

## DEBT POLICY

1. The City will maintain a policy of full disclosure on financial reports and bond prospectus.
2. The City will maintain communications with bond rating agencies and continue to strive for improvements in the City's bond rating.
3. The City will adhere to its debt covenants.
4. The City will review its debt capacity every three years.
5. The City will pay for all capital projects and capital improvements on a pay-as-you-go basis using current revenues whenever possible. If a project or improvement can not be financed with current revenues, long-term debt will be recommended.
6. The City will refrain from issuing long-term debt for a period in excess of the expected useful life of the capital project.
7. The City will use special assessment revenue or other self-supporting bonds instead of general obligation bonds, when feasible.
8. The City will seek refinancing of outstanding debt if it is determined that the City will benefit by reduced interest expense over the remaining life of the bonds.

## DEBT LIMIT

The Mayor and Council are empowered to borrow monies up to \$1,000,000 and not exceeding one percent of the total taxable assessment for a general tax in the aggregate outstanding at any one time without referendum. These monies may be used to finance public storm sewers, streets, and appurtenances. Any other borrowing must be approved by a referendum vote of the qualified voters of the City of Dover.

The aggregate of the amounts borrowed on the full faith and credit of the City of Dover shall not exceed a sum equal to 25 percent of the total assessed value of real property within the City of Dover.

The Mayor and Council are empowered to issue special assessment revenue bonds to finance public projects for which the City may levy and collect special assessments. These bonds do not obligate the faith and credit of the City, but are payable solely from the proceeds of the special assessments pledged. These bonds are authorized without referendum vote by a resolution having a three-fourths vote of the Council and approval of the Mayor.

NOTE: For a more thorough description of Debt Limit, refer to Article IV Section 50 of the City Charter.

## LONG-TERM OBLIGATIONS AS OF JUNE 30, 2005

The City has certain capital leases on vehicles and construction equipment. The lease payments are budgeted in the applicable department budget as an annual appropriation.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

YEAR ENDING JUNE 30,	Governmental Activities	Business-Type Activities		
	GENERAL LONG-TERM DEBT	WATER/WASTEWATER FUND	ELECTRIC REVENUE FUND	TOTAL ENTERPRISE FUNDS
2006	133,720	47,511	73,806	121,317
2007	23,796	9,447	36,903	46,350
Total minimum lease payments	157,516	56,958	110,709	167,667
Less amount representing interest	(4,652)	(1,791)	(4,040)	(5,831)
Present value of minimum lease payment	152,864	55,167	106,669	161,836

Capital leases payable within one year are \$255,037 of which \$245,808 is principal and \$9,229 is interest.

Long-Term indebtedness of the City of Dover consists of the following general purpose General Obligation Bonds:

GENERAL OBLIGATION BONDS	GENERAL PURPOSE
1993 Series	\$375,000
2003 Series	3,170,000
<b>TOTAL</b>	<b>\$3,475,000</b>

The total General Obligation Bonds outstanding amount includes \$335,000 payable within one year.

## LONG-TERM OBLIGATIONS AS OF JUNE 30, 2005

### CHANGE IN LONG-TERM DEBT

#### GENERAL LONG-TERM DEBT

ITEM	BALANCE JULY 1, 2004	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2005	PAYABLE WITHIN ONE YEAR
Vehicle and Equipment Leases	\$313,035	-	\$160,171	\$152,864	\$129,481
Compensated Absences	1,005,309	843,816	799,975	1,049,150	558,386
General Obligation Bonds	3,805,000	-	330,000	3,475,000	335,000
<b>Subtotal of General Long-Term Debt</b>	<b>\$5,123,344</b>	<b>\$843,816</b>	<b>\$1,290,146</b>	<b>\$4,677,014</b>	<b>\$1,052,867</b>

#### ENTERPRISE FUNDS DEBT

##### Water/Wastewater Fund

ITEM	BALANCE JULY 1, 2004	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2005	PAYABLE WITHIN ONE YEAR
Vehicle and Equipment Leases	\$99,352	-	\$44,185	\$55,167	\$45,880
Compensated Absences	86,949	104,504	97,959	93,494	77,184
Revenue Bonds – Water and Wastewater	9,120,000	-	1,300,000	7,820,000	1,345,000
State of Delaware Municipal Revenue Bond	639,511	-	30,175	609,336	31,271
<b>Subtotal of Water/Wastewater Fund</b>	<b>\$9,945,812</b>	<b>\$104,504</b>	<b>\$1,472,319</b>	<b>\$8,577,997</b>	<b>\$1,499,335</b>

