

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.

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.

Computation of Legal Debt Limit Margin		With Proposed FY 2020 Bonds
Assessed Value of Taxable Real Estate	4,196,415,083	4,196,415,083
Assessed Value – Exempt Real Estate	1,220,523,400	1,220,523,400
Total Assessed Value [1]	5,416,938,483	5,416,938,483
Debt Limit = 4.8% of Total Assessed Value[2]	260,013,047	260,013,047
Amount of Debt Applicable to Debt Limit [3]	(99,923,393)	(110,135,893)
Policy Debt Limit Margin [3]	160,089,654	149,877,154
Net Bonded Debt Per Capita for FY 2018 [4]	\$3,520	\$3,880
[1] Assessed Valuation as of July 1, 2017. Source - City of Fredericksburg Commissioner of the Revenue		
[2] Legal debt limit is 10% of taxable AV or \$419.6 million.		
[3] Gross Bonded Debt at year end FY2018. (excludes revenue bonds, capital leases, and amounts reserved for debt service.)		
[4] Weldon Cooper Population Est - July 1, 2018		

Based on the current policy, the City’s debt limit at June 30, 2018 was \$260 million. Outstanding debt is well below that limit at \$99.9 million, leaving a margin of \$160.1 million. On a per capita basis the number is \$3,520.

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 2020 City Manager's Recommended Budget proposes a debt issuance of approximately \$10.2 million of GO debt. Debt for a fire apparatus and the design of the proposed Gateway Boulevard extension total \$3.175 million. The debt service would be funded from general government revenues. However, the City is actively pursuing alternate funding sources for the Gateway Boulevard construction.

Water and wastewater improvements total \$7.0 million with debt service funded from system revenues. Bond proceeds will be used for preliminary engineering related to the expansion of Water Treatment Facility at Motts Reservoir and the consolidation of the City's wastewater treatment plant with the Massaponax Wastewater Treatment Plant in Spotsylvania County. The debt service on these improvements will be funded with water and sewer revenues. However, based on a number of factors including available balances, the City may decide to cash fund a portion of the projects. The debt issuance may also occur in FY 2021 depending on cash flow needs. The City will also issue revenues bonds on behalf of the R-Board for \$2.5 million to construct a new cell at the landfill in the fall of 2019.

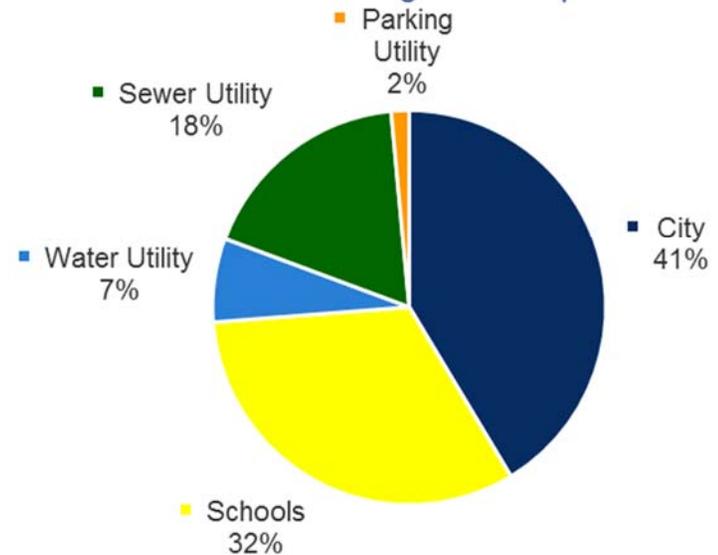
At the close of FY 2019, the City is projected to have \$110.6 million of general obligation debt. That number is estimated to be \$113.4 million at the close of FY2020. Approximately 25% of the GO debt will be supported by revenues from the City's water and sewer utility enterprise funds. The City uses motor fuel tax revenues to support the debt service in the parking enterprise fund.

Approximately half or \$68.6 million of the proposed general government FY 2020 – FY 2025 CIP is proposed for debt financing. Major projects include elementary and middle school expansion, Gateway Boulevard extension, stormwater management projects, a new fire station, and fire equipment.

The City will also issue \$76.1 million of GO debt supported by the system revenues from the water and sewer enterprise funds. Approximately \$10.8 million of debt will be issued during FY 2020 - FY 2025 for water system improvement related to the expansion of the Motts Reservoir. Debt will finance approximately 66% of CIP water system projects.

