Commonwealth of Virginia

Debt Capacity Advisory Committee

Report to the Governor and General Assembly

December 18, 2009

COMMONWEALTH of VIRGINIA

Office of the Governor

Richard D. Brown
Secretary of Finance

P.O. Box 1475
Richmond, Virginia 23218

December 22, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
Patrick Henry Building, 3rd Floor
Richmond, Virginia 23219

The Honorable Bruce F. Jamerson
Clerk of the House of Delegates
Virginia House of Delegates
State Capital, Room 303
Richmond, Virginia 23219

The Honorable Susan Clarke Schaar
Clerk of the Senate
Senate of Virginia
State Capital Building, 3rd Floor
Richmond, Virginia 23219

Dear Governor Kaine, Mr. Jamerson, and Ms. Schaar:

The Debt Capacity Advisory Committee (the "Committee") is required to annually review the size and condition of the Commonwealth's tax-supported debt and submit to the Governor and General Assembly an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next two years. In addition, the Committee is required to review annually the Commonwealth's moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. We are pleased to present our annual report.

The Debt Capacity Model

The concept of debt capacity management was introduced in *An Assessment of Debt Management in Virginia*, a report issued by the Secretary of Finance in December 1990. Control of debt burden is one of the key factors evaluated by rating agencies in their assessment of a state's credit quality. Other factors include economic vitality and diversity, fiscal performance and flexibility, and general administration of government. The three bond rating agencies affirmed the Commonwealth's triple-A bond ratings in October 2009. The reports noted:

"The commonwealth's 'AAA' rating reflects its substantial economic resources, conservative

approach to financial operations, which include periodic revenue forecast updates, and careful attention to the level of its debt obligations." Fitch June 8, 2009

"The rating reflects Virginia's long history of proactive and conservative fiscal practices, an economy that has slowed significantly but still fares better than the nation, the significant fiscal challenges the commonwealth continues to face amid weakened revenues, and a strongly-managed debt structure." Moody's September 29, 2009

"The commonwealth's overall performance is slowing, but we believe it remains favorable relative to the U. S." "We also believe that, despite feeling the effects of the national slowdown..., in the long term Virginia's overall economic strength, employment diversity, and good income levels will likely offset the near-term effects of the recession." Standard & Poor's October 6, 2009

In this report, we have used the Debt Capacity Model as the means of calculating the Commonwealth's tax-supported debt affordability. The Model calculates the maximum amount of additional debt, beyond the amount currently authorized, that may prudently be authorized and issued by the Commonwealth each year over the next ten years. The Model is based on the premise that tax-supported debt service payments should be no greater than 5% of general tax revenues. The Debt Capacity Advisory Committee adopted the 5% maximum measure in 1991 and has fully endorsed this ratio every year since that time. The Model incorporates the official revenue estimates contained in the Governor's proposed budget submitted December 18, 2009, and assumptions for the issuance of currently authorized bonds. The result of the Debt Capacity Model is attached as Exhibit A.

Moral Obligation or Contingent Liability Debt and Other Findings

The Committee also reviewed outstanding moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. The Committee reviewed the types of programs, statutory caps, outstanding amounts, and other financial data for the Virginia Resources Authority, which is the only issuer that currently has outstanding debt backed by the Commonwealth's moral obligation pledge. The Virginia Housing Development Authority, which has not issued moral obligation bonds since 1999, paid off all previously outstanding moral obligation bonds during fiscal year 2009.

The Virginia Resources Authority issues moral obligation bonds under its programs to provide low-cost financing to localities for water, wastewater, solid waste, storm water, public safety, brownfields remediation, public transportation and airport projects. Due to increased demand for its financing programs, the 2009 General Assembly approved an increase to the Authority's moral obligation debt limit from $900 million to $1.5 billion.

Information on the amount of outstanding debt, statutory limits and debt ratings for moral obligation debt, and other debt for which the Commonwealth has a contingent or limited liability is shown in Exhibit D. Sensitivity analyses are also included which demonstrate the impact on tax-supported debt capacity resulting from the conversion of moral obligation debt to tax-supported debt. The sensitivity analyses are prepared using worst-case scenarios showing the impact of the conversion of all moral obligation debt. However, conversion would only occur if the General Assembly appropriated funds to replenish a debt service reserve fund shortfall upon request by a moral obligation issuer. Further, if any such debt were ever converted, it would be only the amount necessary to cure the default of an underlying revenue stream (e.g., a locality participating in a pooled bond issue).

The Virginia Public School Authority is the only issuer of non-tax-supported debt that utilizes a sum sufficient appropriation as an additional credit enhancement. This represents a contingent liability for the Commonwealth. The Virginia Public School Authority issued its first series of bonds under this structure in 1997. In 2001, its Equipment Technology Notes were brought under this structure. The bonds and notes are rated "double A plus" by each of the three major rating agencies.

The Committee also reviewed the current and historical debt position of the Commonwealth. Part of this review included other authority debt not supported by taxes. Data included in Exhibit C summarizes information considered by the Committee.

Recommendations

The Committee notes that the period of time between the authorization of capital projects and permanent financing can vary greatly, usually spanning several years. Cash flows used for our analysis were based on project timelines and construction schedules provided by agencies. These needs could be modified due to shifting priorities, construction delays and other factors. Therefore, the projected timing of the issuance may lessen the immediate impact on the Model. The Committee recommends the following:

1. Model Results – Tax-Supported Debt Authorization

The Committee believes that based upon the Debt Capacity Model and the Governor's Official Revenue Forecast of December 18, 2009**, there is no additional debt capacity for 2010 or 2011.**

The Model results are sensitive to changes in interest rates and revenues. Specifically, a one percent increase in general fund revenues in each and every year of the Model solution horizon will change the amount of average debt capacity by approximately $11.2 million. An increase in general fund revenues of $100 million in each and every year of the Model solution horizon will change the amount of average debt capacity by approximately $5.3 million. More details on the Model's sensitivity to changes in interest rates and revenues can be found in Exhibit B.

The average interest rates used in the Debt Capacity Model have increased by two basis points since the December 17, 2008 Report. The Bond Buyer 11 Index is the benchmark index used in the Model. The Model uses the average of the Bond Buyer 11 Index for the last eight quarters as its base interest rate for authorized but unissued general obligation bonds and adds an additional fifty basis points for non-general obligation bonds. The Committee notes that the effect of interest rate movements over any one year is mitigated since the base rate is an average of the last eight quarters.

The Committee recognizes that it cannot predict the future level of interest rates or the pace of revenue growth and recognizes the sensitivity of the Model results to such factors. Exhibit B provides sensitivity analyses that demonstrate the impact on average debt capacity resulting from changes in external factors such as interest rates and revenues, or internal factors such as excess capacity. The Model calculates the maximum amount of tax-supported debt that could be prudently authorized and issued based on the assumptions incorporated in the Model. It does not constitute a recommendation of the Committee that such amount actually be authorized.

The Committee makes no recommendations as to which projects, if any, should be chosen for debt financing or how they should be prioritized. These decisions are most appropriately made through the budgetary and legislative processes.

2. Consider Eliminating Authorizations Not Likely to be Issued:

The Committee endorses the efforts of the General Assembly and the Governor to continue to rescind authorizations for projects that are not likely to be used. The Committee recommends that unnecessary authorizations continue to be identified and rescinded, as appropriate. However, the Committee is not aware of any such authorizations as this time.

3. Alternative Financing of State Projects:

We continue to support the use of traditional financing methods such as those used by the Virginia Public Building Authority and the Virginia College Building Authority for financing state projects. Capital lease and other more complex structures often result in higher financing costs than if the financing had been completed through an established state program. In such cases, the Commonwealth has limited control of the process, yet the structure still creates obligations that must be treated as tax-supported debt.

4. Moral Obligation and Contingent Liability Debt:

We make no specific recommendation on the programs or levels of the statutory caps for the single issuer currently utilizing the moral obligation pledge of the Commonwealth.

