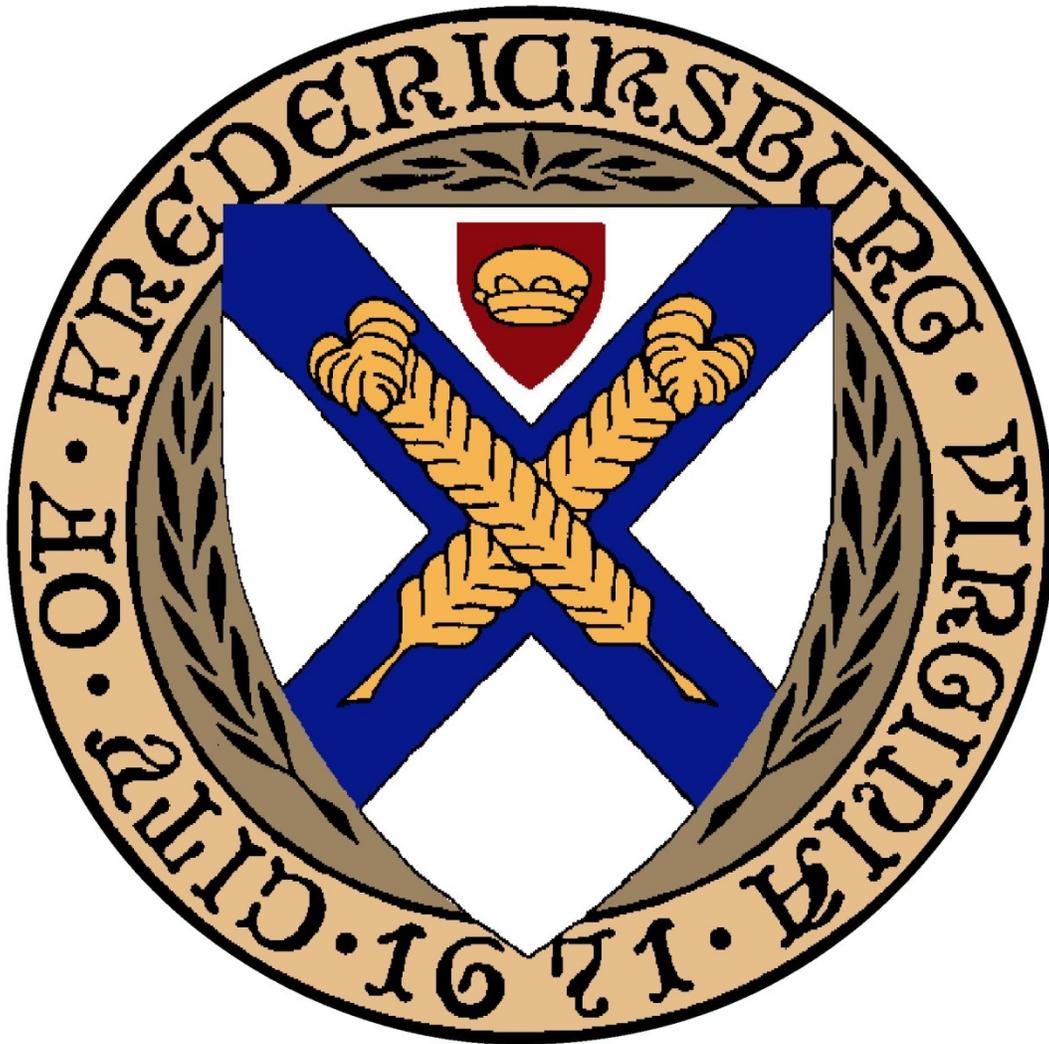
The following chart shows the trend to declining debt service payments after FY 2011, and gives a sense of the relative weight of the debt in five different categories – General, Education, Water, Sewer, and Parking. General Fund debt includes funds borrowed for General Fund purposes other than education – for example, for the construction of the Police Headquarters building.

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 \$2.5 and \$3.5 million to the General Fund debt, beginning in FY 2013, depending upon the final budget, the length of issue, and the interest rates charged at the time of issue.