The proposed debt related to the wastewater fund totals \$62.8 million, or 83% of the CIP. The debt will fund the consolidation and improvements at the Massaponax Wastewater Treatment Facility, if the City determines to consolidate wastewater treatment with Spotsylvania County. The plan also must be approved the Spotsylvania County Board of Supervisors. The current timeframe and costs will be revised as new information becomes available.

FY 2020 General Obligation Debt Existing and Proposed



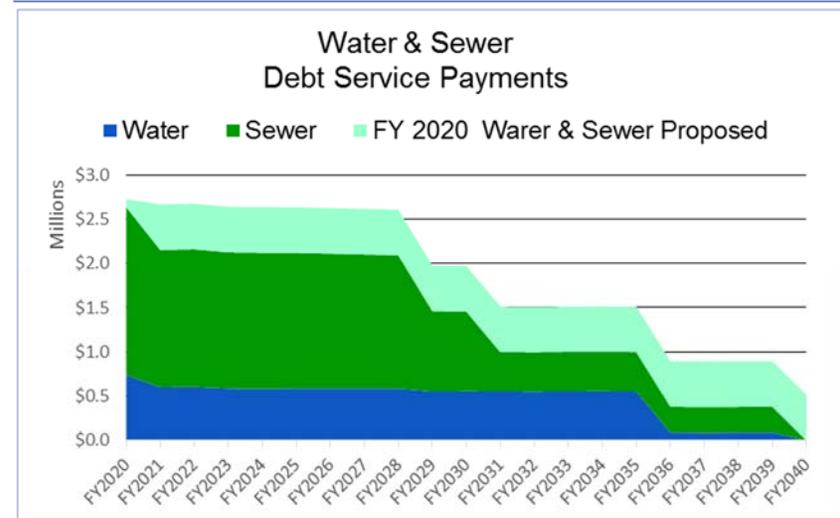
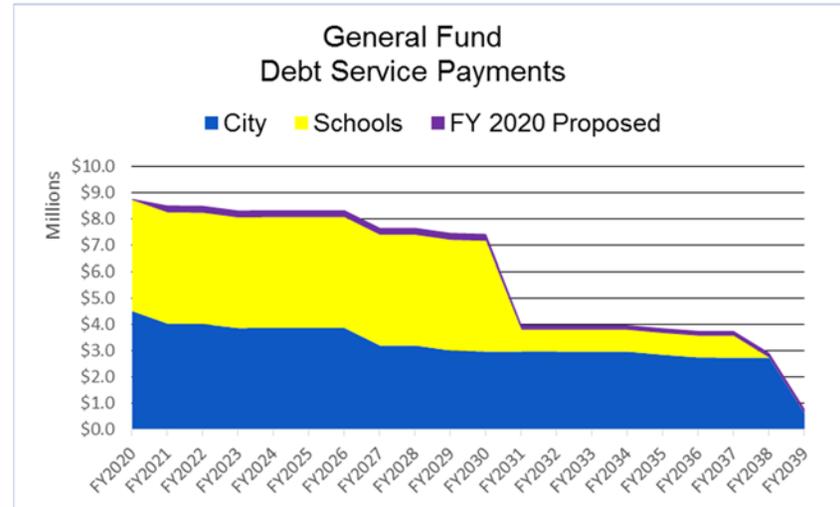
Debt Service

Total principal and interest in FY 2020 for current and proposed debt supported by the general fund is \$8.78 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 \$11.8 million. It includes \$4.6 million for general government purposes and \$4.2 million for school purposes. This also includes Enterprise Fund debt of \$738,000 for Water Fund purposes, \$2.01 million for Sewer Fund purposes, and \$300,000 for the Parking Garage. The FY 2020 Recommended Budget General Fund transfer to the Debt Service Fund is \$8.6 million, including \$40,000 for issuance costs. Debt service on the proposed GO bonds is not anticipated in FY 2020. The transfer is an increase of \$349,580 or 4.2% when compared to the FY 2019 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,
- Requested FY 2020 debt service appropriations,
- Annual debt service payments by fund,
- General Fund principal and interest payment schedule, and
- General Fund Supported Principal Payoff



