



Long-term Debt

Total outstanding debt was \$275.9 million with \$148 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$127.9 million. Capital leases of \$0.9 million for the regional radio system joint venture and \$5.4 million for the human services facility were included, while liabilities for compensated absences and workers' compensation of \$5.4 million, landfill closure liability of \$3.6 million and other post employment benefits liability of \$1.9 million were excluded.

Long-term Debt Obligations

As of June 30, 2008/2007

(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change 2008-2007
	2008	2007	2008	2007	2008	2007	
General Obligation Bonds	\$ 117.4	\$ 108.6	\$ 63.6	\$ 52.3	\$ 181.0	\$ 160.9	12%
Revenue Bonds	-	-	84.4	74.9	84.4	74.9	13%
Literary Bonds	0.1	0.1	-	-	0.1	0.1	0%
General Obligation Notes	1.3	-	-	16.5	1.3	16.5	-92%
Note Payable	2.8	3.0	-	-	2.8	3.0	-7%
Capital Lease	6.3	6.8	-	-	6.3	6.8	-7%
Total	\$ 127.9	\$ 118.5	\$ 148.0	\$ 143.7	\$ 275.9	\$ 262.2	5%

Total new debt of \$55 million was issued, of which \$22.8 million was for governmental activities and \$32.2 million was for business-type activities. Governmental activities new long-term debt of \$22.8 million consisted of \$21.5 million from general obligation bonds; and, \$1.3 million of an outstanding principal balance from a Line of Credit Financing Agreement. The City issued a five-year general obligation bond anticipation note concurrent with this Financing Agreement to provide up to \$15.0 million of interim financing for qualifying capital improvements. Of the \$21.5 million from general obligation bonds, \$16.7 million was allocated as \$15.5 million for general government capital projects and \$1.2 million for Fleet public safety capital equipment. The remaining \$4.8 million was from a Series 2008 current refunding general obligation bond issue which retired the Series 1998B general obligation bonds. Business-type activities new long-term debt of \$32.2 million consisted of \$12.4 million from the Virginia Revolving Loan Program (VRL) for CSO sewer capital projects; and, \$19.8 million in general obligation bonds. Of the \$19.8 million from general obligation bonds, \$16.6 million was a Series 2007 current refunding general obligation bond issue to permanently finance \$10.3 million of water capital projects and \$6.3 million of sewer capital projects previously financed with two-year bond anticipation notes. The remaining \$3.2 million was from a Series 2008 current refunding general obligation bond issue which retired the Series 1998B general obligation bonds.

The City retired \$41.3 million of outstanding principal, which included \$24.6 million of refunded principal retirements and \$16.7 million as planned principal retirements. The governmental activities principal retirements of \$13.4 million consisted of \$4.8 million of refunded debt and \$8.6 million of planned retirements. The business-type activities principal retirements of \$27.9 million consisted of \$19.8 million of refunded debt and \$8.1 million of planned retirements.

The City's general obligation bonds continued to maintain an Aa3 rating from Moody's Investors Service, an AA rating from Standard and Poor's Rating Service, and an AA rating from Fitch Investors dated July 10, 2007 for the City's August 2, 2007 general obligation public improvement bonds Series 2007. Standard and Poor's utilized their Financial Management Assessment (FMA) model, which resulted in a "strong" ranking for the City's management practices, which is the highest ranking offered in this assessment. This "strong" ranking indicates that management practices, particularly related to fiscal and debt policies, are strong, well embedded, and likely sustainable. Because certain maturities of the August 2, 2007 bond issue



Long-term Debt (Continued)

were insured by MBIA as detailed in Note 9 Long-Term Liabilities, the City filed two notices of material events through DisclosureUSA in compliance with continuing disclosure requirements to the Municipal Securities Rulemaking Board and the Nationally Recognized Municipal Securities Information Repositories (NRMSIRS). The first notice filed May 2, 2008 reported the downgrade by Fitch Ratings of MBIA's ratings and correspondingly the ratings of obligations insured by MBIA from "AAA" to "AA". The second notice filed July 16, 2008 reported the withdrawal by Fitch Ratings and the downgrades by Moody's Investors Services from "AAA" to "A2" and Standard & Poor's Ratings Services from "AAA" to "AA" of MBIA's ratings, and correspondingly the rating of obligations insured by MBIA, including the Insured Bonds, to the extent based on the financial guaranty insurance policies issued by MBIA.



