

Summary of Financial Goals and Objectives

In 2004, at the City Council retreat, the City Council adopted a Vision Statement focusing upon six Vision components. In support of the Vision, the proposed budget is introduced focusing upon increased funding for education, progress on financial strategies, improving the City's economic prosperity, transforming neighborhoods and communities, investing in our employees, leveraging technology to improve services, improving public safety capabilities, and strategically marketing Portsmouth. These eight areas serve as strategic tributaries to strengthen the City's infrastructural needs and the citizenry's quality of life. They also serve as the framework for developing the annual operating and capital improvement budgets. Utilizing the City's overall broad goals and specifically the City Council's financial objectives, the budget-spending plan has been evaluated. We propose this budget with the City Council's Vision as the impetus for change. The six Vision components are:

1. *Bold New Directions*
2. *Lifelong Learning Community*
3. *Neighborhood and Community Transformation*
4. *Robust and Prospering Economy*
5. *World Class Maritime Center*
6. *Pride of Past, Promise of Future*

Throughout the FY 2006-07 operating budget development stages, the Vision components have been considered.

By juxtaposing Citizen Council's Vision, the Planning Commission's Citizen 2025 Comprehensive Plan, and the City's budget proposal, citizens will discern a profound plan to transform the Pride of the Past into the Promise of the Future.

How to Read the Document

Reader's Guide to the Budget Document

The budget document's purpose is to provide information, data, and statistics pertaining to the City of Portsmouth's financial plans and operations to its citizens, elected officials, and interested parties.

The budget document is a summary document pertaining to all City government public service programs. For coordinating revenues and expenditures, it is the annual plan. The fiscal year 2007 budget represents the period of July 1, 2006 to June 30, 2007.

Section Explanation

Executive Summary:

Includes the City Manager's budget message.

Budget Overview:

Includes information pertaining to the fund structure, the accounting/budget basis, the budget process, budget calendar, Legal Requirement for Adopting and Amending the Operating and CIP Budget Tax, Rate and Fee Schedules, City Indebtedness and Fund Balance Schedules and Personnel Summary by Business Centers.

General Government:

Business center departments and agencies for the general administration of the City.

Nondepartmental:

Business Center related to non-specific functional department budgets.

Judicial:

Business Center departments/agencies related to civil and criminal detail pertaining to prosecution and adjudication.

Public Safety:

Business Center departments for the provision of citizenry protection.

Public Works:

Business Center departments pertaining to maintaining the City's infrastructure.

Public Health and Welfare:

Business Center departments pertaining to the health and welfare of the citizenry.

Parks, Recreation and Cultural:

Business Center departments pertaining to the City's recreation and cultural programs.

Community and Economic Development:

Business Center departments pertaining to the City's development.

Education:

Business Center departments pertaining to Portsmouth's public education system.

How to Read the Document

Capital Improvement Program:

This section is a schedule for the financing and construction of major municipal facilities and infrastructure such as roads, schools, buildings, and water and sewer lines. There is a linkage with Council policies, plans and goals. Details of the FY 2006-07 CIP are included in this section.

Ordinances:

Official budget ordinances are shown here reflecting City Council's formal actions.

Supplementary Information:

This is local and state statistical and comparative data about the City of Portsmouth.

Revenue Category Explanation

General Property Taxes:

These are taxes on real and personal properties. This includes both tangible and intangible property such as vehicles, real estate, and business equipment. Also included in this category are delinquent tax interest and penalties.

Other Local Taxes:

These include approved Commonwealth taxes for use by municipalities to derive and collect revenues. Examples are sales tax, business licenses, vehicle registration fees, cigarette taxes, and lodging.

Utility Taxes:

Utility service taxes paid by citizens. Depending on the utility, the rates vary. This category includes revenue from cable TV, cellular telephone, E-911, electricity, gas, telephone, and water taxes.

State Aid:

Funding received from the Commonwealth of Virginia.

