

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 05/06, Albemarle County held \$84.130 million in outstanding long-term debt through the year 2025. Of that total amount, \$83.730 million is outstanding general obligation bonds (VPSA) for school projects and approximately \$0.400 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, 2006 follows:

Issue	Issue Date	Retire Date	Interest Rate	Original Issue	Principal Installments	Balances as of 06/30/2006
Literary Loans	Various	2003-2009	3% - 4%	\$2,145,878	Various Annual	\$400,000
1991 A Series	05/23/1991	12/15/2010	6.35% - 8.1%	\$3,000,000	Various Annual	\$770,000
1992 A Series	12/17/1992	12/15/2012	5.85% - 8.1%	\$2,885,000	Various Annual	\$830,000
1993 A Series	11/18/1993	12/15/2013	4.475% - 5%	\$11,900,000	Various Annual	\$2,290,000
1994 A Refunding	01/03/1994	12/15/2011	6.069% - 7.169%	\$24,710,000	Various Annual	\$6,340,000
1994 B Series	11/22/1994	07/15/2014	6.1% - 6.5%	\$450,000	Various Annual	\$180,000
1995 C Series	12/21/1995	07/15/2015	5.1% - 6.1%	\$7,850,000	Various Annual	\$3,900,000
1996 B Series	11/14/1996	07/15/2016	5.1% - 6.1%	\$5,900,000	Various Annual	\$3,245,000
1997 I Series	11/20/1997	07/15/2017	4.35% - 5.35%	\$20,455,000	Various Annual	\$12,255,000
1998 B Series	11/19/1998	07/15/2018	3.6% - 5.1%	\$7,245,000	Various Annual	\$4,690,000
1999 B Series	11/16/1999	07/15/2019	5.1% - 6.1%	\$2,835,000	Various Annual	\$1,965,000
2000 B Series	11/16/2000	07/15/2020	4.975% - 5.85%	\$2,605,000	Various Annual	\$1,950,000
2001 B Series	11/15/2001	07/15/2021	3.1% - 5.1%	\$20,330,000	Various Annual	\$16,250,000
2002 A Series	10/15/2002	07/15/2022	2.35% - 5.1%	\$8,365,000	Various Annual	\$7,105,000
2003 A Series	11/06/2003	07/15/2023	3.1% - 5.35%	\$6,760,000	Various Annual	\$6,080,000
2004 B Series	11/10/2004	07/15/2024	4.1% - 5.6%	\$8,950,000	Various Annual	\$8,500,000
2005 A Series	11/10/2005	07/15/2025	4.1% - 5.6%	\$7,380,000	Various Annual	\$7,380,000
						\$84,130,000

In addition to the FY 05/06 ending balance of \$84.130 million, \$15,020,000 was issued in the fall of 2006 (FY 06/07) through the Virginia Public School Authority to support several school projects. An additional \$7.310 million will be retired during FY 06/07, bringing the total school related long-term debt at the beginning of FY 07/08 to \$91.840 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 06/07 will reduce the outstanding balance to \$40,373.

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 05/06 the outstanding principal balance was \$16,420,000. During FY 06/07, \$730,000 of debt will be retired with an additional \$745,000 being retired in FY 07/08.

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 is operated and

funded by the County, City of Charlottesville, University of Virginia, and Charlottesville/Albemarle Airport. At the end of FY 05/06 the outstanding principal balance was \$5,457,105. During FY 06/07 \$653,113 of debt will be retired with an additional \$674,681 being retired in FY 07/08.