Long-Term Liabilities

General Obligation Debt:

	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Primary Government			Total All Funds
					Public Improvements	School Facilities	Proprietary Funds	
Bond Anticipation Note								
Public Improvement-Line of Credit for Five Years	Variable-LIBOR-Max 6%	03/27/2008	2013	\$ 15,000,000	\$ -	\$ 1,343,389	\$ -	\$ 1,343,389
State Literary Fund Loans Payable								
Virginia Department of Treasury	4.00	07/01/1990	2011	372,412	-	49,412	-	49,412
Serial Bonds								
VPSA General Obligation	4.90-6.35	11/12/1992	2013	458,292	-	133,442	-	133,442
VA Resource Authority	0.00	03/24/1994	2027	3,976,369	-	-	2,335,184	2,335,184
VPSA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	851,299	-	851,299
Public Improvement	4.60-5.40	06/01/1999	2019	17,820,000	4,023,580	1,506,406	3,465,014	8,995,000
Public Improvement	5.30-5.60	07/01/2000	2010	14,405,000	496,084	190,716	423,200	1,110,000
Public Improvement	3.50-4.88	08/01/2001	2032	14,620,000	-	1,406,367	10,088,633	11,495,000
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	2,513,063	-	2,513,063
VPSA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	4,995,583	-	4,995,583
Public Improvement Refunding	2.00-5.00	02/01/2003	2014	23,670,000	2,304,941	273,069	4,611,990	7,190,000
Public Improvement	2.50-4.70	02/01/2003	2033	16,745,000	6,170,000	1,910,000	5,095,000	13,175,000
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	8,580,000	8,430,000	6,840,000	23,850,000
Public Improvement Refunding	3.00-5.25	03/16/2005	2030	33,105,000	12,369,745	8,134,400	11,270,855	31,775,000
Taxable Refunding	3.90-4.86	03/16/2005	2014	3,810,000	-	3,290,000	-	3,290,000
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	5,853,927	-	5,853,927
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	14,212,714	5,605,359	2,451,927	22,270,000
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	15,445,000	-	17,855,000	33,300,000
Public Improvement Refunding	2.93	03/19/08	2015	8,000,000	2,438,954	2,279,649	3,106,397	7,825,000
					\$ 66,041,018	\$ 48,766,081	\$ 67,543,200	\$ 182,350,299

Bonds issued between 1992 and 2008 are callable subject to a maximum premium of 2%.

Authorized and unissued general obligation public improvement bonds amounted to \$15,223,043 at June 30, 2008.

The Constitution of Virginia, Article 7, Section 10(a) sets forth the City’s legal debt limit at ten percent (10%) of its real estate assessed valuation for the City’s issuance of any bonds or other interest-bearing obligations. As of June 30, the City’s aggregate general obligation indebtedness was \$182,350,299 and less than the state limit. In December 2006, City Council amended the Debt Management Policy, which limited tax-supported debt to four and a half percent (4.5%) of its assessed valuation of real estate subject to taxation. There are no overlapping tax jurisdictions.



Long-Term Liabilities

Revenue Debt:

	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund
Virginia Resources Authority:					
Public Utility Revenue Bonds	0.00%	3/28/1995	2027	\$ 6,571,207	\$ 3,293,808
Public Utility Revenue Bonds	0.00%	8/10/1995	2029	10,000,000	5,726,191
Public Utility Revenue Bonds	0.00%	6/27/1996	2029	8,000,000	4,432,633
Public Utility Revenue Bonds	3.00%	7/17/1997	2020	14,108,460	9,468,085
Public Utility Revenue Bonds	0.00%	7/17/1997	2030	7,591,540	4,873,859
Public Utility Revenue Bonds	0.00%	8/1/1998	2031	6,203,000	4,260,010
Public Utility Revenue Bonds	3.00%	6/2/1999	2020	2,476,763	1,658,951
Public Utility Revenue Bonds	0.00%	9/2/1999	2021	5,300,000	3,626,316
Public Utility Revenue Bonds	0.00%	3/15/2001	2032	735,000	540,197
Public Utility Revenue Bonds	3.50%	6/8/2001	2021	2,835,000	2,161,398
Public Utility Revenue Bonds	0.00%	11/6/2001	2034	1,413,613	1,144,667
Public Utility Revenue Bonds	0.00%	9/15/2003	2036	2,350,165	2,112,863
Public Utility Revenue Bonds	0.00%	5/20/2004	2038	6,000,000	5,700,000
Public Utility Revenue Bonds	0.00%	5/17/2005	2038	6,700,000	6,476,667
Public Utility Revenue Bonds	0.00%	6/28/2006	2039	9,600,000	9,600,000
Public Utility Revenue Bonds	0.00%	6/20/2007	2039	7,000,000	7,000,000
Public Utility Revenue Bonds	0.00%	6/5/2008	2041	12,350,000	12,350,000
					<u>\$ 84,425,645</u>