- *State Non-Categorical Aid* includes the municipality's tax share received by the State of Virginia. This would include ABC store profits and vehicle rental taxes.
- *State Categorical Aid – Shared Costs* are contributions to municipalities for Virginia-mandated services. This would include the City Sheriff's Office and the City Treasurer's office.
- *State Other Categorical Aid* includes all other funding received from Virginia (funding for library books and street/highway maintenance).

Other Governments:

Excluding the Commonwealth of Virginia and the Federal Government, this category includes funding from any government.

Federal Direct:

This is Federal Government funding such as FEMA reimbursements.

Charges For Services:

City fees charged to government service users such as recreation fees, court costs, and library fines.

Interest:

Interest received from any investment account.

Recovered Costs:

Expenditure reimbursements incurred by a department.

Fines and Forfeitures:

Court and City Sheriff fees collected for law violations.

How to Read the Document

Licenses And Permits:

Fees charged to obtain a license or permit such as yard sale permits, building inspection fees, and sign permits.

Use Of Property:

Rent charged for use of City property.

Miscellaneous Revenue:

Donations and contributions made to the City.

Payment In Lieu Of Taxes:

Revenue received in lieu of taxes under a contractual agreement.

Operating Transfers In:

This is a money transfer from another City fund.

Expenditure Category Explanation

Salaries:

All full and part-time employee payrolls including overtime and allowances.

Benefits:

City paid contributions for employee fringe benefits. This includes the City's portion of social security for employees, retirement, health, and life insurance plans.

Contractual Services:

Fee or a fixed time contract based services acquired from outside sources.

Materials and Supplies:

Provisions required to operate a department such as printing, stationery and books.

Other Operating Expenses:

These are required operating expenses such as telephone, computer software and travel expenses.

Internal Service Charges and Expenses:

In order to capture the full cost of the specific function, services are provided to departments by other departments at a set rate. These include risk management costs, city garage charges, information technology charges, and healthcare.

Capital Outlay:

Expenditures, which result in the acquisition of, or addition to, fixed assets.

Debt Service:

Scheduled annual principal and interest payments for outstanding debt.

Transfers:

Funds transferred between departments.

Financial Reporting Model and Fund Structure

Financial Reporting Model

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, directs municipal financial information preparation and presentations. For state and municipal government annual financial reports, GASB Statement No. 34 established new requirements and a new reporting model. Statement No. 34's objective was to develop easily understood annual reports and make them more useful to decision makers using governmental financial information.

Even with GASB Statement No. 34, budget methods have not changed substantially, but there have been changes to the underlying fund structure.

Governmental Fund Types

Municipal functions are financed through the use of governmental funds. The municipality's acquisition, use, and balance of expendable financial resources and related liabilities are accounted for through governmental funds. This excludes proprietary funds and similar trust funds.

The municipality budgets the following major governmental funds:

General Fund - The general fund is the municipality's general operating fund. With the exception of financial resources required to be accounted for in another fund, the general fund is used to account for all financial resources.

Capital Projects Fund (Capital Improvement Fund) – With the exception of capital improvements financed by proprietary funds, the capital improvement fund accounts for major capital facility acquisition or construction financial resources.

The City budgets the following minor governmental funds:

Special Revenue Funds - Special revenue funds are used as legally restrictive revenue sources for expenditures having specified purposes.

Capital Projects Fund (Community Development Fund) – Pursuant to the 1974 Housing and Community Development Act, the community development fund is used to implement various capital project programs.

Permanent Fund (Cemetery Fund) – Cemetery fund revenues are derived from the sale of cemetery lots, perpetual care payments, donations and legacies. These funds are designated for the care of cemetery lots. The principal of such funds shall not be expended for any other purpose.

The City budgets the following major proprietary funds:

Enterprise Funds - Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. Upon providing goods or services to the general public on a continual basis, the governing body intent is to recover expenses, including depreciation, through user charges where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two major enterprise funds: Public Utility Fund and Golf Fund.

