

DEBT MANAGEMENT

DEBT MANAGEMENT AND POLICIES

Pursuant to the Constitution of Virginia and the Public Finance Act, the County is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. To pay the interest and principal on such bonds, the governing body is authorized and required to levy on all taxable property within the County such *ad valorem* taxes as may be necessary. However, in Virginia, counties, unlike cities, are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum or unless the bonds are issued to certain state authorities, such as the Virginia Public School Authority (VPSA).

Debt Limit

There is no legal debt limit for counties in Virginia, since the issuance of all county general obligation debt is subject to referendum.

Debt Service Policies

The Albemarle County Financial Management Policies, as approved and last amended by the Board of Supervisors in October 2000, include the following section on debt service policies:

- The County will not fund current operations from the proceeds of borrowed funds.
- The County will manage its financial resources in a way that prevents borrowing to meet working capital needs.
- The County will confine long-term borrowing and capital leases to capital improvements or projects that cannot be financed by current revenues.
- To the extent feasible, any year that the debt service payment falls below its current level, those savings will be used to finance one-time capital needs.
- When the County finances capital improvements or other projects through bonds or capital leases, it will repay the debt within a period not to exceed the expected useful life of the projects.
- The County's debt offering documents will provide full and complete public disclosure of financial condition and operating results and other pertinent credit information in compliance with municipal finance industry standards for similar issues.
- Recognizing the importance of underlying debt to its overall financial condition, the County will set target debt ratios, which will be calculated annually and included in the annual review of fiscal trends:
 - Net debt as a percentage of the estimated market value of taxable property should not exceed 2%.
 - The ratio of debt service expenditures as a percent of general fund and school fund revenues should not exceed 10%.

OUTSTANDING LONG-TERM DEBT OBLIGATIONS

School Related Debt

At the end of FY 04/05, Albemarle County held \$83.765 million in outstanding long-term debt through the year 2024. Of that total amount, \$83.165 million is outstanding general obligation bonds (VPSA) for school projects and approximately \$0.6 million is outstanding for school projects through the State Literary Loan Fund.

A summary of school related general long-term obligations outstanding at June 30, 2005 follows:

Issue	Issue Date	Retire Date	Interest Rate	Original Issue	Principal Installments	Balances as of 06/30/2005
Literary Loans	Various	2003-2009	3% - 4%	\$2,145,878	Various Annual	\$600,000
1991 A Series	05/23/1991	12/15/2010	6.35% - 8.1%	\$3,000,000	Various Annual	\$915,000
1992 A Series	12/17/1992	12/15/2012	5.85% - 8.1%	\$2,885,000	Various Annual	\$975,000
1993 A Series	11/18/1993	12/15/2013	4.475% - 5%	\$11,900,000	Various Annual	\$2,840,000
1994 A Refunding	01/03/1994	12/15/2011	6.069% - 7.169%	\$24,710,000	Various Annual	\$7,710,000
1994 B Series	11/22/1994	07/15/2014	6.1% - 6.5%	\$450,000	Various Annual	\$200,000
1995 C Series	12/21/1995	07/15/2015	5.1% - 6.1%	\$7,850,000	Various Annual	\$4,295,000
1996 B Series	11/14/1996	07/15/2016	5.1% - 6.1%	\$5,900,000	Various Annual	\$3,540,000
1997 I Series	11/20/1997	07/15/2017	4.35% - 5.35%	\$20,455,000	Various Annual	\$13,280,000
1998 B Series	11/19/1998	07/15/2018	3.6% - 5.1%	\$7,245,000	Various Annual	\$5,055,000
1999 B Series	11/16/1999	07/15/2019	5.1% - 6.1%	\$2,835,000	Various Annual	\$2,110,000
2000 B Series	11/16/2000	07/15/2020	4.975% - 5.85%	\$2,605,000	Various Annual	\$2,080,000
2001 B Series	11/15/2001	07/15/2021	3.1% - 5.1%	\$20,330,000	Various Annual	\$17,270,000
2002 A Series	10/15/2002	07/15/2022	2.35% - 5.1%	\$8,365,000	Various Annual	\$7,525,000
2003 A Series	11/06/2003	07/15/2023	3.1% - 5.35%	\$6,760,000	Various Annual	\$6,420,000
2004 B Series	11/10/2004	07/15/2024	4.1% - 5.6%	\$8,950,000	Various Annual	\$8,950,000
						\$83,765,000

In addition to the FY 04/05 ending balance of \$83.765 million, \$7,380,000 was issued in the fall of 2005 (FY 05/06) through the Virginia Public School Authority to support several school projects. An additional \$7.015 million will be retired during FY 05/06, bringing the total school related long-term debt at the beginning of FY 06/07 to \$84.130 million.