The revenue bonds have been issued in accordance with the terms of an indenture agreement with the Virginia Resources Authority (VRA) of the Commonwealth of Virginia. The indenture agreement requires the City to pledge its Sewer Fund Revenues as collateral for the revenue bonds and to maintain debt coverage in the Sewer Fund equal to at least 1.15 of all debt service payments which exclude any refunded principal payments. As shown in the Supplementary Statistical Table 21, the debt coverage ratio for the year ended June 30 was 1.21.



Long-Term Liabilities (Continued)

Primary Government:

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Governmental Activities					
Bond anticipation note-line of credit	\$ -	\$ 1,343,389	\$ -	\$ 1,343,389	\$ -
General obligation bonds	108,592,986	21,459,128	12,644,952	117,407,162	8,118,034
Notes payable*	3,020,000	-	180,000	2,840,000	180,000
State literary fund loans	68,412	-	19,000	49,412	19,000
Adjust for deferred amounts:					
Issuance premiums	2,171,153	179,745	139,508	2,211,390	-
On refunding	(1,597,341)	-	(177,598)	(1,419,743)	-
Total bonds and notes	112,255,210	22,982,262	12,805,862	122,431,610	8,317,034
Workers' compensation	1,147,452	215,451	565,166	797,737	95,729
Compensated absences	3,558,207	2,977,005	2,416,076	4,119,136	494,296
Other postemployment benefits	-	1,768,605	-	1,768,605	-
Capitalized lease obligations	6,810,398	-	494,205	6,316,193	512,494
	<u>\$ 123,771,267</u>	<u>\$ 27,943,323</u>	<u>\$ 16,281,309</u>	<u>\$ 135,433,281</u>	<u>\$ 9,419,553</u>
Business-Type Activities					
Bond anticipation notes	\$ 16,500,000	\$ -	\$ 16,500,000	\$ -	\$ -
General obligation bonds	52,294,930	19,840,872	8,585,466	63,550,336	3,998,231
Public utility revenue bonds	74,984,763	12,350,000	2,909,118	84,425,645	3,097,845
Adjust for deferred amounts:					
Issuance discounts	(211,484)	-	(149,367)	(62,117)	-
Issuance premiums	918,059	34,052	84,334	867,777	-
On refunding	(1,089,440)	-	(155,996)	(933,444)	-
Total bonds and notes payable	143,396,828	32,224,924	27,773,555	147,848,197	7,096,076
Workers' compensation	77,173	95,307	56,680	115,800	13,895
Compensated absences	413,155	343,741	345,012	411,884	49,426
Other postemployment benefits	-	161,490	-	161,490	-
Landfill – open landfill	3,284,269	1,786,304	1,495,965	3,574,608	3,574,608
	<u>\$ 3,284,269</u>	<u>\$ 34,611,766</u>	<u>\$ 29,671,212</u>	<u>\$ 152,111,979</u>	<u>\$ 10,734,005</u>

* A note receivable was obtained concurrent with the issuance of this note payable. Neither instrument provided or consumed current financial resources; therefore, they are not reflected in the fund statements. The note receivable is included in other assets on Exhibit 1.



