

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, 2006, the County had bonded debt outstanding of \$175.5 million. Of this amount, \$130.5 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.

	FY06 Actual	FY07 Budget	FY08 Budget	FY07 to FY08	FY09 Plan
Debt Service					
Principal	\$ 1,185,722	\$ 1,220,185	\$ 1,578,504	29.4%	\$ 1,851,304
Interest	408,199	362,208	696,081	92.2%	680,929
Debt Service Reserve	-	-	-	0.0%	97,631
Total Debt Service	\$ 1,593,921	\$ 1,582,393	\$ 2,274,585	43.7%	\$ 2,629,864

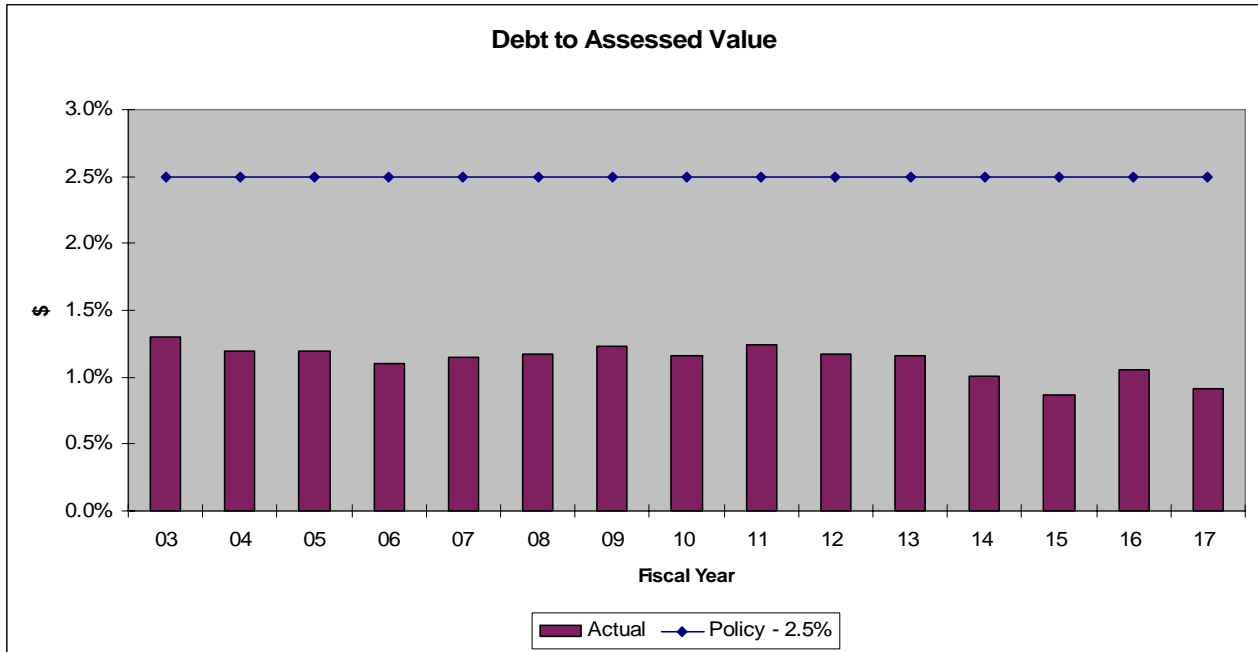
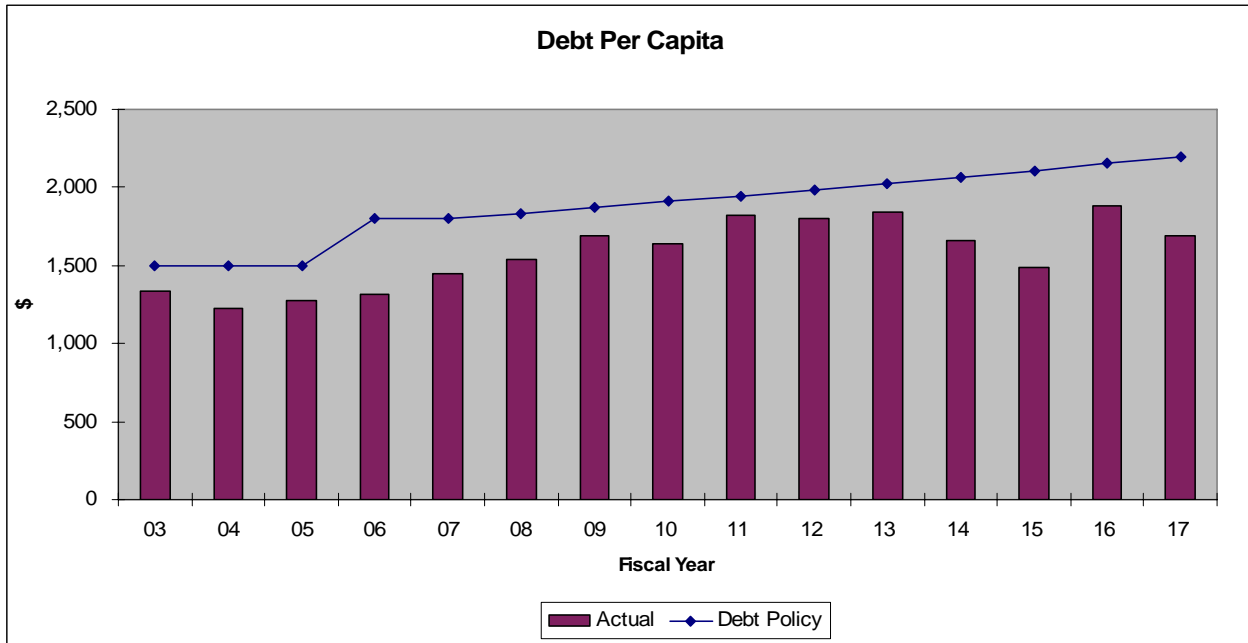
DEBT RATIO POLICIES

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 capita income (\$5,000).The following

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graphs illustrates the County's actual and projected compliance with the debt policy:



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