

# 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.

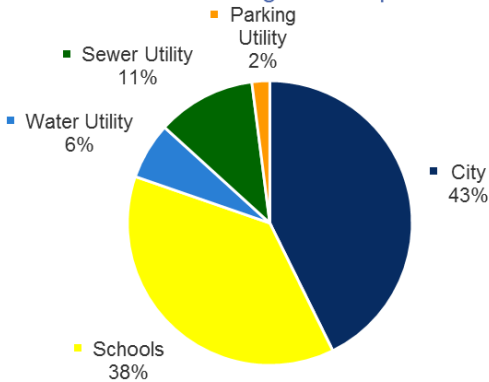
## Legal Debt Limit

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. This Constitutional limit is significantly higher than that established by the City Council.

The City issues General Obligation (GO) Bonds and Revenue Bonds. Landfill revenue bonds were issued in 2015 for the R-Board and are not included in the Legal Debt Limit computation.

Computation of Legal Debt Limit Margin (As of June 30, 2016 )	
Assessed Value of Taxable Real Estate	3,950,614,400
Assessed Value – Public Service Corporation	98,217,708
<u>Assessed Value – Exempt Real Estate</u>	<u>1,205,821,800</u>
Total Assessed Value [1]	5,254,653,908
Debt Limit = 4.8% of Total Assessed Value	252,223,388
<u>Amount of Debt Applicable to Debt Limit [2]</u>	<u>(114,688,000)</u>
<b>Legal Debt Limit Margin</b>	<b>137,535,388</b>
Net Bonded Debt Per Capita for FY 2016 [3]	\$4,253
<i>[1] Assessed Valuation as of July 1, 2016, Source - City of Fredericksburg Commission of the Revenue</i>	
<i>[2] Gross Bonded Debt as of the close of Fiscal Year 2016, Source - FY 2016 Comprehensive Annual Financial Report (CAFR)</i>	
<i>[3] Based on the Weldon Cooper Population Estimate as of January 2016 of 26,969.</i>	

FY 2018 General Obligation Debt Existing and Proposed



All GO bonds that are included in the calculation carry the City’s full faith and credit pledge. The security for these bonds is the City’s 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. Based on the current policy, the City’s debt limit at June 30, 2016 was \$252.2 million. Outstanding debt is well below that limit at \$114.69 million, leaving a margin of \$137.66 million.

## Debt Service

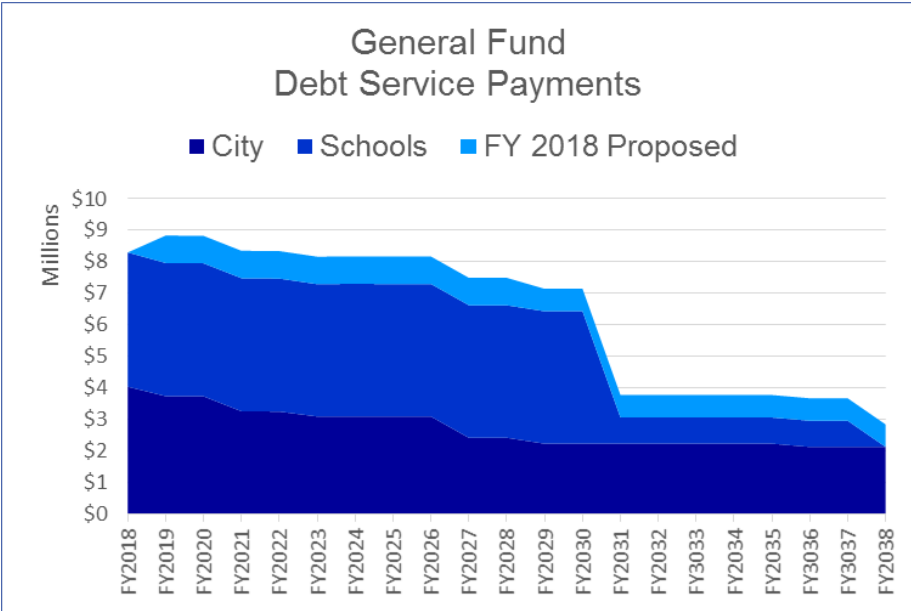
The debt service schedules on the following pages reflect bonds issued through the end of FY 2016. No additional debt is planned for FY 2017. Debt service payments for bonds issued in FY 2018 will begin in FY 2019.