Long-Term Liabilities (Continued)

Debt Service to Maturity:

Year Ending June 30	Governmental Activities						Business-Type Activities General Obligation Sewer Fund	
	Governmental Obligation		Literary Fund Loans		Capital Lease Obligations		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2009	\$ 8,118,034	\$ 5,191,405	\$ 19,000	\$ 1,976	\$ 512,494	\$ 229,783	\$ 1,810,056	\$ 1,207,810
2010	8,697,194	4,871,103	19,000	1,216	530,970	211,305	2,103,851	1,138,875
2011	8,690,523	4,529,594	11,412	456	550,116	192,160	2,103,588	1,061,191
2012	8,219,427	4,194,088	-	-	437,301	172,285	1,757,860	991,126
2013	8,301,566	3,831,425	-	-	314,277	158,399	1,759,308	924,138
2014-2018	35,176,249	13,856,681	-	-	1,762,702	600,673	6,992,528	3,671,210
2019-2023	24,939,749	6,706,094	-	-	2,129,637	233,740	4,257,876	2,475,817
2024-2028	13,862,675	1,774,046	-	-	78,696	748	3,887,376	1,676,067
2029-2033	1,381,745	136,890	-	-	-	-	3,384,411	822,885
2034-2038	20,000	1,000	-	-	-	-	1,845,717	208,024
2039-2041	-	-	-	-	-	-	-	-
Total	\$ 117,407,162	\$ 45,092,326	\$ 49,412	\$ 3,648	\$ 6,316,193	\$ 1,799,093	\$ 29,902,571	\$ 14,177,143

Year Ending June 30	Business-Type Activities							
	General Obligation				Revenue Bonds			
	Water Fund		Solid Waste Management		Airport Fund		Sewer Fund	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 1,408,763	\$ 1,252,076	\$ 544,502	\$ 137,945	\$ 234,910	\$ 87,212	\$ 3,097,845	\$ 402,168
2010	1,703,875	1,191,916	537,386	113,654	254,716	77,609	3,520,797	372,550
2011	1,668,318	1,123,470	549,692	89,363	255,141	67,243	3,757,168	342,012
2012	1,417,069	1,062,769	298,462	69,647	190,327	58,141	3,994,486	310,527
2013	1,426,700	1,003,211	298,749	57,082	196,083	50,305	4,026,949	278,064
2014-2018	6,042,653	4,138,230	902,737	117,725	651,665	150,976	20,658,084	866,981
2019-2023	3,776,197	2,962,884	74,385	19,989	222,618	59,999	16,434,053	87,108
2024-2028	3,801,131	2,118,219	41,035	9,919	136,114	13,129	12,705,915	-
2029-2033	4,011,259	1,177,711	18,995	1,292	-	-	8,233,006	-
2034-2038	2,984,283	338,038	-	-	-	-	6,574,842	-
2039-2041	-	-	-	-	-	-	1,422,500	-
Total	\$ 28,240,248	\$ 16,368,524	\$ 3,265,943	\$ 616,616	\$ 2,141,574	\$ 564,614	\$ 84,425,645	\$ 2,659,410

Notes Payable – Capital Projects Line of Credit, Bank (General Obligation Bond Anticipation Note):

On March 27, 2008, the City issued a five-year general obligation bond anticipation note to SunTrust Bank and concurrently entered into a line of credit Financing Agreement with the Bank. The Agreement provided for borrowings of up to \$15,000,000 to provide interim financing for qualifying capital improvements. Interest on the unpaid principal is equal to the tax-exempt note rate defined in the Agreement as: the one month London Interbank Offered Rate (LIBOR) as published in the “Money Rates” section of the Wall Street Journal times 0.77, plus 0.37%, for each calendar month on the first business day of such calendar month and computed on a 360-day year basis; up to a maximum of 6%; and, payable in arrears on a monthly basis. All outstanding amounts are due at final maturity on March 27, 2013. There was \$1,343,389 of principal activity during FY 2008 for Schools capital projects with that same amount outstanding at June 30, 2008.

General Obligation Bond Anticipation Notes:

On May 9, 2006, the City issued \$16,500,000 two-year general obligation bond public improvement anticipation notes (BANS) maturing on July 15, 2008 for interim financing of water and sewer projects. The notes bear interest at the rate of 3.875% per annum. On September 4, 2007 these BANS were redeemed and permanently financed with general obligation public improvement bonds dated August 2, 2007.