Local Government Debt

On January 15, 2003, the County entered into a five-year lease purchase agreement for software acquisition in the amount of \$190,000. This agreement is payable in semi-annual installments beginning July 2003, at an interest rate of 3.10%. Principal payments made during FY 05/06 will reduce the outstanding balance to \$79,506.

During FY 02/03, the County requested that the Industrial Development Authority of Albemarle County issue Public Facility Revenue Bonds in the amount of \$18,535,000 on its behalf. The proceeds of these bonds will be used to finance the acquisition and renovation of the County Office Building South and the County's share of the Juvenile Court Facilities expansion and renovation. The bonds, issued on March 19, 2003 at an interest rate of 4.33%, are payable in semi-annual payments beginning July 15, 2003 and will retire in FY 22/23. At the end of FY 04/05 the outstanding principal balance was \$17,135,000. During FY 05/06, \$715,000 of debt will be retired with an additional \$730,000 being retired in FY 06/07.

On November 6, 2003, the County, as fiscal agent for the Emergency Communications Center, entered into a lease purchase agreement in the amount of \$7.0 million to partially fund the acquisition and construction of an 800 MHz communication system to upgrade the public safety emergency 911 system. The radio system will be operated and funded by the County, City of Charlottesville, University of Virginia, and Charlottesville/Albemarle Airport. At the end of FY 04/05 the outstanding principal balance was \$6,089,340. During FY 05/06 \$632,235 of debt will be retired with an additional \$653,113 being retired in FY 06/07.

Recommended Debt Levels and Debt Service Requirements

As indicated in the CIP chapter of this document, the County will fund the majority of its FY 06 -10 CIP with borrowed funds for school and general government projects. FY 06-10 borrowed funds total \$99.5 million (62% of CIP revenues) and consist of \$52.3 million in VPSA bonds for school projects and \$47.2 million in borrowed funds for general government projects. School VPSA bonds fund 85.9% of recommended school improvements in FY 06-10, including school construction and renovation projects, and major school maintenance and repair projects. Approximately 49% of general government projects are funded with borrowed revenue in FY 06-10, which is anticipated to be a combination of IDA bond revenues, and lease-purchase proceeds. If General Obligation Bonds are utilized for funding, they will require voter approval in a referendum. A summary schedule illustrating the impact of these recommended borrowings, as well as anticipated borrowing requirements for projected out-year projects is shown below:

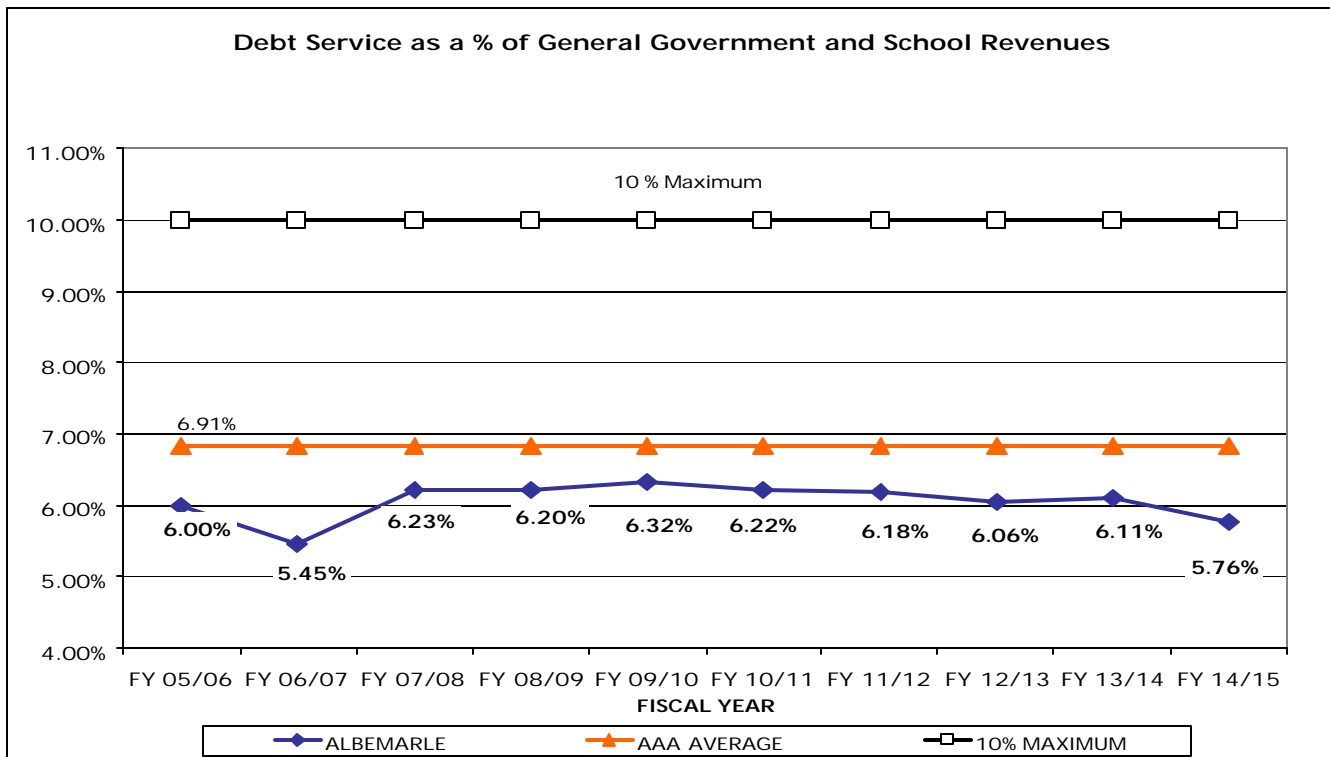
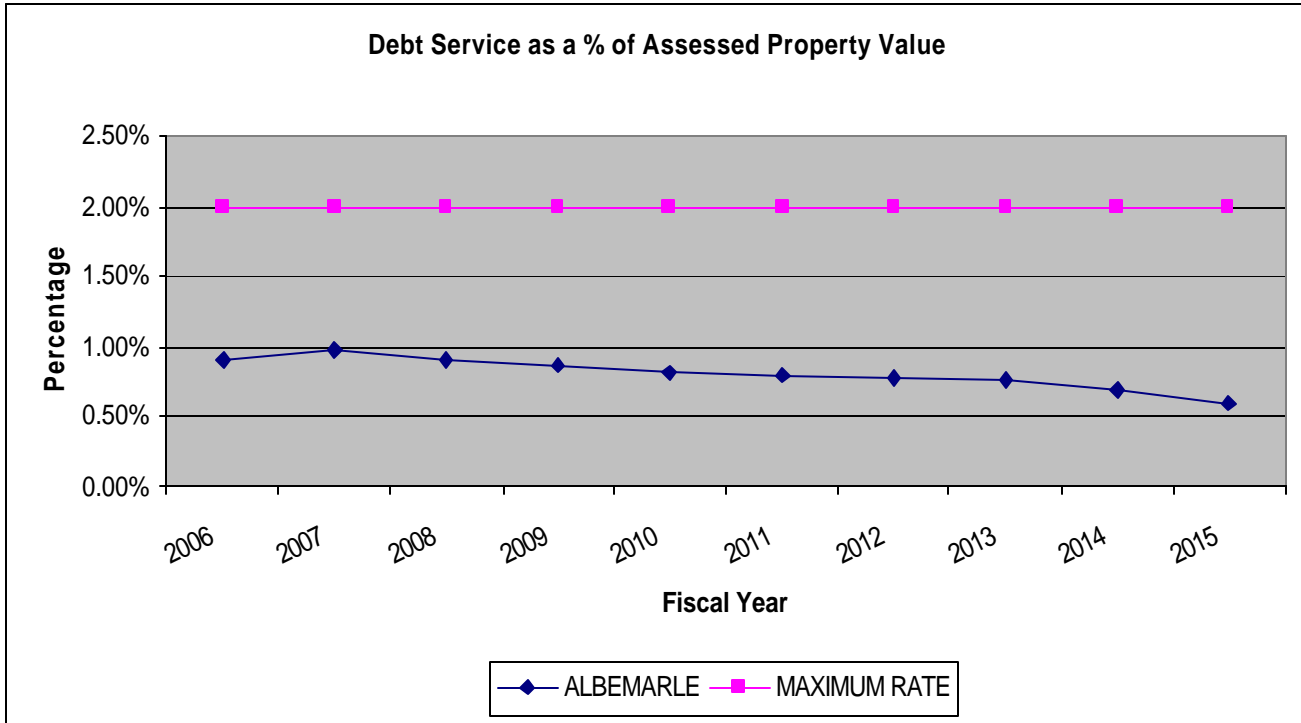
FY 05/06 -09/10 ADOPTED Capital Improvement Program & FY 10/11 - 14/15 Capital Needs Assessment

