

Non-Departmental

Non-Departmental Expenditures

	FY 2009 Actual	FY 2010 Approved	FY 2011 Approved
General Obligation Bond Debt Service	\$31,900,635	\$37,162,544	\$37,660,704
Northern Virginia Transportation District (NVTD) Bond Debt Service	\$256,070	\$256,070	\$256,070
Subtotal Debt Service	\$32,156,705	\$37,418,614	\$37,916,774

Debt Service:

- Total debt service costs are budgeted to increase by \$0.5 million, or 1.3 percent. The increase is minimal this year compared to previous years due to the historically lower interest rates achieved in June of 2009 when the City issued bonds. In June 2009, the City issued \$35.2 million in tax exempt general obligation bonds and \$44.5 million in taxable Build America Bonds, at an overall fixed rate true interest cost of 3.28%. This very low achieved interest cost resulted in a budget savings in FY 2010. The City saved approximately \$3.0 million in FY 2010 compared to the amended budget amount.¹ The July 2010 issuance of \$72.3 million in bonds achieved an overall fixed rate true interest cost of 2.93% for a combination of tax exempt and Build America Bonds. This 2.93% rate for 20-year serial bonds represents one of the lowest, if not the lowest, interest rates achieved in modern times.

- The low interest rates are the result of the reaffirmation of the City's AAA/Aaa credit rating and recognition of the City's excellent financial condition. The City is one of a select number of cities and towns across the nation with both an AAA and Aaa rating from Moody's and Standard & Poor's. The Proposed FY 2011 General Fund budget includes \$37.7 million for payment of the City's General Obligation debt. The detailed bond repayment schedule is included in the Approved FY 2011 - FY 2020 Capital Improvement Program document.

- The components of FY 2011 debt service costs shown above include the following besides debt service for the 2009 and 2010 issued bonds:

- \$4.3 million in debt service for \$58 million in debt issued in July of 2008. This debt issuance will provide partial funding for the Police headquarters project, as well as other capital initiatives in FY 2010. In addition, the City issued \$5 million in General Obligation taxable debt for ARHA-related affordable housing purposes in July of 2008 at a true interest rate of 5.4 percent.

- \$814,305 in debt service for \$10,000,000 in debt issued in November of 2004 for open space purposes. This amount is equal to 0.25 percent of the estimated real estate taxes. The remainder is approved to be released as funding source for the General Fund operating budget.

- \$1,477,875 in debt service for \$15.0 million in taxable bonds for affordable housing issued in June of 2006.

- \$1,274,349 in debt service for various General Obligation bonds issued prior to FY 2006 that represent the portion of those issues devoted to sanitary sewer capital projects. This amount is paid from a transfer into the General Fund from the Sanitary Sewer Enterprise Fund (established in FY 2006).

- In addition to the City's General Obligation debt payments, this account also includes the City's share of debt service for the Northern Virginia Transportation District bonds, in the amount of \$256,070. The City's share of debt service for these bonds is funded from General Fund revenues generated by the right-of-way telecommunications tax, which was authorized by the 1998 General Assembly.

¹ The FY 2010 budget was amended by City Council through the Supplemental Appropriations Ordinance to reflect the appropriation of \$418,858 in additional debt service resulting from the June sale of Build America Bonds. The increased debt service will be funded by an increase in Intergovernmental Revenue for the subsidy payment from the federal government.