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 08 -12 CIP with borrowed funds for school and general government projects. FY 08-12 borrowed funds total \$147.6 million (66% of CIP revenues) and consist of \$89.0 million in VPSA bonds for school projects and \$58.5 million in borrowed funds for general government projects. School VPSA bonds fund 89.5% of recommended school improvements in FY 08-12, including school construction and renovation projects, and major school maintenance and repair projects. Approximately 51% of general government projects are funded with borrowed revenue in FY 08-12, 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:

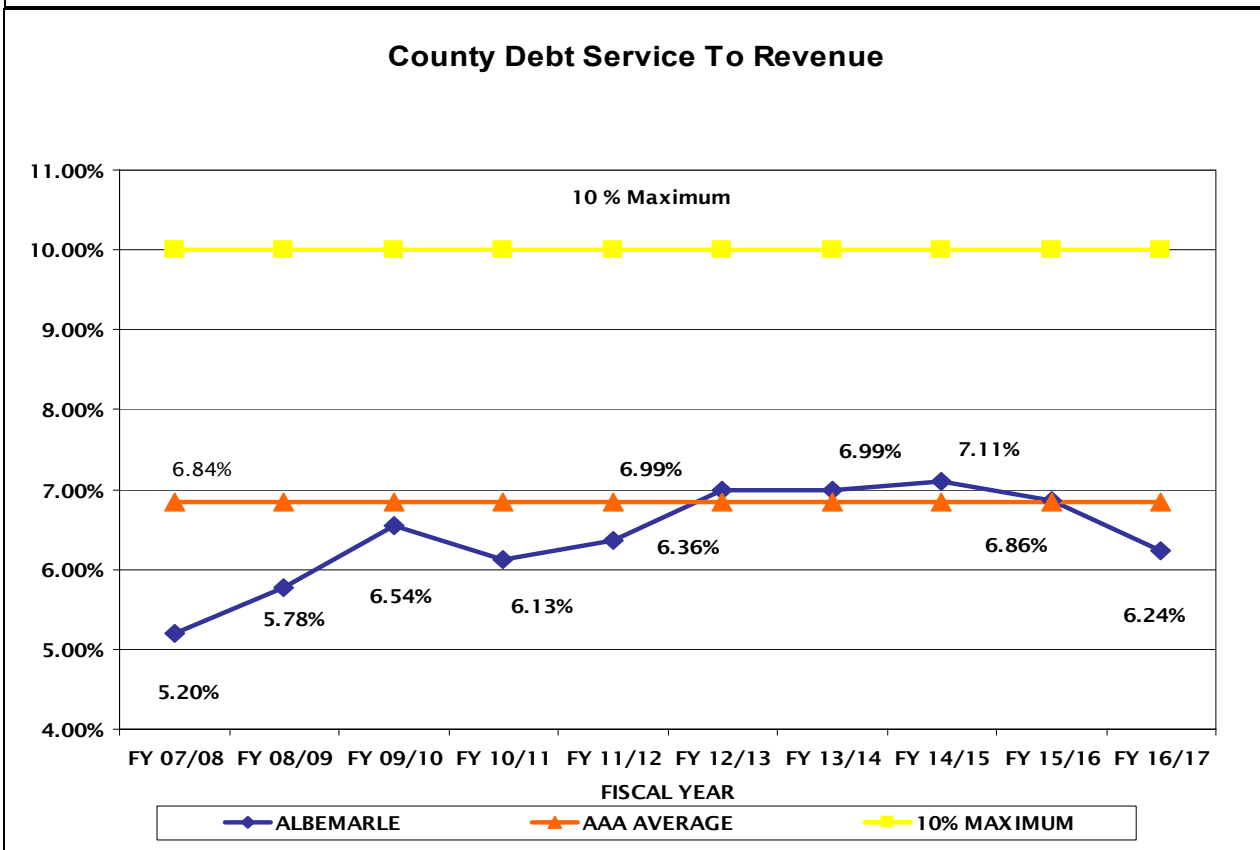
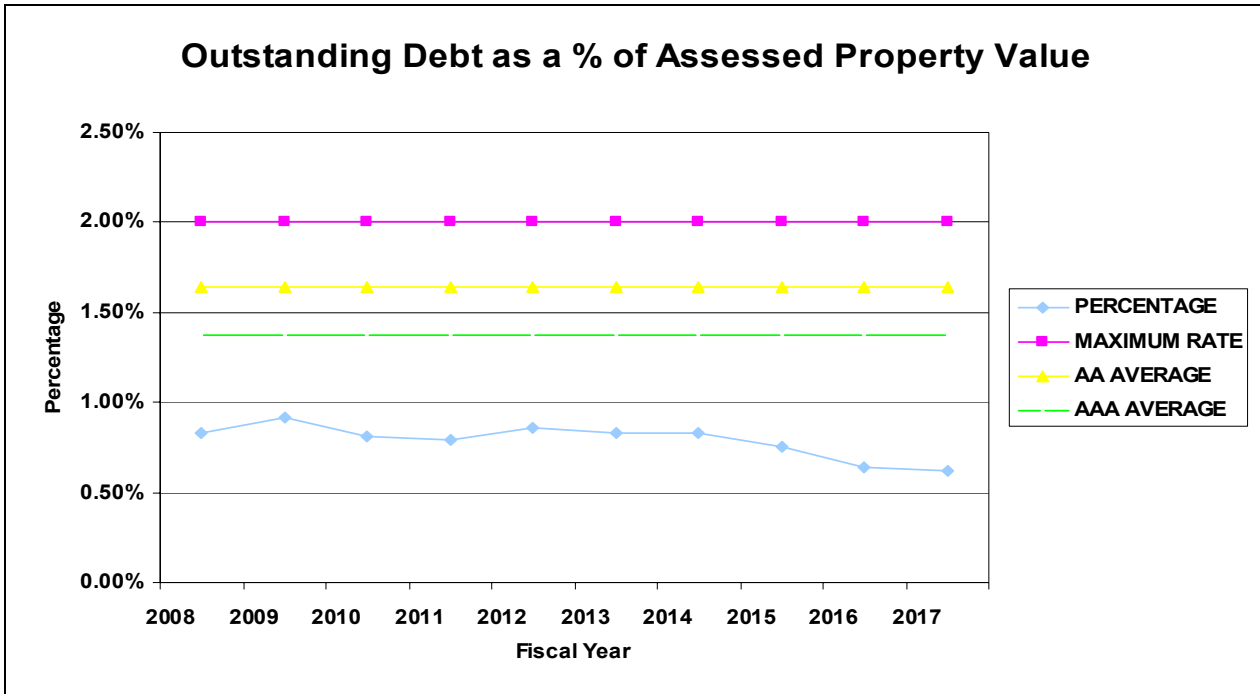
FY 07/08 -11/12 RECOMMENDED Capital Improvement Program & FY 12/13 - 16/17 Capital Needs Assessment

