City of Alexandria, Virginia

Proposed Debt Policy Amendments

February 28, 2017

Debt Policies

- Adopted in 1987
- Updated in 1997
- Intended to guide City Council and staff
  - Helps measure debt capacity
  - Manage the impact of debt service on the operating budget
  - Maintain adequate fund balances for uncertainties
- Discuss tonight, refer to BFAAC, adopt on May 4

Debt Policies

- Developed in order to ensure continued high City credit worthiness
- Maintain ratings that are consistent with City peers who possess the highest credit rating (Aaa/AAA)
- High credit ratings = lower costs of borrowing
  - Reduces the financing costs of building and maintaining assets
  - Borrowing enables the City to spread the cost over the life of the asset
    - Intergenerational Equity Sharing or Pay-as-you-use

Debt Policies

- Evaluated our current ratios compared to City AAA/Aaa peers
  - Maintains appropriate indicators of sound financial management
  - Provides sufficient debt capacity
    - Respond to economic opportunities
    - Maintain and protect facilities and infrastructure
    - Expand capital improvement program to respond to our needs
- Recognizes the self-supporting enterprise fund projects

Debt Funding Sources

- Sanitary Sewer Projects - $348.9M bond financed
  - Fee supported by user fees

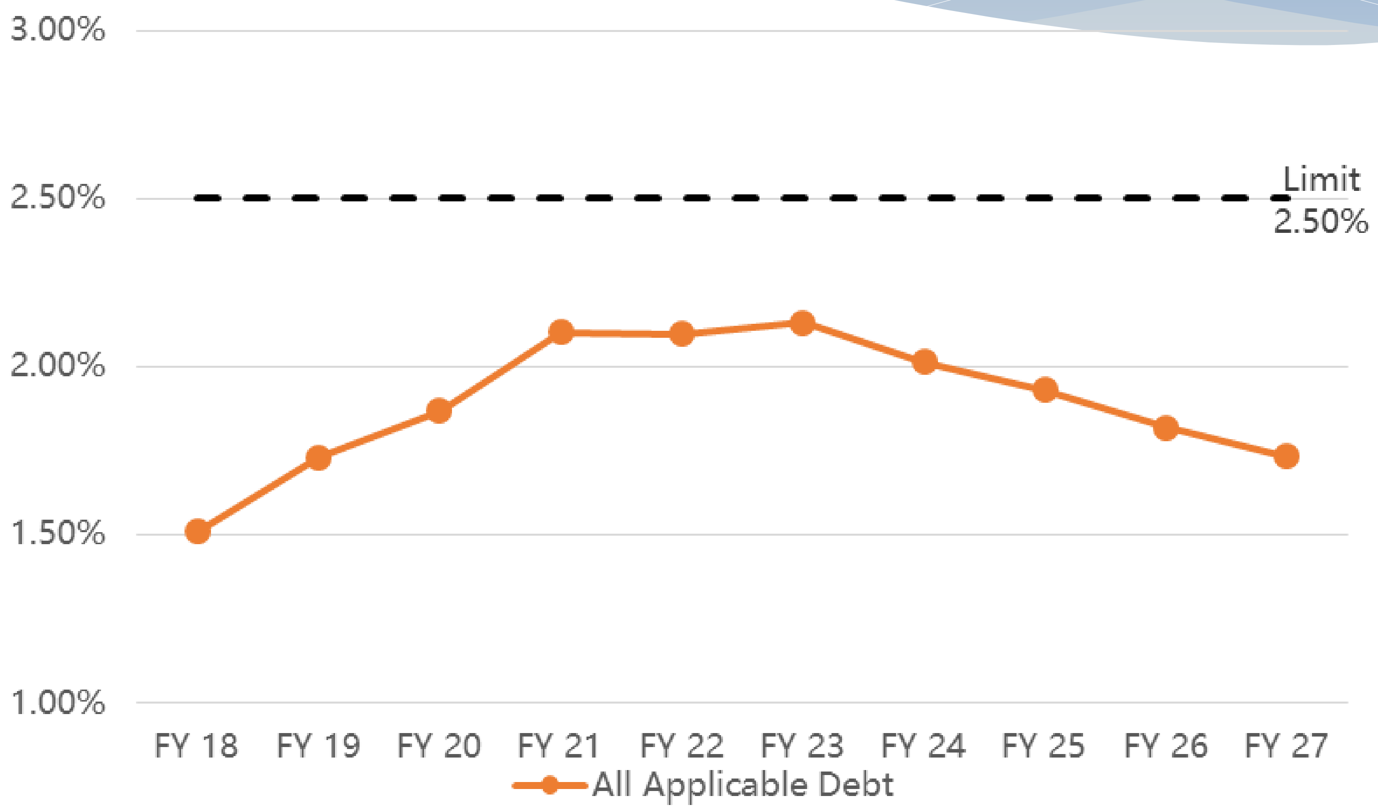
- Stormwater Management - $41.2M bond financed
  - Fee supported by Stormwater Utility user fees (2018)

- Total Proposed CIP - $769.6M in tax-supported bond funding for City and Schools projects over 10 years