Total principal and interest in FY 2018 for debt supported by the general fund is \$8.3 Million. However, the General Fund transfer to support school debt 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.

Debt Service as a Percentage of Revenues			
	Fund Total	Debt Service	% of Total
General Fund	93,515,000	8,302,892	8.88%
Water Fund	5,098,992	829,939	16.28%
Sewer Fund	7,892,882	1,609,652	20.39%
Parking Fund	872,000	299,696	34.37%

The FY 2018 Recommended Budget proposes a debt issuance of \$11.03 million. Proceeds will be used for the following projects:

- \$5 Million Riverfront Park Construction
- \$3.23 Million Public Works projects including Fall Hill Avenue improvements and a new salt storage building
- \$1.5 Million Enterprise Wide Resource Computer System
- \$1.3 Million School improvements - new roof at Walker Grant Middle School.



The estimated debt service related to the issuance in FY 2019 bonds is \$890,000. Of that amount, approximately \$366,000 is related to Riverfront Park. Please note, the Fall Hill Avenue project is a FY 2017 project.

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 2018 debt service appropriations
- General fund principal and interest payments, and
- Annual debt service payments.

## General Fund Supported Principal and Interest Payments

General Obligation Debt							
Fiscal Year	General Fund Debt Service						
	Existing Debt			Proposed Debt			TOTAL
	Principal	Interest	Existing Total	Principal	Interest	Proposed Total	
FY2018	4,775,957	3,526,935	8,302,892	-	-	-	<b>8,302,892</b>
FY2019	4,640,064	3,328,031	7,968,095	434,758	435,242	870,000	<b>8,838,095</b>
FY2020	4,833,121	3,127,495	7,960,616	452,044	417,956	870,000	<b>8,830,616</b>
FY2021	4,573,399	2,913,915	7,487,314	470,017	399,983	870,000	<b>8,357,314</b>
FY2022	4,776,213	2,700,563	7,476,775	488,706	381,294	870,000	<b>8,346,775</b>
FY2023	4,803,529	2,494,949	7,298,478	508,138	361,862	870,000	<b>8,168,478</b>
FY2024	5,021,666	2,287,748	7,309,415	528,343	341,657	870,000	<b>8,179,415</b>
FY2025	5,229,480	2,070,888	7,300,368	549,353	320,647	870,000	<b>8,170,368</b>
FY2026	5,458,340	1,847,788	7,306,129	571,198	298,802	870,000	<b>8,176,129</b>
FY2027	5,002,771	1,628,258	6,631,029	593,913	276,087	870,000	<b>7,501,029</b>
FY2028	5,219,538	1,409,882	6,629,420	617,532	252,468	870,000	<b>7,499,420</b>
FY2029	5,253,855	1,185,094	6,438,949	483,522	228,478	712,000	<b>7,150,949</b>
FY2030	5,491,022	951,623	6,442,645	503,057	208,943	712,000	<b>7,154,645</b>
FY2031	2,288,190	788,210	3,076,399	523,380	188,620	712,000	<b>3,788,399</b>
FY2032	2,375,357	698,320	3,073,676	544,525	167,475	712,000	<b>3,785,676</b>
FY3033	2,467,524	606,251	3,073,775	566,523	145,477	712,000	<b>3,785,775</b>
FY2034	2,564,691	511,842	3,076,533	589,411	122,589	712,000	<b>3,788,533</b>
FY2035	2,666,837	404,672	3,071,510	613,223	98,777	712,000	<b>3,783,510</b>
FY3036	2,685,000	284,884	2,969,884	637,997	74,003	712,000	<b>3,681,884</b>
FY3037	2,805,000	162,047	2,967,047	663,772	48,228	712,000	<b>3,679,047</b>
FY2038	2,090,000	49,638	2,139,638	690,589	21,411	712,000	<b>2,851,638</b>
<b>TOTAL</b>	<b>85,021,554</b>	<b>32,979,033</b>	<b>118,000,587</b>	<b>11,030,000</b>	<b>4,790,000</b>	<b>15,820,000</b>	<b>133,820,587</b>