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Adopted Operating and Capital Budget FY 2012

Fund Balance Analysis

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2012  
FUND BALANCE ANALYSIS  
GENERAL FUND**

**Table 1 – FY 2008 Activities**

<b>Beginning Fund Balance FY 2008</b>		<b>21,671,793</b>
	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)
<b>Ending Fund Balance FY 2008</b>		<b>17,975,842</b>
<b>Designations at End of Year for FY 2008</b>		
	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
<b>Total</b>		<b>17,975,842</b>

**Notes for Table 1**

- ❖ 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 2012  
FUND BALANCE ANALYSIS  
GENERAL FUND**

**Table 2 – FY 2009 Activities**

<b>Beginning Fund Balance FY 2009</b>		<b>17,975,842</b>
	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)
<b>Ending Fund Balance FY 2009</b>		<b>16,114,672</b>
<b>Designations at End of Year for FY 2009</b>		
	Reserved: Encumbrances & Prepays	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
<b>Total</b>		<b>16,114,672</b>

**Notes for Table 2**

- ❖ 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

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2012  
FUND BALANCE ANALYSIS  
GENERAL FUND**

**Table 3 – FY 2010 Activities**

<b>Beginning Fund Balance FY 2010</b>		<b>16,114,672</b>
	Add: Total Revenues FY 2009	72,210,456
	Add: Total Transfers In FY 2009	1,347,600
	Add: Proceeds from Asset Sale	-
	Deduct: Total Expenditures FY 2009	(63,449,959)
	Deduct: Total Transfers Out FY 2009	(8,336,633)
	Change in Balance	1,771,464
<b>Ending Fund Balance FY 2010</b>		<b>17,718,299</b>
<b>Designations at End of Year for FY 2010</b>		
	Reserved: Encumbrances & Prepaids	403,443
	Designated for Capital	3,789,255
	Designated for Health Insurance Claims	950,000
	Designated – Other	41,865
	Undesignated Unreserved	12,533,736
<b>Total</b>		<b>17,718,299</b>

**Notes for Table 3**

- ❖ The FY 2010 original 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
  - \$914,590 from Designation for School Debt Service
  - \$3,989,331 Total
- ❖ 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 2012  
FUND BALANCE ANALYSIS  
GENERAL FUND**

**Table 4 – FY 2011 Amended Appropriation**

<b>Fund Balance Designations</b>	<b>FY 2010 Beginning</b>	<b>FY 2010 Estimated</b>	<b>FY 2010 Adjustment to Balance Reservations<sup>1</sup></b>	<b>FY 2010 Ending</b>	<b>FY 2011 Appropriation</b>	<b>FY 2011 Projection</b>
Reserved: Encumbrances & Prepays	189,721	-	213,725	403,443	(95,303)	308,140
Designated for Capital	2,989,255	-	800,000	3,789,255	-	3,789,255
Designated for Security Center	726,160	(726,160)	(726,160)	-	-	-
Designated for Education Debt Service	411,160	(411,160)	(411,160)	-	-	-
Designated for Health Insurance Claims	860,000	-	90,000	950,000	-	950,000
Designated – Other	167,837	-		167,837	-	167,837
Undesignated Unreserved	10,770,540	-	1,763,196	12,533,736	(750,000)	11,783,736
<b>Total</b>	<b>16,114,672</b>	<b>(1,137,320)</b>	<b>1,729,601</b>	<b>17,718,299</b>	<b>(845,303)</b>	<b>16,998,968</b>

**Notes for Table 4**

- ❖ The FY 2011 Operating and Capital Budget included the use of the following fund balances from the following designations:
  - \$500,000 Original Budget from Undesignated Unreserved
  - \$250,000 Amended Budget from Undesignated Unreserved for General Re-Assessments
  - \$95,303 Amended Budget from Undesignated Unreserved for Prior Year Encumbrances
  - \$845,303 Total
- ❖ Revenues were greater than expenditures in FY 2010 therefore Fund Balance was not used.

<sup>1</sup> 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 2012  
FUND BALANCE ANALYSIS  
GENERAL FUND**

**Table 6 – FY 2012 Original Appropriation**

<b>Fund Balance Designations</b>	<b>FY 2011 Projection</b>	<b>FY 2012 Appropriation</b>	<b>FY 2012 Projection</b>
Reserved: Encumbrances & Prepaids	308,140	-	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	167,837	-	42,837
Undesignated Unreserved	11,783,736	1,675,000	10,108,736
<b>Total</b>	<b>16,998,968</b>	<b>1,675,000</b>	<b>15,544,271</b>

**Notes for Table 6**

- ❖ The “FY 2011 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.