The City budgets the following minor proprietary funds:

Enterprise Fund (Port Facility and Economic Development Fund) – The port facility and economic development fund is used to account for the lease to Universal Maritime of a marine terminal facility and lease-purchase land sale to the Virginia Port Authority.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments, City agencies, or some agencies external to the City on a cost-reimbursement basis. The City has three internal service funds: City Garage Fund, Computer Services Fund and Risk Management and Insurance Fund. The City does not budget for fiduciary fund types.

Fiduciary Fund Types

When the City holds assets in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds, fiduciary funds are used to account for the assets. The City maintains pension trust and agency funds. The Pension Trust Funds account for the City's retirement plan assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve operational measurement results. Fiduciary funds are minor funds and are not included in the government-wide financial statements.

Basis of Accounting

All governmental funds are accounted for using the current financial resources measurement focus wherein only current assets and current liabilities are included on the Balance Sheet in the funds statements and the focus is on the determination of, and changes in, financial position. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of government funds present increases (i.e. revenues and other financial sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirement of the numerous individual programs are used as guidance. Expenditures are recorded when the liability is incurred and payment is due, except for principal and interest on long-term debt which is recorded when due.

The accrual basis of accounting is followed by the proprietary funds and pension trust funds. Accordingly, these revenues are recognized when earned and expenses are recognized when they are incurred. Unbilled utility services receivables are recorded in the enterprise funds when earned.

Formulation of the City Manager's Proposed Budget

According to the City Charter, the City Manager is required to prepare and submit to the City Council an annual budget. The annual budget process begins in the fall of the preceding fiscal year. In November, the department heads and the City Manager meet to discuss the upcoming year's priorities. The budget calendar is developed at this time. It establishes the budget development schedule and the formal schedule for City Manager presentations, public work sessions, public hearings, and the budget adoption.

Departmental requests are developed on a prioritized basis utilizing service level budgets to identify core services and new service request. The budget request must be related to the organization's vision, strategic plan and program objectives. These requests are received and compiled by the Budget Office. When developing proposals, due to revenue constraints, rather than seek additional funding, departments are encouraged to trade or shift expenditures. During the "balancing" effort, the Budget Office provides targeted amounts.

City Manager's Authorization

By City Code, during the course of the fiscal year, provided there is no increase in expense, the City Manager is authorized to effect office consolidations or make other changes for the City's betterment. Also, at any time during the fiscal year, the City Manager may transfer, within the same fund, any unencumbered appropriations less than \$50,000 from one department, project, or purpose to another department, project, or purpose.

Budget Implementation

Once the budget is adopted for the fiscal year, on July 1, it becomes each department's financial legal basis. No department or other City government agency may spend in excess of approved and appropriated amounts. To ensure conformity with the adopted budget, financial and programmatic monitoring of departmental activities occurs throughout the year. Copies of the Adopted Budget can be found in the Library and all City offices. A copy may be obtained from the Department of Finance (budget@portsmouthva.gov), or accessed on the Web at www.portsmouthva.gov.

Amendment of the Budget

As prescribed by Section 15.2-2507 of the Code of Virginia (1997), amendments to the final adopted budget must follow the legal process. Any such amendment which exceeds one percent (1%) of the total revenue shown in the currently adopted budget or the sum of \$500,000, whichever is less, must be preceded with a published notice of a meeting and a public hearing. The newspaper must have a general circulation in the locality and must be circulated seven days prior to the meeting date. The notice must state Portsmouth's intent to amend the budget and include a brief synopsis of the proposed budget amendment. After first providing a public hearing, the amendment may be adopted at the advertised meeting.

Audit

In accordance with Generally Accepted Accounting Principles (GAAP), as set forth in the pronouncement of the Governmental Accounting Standards Board (GASB), the Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, Government Auditing Standards, issued by the Comptroller General of the United States and Audits of States, Local Governments, and Non-Profit Organizations as required by the U. S. Office of Management and Budget Circular A-133, the City's financial records will be audited each year by a firm of independent Certified Public Accountants.