	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 06-10 TOTAL	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 11-15 Out-Years
General Government Projects												
Beginning Debt Balance	23,342	21,957	46,597	49,403	55,160		59,414	61,318	59,351	64,922	62,826	
Anticipated Issurance		26,063	7,027	10,722	10,437		9,614	6,534	14,779	8,247	6,419	
Total Debt Balance	23,342	48,020	53,624	60,125	65,597		69,028	67,852	74,130	73,169	69,245	
Retired Debt	1,385	1,422	4,222	4,964	6,183	18,177	7,710	8,501	9,208	10,344	10,364	46,127
General Government Debt Balance	21,957	46,597	49,403	55,160	59,414		61,318	59,351	64,922	62,826	58,880	
Total New Projects - Borrowed	4,617	14,431	7,027	10,722	10,437	47,234	9,614	6,534	14,779	8,247	6,419	45,593
School Projects												
Beginning Debt Balance	83,765	84,536	89,001	88,685	95,105		94,187	95,560	100,120	99,455	92,957	
Total New Projects - Borrowed	7,786	11,775	7,966	15,455	9,318	52,300	11,673	15,720	11,207	6,250	3,275	48,125
Retired Debt	7,015	7,310	8,283	9,035	10,236	41,878	10,300	11,161	11,872	12,748	13,080	59,161
School Debt Balance	84,536	89,001	88,685	95,105	94,187		95,560	100,120	99,455	92,957	83,151	
Total Debt Balance	106,493	135,598	138,087	150,265	153,601		156,879	159,471	164,377	155,782	142,031	

* Based on project timelines and cash flow requirements, the actual issuance of debt may not coincide with the fiscal year in which the project is funded. The \$26.063 million shown for FY 06/07 includes \$7.015 million for FY 04/05, \$4.617 million for FY 05/06, and \$14.431 million for FY 06/07.

Recommended Debt Levels and Debt Service Requirements (Continued)

As mentioned earlier in this section, County Financial Policies recommend that long-term debt and associated debt service levels remain within certain target limits: 2% of the assessed value of taxable property or 10% of General Fund and School Fund revenues for debt service. Although the County proposes to add an additional \$99.5 million dollars in debt over the next five years, the charts below illustrate that the County's proposed total debt service will remain well below these target maximums. The County's debt service level will remain below the average of other Virginia localities with an AAA bond rating.



DEBT SERVICE FUNDS

DEBT SERVICE FUNDING REQUIREMENTS

Each year, the Operating Budget includes transfers from the General Fund to the General Government and School Debt Service Accounts to fund the amount of debt service needed to be paid during the fiscal year.

Each of the Debt Service accounts also receives other revenues. A summary of the 04/05 Actual, FY 05/06 Adopted and Revised, and FY 06/07 Adopted revenues, expenditures, and appropriations for both the School Debt Service and General Government Debt Service Funds are shown below.