**Long-Term Liabilities (Continued)****August 2, 2007 General Obligation Bond Issue:**

The City issued \$33,300,000 of general obligation public improvement bonds Series 2007 dated August 2, 2007 from its competitive bond sale on July 19, 2007. They were issued to fund general government capital projects, fleet public safety equipment, permanent financing for water and sewer capital projects, and issuance costs. They were allocated as follows: \$15,445,000 for general government, \$1,190,000 for fleet public safety equipment; and \$10,100,000 and \$6,565,000 respectively for water and sewer utilities. These bond proceeds were utilized in a current refunding on September 4, 2007, to permanently finance the \$10,000,000 water and \$6,500,000 sewer general obligation bond anticipation notes (BANS) issued May 9, 2006. Bonds funding general government projects and fleet equipment were financed for twenty (20) years, while the water and sewer bonds were financed for thirty (30) years. The final maturity date is August 1, 2037 for the bonds with interest rates ranging from 4.125% to 5.00%. Bonds maturing on August 1 in each of the years 2018 through 2027, on August 1, 2032 and August 1, 2037 are insured under a financial guaranty insurance policy issued by MBIA Insurance Corporation and purchased by the underwriter. Subsequently, in March 2008, the Lynchburg City Council approved a resolution providing for a realignment of up to \$500,000 of the May 9, 2006 BANS unexpended proceeds from sewer capital projects to water capital projects. In May 2008, the City actually realigned only \$233,805 of those unexpended proceeds in accordance with that authorizing resolution. Because of the permanent financing of these May 2006 BANS with the August 2007 bonds; this resulted in the same realignment in the August 2, 2007 bonds and its related debt service until maturity. The final fund allocation amounts of the August 2, 2007 bond issue were \$10,333,805 water capital projects and \$6,331,195 for sewer capital projects. The general government and public safety equipment allocations remained the same as noted above.

Additionally, the City filed two notices of material events during FY 2008 through DisclosureUSA in compliance with continuing disclosure requirements to the Municipal Securities Rulemaking Board and the Nationally Recognized Municipal Securities Information Repositories (NRMSIRS). The first notice filed on May 2, 2008 reported that the City had been advised of the downgrade by Fitch Ratings of MBIA's ratings and correspondingly the ratings of obligations insured by MBIA from "AAA" to "AA". The second notice filed on July 16, 2008 reported that the City had been advised of the withdrawal by Fitch Ratings and the downgrades by Moody's Investors Services from "AAA" to "A2" and Standard & Poor's Ratings Services from "AAA" to "AA" of MBIA's ratings and correspondingly the rating of obligations insured by MBIA, including the Insured Bonds, to the extent based on the financial guaranty insurance policies issued by MBIA.

March 19, 2008 General Obligation Bond Issue Current Refunding of General Obligation Bond Issue, Series 1998B:

The City issued \$8,000,000 of general obligation public improvement bonds Series 2008 dated March 19, 2008 through a proposal process resulting in a private placement of these bonds with Banc of America Public Capital Corporation. Proceeds from this current refunding along with City funds from the Solid Waste Management Fund were utilized on May 1, 2008 and refunded the outstanding Series 1998B general obligation bonds. Additionally, City funds of \$244,184 from the Solid Waste Management Fund were utilized to retire its allocation of \$236,497 outstanding principal for the Series 1998B bonds, related issuance costs and premium. This Fund's Series 1998B outstanding debt was retired in lieu of including it in the March 19, 2008 current refunding bond issue. It was the City's desire to retire debt where practical in anticipation of the upcoming transition of this operation to a regional services authority effective July 1, 2008.

Virginia Department of Education Literary Loan Program Fund:

The Lynchburg School Board and the Lynchburg City Council approved resolutions on March 5, 2008 and March 11, 2008, respectively, authorizing submission of the Literary Loan Program Fund application to the Virginia Department of Education Board for a \$7,500,000 loan to partially fund new construction of Sandusky Middle School. On July 17, 2008, the Virginia Department of Education Board approved the application for a future loan with a three percent (3%) interest rate and placed this project on the First Priority Waiting List.

Net Other Postemployment Benefits Obligation:

For FY 2008, the City and Lynchburg City Schools implemented the Governmental Accounting Standards Board's Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This pronouncement requires the accounting and financial reporting of the City's and Schools' net other postemployment obligation (NOPEBO) at June 30, 2008. It is defined as the cumulative difference between the annual OPEB cost and the employer's contributions to a plan, including the OPEB liability or asset at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. The City and Schools have not converted any OPEB obligation to debt. Detailed information is provided in Note 13 of this report.