Conclusion

The significant decline in fiscal year 2009 actual revenues and further decline in forecasted revenues has resulted in an unprecedented Model solution of zero. This solution, while in accordance with established policies, has prompted the Committee to consider whether the current ratio is still appropriate, and whether reliance on a single ratio tied to revenues is the best way to assess the Commonwealth's debt capacity, particularly in times of extraordinary fluctuations in revenues. Accordingly, we have requested that staff conduct a study and provide recommendations for consideration by the Committee prior to the December 2010 meeting. The study will consider several key issues, such as whether 5% continues to be an appropriate measure, if additional measures should be incorporated in the Model, whether the composition of debt included in the Model should be changed. We have further requested that staff from the House Appropriations and Senate Finance Committees participate in the study.

It has been our pleasure to advise you on the concepts of debt affordability and debt capacity management. We trust this report and our recommendations are useful as we move forward together into the 2010 Session of the General Assembly.

The Honorable Timothy M. Kaine
The Honorable Bruce F. Jamerson
The Honorable Susan Clarke Schaar
December 22, 2009
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Sincerely,

Richard D. Brown, Chairman

Walter W. Craigie

William K. Butler, II

Manju S. Ganeriwala

Philip A. Leone

Walter J. Kucharski

Daniel S. Timberlake

Attachments

Exhibit A

The Debt Capacity Model

Commonwealth Debt

- Rating agencies view control of tax-supported debt as one of four key factors affecting credit quality.

  - control of debt burden
  - economic vitality and diversity
  - fiscal performance and flexibility
  - administrative capabilities of government

- Virginia's goal is to maintain AAA/Aaa/AAA ratings for General Obligation debt.

  - Commonwealth's "AAA" rating reaffirmed by Fitch Ratings, Moody's and Standard & Poor's (October 2009)

- Definition of tax-supported debt.

  - debt service payments made or ultimately pledged to be made from general government funds
  - corresponds with rating agency definition
  - contrast with debt not supported by taxes such as moral obligation debt

Debt Capacity Model
General Observations and Assumptions

- Virginia's Debt Affordability Model:
  - Debt Affordability Measure

    $$\frac{\text{Tax-Supported Debt Service}}{\text{Revenues}} \leq 5\%$$
  - 10-year issuance period
  - Incorporates currently authorized but unissued debt
  - Blended revenue growth rate
  - Term and structure:
    - 20-year bonds
    - Assumed interest rate of 4.56% for 9(b) and 9(c) General Obligation debt. 9(d) debt has an assumed interest rate of 5.06%.
    - Level debt service (except 9(b) debt)
    - 9(b) General Obligation debt is amortized on a level principal basis
  - Actual debt service of all issued tax-supported debt, including capital leases, installment purchases and regional jail reimbursement agreements (see page A-3 for liability inclusion criteria).
  - Blended Revenues:
    - General fund revenues and state revenues in Transportation Trust Fund, including transfers of ABC profits. **Lottery profits are no longer recognized as a general fund transfer.** For purposes of the Model, 9(c) revenues and debt service of self-supporting projects are offset and have a neutral impact on debt capacity.
  - Interest Rates:
    - Assumed issuance of authorized but unissued tax-supported debt and associated debt service, computed using estimated interest rates based on the average of the last eight quarters of The Bond Buyer 11 Bond Index for general obligation debt 9(b) and 9(c), and a 50 basis point higher rate for 9(d) debt.

Debt Capacity Model
General Observations and Assumptions

Debt Capacity Advisory Committee
Liabilities included in the Debt Capacity Model

1) Outstanding tax-supported debt as determined by the DCAC.

   - General obligation bonds (Section 9(a), 9(b), and 9(c)).
   - Obligations issued by the Commonwealth Transportation Board or Virginia Port Authority that are secured, in whole or in part, by the Transportation Trust Fund.
   - Obligations issued by the Virginia Public Building Authority and the Virginia College Building Authority secured, in whole or in part, by general fund appropriations.
   - Obligations payable under regional jail reimbursement agreements between the Treasury Board and localities, regional jail authorities or other combination of localities.
   - Capital leases (80% of total of first year amounts in Commonwealth CAFR for both primary government and component units).
   - Installment purchases (80% of total of first year amounts in Commonwealth CAFR for both primary government and component units).
   - Obligations for which the debt service is paid from payments received from the Commonwealth on a capital lease.

2) Authorized but unissued tax-supported debt as determined by the DCAC.

   - The issuance of obligations to fund a project(s) must be authorized by an Act of the General Assembly (either an Act specifically authorizing the issuance of debt, or Appropriation Act language) with no contingency for subsequent General Assembly approval. If obligations are authorized but will require further action by the General Assembly before they can be issued, then such obligations will not be included in the Model. The practical application of this rule will be that if debt can be issued for a project without any further action on the part of the General Assembly, such debt will be considered as authorized for issuance.

Debt Capacity Model
General Observations and Assumptions

Debt Capacity Advisory Committee
Liabilities included in the Debt Capacity Model

That portion of outstanding moral obligation debt for which the underlying debt service reserve fund has been utilized to pay all or a portion of debt service and for which the General Assembly has appropriated funds to replenish all or a portion of such debt service reserve fund as requested by the Governor on behalf of the moral obligation issuer.

- In the event that a moral obligation issuer has experienced an event of a default on an underlying revenue stream and such issuer has been forced to draw on the debt service reserve fund to pay debt service, the Committee shall immediately meet and review the circumstances surrounding such event and report its findings to the Governor and the General Assembly.

- In the event this section is invoked, the Committee's Report to the Governor and General Assembly shall include, one Model scenario showing annual tax-supported debt capacity with inclusion of that portion of moral obligation debt in question.

- Inclusion of the portion of moral obligation debt in the Model for which the General Assembly has appropriated funds is in no way intended to bind the Governor or General Assembly to make future appropriations to replenish future draws on such debt service reserve fund(s).

- The subject debt will be removed from the Model once the General Assembly has not appropriated funds to replenish such debt service reserve fund(s).

Debt Capacity Model

Currently Authorized Tax-Supported Debt
Issuance Assumptions
(Dollars in Millions)

	9(b)	9(c) Higher Education	VPBA	VCBA 21st Century Equipment	VCBA 21st Century Projects	9(d) Transportation	NVTD Transportation	Capital Leases	VPA	Total
Authorized & Unissued as of December 31, 2009	$ -	$ 443.0	$1,141.4	$ 58.8	$ 550.0	$ 3,180.0	$ -	$ -	$ 155.0	$ 5,528.2
Assumed Issued[1]:										
FY 2010	-	-	-	-		-	-	-	-	-
FY 2011	-	147.7	345.3	58.8	-	492.7	-	-	-	1,044.5
FY 2012	-	147.7	503.0	-	350.0	293.1	-	-	-	1,293.8
FY 2013	-	147.7	138.8	-	200.0	300.0	-	-	-	786.5
FY 2014-19	-		154.2	-	-	1,350.0 [2]	-	-	155.0	1,659.2
Total	-	443.0	1,141.3	58.8	550.0	2,435.8	-	-	155.0	4,783.9
Authorized Debt Assumed Unissued	$ -	$ -	$ 0.1	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) Debt is assumed issued when the first full year of debt service is paid.

(2) $744.2 million of remaining CTB revenue bonds to be issued beyond the 10-year model period.