SUMMARY OF OUTSTANDING DEBT (PRINCIPAL)														
EXISTING DEBT	Purpose	Original Issuance	Issue Date	Maturity Date	Balance 6/30/2018	Balance 6/30/2019	Balance 6/30/2020	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	30,515,000	28,615,000	26,620,000		26,620,000					
2007E General Obligation Bonds	Various wastewater and water projects and Riverfront Park land acquisition and development.	10,750,000	2007	8/1/2018	520,000	-								
2010A, 2010B, 2010C General Obligation Bonds	Wastewater Projects	6,220,000	2010	2/15/2030	4,250,000	3,965,000	3,670,000					3,670,000		
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	30,165,000	28,955,000	27,705,000	27,624,154	34,143	28,817	17,885			
2014A General Obligation Refunding Bonds	Refunded 2005 B bonds (Dixon Park, police headquarters, Sophia St parking garage)	6,820,000	2014	8/1/2025	5,515,000	4,880,000	4,230,000	2,557,670						1,672,330
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	6,600,000	6,490,000	5,840,000	1,343,200		233,600	4,263,200			
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	11,870,000	10,480,000	9,055,000	1,308,245		5,828,003	1,918,751			
2016A General Obligation Bond	Public Safety radio system, Original Walker Grant School site improvements	12,820,000	2016	10/1/2036	12,335,000	11,825,000	11,285,000	1,145,000	10,140,000	-	-			-
2018A General Obligation Bond	verfront Park, Executive Plaza, Stormwater, Ambulance, Water and Wastewater Projects	15,345,000	2018	10/1/2038	-	15,345,000	14,825,000	9,750,000	-	1,200,000	3,875,000			-
Existing Debt					101,770,000	110,555,000	103,230,000	43,728,269	36,794,143	7,290,420	13,744,836	1,672,330		
<i>Proposed 2020 General Obligation Bonds</i>	<i>Fire Apparatus</i>	<i>675,000</i>	<i>2020</i>	<i>12/1/2030</i>		<i>-</i>	<i>675,000</i>	<i>675,000</i>						
<i>Proposed 2020 General Obligation Bonds</i>	<i>Gateway Boulevard</i>	<i>2,500,000</i>	<i>2020</i>	<i>12/2/2040</i>			<i>2,500,000</i>	<i>2,500,000</i>						
<i>Proposed FY 2020 General Obligation Bonds - Utilities</i>	<i>Wastewater - Consolidation</i>	<i>491,300</i>	<i>2020</i>	<i>12/1/2040</i>			<i>491,300</i>			<i>491,300</i>				
<i>Proposed FY 2020 General Obligation Bonds - Utilities</i>	<i>Wastewater - Consolidation</i>	<i>6,546,200</i>	<i>2020</i>	<i>12/1/2040</i>		<i>-</i>	<i>6,546,200</i>				<i>6,546,200</i>			
Total FY2020 Proposed Debt		10,212,500					10,212,500	3,175,000	-	491,300	6,546,200			-
Total General Obligation Bond Debt	Existing and Proposed Debt				101,770,000	110,555,000	113,442,500	46,903,269	36,794,143	7,781,720	20,291,036	1,672,330		

SUMMARY OF OUTSTANDING DEBT (PRINCIPAL)								
EXISTING DEBT	Purpose	Original Issuance	Issue Date	Maturity Date	Balance 6/30/2018	Balance 6/30/2019	Balance 6/30/2020	Allocation By Sector
Revenue Debt								
2015D Revenue Bond (R-Board)	Solid waste - improvements at regional landfill	1,855,000	2015	10/1/2023	1,455,000	1,670,000	1,455,000	
<i>Proposed 2019 (FY20) Revenue Bonds</i>	<i>Solid waste - improvements at regional landfill</i>	<i>2,500,000</i>	<i>2019</i>	<i>12/1/1936</i>	<i>-</i>		<i>2,186,000</i>	
Total Revenue Bond Debt	Existing and Proposed Debt						3,641,000	