Component Unit – Lynchburg City Schools:

The following is a summary of changes in other long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 692,384	\$ 461,912	\$ 544,824	\$ 609,472	\$ 249,884
Capital lease obligations	2,200,406	1,000,000	834,058	2,366,348	856,493
Other postemployment benefits	-	522,228	-	522,228	-
	\$ 2,892,790	\$ 1,984,140	\$ 1,378,882	\$ 3,498,048	\$ 1,106,377

School Capital Leases:

Interest Rates	Date Issued	Final Maturity	Original Issue	Balance
3.08%	02/2005	02/2010	\$ 1,000,000	\$ 350,550
3.39	09/2005	09/2010	750,000	340,348
2.99	09/2004	09/2009	500,000	132,737
4.12	08/2006	08/2011	500,000	328,520
3.83	10/2006	10/2011	500,000	352,099
3.89	09/2007	09/2012	1,000,000	862,094
				\$ 2,366,348

Following is a summary of debt service to maturity:

Year Ending June 30	Capital Lease Obligations	
	Principal	Interest
2008	\$ 856,493	\$ 72,536
2009	732,272	43,010
2010	447,043	21,380
2011	278,411	6,499
2012	52,129	177
Total	\$ 2,366,348	\$ 143,602



Ratios of Outstanding Debt by Type
(dollars in thousands)

Fiscal Year	Governmental Activities					Business-type Activities				Total Primary Government
	General Obligation Bonds	Literary Bonds	General Obligation Notes	Note Payable	Capital Leases	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Capital Leases	
1999	\$ 43,525	\$ 458	\$ -	\$ -	\$ 2,961	\$ 59,308	\$ -	\$ 52,681	\$ 226	\$ 159,159
2000	39,866	400	3,345	-	2,783	54,707	-	56,266	77	157,444
2001	42,519	341	3,345	-	2,595	55,521	-	57,500	-	161,821
2002	71,901	283	9,290	-	2,397	63,499	-	56,096	-	203,466
2003	85,006	225	610	-	2,187	64,141	-	52,973	-	205,142
2004	100,251	166	7,500	3,200	8,396	66,896	-	59,152	-	245,561
2005	93,990	127	7,500	3,200	7,747	61,935	-	63,526	-	238,025
2006	116,709	87	-	3,200	7,287	57,532	16,500	70,543	-	271,858
2007	108,593	68	-	3,020	6,810	52,295	16,500	74,985	-	262,271
2008	117,407	49	1,343	2,840	6,316	63,550	-	84,426	-	275,931

Ratios of Net General Bonded Debt Outstanding
(dollars in thousands, except per capita)

Fiscal Year	Population ¹	Assessed Valuation (in thousands)	Gross Bonded Debt ²	Debt Payable From Enterprise Revenues ²	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1999	66,200	\$ 3,013,246	\$ 133,714	\$ 59,337	\$ 74,377	2.47%	\$ 1,124
2000	65,269	3,166,143	126,725	54,707	72,018	2.27%	1,103
2001	65,400	3,250,445	134,592	55,521	79,071	2.43%	1,209
2002	65,800	3,466,111	144,973	63,499	81,474	2.35%	1,238
2003	66,400	3,604,279	149,981	64,140	85,841	2.38%	1,293
2004	67,100	3,915,725	174,813	66,896	107,917	2.76%	1,608
2005	67,756	3,954,923	163,552	61,935	101,617	2.57%	1,500
2006	68,579	4,357,188	190,828	74,032	116,796	2.68%	1,703
2007	69,738	4,501,102 ³	177,456	68,795	108,661	2.41%	1,558
2008	69,738	5,246,349 ⁴	182,350	63,550	118,800	2.26%	1,704

¹ Data from the Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, Virginia, for 1999 and 2001-2006 Final Estimates, and 2007 Provisional Estimates; and United States Bureau of the Census 2000. The 2008 population is an estimate based on 2007.

² Excludes City of Lynchburg Public Utility Revenue Bonds.

