

DEBT SERVICE

The City of Suffolk maintains a separate Debt Service Fund that tracks long-term debt obligations for General and Special Revenue Fund activities. Debt activity for Enterprise and Internal Service are maintained in the respective individual funds. The Debt Service Fund accounts for the accumulation of resources for and the payment of General and Special Revenue Fund long term debt principal, interest, and related costs. Revenues in this Fund consist primarily of a transfer of the citywide revenues generated from the various general property and local tax revenues of the General Fund.

The City borrows money by issuing bonds or bank notes for the acquisition, construction, and renovation of public facilities and infrastructure as well as major equipment purchases. The City uses an objective analytical approach to determine whether it can afford new or additional general purpose debt to include measures of annual debt service payments as a percent of current expenditures and amount of outstanding debt as a percent of taxable real estate value in the City.

The rate of interest paid for long-term debt is determined by the competitive aspect of the bond and finance institution market based upon credit ratings from Standard and Poor's, Moody's, and Fitch rating agencies. The better the City's credit rating score, the lower the interest rate charged on the borrowing. The highest credit rating that can be attained is Triple A (AAA or Aaa). The City currently enjoys a strong credit rating with all of these institutions as follows:

Rating Agency	Bond Rating
Moody's	Aa2
Standard & Poor's	AA+
Fitch	AA+

Pursuant to the Constitution of Virginia, the City is authorized to issue bonds secured by a pledge of its full faith and credit and unlimited taxing power. There is no requirement in the Constitution, the Virginia Code, or the City Charter that the issuance of general obligation bonds be subject to the approval of voters of the City at referendum. The issuance of general obligation bonds is subject to a constitutional limitation of ten percent (10%) of the assessed value of taxable real property. The City's Charter further limits the issuance of general obligation bonds to seven percent (7%) and the City's Financial Policy further limits to four percent (4%) of the assessed value of taxable property.

The City sometimes uses short-term obligations (e.g. Bond Anticipation Notes, Capital Leases, and Lines of Credit) to bridge the time gap between the initiation of a project/purchase and the anticipated bond issuance, when the nature of a purchase precludes the issuance of long-term debt, or when it is fiscally prudent and advantageous.

The total debt service required in FY 2013-2014 is as follows:

	<u>Principal & Interest</u>
*General Fund	\$25,379,917
Consolidated Grants Fund	333,980
**Capital Leases	2,712,087
Route 17 Special Taxing District Fund	732,441
*Public Utility Fund	<u>15,113,193</u>
	<u>\$44,271,618</u>

*Reflects new debt for FY14' of \$28,255,000.

**FY14' Budget reflects \$191,394 interest expense, as opposed to the \$2,520,693 of required principal for Fleet and Information Technology capital leases. It has been the City's practice to use a conservative approach by budgeting for the greater of depreciation or principal consistent with the financial statement presentation basis. The adopted FY 14' budget includes depreciation expenses to adequately cover the \$2,520,693 of required principal for capital leases.

The attached schedule provides an overview of the City's total debt service and obligations.

City of Suffolk
Long Term Debt Obligations
June 30, 2013

Fiscal Year	General Obligation Bonds		Section 108 Loan		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	15,786,016	8,918,487	193,000	140,980	1,555,849	70,154
2015	15,322,462	8,295,954	193,000	131,214	985,676	44,987
2016	15,467,462	7,662,693	193,000	121,410	864,634	25,461
2017	14,965,428	6,987,354	193,000	111,567	675,067	10,546
2018	15,492,475	6,262,771	193,000	101,521	154,701	723
2019	13,517,488	5,554,797	193,000	91,215	-	-
2020	13,122,502	4,992,723	193,000	80,764	-	-
2021	12,135,000	4,484,066	193,000	70,187	-	-
2022	10,925,000	4,002,101	193,000	59,495	-	-
2023	11,005,000	3,495,213	193,000	48,697	-	-
2024	10,320,000	3,024,748	193,000	37,812	-	-
2025	9,770,000	2,599,110	193,000	26,849	-	-
2026	9,115,000	2,194,499	193,000	15,810	-	-
2027	8,795,000	1,811,606	178,000	5,135	-	-
2028	9,075,000	1,421,156			-	-
2029	4,800,000	1,050,438	-	-	-	-
2030	4,100,000	872,550	-	-	-	-
2031	4,000,000	556,250	-	-	-	-
2032	1,855,000	238,713	-	-	-	-
2033	1,945,000	166,075	-	-	-	-
2034	1,015,000	93,375	-	-	-	-
2035	1,060,000	47,700	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
Total	203,588,832	74,732,379	2,687,000	1,042,655	4,235,926	151,871

