

# Debt Management

## DESCRIPTION

Debt service is an expense to the County for principal and interest payments on financing mechanisms, which include: general obligation bonds, revenue bonds, lease-purchase arrangements and loans from the Virginia Department of Education Literary Loan Fund.

The Constitution of Virginia and the Virginia Public Finance Act provide the county with authority to issue general obligation debt secured solely by the pledge of its full faith and credit. The issuance of general obligation bonds must have been approved by public referendum, unless such bonds are issued to certain State authorities. In the Commonwealth of Virginia, there is no statutory limitation on the amount of general obligation debt the County may incur. It should be noted that the County is restricted by its own policies to borrowing no more than

2.5% of its assessed value of taxable real and personal property. Debt secured solely by the revenues generated by the system for which the bonds were issued may be issued in any amount without a public referendum.

As of June 30, 2007, the County had total bonded debt outstanding of \$185.7 million. Of this amount, \$141.6 million comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured by specified revenue sources (i.e., revenue bonds and obligations under capital leases).

The County's commitment to established debt and financial management policies has enabled the County to achieve AAA bond ratings from Fitch Ratings, AA+ from Standard & Poor's, and Aa1 from Moody's Investors Services.

## DEBT MANAGEMENT

The process of debt funding begins with the Five-Year Capital Improvements Program (CIP). The Board of Supervisors is not only approving which projects are to be funded in which year, but the Board also approves a

means of financing. The debt service of the CIP is designed to have minimal impact on the General Fund balance and not produce wide fluctuations of annual debt service requirements.

## BUDGET SUMMARY

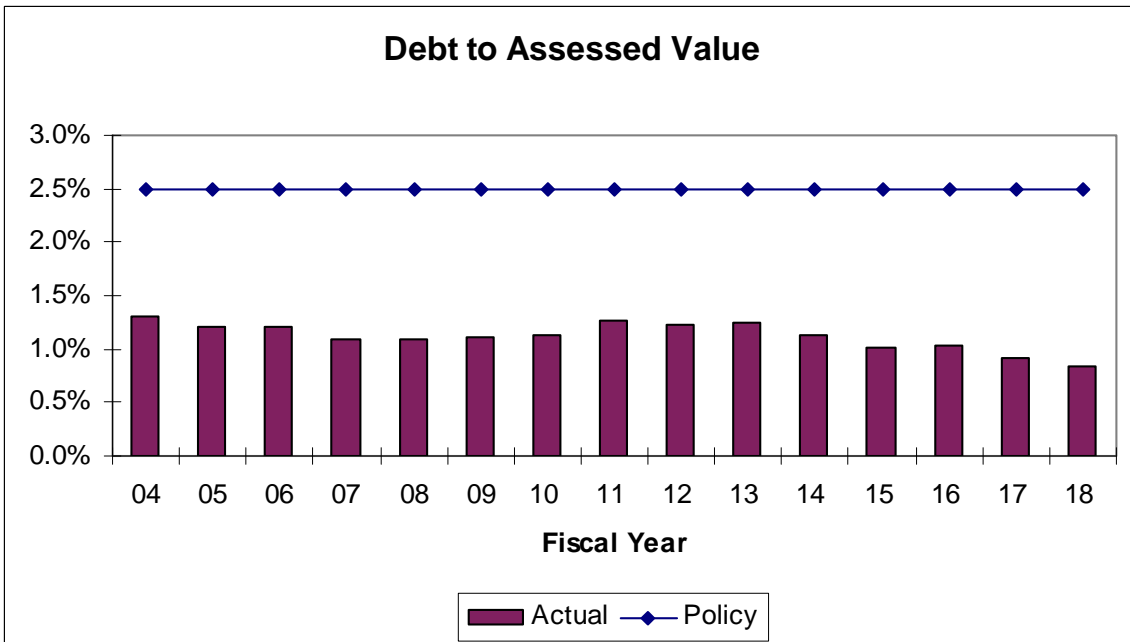
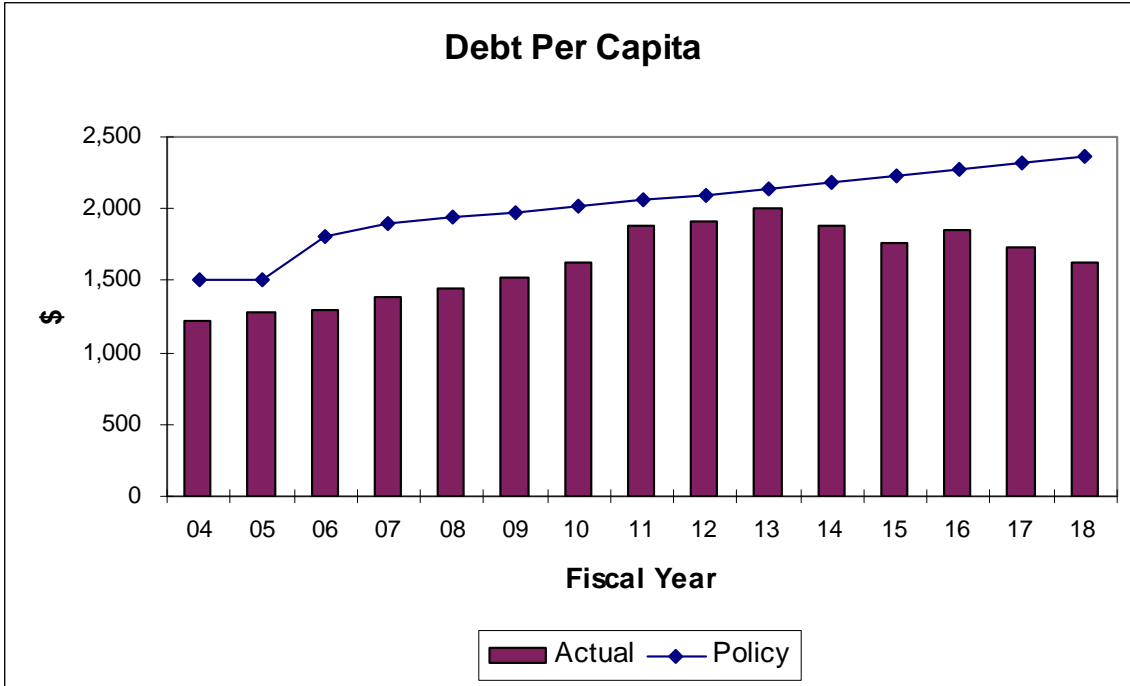
	<b>FY07 Actual</b>	<b>FY08 Budget</b>	<b>FY09 Budget</b>	<b>FY08 to FY09</b>	<b>FY10 Plan</b>
Debt Service					
Principal	\$ 1,220,185	\$ 1,578,504	\$ 1,697,930	7.6%	\$ 2,443,583
Interest	292,753	696,081	514,193	(26.1%)	\$ 1,228,593
Total Debt Service	<u>\$ 1,512,938</u>	<u>\$ 2,274,585</u>	<u>\$ 2,212,123</u>	<u>(2.7%)</u>	<u>\$ 3,672,176</u>

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## DEBT RATIO POLICIES

In an effort to maintain fiscal restraint and control, the Board of Supervisors has established guidelines for each of the following debt ratios: debt per capita (\$1,900 growing by 2% annually beginning FY2008); debt to assessed value (2.5%); debt service to

general government expenditures (10%); and debt per per capita income (\$5,000). The following graphs illustrate the County's actual and projected compliance with the debt policy:



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