SCHOOL DEBT SERVICE FUND						
Expenditures	FY 04/05 Actual	FY 05/06 Adopted	FY 05/06 Revised	FY 06/07 Adopted	\$ Inc/Dec	% Inc/Dec
VPSA Principal and Interest	\$10,576,490	\$11,018,245	\$11,018,245	\$11,297,726	\$279,481	2.54%
Other Loans	250,484	222,000	222,000	215,000	-7,000	-3.15%
Bond Services/Fees	17,321	20,000	20,000	20,000	0	0.00%
Total Expenditures	\$10,844,295	\$11,260,245	\$11,260,245	\$11,532,726	\$272,481	2.42%
Revenues						
Rent-PREP	\$252,932	\$246,358	\$246,358	\$239,783	-\$6,575	-2.67%
General Fund Transfer	10,591,948	11,013,887	11,013,887	11,292,943	279,056	2.53%
Total Revenues	\$10,844,880	\$11,260,245	\$11,260,245	\$11,532,726	\$272,481	2.42%

LOCAL GOVERNMENT DEBT SERVICE						
Expenditures	FY 04/05 Actual	FY 05/06 Adopted	FY 05/06 Revised	FY 06/07 Adopted	\$ Inc/Dec	% Inc/Dec
Lease-Radio System	\$826,556	\$826,556	\$826,556	\$826,556	\$0	0.00%
Lease/Purchase-CityView	41,314	41,314	41,314	41,314	0	0.00%
Series 2003 Bonds	1,366,404	1,375,704	1,375,704	1,376,404	700	0.05%
Bond Services/Fees	2,667	10,000	10,000	10,000	0	0.00%
Transfer to CIP	1,015,802	0	0	0	0	0.00%
Total Expenditures	\$3,252,743	\$2,253,574	\$2,253,574	\$2,254,274	\$700	0.03%
Revenues						
Interest	\$100,885	\$0	\$0	\$0	\$0	0.00%
Radio System-City	191,258	258,299	258,299	258,299	0	0.00%
Radio System-UVA	1,007,215	0	0	0	0	0.00%
Radio System-Airport	18,422	24,879	24,879	24,879	0	0.00%
General Fund Transfer-City View	41,314	41,314	41,314	41,314	0	0.00%
General Fund Transfer	1,922,198	1,929,082	1,929,082	1,929,782	700	0.04%
Total Revenues	\$3,281,292	\$2,253,574	\$2,253,574	\$2,254,274	\$700	0.03%

The current debt service amortization schedule for local government and schools is shown on Pages P-6 and P-7.