Debt Capacity Model

Debt Capacity Maximum Ratio

Debt Service as a % of Revenue = 5.0%

DEBT CAPACITY MODEL
(Dollars in Millions)
December 18, 2009

Fiscal Year	[1] Blended Revenues	[2] Base Capacity to Pay Debt Service	[3] 9(c) Revenue Equal to Debt Service	[4] Total Capacity to Pay Debt Service	[5] Annual Payments for Debt Service on Debt Issued	[6] Actual Outstanding Debt Service as a % of Revenues	[7] Annual Payments for Debt Service on All Planned Debt Issuances	[8] Actual & Projected Debt Service as a % of Revenues	[9] Net Capacity to Pay Debt Service	[10] Amount of Additional Debt that may Be Issued	[11] Debt Service on Amount of Additional Debt that may Be Issued	[12] Remaining Capacity to Pay Debt Service	[13] Total Debt Service as a % of Revenues
Actual 2002	11,717.85	585.89	67.36	653.25	413.58	2.95%	N/A	2.95%	239.67	N/A	N/A	239.67	2.95%
Actual 2003	12,102.51	605.13	68.41	673.53	430.60	2.99%	N/A	2.99%	242.93	N/A	N/A	242.93	2.99%
Actual 2004	13,169.32	658.47	65.68	724.14	439.23	2.84%	N/A	2.84%	284.91	N/A	N/A	284.91	2.84%
Actual 2005	15,523.45	776.17	61.77	837.94	446.27	2.48%	N/A	2.48%	391.67	N/A	N/A	391.67	2.48%
Actual 2006	16,520.10	826.01	61.83	887.84	480.84	2.54%	N/A	2.54%	407.00	N/A	N/A	407.00	2.54%
Actual 2007	17,282.60	864.13	64.34	928.47	546.67	2.79%	N/A	2.79%	381.80	N/A	N/A	381.80	2.79%
Actual 2008	17,534.60	876.73	69.42	946.15	602.37	3.04%	N/A	3.04%	343.78	**N/A**	N/A	343.78	3.04%
Actual 2009	15,671.80	783.59	58.31	841.90	645.64	3.75%	N/A	3.75%	196.26	**N/A**	N/A	196.26	3.75%
2010	15,227.90	761.40	73.16	834.55	706.61	4.16%	52.41	4.50%	75.53	**0.00**	0.000	75.53	4.50%
2011	15,789.70	789.49	84.48	873.96	759.91	4.28%	111.66	4.98%	2.40	**0.00**	0.000	2.40	4.98%
2012	16,551.80	827.59	91.76	919.35	720.96	3.80%	220.27	5.13%	(21.88)	**0.00**	0.000	(21.88)	5.13%
2013	17,383.20	869.16	102.09	971.25	697.27	3.42%	279.46	5.03%	(5.48)	**0.00**	0.000	(5.48)	5.03%
2014	18,113.40	905.67	94.66	1,000.33	637.82	3.00%	321.68	4.77%	40.83	**425.00**	33.448	7.38	4.96%
2015	18,928.70	946.44	95.37	1,041.80	629.27	2.82%	343.47	4.64%	69.06	**425.00**	66.896	2.17	4.99%
2016	19,754.80	987.74	92.82	1,080.56	596.68	2.55%	364.63	4.40%	119.26	**650.00**	118.052	1.21	4.99%
2017	20,630.59	1,031.53	90.54	1,122.07	559.21	2.27%	385.78	4.14%	177.07	**730.00**	175.504	1.57	4.99%
2018	21,546.04	1,077.30	85.50	1,162.80	509.64	1.97%	393.75	3.80%	259.41	**742.78**	233.962	25.45	4.88%
2019	22,502.96	1,125.15	83.99	1,209.14	457.28	1.66%	400.95	3.44%	350.90	**742.78**	292.420	58.48	4.74%
									10 Year Average:	$371.56	Excess Capacity:	$743.10	
												2.0000	

[1] Revenues include the actual fiscal year revenues per the Annual Reports of the Comptroller (2002-2005), Actual revenues as reported in official November forecasts presented in years 2006-2008, Standard General Fund Actual and Forecasts November (Dated-12/18/09) Standard Forecast of the General Fund, including Virginia Health Care Fund revenue as permitted by Section 32.1-366 of the Code of Virginia , and transfers from the Alcoholic Beverage Control Board, dated December 18, 2009 and certain revenues from the Transportation Trust Fund official revenue forecasts as of 12/18/09.

[2] Base Capacity to Pay Debt Service equals 5% of the Revenues listed in Column [1].

[3] Self-supporting 9(c) Revenue Equal to 9(c) Debt Service.

[4] Total Capacity to Pay Debt Service equals Column [2] plus Column [3].

[5] Equals the annual payments of principal and interest for all currently outstanding tax-supported debt.

[6] Equals actual outstanding debt service as a percentage of revenues, excluding 9 (c).

[7] Equals the annual estimated payments of principal and interest for all currently authorized tax-supported debt planned for issuance within the next ten fiscal years. See Assumed Issuances of Currently Authorized but Unissued Tax-Supported Debt. Also includes debt service for long-term capital leases, installment purchase obligations and regional jail reimbursements.

[8] Equals annual payments for debt service on debt issued and planned debt issuances less 9(c) revenue equal to debt service, divided by Revenues. 9(c) revenues and debt service are treated as offsetting.

[9] Equals the amount of revenue available to pay debt service after principal and interest on all currently outstanding and all planned issuances of tax-supported debt has been paid. Column [4] - Column [5] -Column [7]. 9(c) Revenues and debt service are treated as offsetting.

[10] Equal to annual amount of additional principal that may be issued without violating the parameters of the model.

[11] Equal to annual amount of principal and interest to be paid on Column [10].

[12] Equals Column [9] minus Column [11].

[13] Equals the sum of all debt service payments (less 9(c) debt service) divided by Revenues. (Column [5] + Column [7] + Column [11] - Column 3) / Column [1].

Debt Capacity Model

Debt Capacity Model Revenue Data

December 18, 2009

(Dollars in Millions)

Fiscal Year	General Fund	Transportation Trust Fund [10]	General Fund Growth	Transportation Trust Fund Growth	ABC Profit Transfer	Lottery Profit Transfer	Total Revenue [7]	Blended Revenue Growth Rate [8]
Actual 1997	8,133.55 (1)	588.08 (3)	11.67% (1)	4.69% (3)	23.80 (1)	343.00 (1)	9,088.43	10.78%
Actual 1998	8,811.04 (1)	603.00 (3)	8.33% (1)	2.54% (3)	20.70 (1)	318.90 (1)	9,753.64	7.32%
Actual 1999	9,737.70 (1)	643.82 (3)	10.52% (1)	6.77% (3)	25.50 (1)	321.90 (1)	10,728.92	10.00%
Actual 2000	10,831.53 (1)	689.78 (3)	11.23% (1)	7.14% (3)	30.20 (1)	324.30 (1)	11,875.81	10.69%
Actual 2001	11,160.73 (1)	753.29 (3)	3.04% (1)	9.21% (3)	28.10 (1)	329.40 (1)	12,271.52	3.33%
Actual 2002	10,575.93 (1)	749.33 (4)	-5.24% (1)	-0.53% (4)	25.40 (1)	367.20 (1)	11,717.85	-4.51%
Actual 2003	10,968.27 (1)	744.94 (4)	3.71% (1)	-0.59% (4)	14.20 (1)	375.10 (1)	12,102.51	3.28%
Actual 2004	11,945.01 (1)	799.70 (4)	8.91% (1)	7.35% (4)	16.80 (1)	407.80 (1)	13,169.32	8.81%
Actual 2005	14,228.15 (1)	846.50 (4)	19.11% (1)	5.85% (4)	24.90 (1)	423.90 (1)	15,523.45	17.88%
Actual 2006	15,123.20 (4)	912.90 (4)	6.29% (4)	7.84% (4)	30.00 (4)	454.00 (4)	16,520.10	6.42%
Actual 2007	15,851.10 (4)	969.00 (4)	4.81% (4)	6.15% (4)	27.60 (4)	434.90 (4)	17,282.60	4.62%
Actual 2008	16,071.70 (4)	968.60 (4)	1.39% (4)	-0.04% (4)	36.10 (4)	458.20 (4)	17,534.60	1.46%
Actual 2009	14,613.70 (2)	1,014.00 (4)	-9.07% (2)	4.69% (4)	44.10 (2)	0.00 (2)	15,671.80	-10.62%
2010	14,210.80 (2)	974.90 (4)	-2.76% (2)	-3.86% (4)	42.20 (2)	0.00	15,227.90	-2.83%
2011	14,743.40 (2)	1,001.40 (4)	3.75% (2)	2.72% (4)	44.90 (2)	0.00	15,789.70	3.69%
2012	15,475.70 (2)	1,030.70 (4)	4.97% (2)	2.93% (4)	45.40 (2)	0.00	16,551.80	4.83%
2013	16,271.60 (2)	1,070.20 (4)	5.14% (2)	3.83% (4)	41.40 (2)	0.00	17,383.20	5.02%
2014	16,960.70 (2)	1,111.30 (4)	4.23% (2)	3.84% (4)	41.40 (2)	0.00	18,113.40	4.20%
2015	17,730.60 (2)	1,156.70 (4)	4.54% (2)	4.09% (4)	41.40 (2)	0.00	18,928.70	4.50%
2016	18,519.90 (2)	1,193.50 (6)	4.45% (2)	2.00% (6)	41.40 (2)	0.00	19,754.80	9.06%
2017	19,371.82 (5)	1,217.37 (6)	4.60% (5)	2.00% (6)	41.40 (9)	0.00	20,630.59	8.99%
2018	20,262.92 (5)	1,241.72 (6)	4.60% (5)	2.00% (6)	41.40 (9)	0.00	21,546.04	4.44%
2019	21,195.01 (5)	1,266.55 (6)	4.60% (5)	2.00% (6)	41.40 (9)	0.00	22,502.96	4.44%