FY 2020 Recommended Budget - FY 2020 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*	-		1,995,000	1,371,093	3,366,093			-								3,366,093	-	3,366,093
2010A, 2010B, 2010C General Obligation Bonds					-			-		295,000	212,385	507,385				-	507,385	507,385
2011A General Obligation Bonds	1,209,577	1,102,225	2,311,802	17,073	1,921	18,994	14,409	1,621	16,030	8,943	1,612	10,555				2,330,796	26,585	2,357,381
2014A General Obligation Refunding Bonds	393,023	65,275	458,298			-			-				256,978	42,680	299,658	458,298	299,658	757,956
2014B General Obligation Refunding Bonds	149,500	36,158	185,658			-	26,000	6,289	32,289	474,500	114,862	589,362				185,658	621,651	807,309
2015A General Obligation Bonds	528,950	42,624	571,574			-	453,355	145,727	599,082	442,697	54,786	497,483				571,574	1,096,565	1,668,139
2016A General Obligation Bond	160,000	61,857	221,857	380,000	452,113	832,113	-	-	-	-	-	-	-	-	-	1,053,970	-	1,053,970
2018(A) G.O. Bonds	355,000	419,682	774,682	-	-	-	40,000	50,975	90,975	125,000	164,594	289,594	-	-	-	774,682	380,569	1,155,251
2020 G.O. Bonds (Wastewater & Fire Equip)**	-	40,000	40,000	-	-	-	-	-	-	-	90,000	90,000	-	-	-	40,000	90,000	130,000
Total General Obligation Bonds	2,796,050	1,767,821	4,563,871	2,392,073	1,825,127	4,217,200	533,764	204,612	738,376	1,346,140	638,239	1,984,379	256,978	42,680	299,658	8,781,071	3,022,413	11,803,484
<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>																		
Revenue Debt	R- Board																	Revenue Debt
2015D Revenue Bond	215,000	65,859	280,859															280,859
Proposed FY 2020 Revenue Bonds**	314,000	229,000	543,000															543,000
Total Revenue Bonds	529,000	294,859	823,859															823,859
TOTAL Debt Service																	12,627,343	
**Includes cost of issuance																		

DEBT SERVICE - Payments by Fiscal Year

General Obligation Debt												
Fiscal Year	General Government Funds				Enterprise Funds*					Revenue Debt		
	City	Schools	FY 2020 Proposed	TOTAL	Water	Sewer	FY 2020 Waver & Sewer Proposed	Parking	TOTAL	R-Board	FY 2020 R-Board	TOTAL
FY2020	4,518,099	4,217,198	40,000	8,775,297	739,602	1,894,974	90,000	299,657	3,024,233	279,584	543,000	822,584
FY2021	4,041,251	4,217,620	264,400	8,523,271	601,207	1,550,051	514,600	301,380	2,967,238	279,397	416,700	696,097
FY2022	4,028,523	4,215,934	264,400	8,508,857	605,535	1,553,046	514,600	299,009	2,972,189	278,697	416,700	695,397
FY2023	3,870,612	4,195,798	264,400	8,330,809	585,914	1,537,963	514,600	298,497	2,936,974	280,756	416,700	697,456
FY2024	3,880,627	4,200,844	264,400	8,345,871	582,187	1,537,935	514,600	299,799	2,934,521	282,047	416,700	698,747
FY2025	3,877,064	4,198,235	264,400	8,339,699	586,384	1,532,209	514,600	297,006	2,930,199	-	416,700	416,700
FY2026	3,875,908	4,201,902	264,400	8,342,210	585,212	1,524,820	514,600	298,025	2,922,656	-	416,700	416,700
FY2027	3,206,402	4,201,809	264,400	7,672,610	585,254	1,515,132	514,600	-	2,614,986	-	-	-
FY2028	3,205,960	4,199,766	264,400	7,670,126	588,297	1,503,517	514,600	-	2,606,414	-	-	-
FY2029	3,016,676	4,196,455	264,400	7,477,531	553,787	907,641	514,600	-	1,976,028	-	-	-
FY2030	2,974,334	4,200,592	264,400	7,439,326	556,783	899,668	514,600	-	1,971,051	-	-	-
FY2031	2,978,784	833,547	182,800	3,995,131	555,080	442,436	514,600	-	1,512,116	-	-	-
FY2032	2,978,276	829,100	182,800	3,990,176	553,113	440,934	514,600	-	1,508,647	-	-	-
FY2033	2,976,025	830,744	182,800	3,989,569	555,496	443,009	514,600	-	1,513,105	-	-	-
FY2034	2,972,002	833,525	182,800	3,988,327	557,172	443,669	514,600	-	1,515,441	-	-	-
FY2035	2,852,732	830,272	182,800	3,865,803	553,548	443,852	514,600	-	1,511,999	-	-	-
FY2036	2,749,419	830,959	182,800	3,763,178	91,144	291,000	514,600	-	896,744	-	-	-
FY2037	2,745,231	830,509	182,800	3,758,541	87,944	290,600	514,600	-	893,144	-	-	-
FY2038	2,746,809	-	182,800	2,929,609	89,803	290,316	514,600	-	894,719	-	-	-
FY2039	610,875	-	182,800	793,675	91,631	290,166	514,600	-	896,397	-	-	-
FY2040	-	-	182,800	182,800	-	-	514,600	-	-	-	-	-
TOTAL	64,105,608	52,064,808	4,512,000	120,682,416	9,705,094	19,332,936	10,382,000	2,093,372	40,998,802	1,400,481	3,043,200	4,443,681

