

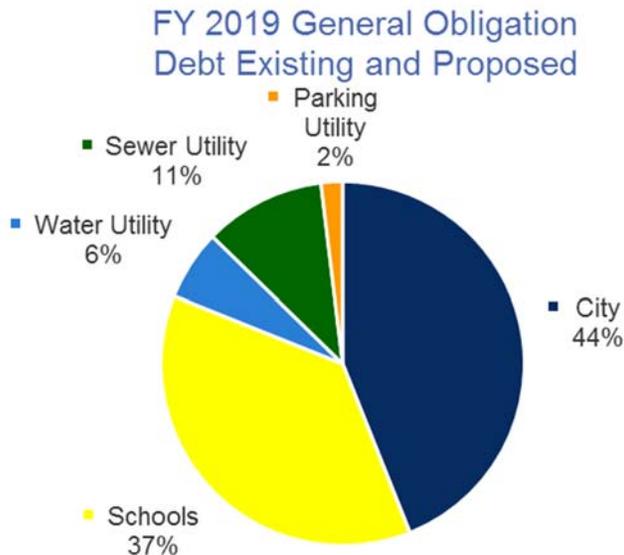
DEBT

The City of Fredericksburg maintains an active debt management program to fund long-term capital improvements. A strategy of using “pay-as-you-go” and debt financing provides flexibility in addressing the needs identified in the Capital Improvements Plan. In addition, it ensures that resources are available to maintain and invest in the City’s capital infrastructure while achieving City Council’s Vision, Desired Future States, and Priorities.

Legal Debt Limit

The City Council’s debt policy limits debt to 4.8% of the total assessed value of real estate for the City. The Constitution of Virginia set a legal debt limit of 10% of the taxable value of real estate for cities. Please note, the Constitutional debt limit is significantly higher than the debt limit established by the City Council.

Computation of Legal Debt Limit Margin	
Assessed Value of Taxable Real Estate	3,956,381,500
Assessed Value – Public Service Corporation	103,541,921
Assessed Value – Exempt Real Estate	1,206,050,300
Total Assessed Value [1]	5,265,973,721
Debt Limit = 4.8% of Total Assessed Value	252,766,739
Amount of Debt Applicable to Debt Limit [2]	(106,587,510)
Legal Debt Limit Margin	146,179,229
Net Bonded Debt Per Capita for FY 2017 [3]	\$3,856
[1] Assessed Valuation as of July 1, 2017. Source - City of Fredericksburg Commissioner of the Revenue	
[2] Gross Bonded Debt at year end FY 2017. (excludes revenue bonds, capital leases, and amounts reserved for debt service.)	
[3] Weldon Cooper Population Est - July 1, 2017	27,645



The City issues General Obligation (GO) Bonds and Revenue Bonds. All GO bonds are included in the calculation since they carry the City’s full faith and credit pledge. The security for these bonds is the City’s general taxing authority. However, a portion of the City’s GO bonds are also supported by the City’s Enterprise Funds. The debt service payments on these bonds are made by revenues generated by the water system, sewer system or Parking Fund. Parking Fund bonds are also supported by gas tax revenues.

Based on the current policy, the City’s debt limit at June 30, 2017 was \$252.8 million. Outstanding debt is well below that limit at \$106.6 million, leaving a margin of \$146.2 million. On a per capita basis the number is \$3,856.

Landfill revenue bonds were issued in 2015 for the R-Board, which is a joint powers authority of the City and Stafford County. The R-Board revenue bonds and are not included in the Legal Debt Limit computation.

Planned Borrowing

The FY 2019 City Manager’s Recommended Budget proposes a debt issuance of approximately \$11.9 million of GO debt for general government and school purposes in the second half of calendar year 2018, which is FY 2019. The issue will include FY 2018 and FY 2019 capital improvement projects. No debt is planned for FY 2018. The FY 2019 bond is likely to also include water and sewer projects, but that information will be provided separately. Proceeds will be used for the projects listed on the corresponding chart. However, based on a number of factors including available balances, the City may decide to cash fund a portion of the projects.