All Funds - General Obligation & Revenue Debt Payments by Fiscal Year

General Obligation Debt								Revenue Debt	
Fiscal Year	General Government Funds				Enterprise Funds				Revenue
	City	Schools*	FY 2018 Proposed	TOTAL	Water	Sewer	Parking	TOTAL	R-Board
FY2018	4,046,042	4,256,850		<b>8,302,892</b>	829,939	1,609,652	299,696	<b>2,739,288</b>	<b>281,622</b>
FY2019	3,748,190	4,219,905	870,000	<b>8,838,095</b>	649,990	1,606,493	299,747	<b>2,556,229</b>	<b>280,859</b>
FY2020	3,743,418	4,217,198	870,000	<b>8,830,616</b>	648,627	1,605,380	299,657	<b>2,553,664</b>	<b>279,584</b>
FY2021	3,269,695	4,217,620	870,000	<b>8,357,314</b>	512,232	1,261,832	301,380	<b>2,075,444</b>	<b>279,397</b>
FY2022	3,260,842	4,215,934	870,000	<b>8,346,775</b>	513,685	1,261,577	299,009	<b>2,074,270</b>	<b>278,697</b>
FY2023	3,102,680	4,195,798	870,000	<b>8,168,478</b>	496,314	1,248,619	298,497	<b>2,043,430</b>	<b>280,756</b>
FY2024	3,108,570	4,200,844	870,000	<b>8,179,415</b>	494,837	1,246,091	299,799	<b>2,040,727</b>	<b>282,047</b>
FY2025	3,102,133	4,198,235	870,000	<b>8,170,368</b>	496,409	1,243,240	297,006	<b>2,036,655</b>	-
FY2026	3,104,227	4,201,902	870,000	<b>8,176,129</b>	497,737	1,234,101	298,025	<b>2,029,863</b>	-
FY2027	2,429,220	4,201,809	870,000	<b>7,501,029</b>	495,404	1,223,164	-	<b>1,718,568</b>	-
FY2028	2,429,654	4,199,766	870,000	<b>7,499,420</b>	496,322	1,215,673	-	<b>1,711,995</b>	-
FY2029	2,242,494	4,196,455	712,000	<b>7,150,949</b>	464,812	619,297	-	<b>1,084,109</b>	-
FY2030	2,242,053	4,200,592	712,000	<b>7,154,645</b>	465,283	609,274	-	<b>1,074,557</b>	-
FY2031	2,242,852	833,547	712,000	<b>3,788,399</b>	465,530	153,267	-	<b>618,798</b>	-
FY2032	2,244,576	829,100	712,000	<b>3,785,676</b>	465,554	153,275	-	<b>618,828</b>	-
FY3033	2,243,031	830,744	712,000	<b>3,785,775</b>	465,353	153,209	-	<b>618,561</b>	-
FY2034	2,243,008	833,525	712,000	<b>3,788,533</b>	464,928	153,069	-	<b>617,997</b>	-
FY2035	2,241,238	830,272	712,000	<b>3,783,510</b>	464,304	152,852	-	<b>617,156</b>	-
FY3036	2,138,925	830,959	712,000	<b>3,681,884</b>	-	-	-	-	-
FY3037	2,136,538	830,509	712,000	<b>3,679,047</b>	-	-	-	-	-
FY2038	2,139,638	-	712,000	<b>2,851,638</b>	-	-	-	-	-
<b>TOTAL</b>	<b>57,459,024</b>	<b>60,541,563</b>	<b>15,820,000</b>	<b>133,820,587</b>	<b>9,387,261</b>	<b>16,750,065</b>	<b>2,692,815</b>	<b>28,830,141</b>	<b>1,962,963</b>

Summary of Outstanding Debt (Principal)

