

**FY 2019-2020 Virginia Beach Budget
Response to Council Questions**

Question Number: FY 20 55

Question: What is the current rule of thumb of how much debt a penny of real estate tax excluding TIFS will support for 1. GOB and 2. PPEA bonds?

Date Requested: 4/7/19

Requested By: Councilman Moss

Department: Budget and Management Services

Response: Debt service payments by the City occur on level principal schedule. This accelerates the principal retirement reducing future interest payments. Level principal payments decline over time making it difficult to determine the maximum bondable amount based on a flat figure. For the purpose of quick math, it is best to use level debt payments to determine a general "rule of thumb". Each \$1,000,000 bond issuance has a \$76,876 level debt service payment. This assumes 4.5% interest for a 20 year term. Each penny of the Real Estate tax in FY 2019-20 will generate \$5,717,816.

Based on these assumptions, the issuance of \$74,377,127 of bonds would not exceed an annual debt service payment equal to the \$5,717,816 per penny real estate. The quick "rule of thumb" calculation is ($\$5,717,816 / \$76,876 = \$74.38$ Million).