Debt Service

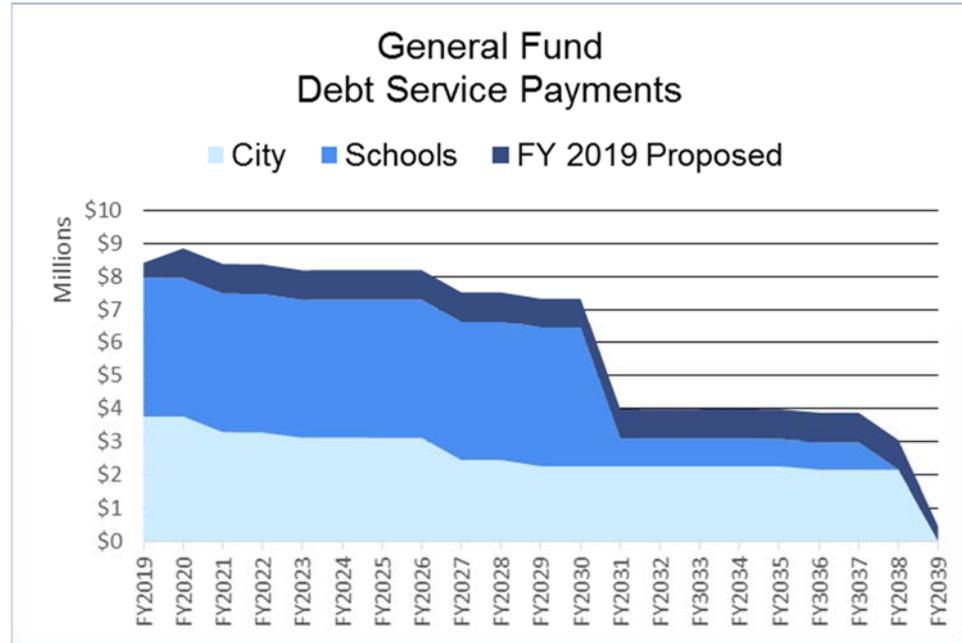
Total principal and interest in FY 2019 for current and proposed debt supported by the general fund is \$8.4 million. However, the General Fund transfer will be reduced by \$153,884 based on funds received from the Virginia Public School Authority (VPSA). VPSA issued refunding bonds during FY 2012 and 2014 and sent the savings in a lump sum to the City. The City established a reserve fund to reduce or "credit" those savings on an annual basis during the life of the 2004A Bonds.

Total debt service on GO debt is \$11 million. It includes \$4.17 million for general government purposes and \$4.25 million for school purposes. This also includes Enterprise Fund debt of \$650,000 for Water Fund purposes, \$1.61 million for Sewer Fund purposes, and \$300,000 for the Parking Garage. The FY 2019 Recommended Budget General Fund transfer to the Debt Service Fund is \$8.3 million, including \$450,000 or approximately half a year’s debt service on the proposed bond issue. The transfer is an increase of \$151,000 or 1.9% when compared to the FY 2018 budget estimate.

Summer/Fall 2018 Bond Issue	
FY18 Projects	
ERP	1,500,000
School - Roof	294,000
School - HVAC	419,000
	2,213,000
FY18 Projects GO Debt	
FY19 Projects	
Ambulance	325,000
Executive Plaza	3,200,000
Riverfront Park	5,000,000
Salt Storage Facility	375,000
Storm Sewer - College Terrace (William/Sylvania)	800,000
	9,700,000
FY19 Projects GO Debt	
TOTAL GO Debt (FY19 Bond Issue)	11,913,000
FY19 Utility Projects	
Pending	Pending
Total Debt Issue	Pending

The charts on the following pages provide more detail on the City's outstanding debt and include the following:

- Summary of outstanding debt by bond issue
- Requested FY 2019 debt service appropriations
- General fund principal and interest payments, and
- Annual debt service payments.



