

## City Indebtedness

The Virginia Constitution authorizes Virginia cities to issue general obligation bonds, secured by a pledge of full faith and credit. For the payment of such bonds, the city's governing body is required to levy, if necessary, an ad valorem tax on all property subject to local taxation. General obligation bond issuance is subject to a 10 percent limitation of the assessed value of taxable real property in the City.

In determining the debt limitation, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, referendum approved general obligation bonds payable from a specified revenue producing undertaking (as long as the undertaking is self-supporting), and revenue bonds. A portion of the City's Public Utility bonded debt is self-supporting, referendum-approved general obligation and excluded from the City's legal debt limit. In addition, the City's lease-purchase obligations which are subject to annual appropriation are excluded from the City's legal debt limit.

The following table shows the Legal Debt Margins for five Fiscal Years ending June 30 (in thousands of dollars).

As of	Taxable Real Property Assessed Value	Debt Limit: 10% of Assessed Value	Debt Applicable to Debt Limit	Legal Margin for Additional Debt
July 1, 2015	\$7,169,660	\$716,966	\$577,420	\$139,546
July 1, 2014	\$7,158,905	\$715,891	\$606,121	\$109,770
July 1, 2013	\$7,133,727	\$713,373	\$631,739	\$ 81,634
July 1, 2012	\$7,435,030	\$743,503	\$316,767	\$426,736
July 1, 2011	\$7,333,064	\$733,306	\$326,609	\$406,697

### ***Overlapping or Underlying Debt***

The City of Portsmouth is autonomous and entirely independent of any county or other political subdivision. It is not subject to taxation by any county or school district, nor is it liable for any county or school district indebtedness.

### ***Statement of No Past Default***

The City has never defaulted on any debt payment of either principal or interest.

### ***Outstanding Debt***

The City's bonded debt consists entirely of general obligation bonds and notes, which are supported by City general revenues. There is no outstanding debt secured solely by revenues to be received from a particular undertaking. The City's general debt is intended to be funded from the City's General Fund. The debt of the proprietary and internal service funds, consisting of the Public Utility Fund, the Parking Authority Fund, the Golf Fund, the City Garage Fund, the Information Technology Services Fund, and the Risk Management Fund, is expected to be paid or has been paid from the revenues of the respective enterprise and internal service funds.

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### **Debt Ratios**

The following table shows the Tax Supported Debt to Property Value ratios for the fiscal years ended 2011 through 2015. The City's real estate assessed values are determined as of January 1, and those values are effective for taxation as of July 1. The ratio is determined by dividing the total sales by the total of all assessed values after the annual assessment is completed. The calculations include all City debt excluding enterprise and internal service fund debt which is recorded as debt of the respective enterprise and internal service funds.

<b>As of</b>	<b>Outstanding General Debt</b>	<b>Tax Supported Debt as a % of Assessed Real Property Value</b>	<b>Tax Supported Debt as % of Assessed Real and Personal Property Value</b>
July 1, 2015	\$461,126,897	6.4%	5.8%
July 1, 2014	\$481,864,909	6.7%	6.1%
July 1, 2013	\$506,053,911	7.1%	6.4%
July 1, 2012	\$339,834,691	4.6%	4.2%
July 1, 2011	\$348,620,965	4.8%	4.3%

### **Public Utility Debt**

All outstanding Public Utility bonds are general obligations of the City; however, as a matter of practice, the City pays such bonds from its Public Utilities Fund. This is a self-supporting Enterprise Fund. The revenues include water and sewer system fees. In the event Public Utilities Fund fees are not sufficient to pay the debt service on public utility bonds, the City is obligated to pay the debt service from the General Fund or other available revenues. Public Utility bond debt service coverage by net system revenues are shown in the following table.

<b>Fiscal Year</b>	<b>Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
June 30, 2015	\$25,891,382	\$5,227,763	\$2,139,380	\$7,367,143	3.51x
June 30, 2014	\$23,825,124	\$5,027,514	\$1,910,891	\$6,938,405	3.43x
June 30, 2013	\$24,907,619	\$4,461,208	\$2,867,582	\$7,328,790	3.40x
June 30, 2012	\$22,628,617	\$4,393,905	\$2,085,765	6,479,670	3.49x
June 30, 2011	\$24,809,389	\$4,120,281	\$1,519,110	5,639,391	4.40x

### **Impact of Capital Budget on Debt**

The Constitution of the Commonwealth of Virginia and related laws dictate the legal limits of debt for political subdivisions. As such, the City's only legal limit of debt is 10% of taxable real estate assessed value. The City has additionally established a debt policy limit of 10% of general fund budgeted revenue as well as other Debt Capacity and Affordability guidelines as specified in the Debt Management Principles outlined in the Financial Policies section of this document.

**City  
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**Computation of Legal Debt Margin**

CITY OF PORTSMOUTH, VIRGINIA  
**Computation of Legal Debt Margin**  
 (in thousands of dollars)  
 June 30, 2015

Taxable real estate assessed value - July 1, 2015	\$	7,169,660
Debt limit - 10 percent of assessed value (1)		716,966
Total debt - June 30, 2015 (2)	600,756	
<u>Less amounts exempt from debt limit:</u>		
<u>Enterprise debt: (3)</u>		
GO Public Utility Taxable and Refunding Bonds, Series 2013B	20,515	
<u>Capital leases subject to appropriation:</u>		
Waste Management equipment and vehicles	223	
City Garage equipment and vehicles	2,598	
Total exempt debt	23,336	
Debt applicable to debt limit		577,420
Legal margin for additional debt	\$	139,546

Source : Department of Finance and City Assessor for assessed values.

Notes:

- (1) The legal debt limit is established by State law as 10 percent of taxable real estate assessed value.
- (2) Includes general obligation debt of the General Fund, Public Utility Fund, Parking Authority Fund, and Golf Fund. Also includes Capital Leases (those subject to and those not subject to appropriation). Excludes compensated absences, net pension obligation and landfill closure and post-closure care liability.
- (3) Not included in legal debt limit as the series is self-supporting and referendum approved.