(1) Annual Reports of the Comptroller, FY 1997-2005.
(2) November Standard General Fund Forecast for FY 2010-2016, including Virginia Health Care Fund revenue as permitted by Section 32.1-366 of the Code of Virginia.
(3) Department of Motor Vehicles.
(4) Department of Taxation.
(5) Flat growth rate of 4.60% for years 2017-2019, per Department of Taxation on December 18, 2009.
(6) Flat growth rate of 2.00% for years 2016-2019, per Department of Taxation on December 18, 2009.
(7) Total Revenue = GF + TTF + ABC.
(8) Blended Revenue Growth Rate = (Current FY Total Revenue / Prior FY Total Revenue) - 1.
(9) FY 2017 - 2019 based on FY 2010 - 2016 Forecasts per November Standard General Fund Forecast, dated December 18, 2009.
(10) Does not include Highway Maintenance and Operating Fund, Federal Grants and Contracts or Toll Revenues.

Debt Capacity Model

Annual Debt Service Requirements and Other Long-Term Obligations
Outstanding As of June 30, 2009 Plus Fiscal 2010 Issuance Through December 31, 2009 *
(Dollars in Millions)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9 (c)	Other Tax-Supported Debt Section 9(d)	Capital Lease and Installment Purchases	Regional Jail Reimbursements	Debt Service on Planned Issuances	Debt Service on Unallocated Debt Capacity	GRAND TOTAL
2010	200,317	506,296	49,779	2,633	0	0	759,024
2011	198,622	561,237	49,779	2,636	59,241	0	871,515
2012	188,179	532,739	49,779	2,636	167,854	0	941,187
2013	183,440	513,787	49,779	2,637	227,048	0	976,691
2014	167,316	470,460	49,779	1,902	269,994	33,448	992,899
2015	159,524	469,705	49,779		293,694	66,896	1,039,597
2016	146,129	450,511	49,779		314,849	114,117	1,075,385
2017	133,333	425,850	49,779		336,004	163,181	1,108,147
2018	122,627	386,985	49,779		343,976	212,246	1,115,613
2019	117,792	339,466	49,779		351,174	261,310	1,119,521
TOTAL	$1,617,280	$4,657,034	$497,790	$12,444	$2,363,834	$851,198	$9,999,580

*Unaudited

The Debt Capacity Model

Parameters of the Model

(1) **Blended Revenues** include all general fund revenues (exclusive of transfers), ABC profits transferred to the general fund and state tax revenues in the Transportation Trust Fund. **Lottery profits are no longer included as a general fund transfer.**

(2) **Base Capacity to Pay Debt Service** is calculated as the product of the Debt Capacity Maximum Ratio and Revenues. [Column 2 = Column 1 x .05]

(3) **9(c) Revenues** represents 9(c) revenue equal to debt service on outstanding 9(c) debt.

(4) **Total Capacity to Pay Debt Service** is calculated as the Base Capacity plus 9(c) revenues equivalent to 9(c) debt service. It represents the maximum level of debt service allowed given the 5% debt service/revenues ratio. [Column 4 = Column 1 x 5%+ Column 3]

(5) **Annual Payments for Debt Service on Debt Issued** is actual debt service on all tax-supported debt outstanding at the end of the most recent fiscal year and on any issuance to date since fiscal year end.

(6) **Actual Outstanding Debt Service as a % of Revenues** is the annual payments for debt service issued excluding 9(c) Revenues.

(7) **Annual Payments for Debt Service on All Planned Debt Issuances** is the estimated amount of debt service for currently authorized and unissued tax-supported debt assumed to be issued within the ten-year period.

The Debt Capacity Model (continued)

Parameters of the Model

(8) **Actual and Projected Debt Service as a % of Revenues** is the sum of Annual Payments for Debt Service on Debt Issued and Annual Payments for Debt Service on All Planned Debt Issuances less 9(c) debt service equal to revenue, divided by Revenues. 9(c) Revenues and 9(c) Debt Service are treated as offsetting.

(9) **Net Capacity to Pay Debt Service** is Total Capacity to Pay Debt Service less Annual Payments for Debt Service on Debt Issued and Annual Payments for Debt Service on All Planned Debt Issuances. [Column 8= 4-5-7]

(10) **Amount of Additional Debt that May Be Issued** is the amount of additional tax-supported debt (above and beyond that which is currently authorized but unissued) that may be issued in any given year without exceeding Overall Capacity to Pay Debt Service.

(11) **Debt Service on the Amount of Additional Debt that May Be Issued** is the estimated amount of debt service for the Additional Debt that may be Authorized and Issued.

(12) **Remaining Capacity to Pay Debt Service** is Net Capacity to Pay Debt Service less Debt Service on the Amount of Additional Debt that may be Authorized and Issued. [Column 12=9-11]

(13) **Total Debt Service as a % of Revenues** is the sum of Annual Payments for Debt Service on Debt Issued, Annual Payments for Debt Service on All Planned Debt Issuances and Debt Service on the Amount of Additional Debt that may be Authorized and Issued, divided by Revenues and 9(c) Revenues.

The Debt Capacity Model (continued)

Parameters of the Model

- Model solves for annual capacity, above and beyond authorized amounts assumed issued for the next ten fiscal years at the 5% debt service/revenues level over a ten-year period.
  - — Since debt service as a percentage of revenues now exceeds 5%, **there is no capacity to issue any new debt authorization prior to 2013.**
  - — New authorization capacity resumes in 2014, allowing $425 million in each 2014 and 2015
  - — $650 million in 2016
  - — $730 million in 2017
  - — $743 million in each 2018 and 2019.
  - — Average over the model period is $371 million.

Exhibit B

The Debt Capacity Model Sensitivity Analysis

The Debt Capacity Model Sensitivity Analysis

Since the model resulted in a non-level solution over the 10-year period, sensitivities have been presented based on their impact to the 10-year average.

Excess Capacity Sensitivity

- Model solution provides for **two years of excess capacity** remaining at end of the ten-year Model period which results in average debt capacity of $372 million over the model period.

- If the Model solution is altered to reduce the two years of excess capacity to **one year of excess capacity**, average debt capacity of $405 million is produced.

- If the Model solution is altered to reduce the two years of excess capacity to **no excess capacity**, average debt capacity of $445 million is produced.

The Debt Capacity Model Sensitivity Analysis

Revenue Sensitivity

- If the Model solution is altered to increase or decrease General Fund revenues, the following incremental average debt capacity changes are produced:

For each change of $100 million in each and every year	**$ 5.3 million**
For each 1% change of revenues in each and every year	**$ 11.22 million**

Interest Rate Sensitivity

- If the Model solution is altered to change interest rates, the following average debt capacity figures are produced:

Add 100 basis points to base rate	**$332 million**
Subtract 100 basis points from base rate	**$416 million**

Exhibit C

Background Information

Background

Creation of the Debt Capacity Advisory Committee was recommended in *An Assessment of Debt Management in Virginia*, December 1990. The Committee was originally created in September 1991, by Executive Order #38. The Committee was subsequently codified under Chapter 43 of the 1994 Virginia Acts of Assembly, as amended.

The Committee's mandate is to annually review the size and condition of the Commonwealth's tax-supported debt and submit to the Governor and the General Assembly before January 1, an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next biennium (Section 2.2-2714 Code of Virginia). This estimate is advisory and in no way binds the Governor or the General Assembly.