DEBT SERVICE - Payments by Fiscal Year

General Obligation Debt									Revenue Debt
Fiscal Year	General Government Funds				Enterprise Funds*				Revenue
	City	Schools	FY 2019 Proposed	TOTAL	Water	Sewer	Parking	TOTAL	R-Board
FY2019	3,748,190	4,219,905	450,000	8,418,095	649,990	1,606,493	299,747	2,556,229	280,859
FY2020	3,743,418	4,217,198	895,000	8,855,616	648,627	1,605,380	299,657	2,553,664	279,584
FY2021	3,269,695	4,217,620	895,000	8,382,314	512,232	1,261,832	301,380	2,075,444	279,397
FY2022	3,260,842	4,215,934	895,000	8,371,775	513,685	1,261,577	299,009	2,074,270	278,697
FY2023	3,102,680	4,195,798	895,000	8,193,478	496,314	1,248,619	298,497	2,043,430	280,756
FY2024	3,108,570	4,200,844	895,000	8,204,415	494,837	1,246,091	299,799	2,040,727	282,047
FY2025	3,102,133	4,198,235	895,000	8,195,368	496,409	1,243,240	297,006	2,036,655	-
FY2026	3,104,227	4,201,902	895,000	8,201,129	497,737	1,234,101	298,025	2,029,863	-
FY2027	2,429,220	4,201,809	895,000	7,526,029	495,404	1,223,164	-	1,718,568	-
FY2028	2,429,654	4,199,766	895,000	7,524,420	496,322	1,215,673	-	1,711,995	-
FY2029	2,242,494	4,196,455	895,000	7,333,949	464,812	619,297	-	1,084,109	-
FY2030	2,242,053	4,200,592	895,000	7,337,645	465,283	609,274	-	1,074,557	-
FY2031	2,242,852	833,547	895,000	3,971,399	465,530	153,267	-	618,798	-
FY2032	2,244,576	829,100	895,000	3,968,676	465,554	153,275	-	618,828	-
FY3033	2,243,031	830,744	895,000	3,968,775	465,353	153,209	-	618,561	-
FY2034	2,243,008	833,525	895,000	3,971,533	464,928	153,069	-	617,997	-
FY2035	2,241,238	830,272	895,000	3,966,510	464,304	152,852	-	617,156	-
FY3036	2,138,925	830,959	895,000	3,864,884	-	-	-	-	-
FY3037	2,136,538	830,509	895,000	3,862,047	-	-	-	-	-
FY2038	2,139,638	-	895,000	3,034,638	-	-	-	-	-
FY2039	-	-	445,000	445,000	-	-	-	-	-
TOTAL	53,412,982	56,284,713	17,900,000	127,597,695	8,557,321	15,140,413	2,393,119	26,090,853	1,681,341

General Fund Supported Principal and Interest Payments

Fiscal Year	General Fund Debt Service				Existing & Proposed
	Principal	Interest	Existing Total	Proposed Debt Service	
FY2019	4,640,064	3,328,031	7,968,095	450,000	8,418,095
FY2020	4,833,121	3,127,495	7,960,616	895,000	8,855,616
FY2021	4,573,399	2,913,915	7,487,314	895,000	8,382,314
FY2022	4,776,213	2,700,563	7,476,775	895,000	8,371,775
FY2023	4,803,529	2,494,949	7,298,478	895,000	8,193,478
FY2024	5,021,666	2,287,748	7,309,415	895,000	8,204,415
FY2025	5,229,480	2,070,888	7,300,368	895,000	8,195,368
FY2026	5,458,340	1,847,788	7,306,129	895,000	8,201,129
FY2027	5,002,771	1,628,258	6,631,029	895,000	7,526,029
FY2028	5,219,538	1,409,882	6,629,420	895,000	7,524,420
FY2029	5,253,855	1,185,094	6,438,949	895,000	7,333,949
FY2030	5,491,022	951,623	6,442,645	895,000	7,337,645
FY2031	2,288,190	788,210	3,076,399	895,000	3,971,399
FY2032	2,375,357	698,320	3,073,676	895,000	3,968,676
FY2033	2,467,524	606,251	3,073,775	895,000	3,968,775
FY2034	2,564,691	511,842	3,076,533	895,000	3,971,533
FY2035	2,666,837	404,672	3,071,510	895,000	3,966,510
FY2036	2,685,000	284,884	2,969,884	895,000	3,864,884
FY2037	2,805,000	162,047	2,967,047	895,000	3,862,047
FY2038	2,090,000	49,638	2,139,638	895,000	3,034,638
FY2039	-	-	-	445,000	445,000
TOTAL	80,245,597	29,452,098	109,697,695	17,900,000	127,597,695

