

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 2014-2015 is as follows:

	<u>Principal & Interest</u>
*General Fund	\$26,390,026
Consolidated Grants Fund	324,215
**Capital Leases	3,204,446
Route 17 Special Taxing District Fund	721,791
*Public Utility Fund	<u>19,742,073</u>
	<u>\$50,382,551</u>

*Reflects new debt for FY15' of \$44,800,000.

**FY15' Budget reflects \$224,778 interest expense, as opposed to the \$2,979,668 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 15' budget includes depreciation expenses to adequately cover the \$2,979,668 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, 2014**

Fiscal Year	General Obligation Bonds		Section 108 Loan		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	16,442,462	9,778,669	193,000	131,214	1,965,557	109,975
2016	16,637,462	9,093,914	193,000	121,410	1,859,890	75,073
2017	16,176,703	8,357,119	193,000	111,567	1,685,940	44,541
2018	16,739,410	7,567,912	193,000	101,521	1,181,437	18,856
2019	14,871,108	6,796,699	193,000	91,215	519,394	3,040
2020	14,541,121	6,168,503	193,000	80,764	-	-
2021	13,624,488	5,589,208	193,000	70,187	-	-
2022	12,489,488	5,031,963	193,000	59,495	-	-
2023	12,649,488	4,447,225	193,000	48,697	-	-
2024	12,039,488	3,896,212	193,000	37,812	-	-
2025	11,564,497	3,396,200	193,000	26,849	-	-
2026	10,974,505	2,923,934	193,000	15,810	-	-
2027	10,775,000	2,459,074	178,000	5,135	-	-
2028	11,145,000	1,971,294	-	-	-	-
2029	6,970,000	1,503,633	-	-	-	-
2030	6,195,000	1,229,288	-	-	-	-
2031	6,190,000	816,575	-	-	-	-
2032	4,150,000	398,125	-	-	-	-
2033	4,340,000	219,963	-	-	-	-
2034	1,015,000	93,375	-	-	-	-
2035	1,060,000	47,700	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
Total	220,590,219	81,786,584	2,494,000	901,676	7,212,219	251,485

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, 2014

Fiscal Year	Public Utility Bonds		Route 17 Special Taxing District		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	3,002,538	14,827,977	523,755	198,035	\$ 22,127,312	25,045,869	\$ 47,173,182
2016	4,542,538	14,684,876	538,755	171,195	\$ 23,771,646	24,146,468	\$ 47,918,114
2017	5,353,297	14,469,703	548,755	142,565	\$ 23,957,696	23,125,495	\$ 47,083,191
2018	9,370,600	14,196,192	248,755	112,440	\$ 27,733,203	21,996,922	\$ 49,730,125
2019	10,231,380	13,747,359	248,755	100,015	\$ 26,063,638	20,738,329	\$ 46,801,967
2020	10,701,380	13,285,770	240,245	88,787	\$ 25,675,747	19,623,824	\$ 45,299,571
2021	11,110,512	12,837,590	240,245	79,177	\$ 25,168,245	18,576,163	\$ 43,744,408
2022	11,595,512	12,350,305	240,245	69,417	\$ 24,518,245	17,511,180	\$ 42,029,426
2023	12,075,512	11,838,581	240,245	59,507	\$ 25,158,245	16,394,010	\$ 41,552,255
2024	12,660,512	11,240,118	239,265	49,468	\$ 25,132,265	15,223,610	\$ 40,355,875
2025	13,215,503	10,668,952	239,265	39,299	\$ 25,212,265	14,131,300	\$ 39,343,565
2026	13,785,495	10,062,520	239,265	29,071	\$ 25,192,265	13,031,335	\$ 38,223,599
2027	14,450,000	9,363,247	239,265	17,945	\$ 25,642,265	11,845,401	\$ 37,487,666
2028	12,300,000	8,645,167	239,265	5,982	\$ 23,684,265	10,622,442	\$ 34,306,706
2029	12,885,000	8,013,941	-	-	\$ 19,855,000	9,517,574	\$ 29,372,574
2030	13,500,000	7,368,704	-	-	\$ 19,695,000	8,597,991	\$ 28,292,991
2031	13,175,000	6,709,481	-	-	\$ 19,365,000	7,526,056	\$ 26,891,056
2032	12,650,000	6,089,943	-	-	\$ 16,800,000	6,488,068	\$ 23,288,068
2033	13,235,000	5,470,472	-	-	\$ 17,575,000	5,690,434	\$ 23,265,434
2034	13,860,000	4,818,551	-	-	\$ 14,875,000	4,911,926	\$ 19,786,926
2035	13,835,000	4,137,003	-	-	\$ 14,895,000	4,184,703	\$ 19,079,703
2036	14,520,000	3,421,478	-	-	\$ 14,520,000	3,421,478	\$ 17,941,478
2037	14,350,000	2,692,222	-	-	\$ 14,350,000	2,692,222	\$ 17,042,222
2038	12,680,000	2,008,335	-	-	\$ 12,680,000	2,008,335	\$ 14,688,335
2039	10,695,000	1,415,458	-	-	\$ 10,695,000	1,415,458	\$ 12,110,458
2040	8,175,000	934,295	-	-	\$ 8,175,000	934,295	\$ 9,109,295
2041	6,965,000	514,050	-	-	\$ 6,965,000	514,050	\$ 7,479,050
2042	2,970,000	170,088	-	-	\$ 2,970,000	170,088	\$ 3,140,088
2043	1,155,000	25,988	-	-	\$ 1,155,000	25,988	\$ 1,180,988
Total	309,044,781	226,008,364	4,266,081	1,162,905	543,607,299	310,111,013	853,718,312

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