

# DEBT

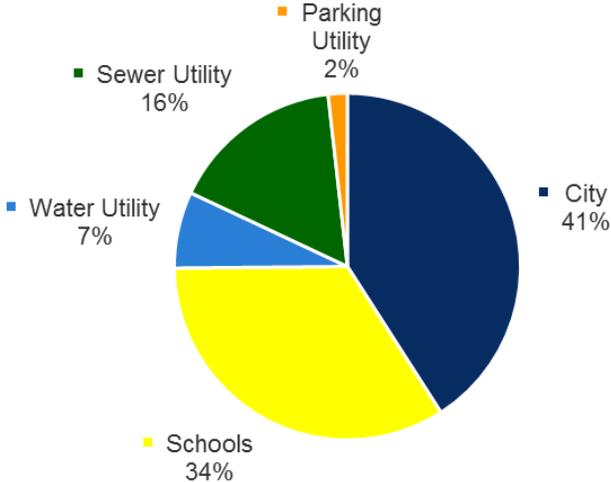
The City of Fredericksburg maintains an active debt management program to fund long-term capital improvements. A strategy of using “pay-as-you-go” and debt financing provides flexibility in addressing the needs identified in the Capital Improvements Plan. In addition, it ensures that resources are available 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

FY 2019 General Obligation Debt Existing and Proposed



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 Adopted Budget proposes a debt issuance of approximately \$20.4 million in FY 2019. This includes \$11.2 million of GO debt for general government purposes, \$1.7 million for water system improvements and \$7.5 million for wastewater system improvements. The wastewater system debt service reflects a budget amendment approved by City Council on June 12, 2018 increase the cost of the College Terrace Sewer project to \$800,000 from \$350,000. Proceeds will be used for the projects listed on the corresponding chart. However, based on a number of factors including available balances and changes in timing and scope the amount that the City will borrow may be adjusted.

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. The City will receive payments of \$280,859 from the R-Board for debt issued for landfill expansion.

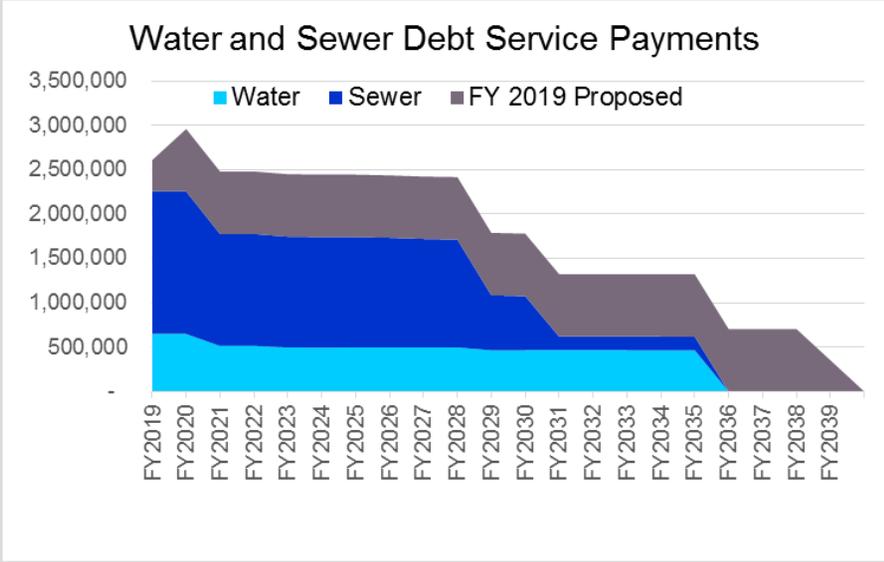
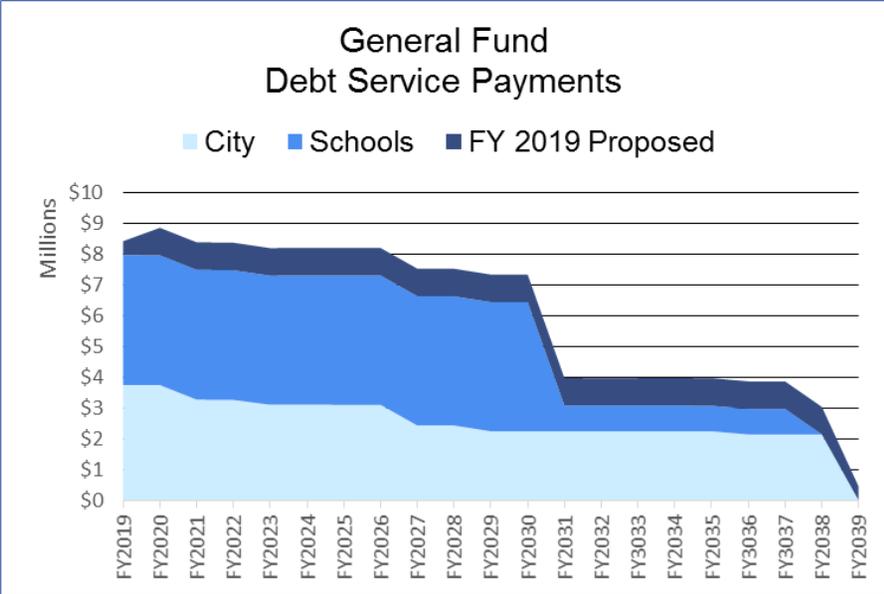
Total debt service on GO debt is \$11 million. It includes \$4.17 million for general government purposes and \$4.25 million for school purposes. This also includes Enterprise Fund debt of \$650,000 for Water Fund purposes, \$1.61 million for Sewer Fund purposes, and \$300,000 for the Parking Garage. The FY 2019 Adopted Budget General Fund transfer to the Debt Service Fund is \$8.3 million, including \$450,000 or approximately half a