Budget Process

Capital Improvement Program

The Capital Improvement Plan (CIP) adoption, by City Council, coincides with the Annual Operating Budget adoption. The process runs concurrently with the development of the Operating Budget.

Departments submitted FY 2007 Annual Operating Budget requests,
including capital requirements, to the Finance Department.

January 2006

City Manager presents the FY 2007 Proposed Annual Operating
Budget and Capital Improvement Program to City Council

March 21, 2006

Council Work Session FY 2007 Annual Operating Budget and Capital
Improvement Program

City Council Work Sessions in March and April 2006

Public Hearings - FY 2007 Annual Operating Budget and Capital
Improvement Program including Tax Increases,
and Rate Changes

April 11 and 18, 2006

Adoption of FY 2007 Annual Operating Budget and Capital
Improvement Program including Tax Ordinances and Appropriation
Ordinances

April 25, 2006

Legal Requirements for Adopting and Amending the Budget and CIP

Subject	Code Sections	Hearing Requirement	Public Notice Requirement	Adoption Requirements and Limitations
Presentation by the City Manager of Proposed Operating Budget and Capital Improvement Program	VA§ 15.2-2503 City Code 2-29	None	None	City Manager shall submit a proposed budget to City Council on or before April 1.
Adoption and Appropriation of the Operating Budget and Capital Improvement Program	VA§ 15.2-2506 City Charter 3.15 City Code 2-29	One hearing, 7 days prior to adoption.	One notice, at least 7 days before the hearing, to include a brief synopsis of the proposed budget	The City Council shall approve a budget and fix a tax rate no later than July 1. Requires 4 votes.
Adoption and Appropriation of the Schools' Budget	VA§ 15.2-2506 and 22.1-93 City Charter 3.15 City Code 2-29	One hearing, 7 days prior to adoption.	One notice, at least 7 days before the hearing, to include a brief synopsis of the proposed budget	The City Council shall adopt an annual budget for education by May 15 or within 30 days of receipt of State's funding estimates (whichever occurs later). Requires 4 votes.
General Taxing Powers, Including Real Estate Tax and Personal Property Tax, and Excise: Amusement, Cigarettes, Admissions, Room Rentals, Meals, and Campgrounds	VA§ 15.2-107, 15.2-1104, 58.1-3007, 58.1-3840 City Charter 3.15 City Code 2-29	One hearing, 7 days after notice.	Once, at least 7 days before the hearing (specific advertising requirements found in statute: including the actual dollar amount or percentage increase, the specific state code providing authorization, and the designation of a place for viewing the completed	A City may raise annually by taxes and assessments on property, such sums of money as in the judgment of the City are necessary to pay the debts, defray the expenses, accomplish the purposes and perform the functions of the City. Requires 4

Legal Requirements for Adopting and Amending the Budget and CIP

Subject	Code Sections	Hearing Requirement	Public Notice Requirement	Adoption Requirements and Limitations
			ordinance and other relevant information; all to be available no later than the time of the first publication).	votes.
Real Estate Assessments which result in an increase of 1% or more in the total real property tax levied	VA§ 15.2-1104, 58.1-3007, 58.1-3321 City Charter 3.15 City Code 2-29	One hearing, 7 days after notice.	Once, at least 7 days before hearing (specific advertising requirements found in statute: including the actual dollar amount or percentage increase, the specific state code providing authorization, and the designation of a place for viewing the completed ordinance and other relevant information; all to be available no later than the time of the first publication).	Hearing cannot be held at the same time as the annual budget hearing but hearing and adoption may occur at the same meeting. Requires 4 votes.
Increase of Certain Fees for zoning and planning ordinances	VA§ 15.2-107 and 15.2-2204 for zoning ordinances City Charter 3.15 City Code 2-29	At least 6 days and no more than 21 days after the second notice.	2 times, once a week for 2 successive weeks (dollar amount or percentage change, and other specific information is required for the ad).	Zoning ordinances have specific requirements for planning and zoning related fees. Requires 4 votes.