In developing its annual estimate and in preparing its annual report, the Committee shall, at a minimum, consider:

- the amount of tax-supported debt that, during the next fiscal year and annually for the following nine fiscal years, will be outstanding and the amount of tax-supported debt which has been authorized but not yet issued;
- a projected schedule of affordable, state tax-supported debt authorizations for the next biennium;
- projected debt service requirements during the next fiscal year and annually for the following nine fiscal years based on existing outstanding debt, previously authorized but unissued debt, and projected debt authorizations;
- the criteria that recognized bond rating agencies use to judge the quality of Commonwealth bond issues;

Background (Continued)

- any other factor that is relevant to (i) the ability of the Commonwealth to meet its projected debt service requirements for the next two fiscal years; (ii) the ability of the Commonwealth to support additional debt service in the upcoming biennium; (iii) the requirements of the statewide capital plan; and (iv) the interest rate to be borne by, the credit rating on, or any other factor affecting the marketability of such bonds; and
- the effect of authorizations of new tax-supported debt on each of the considerations listed above.

The Committee is also required to annually review the amount and condition of moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability and make recommendations to ensure the prudent use of such obligations.

In addition, the Committee is also required to review the amount and condition of Commonwealth obligations that are not general obligations or moral obligations, and when appropriate, recommend limits on such additional obligations to the Governor and to the General Assembly.

Review of the December 17, 2008

The Committee issued its seventeenth annual report to the Governor and the General Assembly on December 17, 2008.

- Reaffirmed the use of debt service on tax-supported debt and related long-term obligations as a percentage of revenues as the debt affordability measure used in the Model. In addition, reaffirmed a maximum ratio of debt service as a percentage of revenues of 5%.

- Concluded that the Commonwealth could issue $369.99 million of tax-supported debt in each year from fiscal year 2009 through fiscal year 2012 above and beyond tax-supported debt already outstanding or authorized, while still holding the ratio to tax-supported debt service as a percentage of revenues below 5%.

- Recommended that $369.99 million of tax-supported debt could be prudently authorized by the 2009 and 2010 Sessions of the General Assembly, representing a maximum authorized amount of $739.98 million for the biennium.

- Noted that the Model's results are sensitive to changes in revenues. Specifically, that a one percent change in general fund revenues in each and every year of the Model's solution horizon will change annual debt capacity by approximately $5.66 million. A change in general fund revenues of $100 million in each and every year of the Model's solution horizon will produce an incremental debt capacity change of approximately $7.70 million annually.

- Made no recommendation as to which projects, if any, should be chosen for debt financing or how they should be prioritized. Reaffirmed that this decision was most appropriately made through the budgetary and legislative processes.

Review of the December 17, 2008 Revised Report (Continued)

- Continued to recommend the rescission of unneeded authorizations.

- Continued to recommend the use of financing processes which promote the lowest possible cost of funds to the Commonwealth by by utilizing traditional financing vehicles such as the Virginia Public Building Authority and the Virginia College Building Authority whenever appropriate.

- Reviewed outstanding moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. The Committee reconfirmed that the Commonwealth is not unique in its use of moral obligation debt, as a number of other state issuers utilize the moral obligation pledge. The Committee continued to review the types of programs, statutory caps, outstanding amounts and other financial data for certain other states that utilize moral obligation bond programs and compared these to Commonwealth issuers. The Committee was briefed on the Virginia Resources Authority's intent to request an increase to their statutory cap from $900 million to $1.5 billion during the 2009 Session of the General Assembly. No recommendation was required of the committee related to this request, however, the committee did acknowledge that such an increase would not negatively impact the Commonwealth's General Obligation credit ratings.

Commonwealth Debt

	As of June 30, 2009	As of June 30, 2008
Tax-Supported Debt		
9(b) General Obligation [1]	1,040,636	935,105
9(c) General Obligation - Higher Education	573,550	487,296
9(c) General Obligation - Transportation	30,358	59,294
9(c) General Obligation - Parking Facilities	6,526	7,590
Commonwealth Transportation Board	908,601	948,507
Virginia Public Building Authority	2,092,662	1,719,455
Virginia Port Authority	200,886	218,596
Virginia College Building Authority - 21st Century & Equip	1,203,701	899,572
Innovative Technology Authority	5,415	6,270
Virginia Biotechnology Research Park Authority	45,409	47,852
Transportation Notes Payable	8,000	12,325
Capital Leases	216,600	250,250
Installment Purchases	218,202	173,572
Regional Jail Reimbursement Agreements	8,231	9,980
Compensated Absences [2]	573,904	575,271
Pension Liability [2]	1,410,513	1,237,460
OPEB Liability[2]	239,340	119,658
Tax Refund Note [2]	81,278	0
Pollution Remediation Liability [2]	2,472	0
Virginia Public Broadcasting Board	5,830	8,520
Virginia Aviation Board	1,909	2,195
Industrial Development Authority Obligations [3]	10,025	14,640
Economic Development Authority Obligations [4]	93,442	96,992
Other Liabilities [2]	22,302	20,203
Total Tax Supported Debt	$ 8,999,792	$ 7,850,603
Debt Not Supported By Taxes [2]		
Moral Obligation / Contingent Liability Debt		
Virginia Resources Authority	726,416	681,886
Virginia Housing Development Authority	0	391,691
Virginia Public School Authority - 1997 Resolution	3,078,000	2,829,655
Virginia Public School Authority - Equipment Technology Notes	172,000	116,615
Total Moral Obligation/Contingent Liability Debt	$ 3,976,416	$ 4,019,847
Other Debt Not Supported By Taxes		
9(d) Higher Education	1,356,659	1,147,172
Virginia College Building Authority - Pooled Bond Program	1,289,525	1,037,650
Virginia College Building Authority - Private College Program	532,530	455,295
Virginia Public School Authority - Stand Alone Program	161,000	52,242
Virginia Housing Development Authority	6,754,384	6,487,296
Virginia Port Authority	223,541	292,982
Hampton Roads Sanitation District	360,136	359,904
Virginia Biotechnology Research Park Authority	1,565	10,015
Virginia Resources Authority	1,740,010	1,101,055
Federal Highway Reimbursement Anticipation Notes	548,695	677,297
Notes Payable	1,649,031	1,293,035
Bond Anticipation Notes	0	0
Other Long-Term Debt	301,641	263,671
Foundations	1,294,063	1,102,712
Pension Liability	21,368	18,887
OPEB Liability	2,973	1,551
Capital Lease Obligations	1,919	2,347
Compensated Absences	8,955	8,761
Installment Purchase Obligations	964	1,735
Tuition Benefits Payable	1,909,780	1,891,424
Lottery Prices Payable	293,165	332,726
Total Other Debt Not Supported By Taxes	$ 18,451,904	$ 16,537,757

Source: Department of the Treasury and Department of Accounts

[1] Voter approved

[2] **NOT INCLUDED IN DEBT CAPACITY MODEL**

[3] Newport News Industrial Development Authority for Virginia Advanced Shipbuilding & Carrier Integration Center

[4] Fairfax County Economic Development Authority Joint Venture with VDOT for Camp 30 Project

Tax-Supported Debt Issued Fiscal Year 2010
Thru December 31, 2009

Issuer	Date Issued	Amount
Virginia College Building Authority, Public Facilities Bonds Series 2009D, E-1,E-2	October 2009	$261,280,000
Commonwealth Transportation Board, Transportation Revenue Bonds Series 2009A-1, A-2	October 2009	$72,195,000
Virginia Biotechnology Research Partnership Authority, Lease Revenue Refunding Bonds, Series 2009	October 2009	$36,740,000
Commonwealth of Virginia General Obligation Bonds, Series 2009B,C,D, E-1, E-2	November 2009	$332,480,000
Virginia College Building Authority, Educational Facilities Revenue Bonds, Series 2009F	December 2009	$444,455,000

Commonwealth Debt

Outstanding Tax-Supported Debt
As of December 31, 2009*
(Dollars in Thousands)