#### ELECTRIC REVENUE FUND

ITEM	BALANCE JULY 1, 2004	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2005	PAYABLE WITHIN ONE YEAR
Vehicle and Equipment Leases	\$210,563	-	\$103,894	\$106,669	\$70,448
Compensated Absences	518,673	374,480	373,762	519,391	205,831
Revenue Bonds	22,830,000	22,535,000	22,830,000	22,535,000	1,855,000
<b>Subtotal of Electric Revenue Fund</b>	<b>\$23,559,236</b>	<b>\$22,909,480</b>	<b>\$23,307,657</b>	<b>\$23,161,060</b>	<b>\$2,131,279</b>
<b>Subtotal of Enterprise Funds Debt</b>	<b>\$33,505,048</b>	<b>\$23,013,984</b>	<b>\$24,779,975</b>	<b>\$31,739,057</b>	<b>\$3,630,614</b>

<b>Subtotal of Water/ Wastewater Fund</b>	<b>\$38,628,392</b>	<b>\$23,857,800</b>	<b>\$26,070,121</b>	<b>\$36,416,071</b>	<b>\$4,683,481</b>
---	---------------------	---------------------	---------------------	---------------------	--------------------

# LONG-TERM OBLIGATIONS AS OF JUNE 30, 2005

## DEBT SERVICE REQUIREMENTS

The following are the debt service requirements to maturity on the City's general obligation bonds, revenue bonds, and capital leases.

### Governmental Activities:

FISCAL YEAR	1993 GENERAL OBLIGATION BONDS		2003 GENERAL OBLIGATION BONDS		CAPITAL LEASES		TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	
2006	\$70,000	\$13,793	\$265,000	\$89,925	\$129,481	\$4,240	\$572,439
2007	75,000	10,122	270,000	86,110	23,383	412	465,027
2008	80,000	6,150	270,000	81,318			437,468
2009	80,000	2,050	285,000	75,269			442,319
2010			260,000	68,410			328,410
2011			270,000	60,850			330,850
2012			275,000	52,262			327,262
2013			285,000	42,738			327,738
2014			295,000	32,440			327,440
2015			220,000	22,950			242,950
2016			230,000	14,285			244,285
2017			245,000	4,900			249,900
<b>TOTAL</b>	<b>\$305,000</b>	<b>\$32,115</b>	<b>\$3,170,000</b>	<b>\$631,457</b>	<b>\$152,864</b>	<b>\$4,652</b>	<b>\$4,296,088</b>

### Business-Type Activities:

FISCAL YEAR	WATER/WASTEWATER FUND				2004 ELECTRIC REVENUE FUND		CAPITAL LEASES		TOTAL
	REVENUE BONDS		MUNICIPAL REVENUE BONDS		TAXABLE REVENUE BONDS		Principal	Interest	
	Principal	Interest	Principal	Interest	Principal	Interest			
2006	\$1,345,000	\$191,228	\$31,271	\$21,657	\$1,855,000	\$910,256	\$116,327	\$4,989	\$4,475,728
2007	1,360,000	170,148	32,407	20,521	1,730,000	859,048	45,509	842	4,218,475
2008	620,000	157,748	33,585	19,343	1,780,000	797,104			3,407,780
2009	640,000	142,706	34,804	18,124	1,840,000	726,448			3,402,082
2010	655,000	125,022	36,070	16,859	1,905,000	647,580			3,385,531
2011	290,000	116,322	37,379	15,550	1,995,000	560,300			3,014,551
2012	300,000	106,422	38,737	14,192	2,080,000	464,620			3,003,971
2013	310,000	95,572	40,144	12,785	2,180,000	361,070			2,999,571
2014	320,000	84,052	41,601	11,326	2,270,000	248,706			2,975,685
2015	330,000	71,512	43,113	9,815	2,390,000	128,010			2,972,450
2016	155,000	65,468	44,679	8,250	2,510,000				2,783,397
2017	160,000	59,068	46,301	6,626					271,995
2018	165,000	52,302	47,984	4,946					270,232
2019	175,000	44,866	49,727	3,202					272,795
2020	180,000	37,126	51,534	1,397					270,057
2021	190,000	28,766							218,766
2022	200,000	19,764							219,764
2023	210,000	10,106							220,106
2024	215,000								215,000
<b>TOTAL</b>	<b>\$7,820,000</b>	<b>\$1,578,198</b>	<b>\$609,336</b>	<b>\$184,593</b>	<b>\$22,535,000</b>	<b>\$5,703,142</b>	<b>\$161,836</b>	<b>\$5,831</b>	<b>\$38,597,936</b>

The above table does not include compensated absences or capital leases.

## COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2005

Net (Taxable) Assessed Value on Books	<u>\$ 1,764,347,700</u>
Debt Limit - 25 Percent of Total Assessed Value	441,086,925
DEBT (For which the City's full faith and credit has been pledged:)	
Gross Bonded Debt	<u>3,475,000</u>
LEGAL DEBT MARGIN	<u>\$ 437,611,925</u>
Source: City of Dover Financial Reports, City of Dover Charter, Section 50(b), and Tax Assessor's Office	

### NOTE

This calculation reflects only the taxable assessed value. It does not include the assessed value of \$830,863,000 non-taxable properties and \$10,427,300 in Senior Citizens exemptions.

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2005

### Capital School District

JURISDICTION	NET DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITY OF DOVER	AMOUNT APPLICABLE TO CITY OF DOVER
City of Dover	\$3,682,943	100%	\$3,682,943
Kent County	7,053,745	34%	2,398,273
Capital School District (2)	20,192,502	80%	16,154,002
<b>TOTAL</b>	<b>\$30,929,190</b>		<b>\$22,235,217</b>
Sources: City of Dover Financial Records; Kent County Levy Court, Accounting Department; Capital School District, Administration Department			

### Caesar Rodney School District

JURISDICTION	NET DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITY OF DOVER	AMOUNT APPLICABLE TO CITY OF DOVER
City of Dover	\$3,682,943	100%	\$3,682,943
Kent County	7,053,745	34%	2,398,273
<b>TOTAL</b>	<b>\$10,736,688</b>		<b>\$6,081,216</b>
Caesar Rodney School District (3)	16,993,500	not available	not available
Sources: City of Dover Financial Records; Kent County Levy Court, Accounting Department; Caesar Rodney School District, Administration Department			

### NOTES

1. KENT COUNTY: Total debt for Kent County is \$25,430,892 at June 30, 2005. Although Kent County's bonds are general obligation bonds, \$18,377,147 is payable from the Kent County Sewer Fund(s) or other committed sources.
2. CAPITAL SCHOOL DISTRICT: As of June 30, 2005, the net outstanding debt was \$20,192,502. The amount applicable to the City of Dover at 80 percent is \$16,154,002.
3. CAESAR RODNEY SCHOOL DISTRICT: As of June 30, 2005, the net outstanding debt was \$16,993,500.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BOND DEBT TO TOTAL GENERAL EXPENDITURES  
LAST TEN FISCAL YEARS**

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL DEBT SERVICE (1)</b>	<b>TOTAL GENERAL EXPENDITURES (2)</b>	<b>RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES</b>
1996	\$345,000	\$203,155	\$548,155	\$13,422,131	4.08%
1997	360,000	350,848	710,848	13,892,239	5.12%
1998	375,000	322,100	697,100	15,212,677	4.58%
1999	390,000	304,514	694,514	15,334,104	4.53%
2000	405,000	282,904	687,904	16,196,852	4.25%
2001	425,000	301,625	726,625	18,486,047	3.93%
2002	445,000	244,813	689,813	18,002,861	3.83%
2003	465,000	223,543	688,543	20,214,952	3.41%
2004	485,000	200,740	685,740	26,195,060	2.62%
2005	330,000	110,371	440,371	27,912,865	1.58%

Source: City of Dover Financial Records

**NOTES**

1. The debt service figures include the General Obligation Bonds payable from the General Fund only.
2. The General Expenditures include all operating items, capital items, and debt service.

## REVENUE BOND COVERAGE ELECTRIC REVENUE BONDS LAST TEN FISCAL YEARS

YEAR	GROSS REVENUE	OPERATING EXPENSES	AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS OF EACH FISCAL YEAR			
				PRINCIPAL	INTEREST	TOTAL	COVERAGE
1996	\$46,149,949	\$32,574,490	\$13,575,459	\$745,000	\$1,903,251	\$2,648,251	5.13%
1997	45,252,261	32,554,604	12,697,657	800,000	1,869,808	2,669,808	6.79%
1998	46,834,241	34,918,906	11,915,335	845,000	1,815,765	2,660,765	4.48%
1999	49,354,963	37,160,994	12,193,969	900,000	1,755,363	2,655,363	4.59%
2000	52,264,065	40,153,523	12,110,542	960,000	1,690,922	2,650,922	4.57%
2001	51,765,524	41,007,889	10,757,635	1,025,000	1,620,938	2,645,938	4.07%
2002	54,903,340	44,315,614	10,587,726	1,095,000	1,549,344	2,644,344	4.00%
2003	59,737,571	46,611,778	13,125,793	1,170,000	1,480,203	2,650,203	4.95%
2004	59,611,552	47,393,103	12,218,449	1,159,121	1,284,121	2,443,242	5.01%
2005	63,467,514	57,168,308	6,299,206	1,855,000	910,256	2,765,256	2.28%