	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 08-12 TOTAL	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 13-17 Out-Years
General Government Projects												
Beginning Debt Balance	20,534	36,719	38,586	40,015	50,172		72,920	79,114	85,052	85,368	75,307	
Anticipated Issuance	17,644	5,184	5,662	15,139	29,417		15,978	16,930	12,450	2,852	3,589	
Total Debt Balance	38,179	41,903	44,248	55,154	79,589		88,898	96,044	97,502	88,220	78,896	
Retired Debt	1,460	3,317	4,233	4,983	6,668	20,660	9,784	10,992	12,134	12,913	12,606	58,429
General Government Debt Balance	36,719	38,586	40,015	50,172	72,920		79,114	85,052	85,368	75,307	66,290	
Total New Projects - Borrowed	3,129	5,184	5,662	15,139	29,417	58,531	15,978	16,930	12,450	2,852	3,589	51,799
School Projects												
Beginning Debt Balance	91,840	98,383	124,212	117,930	118,368		125,969	122,666	125,762	117,368	104,313	
Total New Projects - Borrowed	14,403	35,114	6,184	12,618	20,704	89,023	10,980	18,188	8,183	4,020	29,053	70,424
Retired Debt	7,860	9,285	12,466	12,180	13,103	54,894	14,282	15,093	16,577	17,075	16,761	79,787
School Debt Balance	98,383	124,212	117,930	118,368	125,969		122,666	125,762	117,368	104,313	116,606	
Total Debt Balance	135,102	162,798	157,945	168,539	198,889		201,781	210,814	202,736	179,620	182,896	

* 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 \$17.644 million shown for FY 07/08 includes \$14.515 million for project costs appropriated prior to FY 07/08 and \$3.129 million for FY 07/08.