SUMMARY OF OUTSTANDING DEBT (PRINCIPAL)											
EXISTING DEBT	Purpose	Original Issuance	Issue Date	Maturity Date	Balance 6/30/2017	Balance 6/30/2018	Allocation By Sector				
							City	Schools	Water Utility	Sewer Utility	Parking Utility
General Obligation											
2004A General Obligation School Bonds -Virginia Public School Authority (VPSA)	Construction of James Monroe High School and Lafayette Upper Elementary School	48,095,000	2004	7/15/2029	32,320,000	30,515,000		30,515,000			
2007E General Obligation Bonds	Various wastewater and water projects and Riverfront Park land acquisition and development.	10,750,000	2007	8/1/2018	1,020,000	520,000	119,600		20,800	379,600	
2009A General Obligation Refunding Bonds	Refunded 1998A bonds (water and wastewater projects, street, education and communications center)	4,162,000	2009	6/1/2018	493,000	-					
2010A, 2010B, 2010C General Obligation Bonds	Wastewater Projects	6,220,000	2010	2/15/2030	4,525,000	4,250,000				4,250,000	
2011A General Obligation Bonds	New courthouse and related improvements and refunded 2001A bonds (Cowan Blvd, Dixon St recreation center, fire ladder truck)	36,650,000	2011	7/15/2037	31,335,000	30,165,000	30,002,270	68,726	58,004	36,000	
2014A General Obligation Refunding Bonds	Refunded 2005 B bonds (Dixon Park, police headquarters, Sophia St parking garage)	6,820,000	2014	8/1/2025	6,135,000	5,515,000	3,334,645				2,180,355
2014B General Obligation Refunding Bonds	Refunded 2007E bonds (Various wastewater and water projects and Riverfront Park land acquisition and development)	6,915,000	2014	8/1/2027	6,710,000	6,600,000	1,518,000		264,000	4,818,000	
2015A General Obligation Bonds	Wastewater and water projects, transportation improvements, refuse collection vehicles, Riverfront Park, Fire Station #3 design	15,865,000	2015	4/1/2035	13,225,000	11,870,000	2,352,356		6,724,721	2,792,924	
2016A General Obligation Bond	Public Safety radio system, Original Walker Grant School site improvements	12,820,000	2016	10/1/2036	12,825,000	12,335,000	1,455,000	10,880,000	-	-	-
Existing Debt					108,588,000	101,770,000	38,781,871	41,463,726	7,067,525	12,276,524	2,180,355
Revenue Debt											
2015D Revenue Bond (R-Board)	Solid waste - improvements at regional landfill	1,855,000	2015	10/1/2023	1,855,000	1,455,000					
<i>Proposed 2018 (FY19) General Obligation Bonds</i>						11,913,000	<i>11,200,000</i>	<i>713,000</i>			
<i>Proposed FY 2018 General Obligation Bonds - Utilities</i>						<i>TBD</i>			<i>TBD</i>	<i>TBD</i>	

FY 2019 Recommended Budget - FY 2019 Debt Service Appropriation

FY 2019 Debt Service	Allocation By Sector															FY 2019 TOTAL GO Debt Service		
	City			Schools			Water Utility			Sewer Utility			Parking Utility			Total General Fund	Total Enterprise Fund	Total GO Debt
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total			
2004A General Obligation School Bonds*				1,900,000	1,470,415	3,370,415										3,370,415	-	3,370,415
2007E General Obligation Bonds	119,600	2,392	121,992				20,800	416	21,216	379,600	7,592	387,192				121,992	408,408	530,400
2009A General Obligation Refunding Bonds	-	-	-	-	-	-	-	-	-							-	-	-
2010A, 2010B, 2010C General Obligation Bonds										285,000	221,160	506,160				-	506,160	506,160
2011A General Obligation Bonds	1,168,540	1,146,726	2,315,266	17,510	2,655	20,165	14,778	3,544	18,322	9,172	5,835	15,007				2,335,431	33,330	2,368,761
2014A General Obligation Refunding Bonds	383,953	74,481	458,434										251,047	48,700	299,747	458,434	299,747	758,181
2014B General Obligation Refunding Bonds	25,300	38,386	63,686				4,400	6,676	11,076	80,300	121,835	202,135				63,686	213,211	276,898
2015A General Obligation Bonds	515,161	54,575	569,736				443,363	156,013	599,376	431,476	64,796	496,272				569,736	1,095,648	1,665,384
2016A General Obligation Bond	150,000	69,075	219,075	360,000	469,325	829,325	-	-	-	-	-	-	-	-	-	1,048,400	-	1,048,400
Proposed 2018 (FY19) General Obligation Bond**	-	-	423,000	-	-	27,000	-	-	-	-	-	-	-	-	-	450,000	-	450,000
Total General Obligation Bonds	2,362,554	1,385,636	4,171,190	2,277,510	1,942,395	4,246,905	483,341	166,649	649,990	1,185,548	421,218	1,606,766	251,047	48,700	299,747	8,418,095	2,556,503	10,974,598
<p>* The General Fund transfer to support school debt is reduced by \$153,884 annually based on funds received from the Virginia Public School Authority (VPSA). VPSA issued refunding bonds during FY 2012 and 2014 and sent the savings in a lump sum to the City. The City established a reserve fund to reduce or "credit" those saving on annual debt service of the 2004A Bonds.</p> <p>**Reflects six months on proposed debt issuance of \$11.913 million debt service, 20 years at 4.25% level payments</p>																		
Revenue Debt	R- Board																	
2015D Revenue Bond	215,000	65,859	280,859															
Total Revenue Bonds	215,000	65,859	280,859															