Legal Requirements for Adopting and Amending the Budget and CIP

Subject	Code Sections	Hearing Requirement	Public Notice Requirement	Adoption Requirements and Limitations
Amendment of the Budget and Capital Improvement Program	VA§ 15.2-2506 City Charter 3.15 City Code 2-29	One hearing, 7 days after notice.	Once, at least 7 days before the hearing; to include a brief synopsis of the proposed amendment.	Required for any amendment that exceeds 1% of the total expenditures shown in the adopted budget or which exceed \$500,000 (whichever is less). Requires 4 votes.

Tax Rates and Fees

Description	FY 2005-06 Adopted	FY 2006-07 Adopted
Admissions and Amusement Tax	10%	10%
Cable Franchise Fee	5%	5%
Cigarette Tax	\$0.50 per pack	\$0.50 per pack
Commercial Landfill Tipping Fee	\$48.50 per ton	\$48.50 per ton
E-911 Tax	\$3.00 per month	\$3.00 per month
Guest Lodging Tax	8%	8%
Machinery and Tool Tax	\$3.00 per \$100 of original cost at 50% value	\$3.00 per \$100 of original cost at 50% value
Motor Vehicle License Fees:		
Motorcycle	\$24.00	\$24.00
Automobile:		
Vehicles up to 4,000 pounds	\$25.00	\$25.00
Vehicles over 4,000 pounds	\$30.00	\$30.00
Personal Property Tax	\$5.00 per \$100 of assessed value	\$5.00 per \$100 of assessed value
Personal Property Tax - Boats	\$0.01 per \$100 of assessed value	\$0.01 per \$100 of assessed value
Real Estate Tax	\$1.44 per \$100 of assessed value	\$1.36 per \$100 of assessed value
Residential Sewer Charges	\$2.42 per 1,000 gallons	\$2.65 per 1,000 gallons
Residential Solid Waste Fee	\$19 per month	\$22 per month
Residential Water Charges	\$3.15 per 1,000 gallons	\$3.38 per 1,000 gallons
Restaurant Food Tax	6.5%	6.5%
Stormwater Fees:		
Commercial	\$4.50 per equivalent residential unit Note: 1 ERU-1,877 sq.ft. of impervious area	\$5.00 per equivalent residential unit Note: 1 ERU-1,877 sq.ft. of impervious area
Residential	\$4.50 per equivalent residential unit	\$5.00 per equivalent residential unit
Utility Taxes:		
Commercial:		
Cable	7%	7%
Electricity	20% of first \$2,000	20% of first \$2,000
Gas	20% of first \$2,000	20% of first \$2,000
Telephone	20% of first \$2,000	20% of first \$2,000
Residential:		
Electricity	\$3.40	\$3.40
Gas	\$3.00	\$3.00
Telephone	20% of first \$2,000	20% of first \$2,000

City of Portsmouth
Fiscal Year 2007 Approved General Fund Position Summary

Permanent Positions	FY 2005 Actual	FY 2006 Adopted	FY 2006 Amended	FY 2007 Adopted
<u>01 General Government</u>				
City Council	7	7	7	7
City Clerk	5	5	5	5
City Manager	12	12	12	9
Office of Management Services	2	2	2	7
Registrar	5	5	5	5
City Attorney	11	11	11	11
Department of Human Resource Management	11	11	11	10
Commissioner of the Revenue	22	22	22	21
City Assessor	12	12	12	12
City Treasurer	23	22	22	23
Department of Finance	21	21	21	22
Office of Video Services		2	2	1
Office of Marketing			2	2
Total General Government	131	132	134	135

