

DEBT SERVICE

The City of Suffolk maintains a separate Debt Service Fund that tracks long-term debt obligated 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 an allocation 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 2012-2013 is as follows:

*General Fund	\$ 24,559,921
Consolidated Grants Fund	343,707
**Capital Leases	2,020,444
Route 17 Special Taxing District Fund	747,196
*Public Utility Fund	<u>12,931,872</u>
	<u>\$ 40,603,140</u>

*Reflects new debt for FY 13' of \$45,824,000.

**FY 13' Budget reflects \$123,233 depreciation expense, as opposed to the \$2,020,444 of required principal for fleet and information technology capital leases, as the financial statement presentation basis denotes same providing adequate budgetary "cash flow" coverage of reported expenses.

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

City of Suffolk
Long Term Debt Obligations
June 30, 2012

Fiscal Year	General Obligation Bonds		Literary Fund Loans		Section 108 Loan		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	14,924,376	9,015,074	500,000	127,500	193,000	150,707	1,476,238	70,334
2014	15,331,016	8,386,875	500,000	112,500	193,000	140,980	857,584	18,892
2015	14,522,462	7,777,991	500,000	97,500	193,000	131,214	274,042	7,094
2016	14,647,462	7,176,731	500,000	82,500	193,000	121,410	139,375	1,193
2017	14,120,428	6,542,392	500,000	67,500	193,000	111,567	-	-
2018	14,632,475	5,851,609	500,000	52,500	193,000	101,521	-	-
2019	12,627,488	5,186,635	500,000	37,500	193,000	91,215	-	-
2020	12,292,502	4,622,200	500,000	22,500	193,000	80,764	-	-
2021	11,520,000	4,162,484	250,000	7,500	193,000	70,187	-	-
2022	10,685,000	3,667,806	-	-	193,000	59,495	-	-
2023	10,735,000	3,186,111	-	-	193,000	48,697	-	-
2024	10,025,000	2,741,063	-	-	193,000	37,812	-	-
2025	9,315,000	2,360,393	-	-	193,000	26,849	-	-
2026	8,590,000	2,003,874	-	-	193,000	15,810	-	-
2027	8,250,000	1,647,188	-	-	178,000	5,135	-	-
2028	8,500,000	1,284,075	-	-	-	-	-	-
2029	4,195,000	942,194	-	-	-	-	-	-
2030	3,475,000	788,125	-	-	-	-	-	-
2031	3,315,000	490,825	-	-	-	-	-	-
2032	1,150,000	193,838	-	-	-	-	-	-
2033	1,215,000	142,350	-	-	-	-	-	-
2034	1,015,000	93,375	-	-	-	-	-	-
2035	1,060,000	47,700	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-
Total	206,143,208	78,310,904	4,250,000	607,500	2,880,000	1,193,363	2,747,239	97,513

City of Suffolk
Long Term Debt Obligations
June 30, 2012

Fiscal Year	Public Utility Bonds		Route 17 Special Taxing District		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2013	2,500,624	12,906,871	498,755	248,440	\$ 20,092,993	22,518,927	\$ 42,611,920
2014	2,448,984	12,817,917	508,755	223,685	\$ 19,839,339	21,700,849	\$ 41,540,188
2015	2,407,538	12,725,497	523,755	198,035	\$ 18,420,798	20,937,331	\$ 39,358,129
2016	3,592,538	12,611,746	538,755	171,195	\$ 19,611,131	20,164,774	\$ 39,775,905
2017	4,364,572	12,445,877	548,755	142,565	\$ 19,726,755	19,309,900	\$ 39,036,656
2018	8,332,525	12,209,935	248,755	112,440	\$ 23,906,755	18,328,005	\$ 42,234,761
2019	9,157,512	11,813,064	248,755	100,015	\$ 22,726,755	17,228,428	\$ 39,955,184
2020	9,602,498	11,372,995	240,245	88,787	\$ 22,828,245	16,187,246	\$ 39,015,491
2021	9,955,000	10,979,190	240,245	79,177	\$ 22,158,245	15,298,538	\$ 37,456,783
2022	10,410,000	10,525,911	240,245	69,417	\$ 21,528,245	14,322,629	\$ 35,850,874
2023	10,830,000	10,072,632	240,245	59,507	\$ 21,998,245	13,366,947	\$ 35,365,193
2024	11,345,000	9,535,690	239,265	49,468	\$ 21,802,265	12,364,033	\$ 34,166,297
2025	11,830,000	9,025,697	239,265	39,299	\$ 21,577,265	11,452,238	\$ 33,029,502
2026	12,335,000	8,479,571	239,265	29,071	\$ 21,357,265	10,528,325	\$ 31,885,589
2027	12,925,000	7,848,268	239,265	17,945	\$ 21,592,265	9,518,535	\$ 31,110,800
2028	10,675,000	7,206,839	239,265	5,982	\$ 19,414,265	8,496,896	\$ 27,911,160
2029	11,180,000	6,654,967	-	-	\$ 15,375,000	7,597,161	\$ 22,972,161
2030	11,725,000	6,075,387	-	-	\$ 15,200,000	6,863,512	\$ 22,063,512
2031	11,350,000	5,467,117	-	-	\$ 14,665,000	5,957,942	\$ 20,622,942
2032	10,775,000	4,899,998	-	-	\$ 11,925,000	5,093,836	\$ 17,018,836
2033	11,305,000	4,334,247	-	-	\$ 12,520,000	4,476,597	\$ 16,996,597
2034	11,870,000	3,740,702	-	-	\$ 12,885,000	3,834,077	\$ 16,719,077
2035	11,695,000	3,137,134	-	-	\$ 12,755,000	3,184,834	\$ 15,939,834
2036	12,275,000	2,523,240	-	-	\$ 12,275,000	2,523,240	\$ 14,798,240
2037	12,000,000	1,900,709	-	-	\$ 12,000,000	1,900,709	\$ 13,900,709
2038	10,215,000	1,328,498	-	-	\$ 10,215,000	1,328,498	\$ 11,543,498
2039	8,115,000	852,745	-	-	\$ 8,115,000	852,745	\$ 8,967,745
2040	5,470,000	498,420	-	-	\$ 5,470,000	498,420	\$ 5,968,420
2041	4,130,000	206,500	-	-	\$ 4,130,000	206,500	\$ 4,336,500
Total	264,816,792	214,197,363	5,273,591	1,635,030	486,110,831	296,041,673	782,152,504