Current Debt Service Amortization Schedule

PRINCIPAL	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
2,000,000-86-BW	100,000									
2,000,000-88-IVY	100,000	100,000	100,000							
3,000,000 - 91A VPSA	150,000	150,000	150,000	160,000	160,000					
2,885,000 - 92B VPSA	140,000	135,000	125,000	120,000	115,000	110,000	85,000			
11,900,000 - 93C VPSA	505,000	455,000	445,000	340,000	235,000	160,000	65,000	85,000		
24,710,000 - 94A Refunding	1,345,000	1,300,000	1,315,000	1,225,000	555,000	600,000				
450,000 - 94B VPSA	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
7,850,000 - 95C VPSA	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
5,900,000 - 96B VPSA	295,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000
20,455,000 - 97B VPSA	1,025,000	1,025,000	1,025,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
7,245,000 - 98B VPSA - County-4,245,000	213,861	213,861	210,932	210,932	210,932	210,932	210,932	210,932	210,932	210,932
-98B VPSA - PREP - \$3M	151,139	151,139	149,068	149,068	149,068	149,068	149,068	149,068	149,068	149,068
2,835,000 - 99A VPSA	145,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
2,605,000 - 2000A VPSA	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
20,330,000 - 2001A VPSA	1,020,000	1,020,000	1,015,000	1,015,000	1,015,000	1,015,000	1,015,000	1,015,000	1,015,000	1,015,000
8,365,000 - 2002A VPSA	420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000
6,760,000 - 2003A VPSA	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000
\$8,950,000 - 2004A VPSA	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	445,000
\$7,380,000 - 2005A VPSA	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
TOTAL PRINCIPAL- SCHOOL	7,310,000	7,105,000	7,090,000	6,795,000	6,015,000	5,820,000	5,100,000	5,035,000	4,950,000	4,925,000
18,535,000 - 2003 IDA Lease Revenue	730,000	745,000	765,000	785,000	810,000	835,000	865,000	900,000	935,000	970,000
SunTrust Bank - Software \$190,000	39,150	40,373								
7,000,000 - 800 MHz Radio System	653,113	674,681	696,961	719,977	743,753	768,314	793,687	406,619		
TOTAL PRINCIPAL - GENERAL GOVERNMENT	1,422,263	1,460,054	1,461,961	1,504,977	1,553,753	1,603,314	1,658,687	1,306,619	935,000	970,000
GRAND TOTAL PRINCIPAL	8,732,263	8,565,054	8,551,961	8,299,977	7,568,753	7,423,314	6,758,687	6,341,619	5,885,000	5,895,000
INTEREST	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
2,000,000-86-BW	3,000									
2,000,000-88-IVY	12,000	8,000	4,000							
3,000,000 - 91A VPSA	44,133	34,608	25,083	15,240	5,080					
2,885,000 - 92B VPSA	44,460	36,416	28,811	21,645	14,771	8,190	2,486			
11,900,000 - 93C VPSA	100,618	77,338	55,234	35,708	21,375	11,500	5,875	2,125		
24,710,000 - 94A Refunding	378,756	289,401	200,893	114,850	55,721	19,050				
450,000 - 94B VPSA	10,975	9,743	8,485	7,203	5,908	4,610	3,300	1,980	660	
7,850,000 - 95C VPSA	188,955	169,065	149,175	129,285	109,395	89,505	69,615	49,725	29,835	9,945
5,900,000 - 96B VPSA	162,398	145,878	130,833	115,603	100,189	84,776	69,362	53,948	38,534	23,121
20,455,000 - 97B VPSA	614,703	561,146	506,309	451,605	397,035	343,740	291,720	239,190	186,150	133,110
7,245,000 - 98B VPSA - County \$4,245,000	125,432	116,129	106,890	97,450	87,748	78,045	68,342	58,639	48,409	37,651
-98B VPSA - PREP \$3M	88,644	82,070	75,540	68,870	62,012	55,155	48,298	41,441	34,211	26,609
2,835,000 - 99A VPSA	109,993	102,725	95,060	86,870	79,030	71,365	63,438	55,248	46,883	38,430
2,605,000 - 2000A VPSA	99,548	92,593	85,313	77,708	70,103	62,985	56,355	49,725	43,095	36,465
20,330,000 - 2001A VPSA	754,453	712,633	664,571	615,344	567,385	519,426	471,468	419,703	367,938	316,173
8,365,000 - 2002A VPSA	321,245	304,025	286,805	269,585	252,365	235,145	217,400	197,555	176,135	154,715
6,760,000 - 2003A VPSA	302,260	284,920	267,580	250,240	232,900	215,135	197,370	180,030	162,690	145,350
\$8,905,000 - 2004A VPSA	416,006	391,931	366,731	341,531	316,331	292,256	269,306	246,356	223,406	200,584
\$7,380,000 - 2005A VPSA	425,148	339,813	320,943	302,073	283,203	264,333	246,388	229,368	211,423	192,553
TOTAL INTEREST- SCHOOLS	4,202,724	3,758,431	3,378,254	3,000,808	2,660,551	2,355,216	2,080,722	1,825,032	1,569,368	1,314,704
18,535,000 - 2003 IDA Lease Revenue	646,404	630,891	612,266	590,273	565,153	537,613	507,553	475,980	441,780	404,380
SunTrust Bank - Software \$190,000	2,164	941								
7,000,000 - 800 MHz Radio System	173,443	151,875	129,595	106,579	82,803	58,242	32,869	6,659		
TOTAL INTEREST- GENERAL GOVERNMENT	822,011	783,707	741,861	696,851	647,955	595,854	540,422	482,639	441,780	404,380
GRAND TOTAL INTEREST	5,024,735	4,542,138	4,120,115	3,697,659	3,308,506	2,951,070	2,621,144	2,307,671	2,011,148	1,719,084
GRAND TOTAL-PRINCIPAL & INTEREST	13,756,998	13,107,193	12,672,077	11,997,637	10,877,259	10,374,384	9,379,830	8,649,290	7,896,148	7,614,084