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

<b>Beginning Fund Balance FY 2007</b>		<b>92,203</b>
	Net Change in Fund Balance	(59,051)
<b>Ending Fund Balance FY 2007</b>		<b>33,152</b>
<b>Beginning Fund Balance FY 2008</b>		
	Net Change in Fund Balance	(29,612)
<b>Ending Fund Balance FY 2008</b>		<b>3,540</b>
<b>Beginning Fund Balance FY 2009</b>		
	Net Change in Fund Balance	75,983
<b>Ending Fund Balance FY 2009</b>		<b>79,523</b>
<b>Beginning Fund Balance FY 2010</b>		
	Appropriation in FY 2010	-
<b>Ending Fund Balance FY 2010</b>		<b>79,523</b>
<b>Beginning Fund Balance FY 2011</b>		
	Appropriation in FY 2011	(2,682)
<b>Ending Fund Balance FY 2011</b>		<b>76,841</b>

**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 2012  
FUND BALANCE ANALYSIS  
SCHOOL OPERATING FUND**

<b>Beginning Fund Balance FY 2008</b>		<b>712,404</b>
	Net Change in Fund Balance	581,390
<b>Ending Fund Balance FY 2008</b>		<b>1,293,794</b>
<b>Beginning Fund Balance FY 2009</b>		<b>1,293,794</b>
	Net Change in Fund Balance	92,220
<b>Ending Fund Balance FY 2009</b>		<b>1,386,014</b>
<b>Beginning Fund Balance FY 2010</b>		<b>1,386,014</b>
	Net Change in Fund Balance	482,740
<b>Ending Fund Balance FY 2010</b>		<b>1,868,754</b>
<b>Beginning Fund Balance FY 2011</b>		<b>1,868,754</b>
	Net Change in Fund Balance	
<b>Ending Fund Balance FY 2011</b>		<b>1,868,754</b>
<b>Beginning Fund Balance FY 2012</b>		<b>1,868,754</b>
	Appropriation in FY 2012	(100,000)
<b>Ending Fund Balance FY 2012</b>		<b>1,768,754</b>

**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.

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

<b>Beginning Fund Balance FY 2008</b>		<b>920,979</b>
	Net Change in Fund Balance	168,245
<b>Ending Fund Balance FY 2008</b>		<b>1,089,224</b>
<b>Beginning Fund Balance FY 2009</b>		
	Net Change in Balance	(243,413)
<b>Ending Fund Balance FY 2009</b>		<b>845,811</b>
<b>Beginning Fund Balance FY 2010</b>		
	Net Change in Balance	194,424
<b>Ending Fund Balance FY 2010</b>		<b>1,040,235</b>
<b>Beginning Fund Balance FY 2011</b>		
	Amended Appropriation for FY 2011	(453,281)
<b>Ending Fund Balance FY 2011</b>		<b>554,152</b>
<b>Beginning Fund Balance FY 2012</b>		
	Appropriation in FY 2012	(47,500)
<b>Ending Fund Balance FY 2012</b>		<b>506,652</b>

**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 1<sup>st</sup>. 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**

<b>Beginning Fund Balance FY 2008</b>		<b>561,906</b>
	Net Change in Fund Balance	51,624
<b>Ending Fund Balance FY 2008</b>		<b>613,530</b>
<b>Beginning Fund Balance FY 2009</b>		
	Net Change in Fund Balance	669
<b>Ending Fund Balance FY 2009</b>		<b>614,199</b>
<b>Beginning Fund Balance FY 2011</b>		
	Net Change in Fund Balance	(200,000)
<b>Ending Fund Balance FY 2011</b>		<b>414,199</b>
<b>Beginning Fund Balance FY 2012</b>		
	Appropriation in FY 2012	-
<b>Ending Fund Balance FY 2012</b>		<b>414,199</b>

**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**

<b>Beginning Fund Balance FY 2008</b>		<b>69,032</b>
	Net Change in Fund Balance	130,573
<b>Ending Fund Balance FY 2008</b>		<b>199,605</b>
<b>Beginning Fund Balance FY 2009</b>		
	Net Change in Fund Balance	-
<b>Ending Fund Balance FY 2009</b>		<b>199,605</b>
<b>Beginning Fund Balance FY 2010</b>		
	Net Change in Fund Balance	114,760
<b>Ending Fund Balance FY 2010</b>		<b>314,365</b>
<b>Beginning Fund Balance FY 2011</b>		
	Fund Balance Appropriation	<b>120,000</b>
<b>Ending Fund Balance FY 2011</b>		<b>194,365</b>
<b>Beginning Fund Balance FY 2012</b>		
	Appropriation in FY 2012	50,000
<b>Ending Fund Balance FY 2012</b>		<b>144,365</b>

**Notes**

- ❖ The Beginning Fund Balance FY 2011 is an unaudited figure based on the lack of budgeted use of balance in FY 2010.

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