General Fund Supported Principal and Interest Payments

Fiscal Year	General Fund Debt Service				Existing & Proposed
	Principal	Interest	Existing Total	Proposed Debt Service	
FY2020	5,188,121	3,552,333	8,740,454	40,000	8,780,454
FY2021	4,943,399	3,320,419	8,263,819	264,400	8,528,219
FY2022	5,161,213	3,087,983	8,249,196	264,400	8,513,596
FY2023	5,208,529	2,857,881	8,066,409	264,400	8,330,809
FY2024	5,451,666	2,629,805	8,081,471	264,400	8,345,871
FY2025	5,684,480	2,390,819	8,075,299	264,400	8,339,699
FY2026	5,933,340	2,144,470	8,077,810	264,400	8,342,210
FY2027	5,507,771	1,900,440	7,408,210	264,400	7,672,610
FY2028	5,749,538	1,656,188	7,405,726	264,400	7,670,126
FY2029	5,808,855	1,404,275	7,213,131	264,400	7,477,531
FY2030	6,026,022	1,148,904	7,174,926	264,400	7,439,326
FY2031	2,843,190	969,141	3,812,331	182,800	3,995,131
FY2032	2,945,357	862,020	3,807,376	182,800	3,990,176
FY2033	3,057,524	749,245	3,806,769	182,800	3,989,569
FY2034	3,174,691	630,835	3,805,527	182,800	3,988,327
FY2035	3,181,837	501,166	3,683,003	182,800	3,865,803
FY2036	3,220,000	360,378	3,580,378	182,800	3,763,178
FY2037	3,360,000	215,741	3,575,741	182,800	3,758,541
FY2038	2,665,000	81,809	2,746,809	182,800	2,929,609
FY2039	600,000	10,875	610,875	182,800	445,000
FY2040	-	-	-	182,800	182,800
TOTAL	85,710,533	30,474,727	116,185,260	4,512,000	120,348,585

General Fund Supported Principal Payoff

Fiscal Year	General Fund Principal Payments				
	Principal	Payout	Proposed Debt Service	Existing & Proposed	Payout
FY2020	5,188,121	6.1%		5,188,121	5.8%
FY2021	4,943,399	11.8%	141,000	5,084,399	11.6%
FY2022	5,161,213	17.8%	146,000	5,307,213	17.5%
FY2023	5,208,529	23.9%	152,000	5,360,529	23.6%
FY2024	5,451,666	30.3%	158,000	5,609,666	29.9%
FY2025	5,684,480	36.9%	164,000	5,848,480	36.4%
FY2026	5,933,340	43.8%	171,000	6,104,340	43.3%
FY2027	5,507,771	50.3%	177,000	5,684,771	49.7%
FY2028	5,749,538	57.0%	184,000	5,933,538	56.4%
FY2029	5,808,855	63.7%	192,000	6,000,855	63.1%
FY2030	6,026,022	70.8%	198,000	6,224,022	70.1%
FY2031	2,843,190	74.1%	125,000	2,968,190	73.5%
FY2032	2,945,357	77.5%	130,000	3,075,357	76.9%
FY2033	3,057,524	81.1%	135,000	3,192,524	80.5%
FY2034	3,174,691	84.8%	140,000	3,314,691	84.3%
FY2035	3,181,837	88.5%	146,000	3,327,837	88.0%
FY2036	3,220,000	92.3%	152,000	3,372,000	91.8%
FY2037	3,360,000	96.2%	158,000	3,518,000	95.8%
FY2038	2,665,000	99.3%	164,000	2,829,000	98.9%
FY2039	600,000	100.0%	171,000	771,000	99.8%
FY2040	-		171,000	171,000	100.0%
TOTAL	85,710,533		3,175,000	88,885,533	