03 Judicial

Circuit Court Judges	7	7	7	8
Circuit Court Clerk	24	24	24	24
Commonwealth's Attorney	26	28	28	28
Sheriff	176	175	177	177
Total Judicial	233	234	236	237

04 Public Safety

Police Department	308	308	308	309
E-911	33	33	33	33
Security and Animal Control	15	15	15	15
Department of Fire, Rescue and Emergency	242	243	243	243
Total Public Safety	598	599	599	600

City of Portsmouth
Fiscal Year 2007 Approved General Fund Position Summary

Permanent Positions	FY 2005 Actual	FY 2006 Adopted	FY 2006 Amended	FY 2007 Adopted
<u>05 Public Works</u>				
Streets and Highways	20	20	20	19
Mosquito Control	5	5	5	5
Engineering	19	19	19	20
Traffic Engineering	14	14	14	14
Property Management	49	49	49	48
Harbor Center Pavilion			3	3
Total Public Works	107	107	110	109
<u>07 Parks, Recreation, and Cultural</u>				
Department of Museums	27	27	27	27
Department of Public Library	29	29	29	29
Parks, Recreation and Leisure Services - Admin	9	9	10	10
Parks, Recreation and Leisure Services - Parks	43	43	43	40
Parks, Recreation and Leisure Services - Recreation	18	18	18	18
Total Parks, Recreation, and Cultural	126	126	127	124
<u>08 Community and Economic Development</u>				
Permits and Inspections	37	37	40	40
Department of Economic Development	9	9	9	10
Department of Planning	13	13	13	13
Convention and Visitor's Bureau	6	6	6	6
Total Community and Economic Development	65	65	68	69
Total City Positions	1260	1263	1274	1274

City Of Portsmouth, Virginia
Statement of Changes in Fund Balance

	General	Other Governmental Funds	Capital Improvements	Public Utility	Golf	Waste Management	Port Facility and ED	Internal Service Funds	Total All Funds
Total Revenues	164,570,408	41,013,584	390,506	30,115,915	1,508,307	7,295,107	566,506	31,899,079	277,359,412
Total Expenditures	161,078,739	44,134,702	16,285,803	15,461,348	1,720,965	8,446,940	87,870	29,971,206	277,187,573
Revenues over (under) expenditures	3,491,669	(3,121,118)	(15,895,297)	14,654,567	(574,855)	(1,151,833)	478,636	1,927,873	(190,358)
Total Other Financing Sources (uses)	3,930,708	4,237,608	13,119,489	(9,616,817)	505,759	1,055,769	214,282	(9,306)	13,437,492
Net Changes in Fund Balance/Net Assets	7,422,377	1,116,490	(2,775,808)	5,037,750	(69,096)	(96,064)	692,918	1,918,567	13,247,134
Fund Balances/Net Assets, beginning of year	22,049,987	7,935,971	4,121,954	104,771,437	5,958,401	1,314,392	2,532,041	(17,106,804)	131,577,379
Increase reserve -inventory of supplies	17,944	0	0	0	0	0	0	0	0
Fund balances/Net Assets, end of year	29,490,308	9,052,461	1,346,146	109,809,187	5,889,305	1,218,328	3,224,959	(15,188,237)	144,842,457

Source: FY Ended June 30, 2005 CAFR

Department of Finance Program Summary

Secured by a pledge of full faith and credit, the Virginia Constitution authorizes Virginia cities to issue general obligation bonds. 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. The City's Public Utility bonded debt is a self-supporting referendum-approved general obligation and, accordingly, is excluded from the City's legal debt limit. In addition, the City's lease-purchase obligations containing non-appropriation cancellation provisions are excludable from the City legal debt limit.

The following table shows the Legal Debt Margins for five Fiscal Years ending June 30.

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, 2006	5,702,486,181	570,248,618	200,915,432	369,538,186
July 1, 2005	4,492,154,728	449,215,473	176,609,660	272,605,813
July 1, 2004	3,960,731,140	396,073,114	171,991,936	224,081,178
July 1, 2003	3,609,260,900	360,926,090	167,125,364	193,800,726
July 1, 2002	3,435,041,250	343,504,125	172,761,675	170,742,450

* Estimated

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. There is no overlapping or underlying debt.