<b>Fall 2018 Bond Issue</b>	
<u>FY18 Projects</u>	
Enterprise Resource Planning (ERP) Software System	1,500,000
<u>FY19 Projects</u>	
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
<b>General Obligation Debt Projects</b>	<b>11,200,000</b>
<u>Water System Improvements</u>	
College Terrace Water Project	650,000
Greenbrier Water Main Improvement	1,000,000
<b>Water System Debt</b>	<b>1,650,000</b>
<u>Wastewater System Improvements</u>	
Caroline Street Sewer Line Replacement	2,000,000
College Terrace Sewer (Amended 6/12/18, R18-53)	800,000
NPS / Farrell Lane	350,000
Hazel Run Pump Station	2,750,000
Massaponax Expansion - Engineering	1,060,000
Rolling Stock	585,000
<b>Wastewater System Debt</b>	<b>7,545,000</b>
<b>Total Debt Issue</b>	<b>20,395,000</b>

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.

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
- Approved FY 2019 debt service appropriations
- General fund principal and interest payments, and
- Annual debt service payments.



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
<b>General Obligation</b>											
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	<b>30,515,000</b>		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	<b>520,000</b>	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	<b>4,250,000</b>				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	<b>30,165,000</b>	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	<b>5,515,000</b>	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	<b>6,600,000</b>	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	<b>11,870,000</b>	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	<b>12,335,000</b>	1,455,000	10,880,000	-	-	
<b>Existing Debt</b>					108,588,000	<b>101,770,000</b>	<b>38,781,871</b>	<b>41,463,726</b>	<b>7,067,525</b>	<b>12,276,524</b>	<b>2,180,355</b>
<b>Revenue Debt</b>											
2015D Revenue Bond (R-Board)	Solid waste - improvements at regional landfill	1,855,000	2015	10/1/2023	1,855,000	<b>1,455,000</b>					
Proposed 2018 (FY19) GO Bonds	Ambulance, ERP, Exec. Plaza, Riverfront, Stormwater, Salt Storage	11,200,000	2018	2038			11,200,000				
Proposed 2018 (FY19) GO Bonds - Utilities	Water System and Wastewater Improvements	9,195,000	2018	2038				1,650,000	7,545,000		