Outstanding Debt	Purpose	Original Issuance	Issue Date	Maturity Date	Principal Allocation By Sector					Balance 6/30/2017	Balance 6/30/2018
					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				32,320,000	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	234,600		40,800	744,600		1,020,000	520,000
2009A General Obligation Refunding Bonds	Refunded 1998A bonds (water and wastewater projects, street, education and communications center)	4,162,000	2009	6/1/2018	281,700	34,904	176,396			493,000	-
2010A, 2010B, 2010C General Obligation Bonds	Wastewater Projects	6,220,000	2010	2/15/2030				4,525,000		4,525,000	4,250,000
2011A General Obligation Bonds	New courthouse and related improvements and refunded 2001A bonds (Conwan Blvd, Dixon St recreation center, fire ladder truck)	36,650,000	2011	7/15/2037	31,130,810	86,236	72,782	45,172		31,335,000	30,165,000
2014A General Obligation Refunding Bonds	Refunded 2005 B bonds (Dixon Park, police headquarters, Sophia St parking garage)	6,820,000	2014	8/1/2025	3,709,528				2,425,472	6,135,000	5,515,000
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	1,543,300		268,400	4,898,300		6,710,000	6,600,000
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	2,855,475		7,155,585	3,213,940		13,225,000	11,870,000
<u>2016A General Obligation Bond</u>	<u>Public Safety radio system, Original Walker Grant School site improvements</u>	<u>12,820,000</u>	<u>2016</u>	<u>10/1/2036</u>	<u>1,600,000</u>	<u>11,225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,825,000</u>	<u>12,335,000</u>
<b>Total G.O. Outstanding Principal Existing Debt</b>					<b>41,355,413</b>	<b>43,666,140</b>	<b>7,713,963</b>	<b>13,427,012</b>	<b>2,425,472</b>	<b>108,588,000</b>	<b>101,770,000</b>
<i>Proposed FY 2018 General Obligation Bonds</i>	<i>Riverfront Park, Salt Storage Facility, Walker Grant Roof, Fall Hill Avenue</i>	<i>11,030,000</i>	<i>Spring 2018</i>	<i>2038</i>	<i>9,730,000</i>	<i>1,300,000</i>				<i>-</i>	<i>11,030,000</i>
<b>TOTAL GENERAL OBLIGATION OUTSTANDING PRINCIPAL</b>	<b>Existing and Proposed Debt</b>				<b>51,085,413</b>	<b>44,966,140</b>	<b>7,713,963</b>	<b>13,427,012</b>	<b>2,425,472</b>	<b>108,588,000</b>	<b>112,800,000</b>

Revenue Debt								
2015D Revenue Bond (R-Board)	Solid waste - improvements at regional landfill	1,855,000	2015	10/1/2023			1,660,000	1,455,000

FY 2018 Debt Service Appropriation - Debt Payments by Sector

FY 2018 Debt Service	FY 2018 Appropriation - Allocation By Sector															FY 2018 Total G.O. Debt Service		
	City			Schools			Water Utility			Sewer Utility			Parking Utility			Total General Fund	Total Enterprise Funds	Total GO Debt
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total			
2004A General Obligation School Bonds*				1,805,000	1,564,893	3,369,893										3,369,893	-	3,369,893
2007E General Obligation Bonds	115,000	7,084	122,084				20,000	1,232	21,232	365,000	22,484	387,484				122,084	408,716	530,800
2009A General Obligation Refunding Bonds	281,700	8,451	290,151	34,904	1,047	35,952	176,395	5,292	181,687							326,103	181,687	507,790
2010A, 2010B, 2010C General Obligation Bonds										275,000	232,160	507,160				-	507,160	507,160
2011A General Obligation Bonds	1,128,540	1,192,478	2,321,018	17,510	3,355	20,865	14,778	4,181	18,959	9,172	6,074	15,246				2,341,883	34,204	2,376,088
2014A General Obligation Refunding Bonds	374,883	83,473	458,356										245,117	54,579	299,696	458,356	299,696	758,053
2014B General Obligation Refunding Bonds	25,300	39,032	64,332				4,400	6,788	11,188	80,300	123,883	204,183				64,332	215,371	279,703
2015A General Obligation Bonds	503,119	66,248	569,367				430,864	166,009	596,873	421,017	74,563	495,580				569,367	1,092,453	1,661,820
2016A General Obligation Bond**	145,000	75,734	220,734	345,000	485,141	830,141	-	-	-	-	-	-	-	-	-	1,050,875	-	1,050,875
<b>FY 2018 General Obligation Bonds Total Appropriation</b>	<b>2,573,542</b>	<b>1,472,500</b>	<b>4,046,042</b>	<b>2,202,414</b>	<b>2,054,436</b>	<b>4,256,850</b>	<b>646,438</b>	<b>183,502</b>	<b>829,939</b>	<b>1,150,489</b>	<b>459,164</b>	<b>1,609,652</b>	<b>245,117</b>	<b>54,579</b>	<b>299,696</b>	<b>8,302,892</b>	<b>2,739,288</b>	<b>11,042,180</b>
															*VPSA Credit		(153,884)	
															Required General Fund Transfer		8,149,008	
<b>Revenue Debt</b>	<b>R- Board</b>																	
2015D Revenue Bond	205,000	76,622	281,622															
<b>Total Revenue Bonds</b>	<b>205,000</b>	<b>76,622</b>	<b>281,622</b>															

\* 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 savings on annual debt service of the 2004A Bonds.