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 \$147.55 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 or slightly above 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 05/06 Actual, FY 06/07 Adopted and Revised, and FY 07/08 Recommended revenues, expenditures, and appropriations for both the School Debt Service and General Government Debt Service Funds are shown below.

SCHOOL DEBT SERVICE FUND						
<u>Expenditures</u>	FY 05/06 Actual	FY 06/07 Adopted	FY 06/07 Revised	FY 07/08 Recommended	\$ Inc/Dec	% Inc/Dec
VPSA Principal and Interest	\$11,018,242	\$11,297,726	\$11,297,726	\$12,339,283	\$1,041,557	9.22%
Other Loans	222,000	215,000	215,000	108,000	-\$107,000	-49.77%
Bond Services/Fees	17,950	20,000	20,000	20,000	\$0	0.00%
Total Expenditures	\$11,258,192	\$11,532,726	\$11,532,726	\$12,467,283	\$934,557	8.10%
<u>Revenues</u>						
Rent-PREP	\$246,358	\$239,783	\$239,783	\$233,209	-\$6,574	-2.74%
General Fund Transfer	11,013,888	11,292,943	11,292,943	12,234,074	941,131	8.33%
Total Revenues	\$11,260,246	\$11,532,726	\$11,532,726	\$12,467,283	\$934,557	8.10%

LOCAL GOVERNMENT DEBT SERVICE						
<u>Expenditures</u>	FY 05/06 Actual	FY 06/07 Adopted	FY 06/07 Revised	FY 07/08 Recommended	\$ 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	1,375,704	1,376,404	1,376,404	1,375,891	(513)	-0.04%
Bond Services/Fees	2,527	10,000	10,000	10,000	0	0.00%
Total Expenditures	\$2,246,100	\$2,254,274	\$2,254,274	\$2,253,761	-\$513	-0.02%
<u>Revenues</u>						
Interest	\$48,409	\$0	\$0	\$0	0	0.00%
Radio System-City	258,299	258,299	258,299	258,299	0	0.00%
Radio System-Airport	24,879	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	1,890,510	1,929,782	1,929,782	1,929,269	-513	-0.03%
Total Revenues	\$2,263,411	\$2,254,274	\$2,254,274	\$2,253,761	-\$513	-0.02%

The current debt service amortization schedule for local government and schools is shown on Pages 208 and 208.