Statement of No Past Default

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

Outstanding Debt

Supported by City general revenues, the City's bonded debt consists almost entirely of general obligation bonds. For the Golf Revenue Bonds, the outstanding debt is secured solely by a general obligation pledge – the full faith and credit of the City. The proprietary fund debt, consisting of the Public Utility, the City Garage, and the Information Technology debt is expected to be paid from the revenues of the respective enterprise and internal service funds.

Debt Ratios

The following table shows the General Debt to Property Value ratios for the fiscal years ended 2002 through 2006. The calculations include all City debt excluding Public Utility bonds, Golf Fund bonds, Port Improvement bonds, Portsmouth Parking Authority debt, City Garage debt, and Information Technology debt. All are recorded as debt of the respective proprietary funds.

City
Indebtedness

<i>As of</i>	General Debt	General Debt as a % of Assessed Real Property Value	General Debt as % of Assessed Real and Personal Property Value
July 1, 2006*	\$ 230,418,251	4.0%	3.6%
July 1, 2005	202,806,787	5.3%	5.1%
July 1, 2004	208,499,459	5.3%	5.1%
July 1, 2003	211,458,965	5.9%	5.1%
July 1, 2002	219,119,673	6.4%	5.5%

*Estimated

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.

Fiscal Year	Available for Debt Service	Principal	Interest	Total	Coverage
July 1, 2006	16,060,710	3,025,850	2,764,258	5,790,108	2.77%
July 1, 2005	18,946,486	2,895,000	2,217,381	5,112,381	3.71%
July 1, 2004	14,240,469	2,442,489	2,644,275	5,086,764	2.80%
July 1, 2003	12,940,056	3,200,000	3,080,660	6,280,660	2.06%
July 1, 2002	11,871,335	3,405,000	3,184,191	6,589,191	1.80%

*Estimated

Impact of Capital Budget on Debt

For the fiscal year, the City's debt service is budgeted to incorporate all interest and principal payments on the general obligation debt. While the 10% of taxable real estate value limitation, as imposed by the Commonwealth's Constitution and laws is a City constraint, the City has no other restriction on issuing new debt. As a result of the Capital Improvement Program, the City Council has implemented a self-imposed ceiling on new debt to be incurred. Presently, the new debt limit is \$10.5 million annually. \$4 million can be allocated to Schools and \$6.5 million to other municipal purposes. In FY 2007, on previously issued general public improvement debt, the City will pay off \$11.3 million in principal maturities and \$3.4 million of Public Utility debt.

City
Indebtedness

Computation of Legal Debt Margin

CITY OF PORTSMOUTH, VIRGINIA

Computation of Legal Debt Margin

June 30, 2006

Taxable real estate assessed value - July 1, 2006 (estimated)		5,702,486,181
Debt limit - 10 percent of assessed value (1)		570,248,618
Total debt - June 30, 2006 (2)	328,612,249	
Less amounts exempt from debt limit:		
Obligations under cooperation agreement subject to appropriation	34,725,000	
Enterprise debt:		
Public Utility bonds outstanding	83,813,243	
Capital leases subject to appropriation:		
General equipment and vehicles	2,156,714	
Waste Management equipment	1,226,587	
City garage equipment and vehicles	4,320,817	
Information Technology equipment	1,659,456	
Total exempt debt		127,901,817
Debt applicable to debt limit		200,710,432
Legal margin for additional debt		369,538,186

Notes:

- (1) The legal debt limit is established by State law as 10 percent of taxable real estate assessed value.
- (2) Includes general obligation bonds, school literary loans, obligations under capital leases and obligations under cooperation agreement. Excludes compensated absences, net pension obligation and landfill closure and postclosure care liability.