FY 2019 Adopted 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	1,470,965	3,370,965										3,370,965	-	3,370,965
2007E General Obligation Bonds	119,600	2,421	122,021				20,800	421	21,221	379,600	7,684	387,284				122,021	408,505	530,526
2009A General Obligation Refunding Bonds	-	-	-	-	-	-	-	-	-							-	-	-
2010A, 2010B, 2010C General Obligation Bonds										285,000	223,556	508,556				-	508,556	508,556
2011A General Obligation Bonds	1,168,540	1,152,812	2,321,352	17,510	2,655	20,165	14,778	2,241	17,019	9,172	1,392	10,564				2,341,517	27,583	2,369,100
2014A General Obligation Refunding Bonds	383,953	74,558	458,511										251,047	48,800	299,847	458,511	299,847	758,358
2014B General Obligation Refunding Bonds	25,300	38,416	63,716				4,400	6,681	11,081	80,300	121,928	202,228				63,716	213,309	277,025
2015A General Obligation Bonds	515,162	54,576	569,738				443,363	156,014	599,377	431,476	64,796	496,272				569,738	1,095,649	1,665,387
2016A General Obligation Bond	150,000	69,076	219,076	360,000	470,922	830,922	-	-	-	-	-	-	-	-	-	1,049,998	-	1,049,998
Proposed 2018 (FY19) General Obligation Bond**	-	-	450,417	-	-	-	-	65,000	65,000	-	280,828	280,828	-	-	-	450,417	345,828	796,245
<b>Total General Obligation Bonds</b>	<b>2,362,555</b>	<b>1,391,859</b>	<b>4,204,831</b>	<b>2,277,510</b>	<b>1,944,542</b>	<b>4,222,052</b>	<b>483,341</b>	<b>230,357</b>	<b>713,698</b>	<b>1,185,548</b>	<b>700,184</b>	<b>1,885,732</b>	<b>251,047</b>	<b>48,800</b>	<b>299,847</b>	<b>8,426,883</b>	<b>2,899,277</b>	<b>11,326,160</b>
<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 \$20.395 million debt service, 20 years at 4.25% level payments</p>																		
<b>Revenue Debt</b>	R- Board																	
2015D Revenue Bond	215,000	65,860	280,860															
<b>Total Revenue Bonds</b>	<b>215,000</b>	<b>65,860</b>	<b>280,860</b>															

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	FY 2019 Water & Sewer Proposed	Parking	TOTAL	R-Board
FY2019	3,748,190	4,219,905	450,000	<b>8,418,095</b>	649,990	1,606,493	352,000	299,747	<b>2,908,229</b>	<b>280,859</b>
FY2020	3,743,418	4,217,198	895,000	<b>8,855,616</b>	648,627	1,605,380	704,000	299,657	<b>3,257,664</b>	<b>279,584</b>
FY2021	3,269,695	4,217,620	895,000	<b>8,382,314</b>	512,232	1,261,832	704,000	301,380	<b>2,779,444</b>	<b>279,397</b>
FY2022	3,260,842	4,215,934	895,000	<b>8,371,775</b>	513,685	1,261,577	704,000	299,009	<b>2,778,270</b>	<b>278,697</b>
FY2023	3,102,680	4,195,798	895,000	<b>8,193,478</b>	496,314	1,248,619	704,000	298,497	<b>2,747,430</b>	<b>280,756</b>
FY2024	3,108,570	4,200,844	895,000	<b>8,204,415</b>	494,837	1,246,091	704,000	299,799	<b>2,744,727</b>	<b>282,047</b>
FY2025	3,102,133	4,198,235	895,000	<b>8,195,368</b>	496,409	1,243,240	704,000	297,006	<b>2,740,655</b>	-
FY2026	3,104,227	4,201,902	895,000	<b>8,201,129</b>	497,737	1,234,101	704,000	298,025	<b>2,733,863</b>	-
FY2027	2,429,220	4,201,809	895,000	<b>7,526,029</b>	495,404	1,223,164	704,000	-	<b>2,422,568</b>	-
FY2028	2,429,654	4,199,766	895,000	<b>7,524,420</b>	496,322	1,215,673	704,000	-	<b>2,415,995</b>	-
FY2029	2,242,494	4,196,455	895,000	<b>7,333,949</b>	464,812	619,297	704,000	-	<b>1,788,109</b>	-
FY2030	2,242,053	4,200,592	895,000	<b>7,337,645</b>	465,283	609,274	704,000	-	<b>1,778,557</b>	-
FY2031	2,242,852	833,547	895,000	<b>3,971,399</b>	465,530	153,267	704,000	-	<b>1,322,798</b>	-
FY2032	2,244,576	829,100	895,000	<b>3,968,676</b>	465,554	153,275	704,000	-	<b>1,322,828</b>	-
FY2033	2,243,031	830,744	895,000	<b>3,968,775</b>	465,353	153,209	704,000	-	<b>1,322,561</b>	-
FY2034	2,243,008	833,525	895,000	<b>3,971,533</b>	464,928	153,069	704,000	-	<b>1,321,997</b>	-
FY2035	2,241,238	830,272	895,000	<b>3,966,510</b>	464,304	152,852	704,000	-	<b>1,321,156</b>	-
FY2036	2,138,925	830,959	895,000	<b>3,864,884</b>	-	-	704,000	-	<b>704,000</b>	-
FY2037	2,136,538	830,509	895,000	<b>3,862,047</b>	-	-	704,000	-	<b>704,000</b>	-
FY2038	2,139,638	-	895,000	<b>3,034,638</b>	-	-	704,000	-	<b>704,000</b>	-
FY2039	-	-	445,000	<b>445,000</b>	-	-	352,000	-	<b>352,000</b>	-
<b>TOTAL</b>	<b>53,412,982</b>	<b>56,284,713</b>	<b>17,900,000</b>	<b>127,597,695</b>	<b>8,557,321</b>	<b>15,140,413</b>	<b>14,080,000</b>	<b>2,393,119</b>	<b>40,170,853</b>	<b>1,681,341</b>

