

DEBT

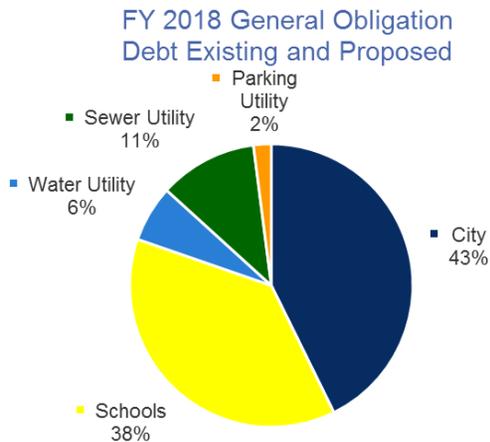
The City of Fredericksburg maintains an active debt management program to fund long-term capital improvements. A strategy of using “pay-as-you-go” and debt financing provides flexibility in addressing the needs identified in the Capital Improvements Plan. In addition, it ensures that resources are available 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. 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, 2017)	
Assessed Value of Taxable Real Estate	3,956,381,500
Assessed Value – Public Service Corporation	103,541,921
Assessed Value – Exempt Real Estate	<u>1,206,050,300</u>
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]	<u>(106,587,510)</u>
Legal Debt Limit Margin	146,179,229
Net Bonded Debt Per Capita for FY 2017 [3]	\$3,944
<i>[1] Assessed Valuation as of July 1, 2017, Source - City of Fredericksburg Commission of the Revenue</i>	
<i>[2] Gross Bonded Debt as of the close of FY17 (Excludes revenue bonds, capital leases, and amounts reserved for debt service)</i>	
<i>[3] Based on the Weldon Cooper Center population estimate of 27,025 (January 2017).</i>	



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

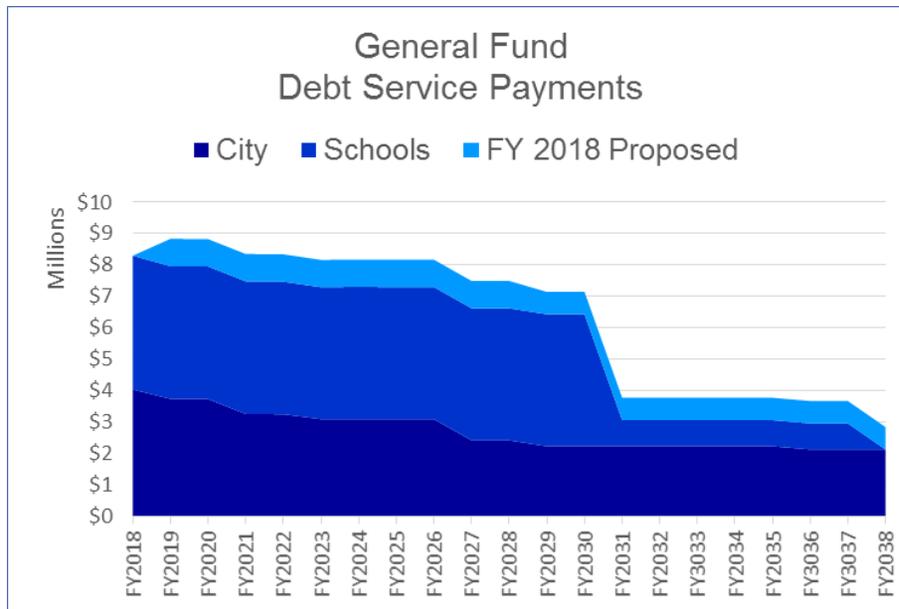
The debt service schedules on the following pages reflect bonds issued through the end of FY 2016. No additional debt is planned for FY 2017. Debt service payments for bonds issued in FY 2018 will begin in FY 2019.

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.

FY 18 General Obligation Debt Service as a Percentage of Revenues			
	Fund Total	Debt Service	% of Total
General Fund	93,475,000	8,302,892	8.88%
Water Fund	5,101,580	829,939	16.27%
Sewer Fund	7,740,947	1,609,652	20.79%
Parking Fund	872,239	299,696	34.36%

The FY 2018 Recommended Budget proposes a debt issuance of approximately \$11 million. Proceeds will be used for the following projects:

- \$5 Million Riverfront Park Construction
- \$3.2 Million Public Works projects including a new salt storage building
- \$1.5 Million Enterprise Wide Resource Computer System
- \$1.3 Million School improvements – Including a new roof at Walker Grant Middle School and HVAC at Hugh Mercer



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

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

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		
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				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>
Total G.O. Outstanding Principal Existing Debt					41,355,413	43,666,140	7,713,963	13,427,012	2,425,472	108,588,000	101,770,000
<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>
TOTAL GENERAL OBLIGATION OUTSTANDING PRINCIPAL	Existing and Proposed Debt				51,085,413	44,966,140	7,713,963	13,427,012	2,425,472	108,588,000	112,800,000

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