Current Debt Service Amortization Schedule

PRINCIPAL	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
2,000,000-86-BW										
2,000,000-88-IVY										
3,000,000 - 91A VPSA										
2,885,000 - 92B VPSA										
11,900,000 - 93C VPSA										
24,710,000 - 94A Refunding										
450,000 - 94B VPSA										
7,850,000 - 95C VPSA										
5,900,000 - 96B VPSA	295,000									
20,455,000 - 97B VPSA	1,020,000	1,020,000								
7,245,000 - 98B VPSA - County-4,245,000	210,932	210,932	210,932							
-98B VPSA - PREP - \$3M	149,068	149,068	149,068							
2,835,000 - 99A VPSA	140,000	140,000	140,000	140,000						
2,605,000 - 2000A VPSA	130,000	130,000	130,000	130,000	130,000					
20,330,000 - 2001A VPSA	1,015,000	1,015,000	1,015,000	1,015,000	1,015,000	1,015,000				
8,365,000 - 2002A VPSA	415,000	415,000	415,000	415,000	415,000	415,000	415,000			
6,760,000 - 2003A VPSA	335,000	335,000	335,000	335,000	335,000	335,000	335,000	335,000		
\$8,950,000 - 2004A VPSA	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000	
\$7,380,000 - 2005A VPSA	370,000	370,000	370,000	370,000	370,000	370,000	365,000	365,000		365,000
TOTAL PRINCIPAL- SCHOOL	4,525,000	4,230,000	3,210,000	2,850,000	2,710,000	2,580,000	1,560,000	1,145,000	810,000	365,000
18,535,000 - 2003 IDA Lease Revenue	1,010,000	1,050,000	1,100,000	1,150,000	1,200,000	1,255,000	1,315,000			
SunTrust Bank - Software \$190,000										
7,000,000 - 800 MhZ Radio System										
TOTAL PRINCIPAL - GENERAL GOVERNMENT	1,010,000	1,050,000	1,100,000	1,150,000	1,200,000	1,255,000	1,315,000	-	-	-
GRAND TOTAL PRINCIPAL	5,535,000	5,280,000	4,310,000	4,000,000	3,910,000	3,835,000	2,875,000	1,145,000	810,000	365,000
INTEREST	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
2,000,000-86-BW										
2,000,000-88-IVY										
3,000,000 - 91A VPSA										
2,885,000 - 92B VPSA										
11,900,000- 93C VPSA										
24,710,000 - 94A Refunding										
450,000 - 94B VPSA										
7,850,000 - 95C VPSA										
5,900,000 - 96B VPSA	7,707									
20,455,000 - 97B VPSA	79,943	26,648								
7,245,000 - 98B VPSA - County \$4,245,000	26,894	16,136	5,379							
-98B VPSA - PREP \$3M	19,006	11,404	3,801							
2,835,000 - 99A VPSA	29,890	21,350	12,810	4,270						
2,605,000 - 2000A VPSA	29,835	23,205	16,575	9,945	3,315					
20,330,000 - 2001A VPSA	264,408	212,643	160,878	109,113	67,498	25,883				
8,365,000 - 2002A VPSA	133,423	112,258	91,093	69,928	49,800	30,191	10,064			
6,760,000 - 2003A VPSA	127,719	109,796	92,293	76,045	59,798	42,713	25,628	8,543		
\$8,905,000 - 2004A VPSA	177,889	155,194	132,499	109,804	89,334	70,811	51,175	30,705	10,235	
\$7,380,000 - 2005A VPSA	173,683	154,813	135,943	117,073	98,203	79,333	60,590	42,888	25,641	8,395
TOTAL INTEREST- SCHOOLS	1,070,394	843,445	651,269	496,176	367,946	248,929	147,456	82,135	35,876	8,395
18,535,000 - 2003 IDA Lease Revenue	365,580	324,170	276,920	226,320	173,420	118,220	60,490			
SunTrust Bank - Software \$190,000										
7,000,000 - 800 MhZ Radio System										
TOTAL INTEREST- GENERAL GOVERNMENT	365,580	324,170	276,920	226,320	173,420	118,220	60,490	0	0	0
GRAND TOTAL INTEREST	1,435,974	1,167,615	928,189	722,496	541,366	367,149	207,946	82,135	35,876	8,395
GRAND TOTAL-PRINCIPAL & INTEREST	6,970,974	6,447,615	5,238,189	4,722,496	4,451,366	4,202,149	3,082,946	1,227,135	845,876	373,395