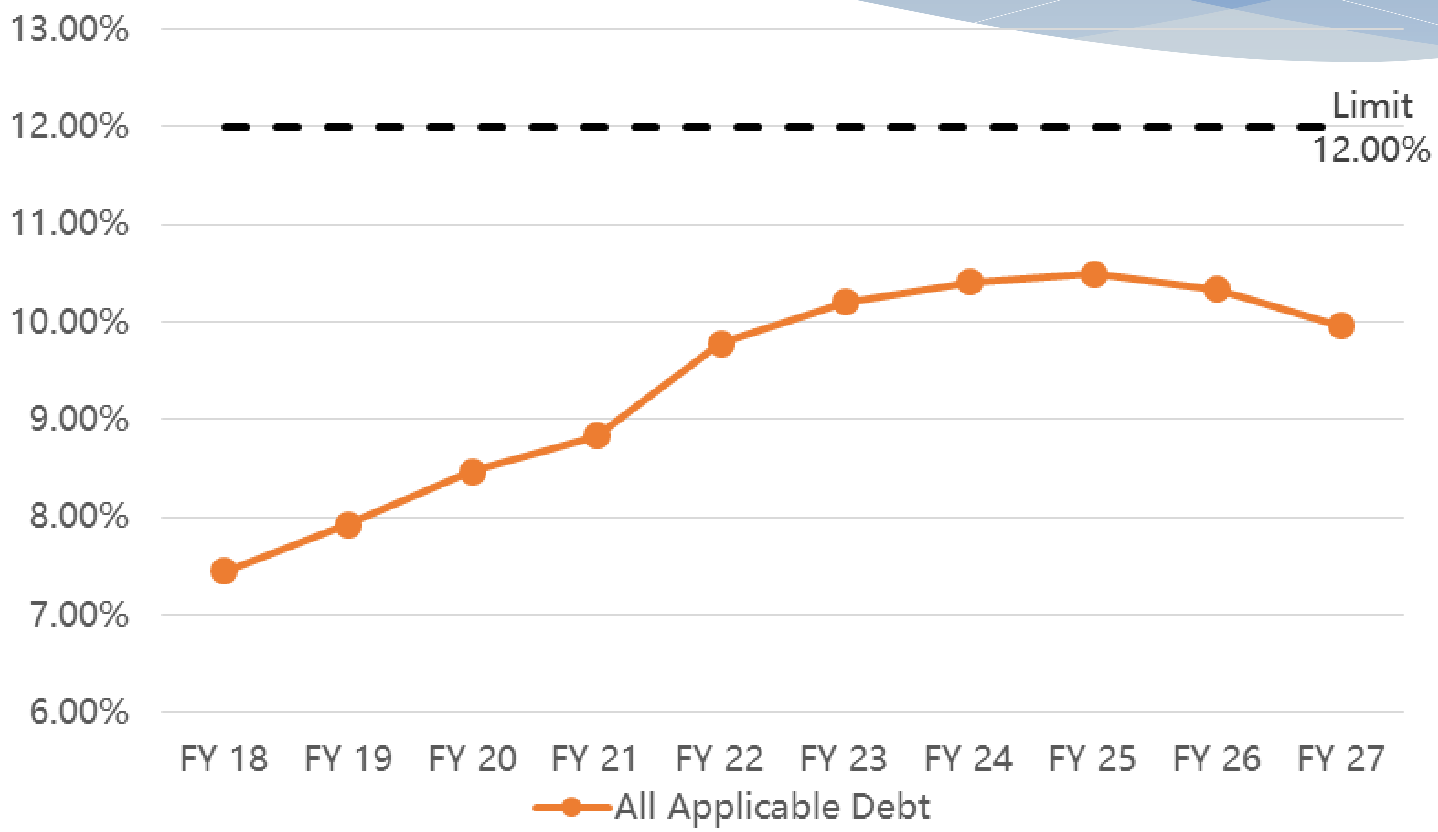
Debt Policies
Current vs. Proposed

Debt Ratio	Current Ratios			Proposed Changes		
	Target	Limit	Does Not Include	Target	Limit	Does Not Include
Debt as a Percentage of Fair Market Real Property Value	1.10%	1.60%	Sanitary Sewer Debt	Set by CIP	2.50%	Sanitary Sewer & Stormwater Debt
Debt as a Percentage of Total Personal Income	3.20%	4.50%	Sanitary Sewer Debt	Delete as a Measure		
Debt Service as a Percentage of General Government Expenditures	8.00%	10.00%	Sanitary Sewer Debt	Set by CIP	12.00%	Sanitary Sewer & Stormwater Debt

Debt as a % of Fair Market Value



Debt as a % of General Gov't Expenditures



Debt Policies

- Rapidity of Payment
  - Continue practice of paying off debt quickly
  - Level principal structure, with staircase step up
  - Keep 10-year payout ratio for 20 year debt at 50% as the minimum and 65% as the target
  - Excludes Potomac Yard Metrorail Station (30 years) and Sanitary CSO projects (TBD) where life span of assets will likely substantially exceed 20 years