Current Debt Service Amortization Schedule

PRINCIPAL	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	FY 16-17
2,000,000-86-BW										
2,000,000-88-MWL	100,000	100,000								
123,930.08-89-Tech										
13,675,000-89-VPSA	0	0	0	0	0					
3,000,000 - 91A VPSA	150,000	150,000	160,000	160,000						
16,070,000 - 91B VPSA	0	0	0	0	0					
2,885,000 - 92B VPSA	135,000	125,000	120,000	115,000	110,000	85,000				
11,900,000 - 93C VPSA	455,000	445,000	340,000	235,000	160,000	65,000	85,000			
24,710,000 - 94A Refunding	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		
7,850,000 - 95C VPSA	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	1,020,000	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	210,932	210,932	210,932	210,932	210,932	210,932	210,932	210,932	210,932
98B VPSA - PREP - \$3M	151,139	149,068	149,068	149,068	149,068	149,068	149,068	149,068	149,068	149,068
2,835,000 - 99A VPSA	140,000	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	1,015,000	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	415,000
18,535,000 - 2003 IDA Lease Revenue	745,000	765,000	785,000	810,000	835,000	865,000	900,000	935,000	970,000	1,010,000
SunTrust Bank - Software \$190,000	40,373									
6,760,000 - 2003A VPSA	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	335,000
7,000,000 - 800 Mhz Radio System	674,681	696,961	719,977	743,753	768,314	793,687	406,619			
\$8,950,000 - 2004A VPSA	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	445,000	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
\$15,020,000 - 2006A VPSA	755,000	755,000	755,000	755,000	750,000	750,000	750,000	750,000	750,000	750,000
TOTAL PRINCIPAL	9,320,054	9,306,961	9,054,977	8,323,753	8,173,314	7,508,687	7,091,619	6,635,000	6,645,000	6,285,000
INTEREST	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	FY 16-17
2,000,000-86-BW										
2,000,000-88-MWL	8,000	4,000								
123,930.08-89-Tech										
13,675,000-89-VPSA	0	0	0							
3,000,000 - 91A VPSA	34,608	25,083	15,240	5,080						
16,070,000 - 91B VPSA	0	0	0	0	0					
2,885,000 - 92B VPSA	36,416	28,811	21,645	14,771	8,190	2,486				
11,900,000- 93C VPSA	77,338	55,234	35,708	21,375	11,500	5,875	2,125			
24,710,000 - 94A Refunding	289,401	200,893	114,850	55,721	19,050					
450,000 - 94B VPSA	9,743	8,485	7,203	5,908	4,610	3,300	1,980	660		
7,850,000 - 95C VPSA	169,065	149,175	129,285	109,395	89,505	69,615	49,725	29,835	9,945	
5,900,000 - 96B VPSA	145,878	130,833	115,603	100,189	84,776	69,362	53,948	38,534	23,121	7,707
20,455,000 - 97B VPSA	561,146	506,309	451,605	397,035	343,740	291,720	239,190	186,150	133,110	79,943
7,245,000 - 98B VPSA - County \$4,245,000	116,129	106,890	97,450	87,748	78,045	68,342	58,639	48,409	37,651	26,894
98B VPSA - PREP \$3M	82,070	75,540	68,870	62,012	55,155	48,298	41,441	34,211	26,609	19,006
2,835,000 - 99A VPSA	102,725	95,060	86,870	79,030	71,365	63,438	55,248	46,883	38,430	29,890
2,605,000 - 2000A VPSA	92,593	85,313	77,708	70,103	62,985	56,355	49,725	43,095	36,465	29,835
20,330,000 - 2001A VPSA	712,633	664,571	615,344	567,385	519,426	471,468	419,703	367,938	316,173	264,408
8,365,000 - 2002A VPSA	304,025	286,805	269,585	252,365	235,145	217,400	197,555	176,135	154,715	133,423
18,535,000 - 2003 IDA Lease Revenue	630,891	612,266	590,273	565,153	537,613	507,553	475,980	441,780	404,380	365,580
SunTrust Bank - Software \$190,000	941									
6,760,000 - 2003A VPSA	284,920	267,580	250,240	232,900	215,135	197,370	180,030	162,690	145,350	127,719
7,000,000 - 800 Mhz Radio System	151,875	129,595	106,579	82,803	58,242	32,869	6,659			
\$8,905,000 - 2004A VPSA	391,931	366,731	341,531	316,331	292,256	269,306	246,356	223,406	200,584	177,889
\$7,380,000 - 2005A VPSA	339,813	320,943	302,073	283,203	264,333	246,388	229,368	211,423	192,553	173,683
\$15,020,000 - 2006A VPSA	828,851	658,950	620,445	581,940	543,563	505,313	467,063	428,813	390,563	352,313
TOTAL INTEREST	5,370,990	4,779,065	4,318,104	3,890,446	3,494,632	3,126,456	2,774,734	2,439,961	2,109,647	1,788,287
TOTAL PENALTY & INTEREST	14,691,044	14,086,027	13,373,082	12,214,199	11,667,947	10,635,143	9,866,352	9,074,961	8,754,647	8,073,287

Current Debt Service Amortization Schedule (continued)