Tax-Supported Debt Included in the Model [1]		
9(b) General Obligation Bonds		$1,082,771
Bonds	$1,082,771	
9(c) Revenue-Supported GOBs		$708,624
Higher Education	$671,740	
Transportation	$30,358	
Parking Facilities	$6,526	
9(d) Obligations		$5,268,432
Transportation Board	$980,796	
Virginia Public Building Authority	1,956,572	
Port Authority	193,381	
Virginia College Building Authority Equipment	127,885	
Virginia College Building Authority 21st Century	1,506,641	
Bonded Capital Leases and Lease Revenue Bonds(2)	188,701	
Virginia Aviation Board	2,002	
Virginia Public Broadcasting Board	4,430	
Regional Jail Reimbursement Agreements	11,693	
Transportation Notes Payable	8,000	
Capital Leases	70,129	
Installment Purchases	218,202	
Total Tax-Supported Debt Included in Model		$7,059,827
Additional Long-Term Obligations Included in the CAFR		
But Not Included in the Model		
Long-Term Obligations Not Included in Model		$2,329,809
Compensated Absences	$573,904	
Pension Liability	1,410,513	
OPEB Liability	239,340	
Tax Refund Note	81,278	
Pollution Remediation Liability	2,472	
Other Long-Term Liabilities	22,302	
Total Tax-Supported Debt (CAFR Plus Subsequent Issuance)		$9,389,636

(1) June 30, 2009 Balance Plus Fiscal Year 2010 issuances and principal payments through December 31, 2009.

(2) Bonded Capital Leases include the capital lease obligations supporting lease revenue bonds for Innovative Technology Authority, Virginia Biotechnology Research Park Authority, Big Stone Gap Redevelopment and Housing Authority, Norfolk Redevelopment and Housing Authority, Newport News Industrial Development Authority, the Town of Jarrett, Virginia, and the Fairfax County Economic Development Authority.

**Unaudited.*

Commonwealth Debt

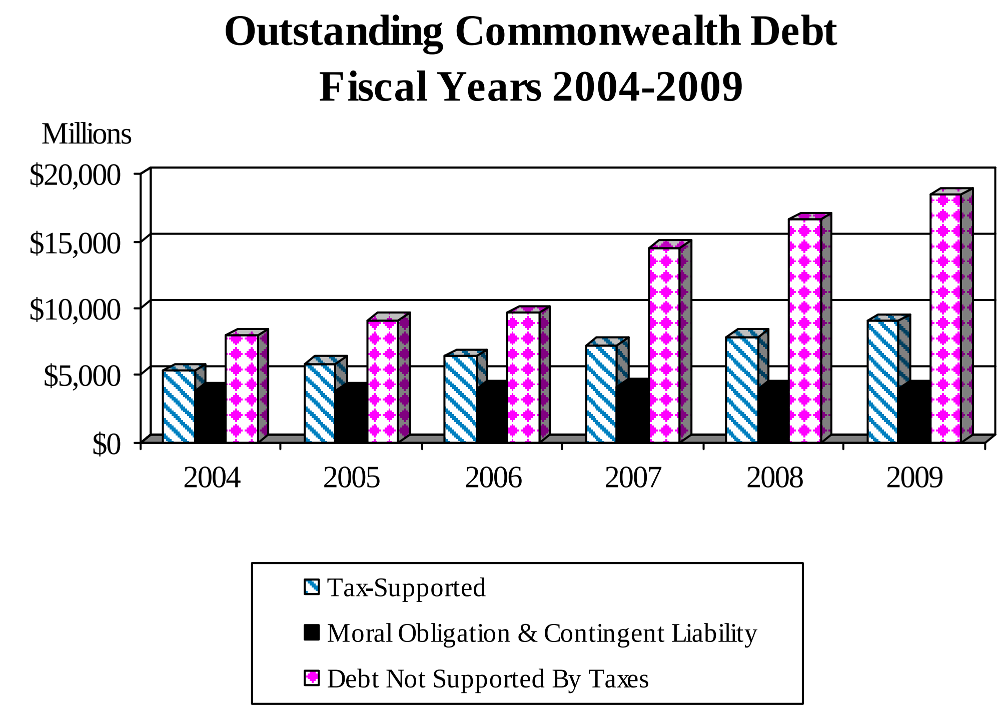
Authorized But Unissued Tax-Supported Debt as of December 31, 2009*

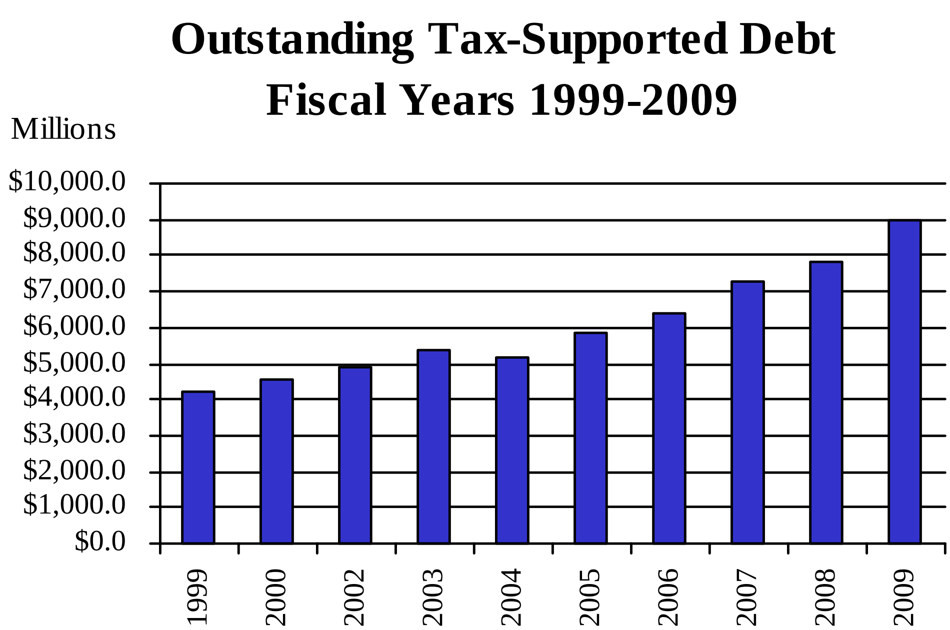
(Dollars in Thousands)

Section 9(b) Debt:		$	0
Section 9(c) Debt:			
Higher Education Institutions Bonds		$	443,000
Section (9d) Debt:			
Transportation Revenue Bonds (Northern Virginia Transportation District Program)	0		
Transportation Revenue Bonds	3,180,000		
Virginia Public Building Authority - Projects, Jails and Juvenile Detention Facilities	1,141,400		
Virginia College Building Authority - 21st Century Equipment	58,800		
Virginia College Building Authority - 21st Century Projects	550,000		
Virginia Port Authority	155,000		
Capital Lease Financings	0		
Subtotal 9(d) Debt:		$	5,085,200
Total		$	5,528,200