Source: City of Dover Financial Records

### NOTES

1. Coverage required by the bond resolution is 1.25 percent.
2. Calculation of gross revenue for Fiscal Year 2003 is as follows:

<u>Gross Revenue</u>	
Operating revenues	\$ 63,303,032
Interest earned - operating funds	<u>164,482</u>
Total Gross Revenue	\$ 63,467,514
3. Direct operating expenses do not include depreciation expense.
4. Figures presented in this table compare the net revenue available for debt service to the debt service requirements of the same fiscal year.
5. In June 1990, the City issued Electric Revenue Bonds in the amount of \$29,830,000 for partial defeasance of 1985 Electric Revenue Refunding Bonds and for financing the Combustion Turbine Project. The debt service for Fiscal Year 1991 reflects only the actual debt service on 1985 Electric Revenue Bonds as no amount was paid on the 1990 issue. The debt service for Fiscal Year 1992 includes the debt service on un-refunded 1985 Series and full year debt service on 1990 Series.
6. In January 1993, the City issued Electric Revenue Refunding Bonds in the amount of \$20,985,000 to partially refund the 1990 Series. The interest payment on these bonds is included in the above figures for Fiscal Year 1993.
7. Up to the Fiscal Year 1996, the total debt service includes payments on the Series 1985, 1990, and 1993 bonds. The debt service for Fiscal Years 1996, 1997, and 1998 includes the City's payments on un-refunded series 1990 bonds and Series 1993 bonds.
8. In August 2004, the City issued Electric Revenue Refunding Bonds in the amount of \$22,535,000 to refund the outstanding Electric Revenue Bonds Series 1990 and Electric Revenue Refunding Bonds Series 1993. The bond covenants were modified to include transfers-out in operating expenses when calculating the debt coverage requirement.

**WATER/WASTEWATER BOND COVERAGE  
REVENUE BONDS  
LAST TEN FISCAL YEARS**

YEAR	GROSS REVENUE	DIRECT OPERATING EXPENSES	NET REVENUE AVAILABLE FOR DEBT SERVICE	MAXIMUM REQUIREMENTS		
				MAXIMUM DEBT SERVICE INTEREST	ACTUAL COVERAGE	COVERAGE REQUIRED
1996	\$7,947,898	\$5,850,516	\$2,097,382	\$1,483,364	1.41%	1.20%
1997	7,257,009	6,796,262	460,747	1,483,364	0.31%	1.20%
1998	7,554,016	6,059,855	1,494,161	1,484,797	1.01%	1.20%
1999	7,772,228	5,124,037	2,648,191	1,484,797	1.78%	1.20%
2000	8,236,506	5,777,844	2,458,662	1,484,310	1.66%	1.20%
2001	8,932,763	6,620,732	2,312,031	1,524,280	1.52%	1.20%
2002	9,639,256	6,185,232	3,454,024	1,524,380	2.27%	1.20%
2003	10,604,052	7,180,175	3,423,877	1,472,412	2.33%	1.20%
2004	10,101,660	7,608,196	2,493,464	1,553,713	1.93%	1.20%
2005	10,619,688	7,223,283	3,396,405	1,551,228	2.19%	1.20%

Source: City of Dover Financial Records

### NOTES

1. In January 1993, the City issued Water and Wastewater Revenue Refunding bonds in the amount of \$7,745,000. These bonds were issued to partially defease Water and Wastewater Revenue bonds 1986 Series A, 1986 Series B, and fully defease all outstanding bonds of Series 1989.
2. In September 1993, the City issued Water and Sewer Revenue Bonds in the amount of \$4,595,000 through 1993 Series A.
3. The maximum debt service requirement presented above includes all outstanding revenue bonds including non-refunded Series 1986B, Series 1993, 1993A, and 2003.
4. Direct operating expenses do not include depreciation expense for coverage purposes as per the bond indenture.
5. The operating expenses for Fiscal Year 1997 include 18 months of Kent County Sewer fees. This was due to a change in the County's billing system. This extraordinary item is for this one year only.
6. In October 2003, the City issued Water and Sewer Revenue Bonds in the amount of \$7,980,000. These bonds were issued to fully defease Water and Wastewater Revenue Bond Series 1986B and to partially defease Water and Wastewater Revenue Bond Series 1993 and Series 1993A to provide approximately \$1,600,000 for future capital projects.

**THIS PAGE INTENTIONALLY LEFT BLANK**