General Fund Supported Principal and Interest Payments

General Fund Debt Service						
Fiscal Year	Principal	Payout	Interest	Existing Total	Proposed Debt Service	Existing & Proposed
FY2019	4,640,064	5.8%	3,328,031	7,968,095	450,000	8,418,095
FY2020	4,833,121	11.8%	3,127,495	7,960,616	895,000	8,855,616
FY2021	4,573,399	17.5%	2,913,915	7,487,314	895,000	8,382,314
FY2022	4,776,213	23.5%	2,700,563	7,476,776	895,000	8,371,776
FY2023	4,803,529	29.4%	2,494,949	7,298,478	895,000	8,193,478
FY2024	5,021,666	35.7%	2,287,748	7,309,415	895,000	8,204,415
FY2025	5,229,480	42.2%	2,070,888	7,300,369	895,000	8,195,369
FY2026	5,458,340	49.0%	1,847,788	7,306,129	895,000	8,201,129
FY2027	5,002,771	55.3%	1,628,258	6,631,030	895,000	7,526,030
FY2028	5,219,538	61.8%	1,409,882	6,629,420	895,000	7,524,420
FY2029	5,253,855	68.3%	1,185,094	6,438,950	895,000	7,333,950
FY2030	5,491,022	75.1%	951,623	6,442,646	895,000	7,337,646
FY2031	2,288,190	78.0%	788,210	3,076,400	895,000	3,971,400
FY2032	2,375,357	81.0%	698,320	3,073,677	895,000	3,968,677
FY2033	2,467,524	84.0%	606,251	3,073,776	895,000	3,968,776
FY2034	2,564,691	87.2%	511,842	3,076,534	895,000	3,971,534
FY2035	2,666,837	90.6%	404,672	3,071,511	895,000	3,966,511
FY2036	2,685,000	93.9%	284,884	2,969,885	895,000	3,864,885
FY2037	2,805,000	97.4%	162,047	2,967,048	895,000	3,862,048
FY2038	2,090,000	100.0%	49,638	2,139,638	895,000	3,034,638
FY2039	-		-	-	445,000	445,000
<b>TOTAL</b>	<b>80,245,597</b>		<b>29,452,098</b>	<b>109,697,706</b>	<b>17,900,000</b>	<b>127,597,706</b>