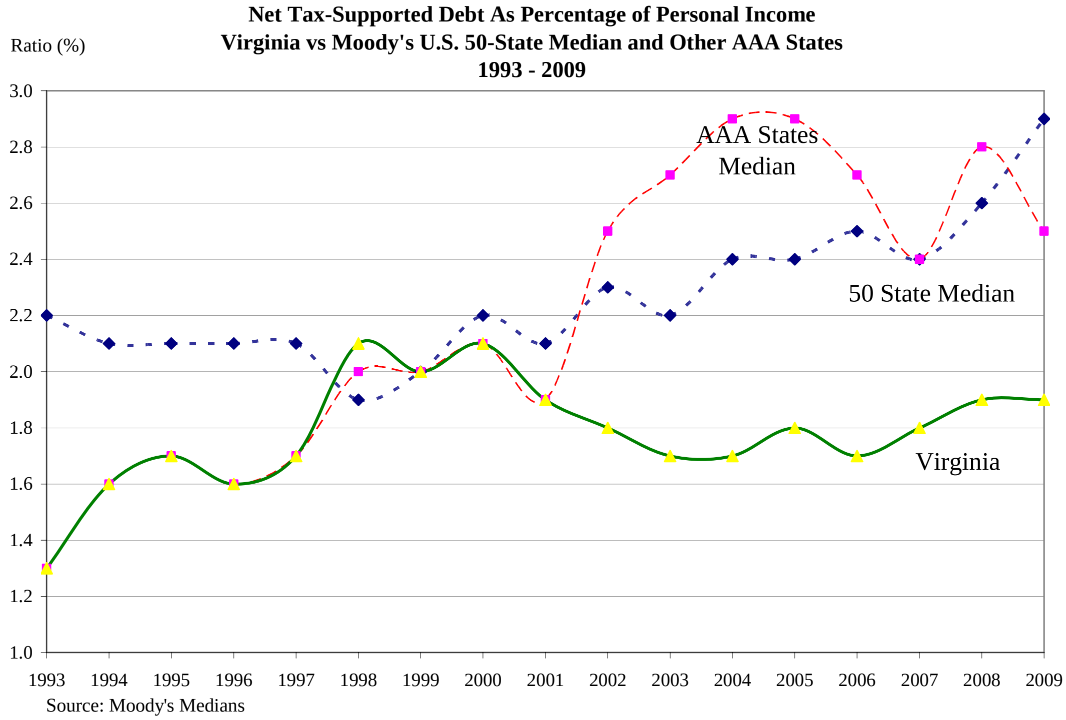
*Unaudited.

Commonwealth Debt

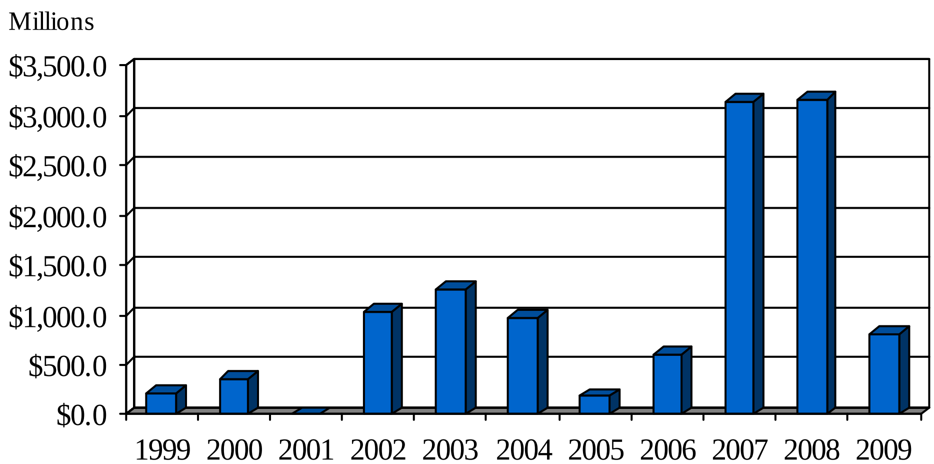




Commonwealth Debt

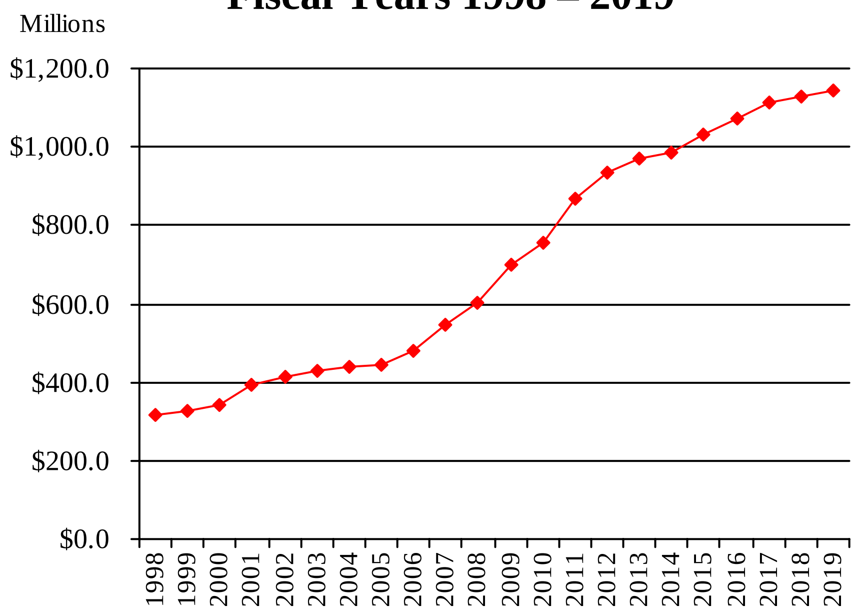


Tax-Supported Debt Authorizations
Fiscal Years 1999-2009



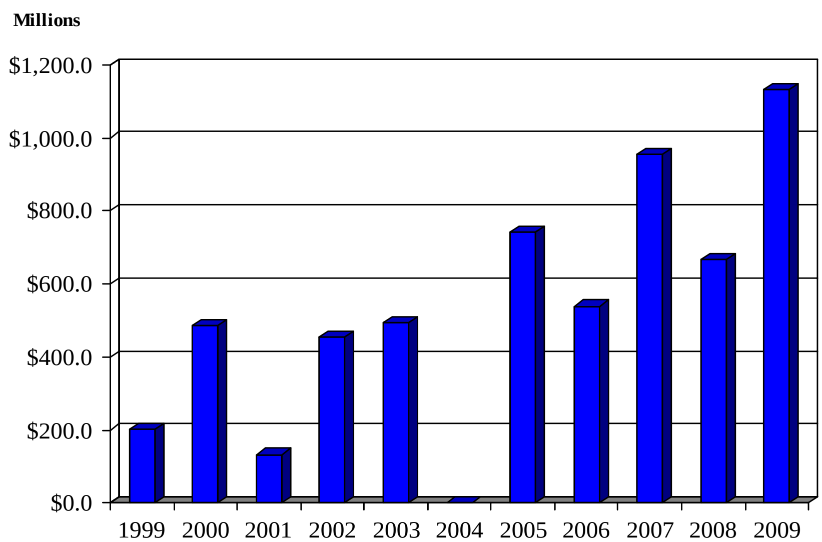
Commonwealth Debt

Tax-Supported Debt Service: Actual and Projected Fiscal Years 1998 – 2019*



* Assumes debt is authorized and issued in future periods in accordance with the Model's maximum recommended annual amounts. Past data includes lease revenue bonds issued by the Virginia Biotech Research Park Authority, Innovative Technology Authority and Newport News Industrial Development Authority. Does not include other capital leases, installment purchase obligations or regional jail reimbursement payments.

Trend in Tax-Supported Debt Issuance Fiscal Years 1998 - 2009



AAA/Aaa/AAA State Debt Burdens
2002 – 2009

AAA/Aaa/AAA STATE DEBT BURDENS FROM 2002-2009
PROVIDED BY MOODY'S INVESTORS SERVICE

Net Tax-Supported Debt per Capita (1)

	2009	2008	2007	2006	2005	2004	2003	2002
Delaware	2,128	2,002	1,998	1,845	1,865	1,800	1,599	1,650
Maryland	1,507	1,297	1,171	1,169	1,064	1,077	977	879
Georgia	984	954	916	784	803	827	802	804
North Carolina	832	898	728	-	-	-	-	375
VIRGINIA	**782**	**764**	**692**	**601**	**589**	**546**	**546**	**566**
Missouri	670	675	613	496	449	461	368	347
Utah	447	542	621	707	792	846	682	708
Minnesota	-	-	-	-	-	-	-	576
South Carolina	-	-	-	-	-	599	587	615
AAA Median	832	898	728	746	798	827	682	615
AAA Average	1,050	1,019	963	934	927	879	794	724

(1) Population is based on Census data from one year prior to each respective year's debt analyzed.