PRINCIPAL	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	FY 26-27
2,000,000-86-BW										
2,000,000-88-MWL										
123,930.08-89-Tech										
13,675,000-89-VPASA										
3,000,000 - 91A VPASA										
16,070,000 - 91B VPASA										
2,885,000 - 92B VPASA										
11,900,000 - 93C VPASA										
24,710,000 - 94A Refunding										
450,000 - 94B VPASA										
7,850,000 - 95C VPASA										
5,900,000 - 96B VPASA										
20,455,000 - 97B VPASA	1,020,000									
7,245,000 - 98B VPASA - County-4,245,000	210,932	210,932								
98B VPASA - PREP - \$3M	149,068	149,068								
2,835,000 - 99A VPASA	140,000	140,000	140,000							
2,605,000 - 2000A VPASA	130,000	130,000	130,000	130,000						
20,330,000 - 2001A VPASA	1,015,000	1,015,000	1,015,000	1,015,000	1,015,000					
8,365,000 - 2002A VPASA	415,000	415,000	415,000	415,000	415,000	415,000				
18,535,000 - 2003 IDA Lease Revenue	1,050,000	1,100,000	1,150,000	1,200,000	1,255,000	1,315,000				
SunTrust Bank - Software \$190,000										
6,760,000 - 2003A VPASA	335,000	335,000	335,000	335,000	335,000	335,000	335,000			
7,000,000 - 800 Mhz Radio System										
\$8,950,000 - 2004A VPASA	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000		
\$7,380,000 - 2005A VPASA	370,000	370,000	370,000	370,000	370,000	365,000	365,000	365,000	365,000	
\$15,020,000 - 2006A VPASA	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
TOTAL PRINCIPAL	6,030,000	5,060,000	4,750,000	4,660,000	4,585,000	3,625,000	1,895,000	1,560,000	1,115,000	750,000
INTEREST	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	FY 26-27
2,000,000-86-BW										
2,000,000-88-MWL										
123,930.08-89-Tech										
13,675,000-89-VPASA										
3,000,000 - 91A VPASA										
16,070,000 - 91B VPASA										
2,885,000 - 92B VPASA										
11,900,000- 93C VPASA										
24,710,000 - 94A Refunding										
450,000 - 94B VPASA										
7,850,000 - 95C VPASA										
5,900,000 - 96B VPASA										
20,455,000 - 97B VPASA	26,648									
7,245,000 - 98B VPASA - County \$4,245,000	16,136	5,379								
98B VPASA - PREP \$3M	11,404	3,801								
2,835,000 - 99A VPASA	21,350	12,810	4,270							
2,605,000 - 2000A VPASA	23,205	16,575	9,945	3,315						
20,330,000 - 2001A VPASA	212,643	160,878	109,113	67,498	25,883					
8,365,000 - 2002A VPASA	112,258	91,093	69,928	49,800	30,191	10,064				
18,535,000 - 2003 IDA Lease Revenue	324,170	276,920	226,320	173,420	118,220	60,490				
SunTrust Bank - Software \$190,000										
6,760,000 - 2003A VPASA	109,796	92,293	76,045	59,798	42,713	25,628	8,543			
7,000,000 - 800 Mhz Radio System										
\$8,905,000 - 2004A VPASA	155,194	132,499	109,804	89,334	70,811	51,175	30,705	10,235		
\$7,380,000 - 2005A VPASA	154,813	135,943	117,073	98,203	79,333	60,590	42,888	25,641	8,395	
\$15,020,000 - 2006A VPASA	317,344	285,188	252,563	219,938	186,375	152,625	119,344	85,781	51,750	17,250
TOTAL INTEREST	1,484,959	1,213,376	975,059	761,304	553,524	360,571	201,479	121,658	60,145	17,250
TOTAL PENALTY & INTEREST	7,514,959	6,273,376	5,725,059	5,421,304	5,138,524	3,985,571	2,096,479	1,681,658	1,175,145	767,250