Source: City of Suffolk - Debt Service - General Long-Term Debt, Suffolk Department of Finance
City of Suffolk - Debt Service - Fleet Management, Suffolk Department of Finance

City of Suffolk
Long Term Debt Obligations
June 30, 2013

Fiscal Year	Public Utility Bonds		Route 17 Special Taxing District		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2014	2,463,984	14,088,193	508,755	223,685	\$ 20,507,604	23,441,499	\$ 43,949,104
2015	3,012,538	13,995,324	523,755	198,035	\$ 20,037,431	22,665,513	\$ 42,702,944
2016	4,222,538	13,857,372	538,755	171,195	\$ 21,286,389	21,838,131	\$ 43,124,520
2017	5,024,572	13,660,003	548,755	142,565	\$ 21,406,822	20,912,035	\$ 42,318,857
2018	9,012,525	13,405,576	248,755	112,440	\$ 25,101,457	19,883,032	\$ 44,984,489
2019	9,872,512	12,974,917	248,755	100,015	\$ 23,831,755	18,720,945	\$ 42,552,700
2020	10,322,498	12,531,626	240,245	88,787	\$ 23,878,245	17,693,899	\$ 41,572,145
2021	10,710,000	12,102,691	240,245	79,177	\$ 23,278,245	16,736,122	\$ 40,014,367
2022	11,180,000	11,635,379	240,245	69,417	\$ 22,538,245	15,766,393	\$ 38,304,638
2023	11,635,000	11,144,516	240,245	59,507	\$ 23,073,245	14,747,934	\$ 37,821,179
2024	12,195,000	10,568,132	239,265	49,468	\$ 22,947,265	13,680,159	\$ 36,627,423
2025	12,715,000	10,016,365	239,265	39,299	\$ 22,917,265	12,681,624	\$ 35,598,889
2026	13,265,000	9,426,367	239,265	29,071	\$ 22,812,265	11,665,746	\$ 34,478,010
2027	13,905,000	8,748,898	239,265	17,945	\$ 23,117,265	10,583,585	\$ 33,700,849
2028	11,700,000	8,059,248	239,265	5,982	\$ 21,014,265	9,486,386	\$ 30,500,650
2029	12,260,000	7,457,085	-	-	\$ 17,060,000	8,507,522	\$ 25,567,522
2030	12,845,000	6,840,647	-	-	\$ 16,945,000	7,713,197	\$ 24,658,197
2031	12,490,000	6,211,574	-	-	\$ 16,490,000	6,767,824	\$ 23,257,824
2032	11,935,000	5,623,537	-	-	\$ 13,790,000	5,862,249	\$ 19,652,249
2033	12,485,000	5,037,028	-	-	\$ 14,430,000	5,203,103	\$ 19,633,103
2034	13,075,000	4,418,173	-	-	\$ 14,090,000	4,511,548	\$ 18,601,548
2035	13,020,000	3,770,134	-	-	\$ 14,080,000	3,817,834	\$ 17,897,834
2036	13,670,000	3,089,990	-	-	\$ 13,670,000	3,089,990	\$ 16,759,990
2037	13,460,000	2,397,709	-	-	\$ 13,460,000	2,397,709	\$ 15,857,709
2038	11,750,000	1,752,498	-	-	\$ 11,750,000	1,752,498	\$ 13,502,498
2039	9,725,000	1,199,995	-	-	\$ 9,725,000	1,199,995	\$ 10,924,995
2040	7,165,000	765,170	-	-	\$ 7,165,000	765,170	\$ 7,930,170
2041	5,905,000	388,500	-	-	\$ 5,905,000	388,500	\$ 6,293,500
2042	1,865,000	93,250	-	-	\$ 1,865,000	93,250	\$ 1,958,250
Total	292,886,168	225,259,899	4,774,836	1,386,590	508,172,762	302,573,394	810,746,156

Source: City of Suffolk - Long Term Debt Service - Utility Fund, Suffolk Department of Finance

City of Suffolk - Debt Service Schedule - RT 17 Special Taxing District, Suffolk Department of Finance