Net Tax-Supported Debt as Percent of Personal Income (2)

	2009	2008	2007	2006	2005	2004	2003	2002
Delaware	5.4	5.2	5.5	5.3	5.5	5.6	4.9	5.3
Georgia	3.0	3.0	3.0	2.7	2.8	2.9	2.8	2.9
Maryland	3.3	3.0	2.8	3.0	2.9	3.0	2.7	2.6
North Carolina	2.5	2.8	2.4	-	-	-	-	1.4
Missouri	2.0	2.1	1.9	1.6	1.5	1.6	1.3	1.3
VIRGINIA	**1.9**	**1.9**	**1.8**	**1.7**	**1.8**	**1.7**	**1.7**	**1.8**
Utah	1.5	1.9	2.3	2.7	3.2	3.5	2.8	3.0
South Carolina	-	-	-	-	-	2.4	2.3	2.5
Minnesota	-	-	-	-	-	-	-	1.8
AAA Median	2.5	2.8	2.4	2.7	2.9	2.9	2.7	2.5
AAA Average	2.8	2.5	2.4	2.8	3.0	3.0	2.6	2.5

(2) Personal income is based on Census data from two years prior to each respective year's debt analyzed.

Exhibit D

Moral Obligation Debt
And
Contingent Liability Debt

Moral Obligation Debt

- Definition of Moral Obligation Debt:

  Moral obligation debt refers to a bond issue structure originally created in the 1960s and utilized primarily by state housing finance agencies or state-administered municipal bond banks as additional credit enhancement for revenue bond issues. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body "may", but is not legally required to, replenish the reserve fund.

- Rating agencies do not include in tax-supported debt ratios as long as bonds are self-supporting.

- Commonwealth Moral Obligation Debt Issuers:

  –Virginia Resources Authority

  –Virginia Housing Development Authority
  Multi-Family Housing Bonds

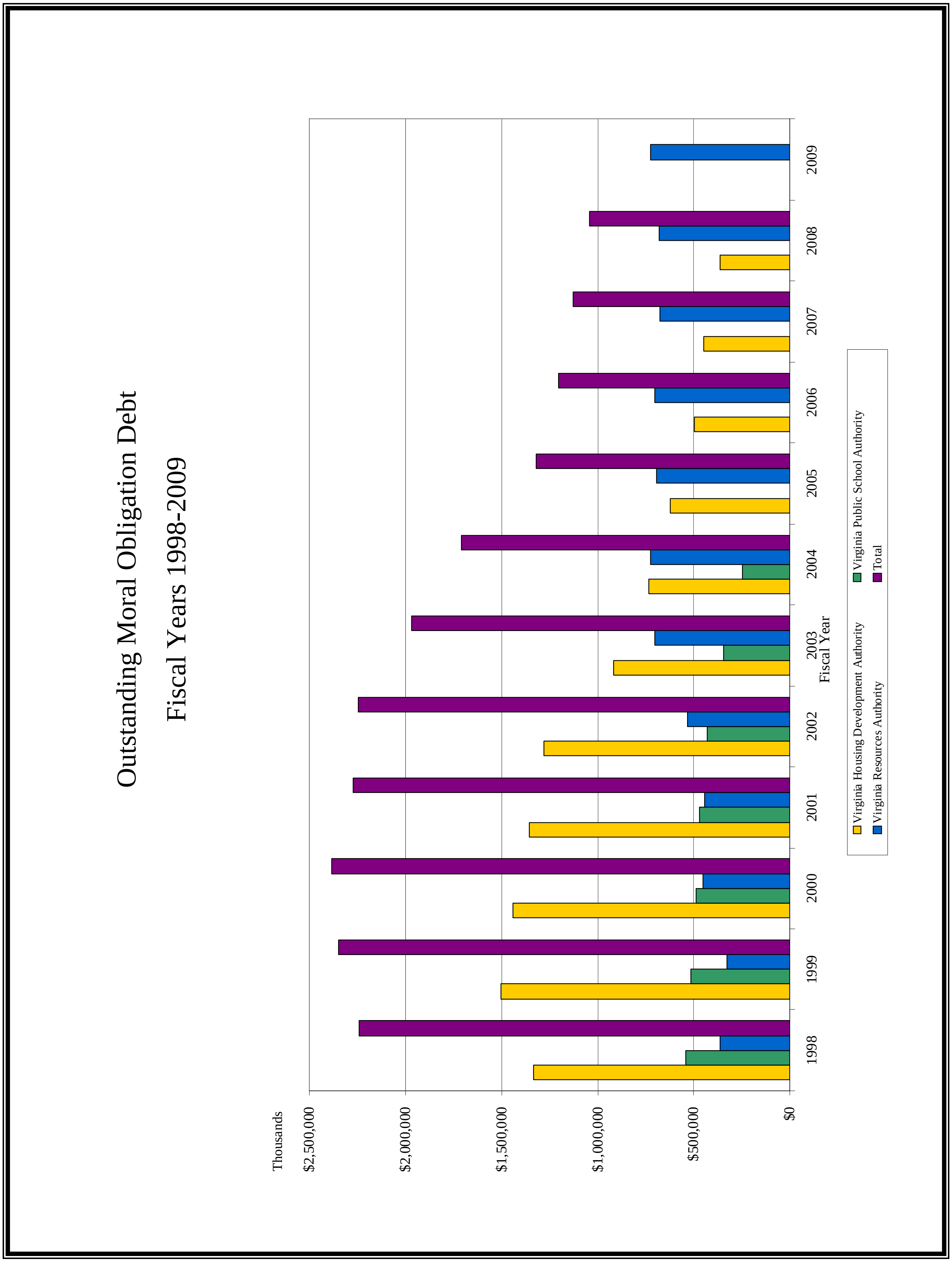
Moral Obligation Debt

Issuer	Statutory Limit	Outstanding At June 30, 2009	Available Authorization
Virginia Resources Authority	$ 1,500,000	$ 726,416	$ 773,584
Virginia Housing Development Authority	1,500,000	0	1,500,000
Total	$3,000,000	$ 726,416	$ 2,272,584

Dates upon which issuers expect to meet or exceed statutory borrowing cap:

VHDA:	N/A	Alternative financing programs initiated in fiscal year 1999 do not require use of moral obligation. Does not expect to issue additional moral obligation debt.
VRA:	N/A	VRA's cap was increased to $1.5 billion by 2009 General Assembly.

Bond Ratings:	Fitch	Moody's	S&P
VHDA (Multi-Family):	N/R	Aa1	AA+
VRA:	N/R	Aa2	AA


Outstanding Moral Obligation Debt
Fiscal Years 1998-2009
Thousands
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Fiscal Year
Virginia Housing Development Authority
Virginia Public School Authority
Virginia Resources Authority
Total

Contingent or Limited Liability Debt

- The only non-tax-supported debt obligations for which the Commonwealth has a contingent or limited liability are those which utilize a "sum sufficient appropriation" (SSA) to pay debt service.

- SSA was previously only used on certain revenue bonds issued by the Virginia Public School Authority under its 1997 Resolution. The Virginia Public School Authority had $3.1 billion of 1997 Resolution bonds outstanding as of June 30, 2009.

- The 2000 Appropriation Act (Chapter 1073) authorized the use of SSA for certain revenue notes issued by the Virginia Public School Authority under its Educational Technology Program. The SSA was codified during the 2001 General Assembly session. The Virginia Public School Authority issued its first series of notes enhanced by the SSA in the Spring of 2001. Notes outstanding as of June 30, 2009 equal $172 million.

Bond Ratings:	Fitch	Moody's	S&P
VPSA (1997 Resolution):	AA+	Aa1	AA+
VPSA (Equipment Technology Notes):	AA+	Aa1	AA+

Moral Obligation Debt

Excess Capacity Sensitivity

- The current Model solution provides for two years of excess capacity remaining at end of the 10-year Model period (excluding moral obligation debt) which results in average debt capacity of $372 million.

Total Moral Obligation Debt Sensitivity

- If the Model solution is altered to assume conversion of the all outstanding moral obligation debt (VRA) as of 6/30/09 to tax-supported debt, average debt capacity of $311 million is produced.

VHDA Sensitivity

- VHDA had no outstanding moral obligation debt (as of 6/30/09) to tax-supported debt.

Sum Sufficient Appropriation Sensitivity

VPSA Sensitivity

If the Model solution is altered to assume conversion of the VPSA's total outstanding debt secured by a sum sufficient appropriation (as of 6/30/09) to tax-supported debt, average debt capacity of $105 million is produced.