³ These figures have been updated to reflect all billings associated with the personal property tax levy.

⁴ These figures only reflect two of the four billings associated with the personal property tax levy. These figures will be updated in FY 2009 to reflect all four billings.



Legal Debt Margin Information
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2008

Real Property Assessed Value	\$ 4,470,858
Public Service Corporations Real Property Assessed Value	<u>150,948</u>
Total Real Property Assessed Value (1)	<u>4,621,806</u>
Debt limit (10% of assessed value)	462,181
Debt applicable to limit:	
Less: General Obligation Debt	(182,350)
Legal Debt Margin	<u><u>\$ 279,831</u></u>

<u>Description</u>	<u>Fiscal Years</u>				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Debt limit	\$ 247,466	\$ 259,682	\$ 264,398	\$ 290,687	\$ 301,016
Total net debt applicable to limit (2)	<u>133,714</u>	<u>126,725</u>	<u>134,592</u>	<u>144,973</u>	<u>149,981</u>
Legal debt margin	<u>\$ 113,752</u>	<u>\$ 132,957</u>	<u>\$ 129,806</u>	<u>\$ 145,713</u>	<u>\$ 151,036</u>
Total net debt applicable to the limit as a percentage of the debt limit	54.03%	48.80%	50.91%	49.87%	49.82%
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 330,240	\$ 338,155	\$ 372,512	\$ 383,509	\$ 462,181
Total net debt applicable to limit (2)	<u>174,813</u>	<u>163,552</u>	<u>190,828</u>	<u>177,456</u>	<u>182,350</u>
Legal debt margin	<u>\$ 155,427</u>	<u>\$ 174,603</u>	<u>\$ 181,684</u>	<u>\$ 206,053</u>	<u>\$ 279,831</u>
Total net debt applicable to the limit as a percentage of the debt limit	52.94%	48.37%	51.23%	46.27%	39.45%

(1) See Table 14 for Real Property Assessed Value information.

(2) For fiscal years 2000 through 2005, the total net debt applicable to limit amounts were revised to include bond anticipation notes.

Note: The Constitution of Virginia, Article 7, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its assessed valuation of real estate subject to taxation for the City's issuance of any bonds or other interest-bearing obligations. In August 1999, City Council adopted a Debt Management Policy that limits tax-supported debt to five percent (5%) of its assessed valuation of real estate subject to taxation. In December 2006, City Council amended the Debt Management Policy that limits tax-supported debt to four and a half percent (4.5%) of its assessed valuation of real estate subject to taxation.



Debt Service (continued)

General Fund	2010 Debt Per 6/30/08 ¹ Debt Book	2010 ² Bond Issue	2010 ³ Line of Credit	Less: Savings from ⁴ Refunding	2010 Budget
1001-7450					
Principal	\$5,084,478			\$0	\$5,084,478
Interest City & Schools	2,631,868	\$192,800			2,824,668
Interest Line of Credit - City	0		\$30,624		30,624
Regional Radio Lease Principal	250,404				250,404
Regional Radio Lease Interest	19,198				19,198
Human Service Lease Principal	280,567				280,567
Human Service Lease Intrest	192,109				192,109
Debt Service Charges	3,000				3,000
Total	\$8,461,624	\$192,800	\$30,624	\$0	\$8,685,048

Detention Home Fund	2010 Debt Per 6/30/08 ¹ Debt Book	2010 ² Bond Issue	2010 ³ Line of Credit	Less: Savings from ⁴ Refunding	2010 Budget
2022-7450					
Principal	\$216,485	\$0	\$0	\$0	\$216,485
Interest	65,526				65,526
Debt Service Charges	0				0
Total	\$282,011	\$0	\$0	\$0	\$282,011

Airport Fund	2010 Debt Per 6/30/08 ¹ Debt Book	2010 ² Bond Issue	2010 ³ Line of Credit	Less: Savings from ⁴ Refunding	2010 Budget
4030-7450					
Principal	\$254,716	\$0	\$0	\$0	\$254,716
Interest	77,610				77,610
Debt Service Charges	2,800				2,800
Total	\$335,126	\$0	\$0	\$0	\$335,126

Water Fund	2010 Debt Per 6/30/08 ¹ Debt Book	2010 ² Bond Issue	2010 ³ Line of Credit	Less: Savings from ⁴ Refunding	2010 Budget
4015-7450					
Principal	\$1,703,875			\$0	\$1,703,875
Interest	1,191,916	\$480,000			1,671,916
Interest Line of Credit	0		\$10,000		10,000
Debt Service Charges	30,286				30,286
Total	\$2,926,077	\$480,000	\$10,000	\$0	\$3,416,077

Sewer Fund	2010 Debt Per 6/30/08 ¹ Debt Book	2010 ² Bond Issue	2010 ³ Line of Credit	Less: Savings from ⁴ Refunding	2010 Budget
4020-7450					
G.O. Principal	\$2,103,852		\$0	\$0	\$2,103,852
G.O. Interest	1,138,876	\$105,000			1,243,876
Rev. Principal	3,520,797				3,520,797
Rev. Interest	372,550				372,550
Debt Service Charges	42,156				42,156
Total	\$7,178,231	\$105,000	\$0	\$0	\$7,283,231



Debt Service (continued)

	2010 Debt Per 6/30/08 ¹ Debt Book	2010 ² Bond Issue	2010 ³ Line of Credit	Less: Savings from ⁴ Refunding	2010 Budget
Stadium Fund					
2026-7450					
Principal	\$109,640	\$0	\$0	\$0	\$109,640
Interest	113,847				113,847
Total	\$223,487	\$0	\$0	\$0	\$223,487

	2010 Debt Per 6/30/08 ¹ Debt Book	2010 ² Bond Issue	2010 ³ Line of Credit	Less: Savings from ⁴ Refunding	2010 Budget
Fleet Services Fund					
5003-7450					
Principal	\$249,504	\$0	\$0	\$0	\$249,504
Interest	163,958				163,958
Debt Service Charges	(2,361)				(2,361)
Total	\$411,101	\$0	\$0	\$0	\$411,101

FY 2010 City's General Fund Appropriation for Schools Debt Service

	2010 Debt Per 6/30/08 ¹ Debt Book	2010 ² Bond Issue	2010 ³ Line of Credit	2009/2010 VPSA Bond Issue	Less: Savings from ⁴ Refunding	2010 Budget
1001-7450						
Principal	\$3,593,475			\$0	\$0	\$3,593,475
Interest	2,010,777	\$683,100				2,693,877
Interest-Line of Credit			\$262,500			262,500
Total School Debt Service	\$5,604,252	\$683,100	\$262,500	\$0	\$0	\$6,549,852
Plus:						
Debt Service Charges	3,000					3,000
Local City Share for School Debt Service	\$5,607,252	\$683,100	\$262,500	\$0	\$0	\$6,552,852

¹ Information for FY 2010 existing debt service (cash basis) per the City's Debt Book as of 6/30/08.

NOTE: Included as part of the FY 2010 General Fund is the previous Solid Waste Management Fund's debt service (principal \$537,387 & Interest \$113,655). The Regional Solid Waste Authority began operations July 1, 2008 and the City closed the Solid Waste Management Fund in FY 2009.

² This is new debt service for a FY 2010 - Projected July/August 2009, \$8 million GO bond issue (20 years) for general government capital projects; \$18 million (30 years) for the new Sandusky Middle School construction; and, \$16 million for Water (includes \$4 million to pay off Line of Credit) and \$3.5 million for Sewer capital projects.

³ As of 2/9/09, a July/August 2009-early FY 2010 bond issue is anticipated with interest only debt service in FY 2010. A Line of Credit was established in March 2008 and is expected to have interest expense (3.5%) for as much as 90 days in early FY 2010 until bond proceeds are available to pay off the Line of Credit.

It is anticipated that the Line of Credit will be used for Sandusky Middle School throughout FY 2010 while awaiting \$7.5 million financing from the Literary Loan or a VPSA subsidy sale. Line of Credit interest expenditures of \$262,500 for Schools is based on \$7.5 million for the entire FY 2010.

The Line of Credit allocation of \$3.5 million is anticipated to be used for General Government capital projects with interest expense estimated at \$30,624.

The Line of Credit allocation of \$4 million is anticipated to be used for Water capital projects with interest expense estimated at \$10,000.

⁴ No refunding is anticipated at this time and monitoring for refunding opportunities is an ongoing process.