



February 8, 2011

To the Honorable Council
City of Norfolk, Virginia

Re: Statement of Legal Debt Margin

Ladies and Gentlemen:

I. **Recommended Action:** Receive and file.

II. **Overview**

This agenda item transmits for your review and information the Statement of Legal Debt Margin and the Statement of Bonds Authorized and Unissued as of December 31, 2010.

The Virginia Constitution, Article VII, Section 10, the Virginia Code Section 15.2-2634, and the Norfolk City Charter Section 86(7), stipulate that the City may not, without referendum, incur general obligation indebtedness in excess of ten percent (10%) of the assessed valuation of the taxable real estate in the City. The attached computation of Legal Debt Margin measures the City's existing long-term general obligations as a percentage of the assessed real property value.

The attached Statement of Bonds Authorized and Unissued identifies existing balances of bonds authorized by City Council that have not been issued.

III. **Analysis**

A. **General**

The Legal Debt Margin computation does not include existing principal from capital lease obligations that funded the purchase of equipment or any revenue-based debt issued by the City's enterprises. As a policy, the City issues revenue supported debt when possible to preserve and protect the City's capacity to issue general obligation debt within the limitations of the Constitution of Virginia. Revenue bonds are not subject to the Commonwealth's Constitutional debt limit.

The attached statement of Legal Debt Margin and Bonds Authorized and Unissued do not equate to any measurement of affordability. It is only a measurement of existing legal authorization to issue additional general obligation debt.

B. Fiscal

The City's Legal Debt Margin as of December 31, 2010, is 4.46% of assessed value (44.59% of legal capacity). It is important to note, that if the City issues the existing balance of bonds previously authorized aggregating to \$227,483,986 the Amount of Debt as a Percent of Debt Limit will increase to 5.63% of assessed value (56.31% of legal capacity).

C. Environmental
N/A

D. Community Outreach/Notification

Public notification for this agenda item was conducted through the City of Norfolk's agenda notification process.

IV. Conclusion

This report is submitted for the information of City Council.

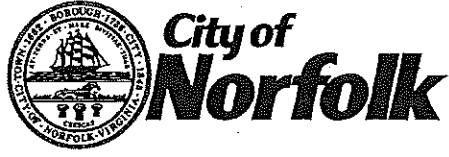
Respectfully submitted,



Marcus D. Jones
City Manager

Coordination/Outreach

This letter has been coordinated with the Department of Finance & Business Services and the City Attorney's Office.



Inter Department Correspondence Sheet

TO: Stanley A. Stein, Interim City Manager
FROM: Darrell V. Hill, Director of Finance & Business Services
COPIES TO:
SUBJECT: Statement of Legal Debt Margin – As of December 31, 2010

January 21, 2011

Please find attached copies of the Statement of Legal Debt Margin as of December 31, 2010, with an accompanying Statement of Bonds Authorized and Unissued.

A proposed transmittal letter to City Council for the Statement of Legal Debt Margin has been sent electronically to your office. This statement is prepared and forwarded to the Norfolk Municipal Bond Commission on a quarterly basis.


Darrell V. Hill
Attachments

City of Norfolk, Virginia
Statement of Legal Debt Margin
December 31, 2010

Total Assessed Value of Taxed Real Property		<u>\$19,299,420,495</u>
Debt Limit - 10 percent of Total Assessed Value		<u>\$1,929,942,050</u>
Amount of Debt Applicable to Debt Limit:		
Gross Debt (Notes 1 and 2)	831,969,647	
General Obligation (QRBs)	10,985,000	
General Obligation (QZABs)	1,684,539	
General Obligation (guaranty) (Note 3)	1,665,000	
HUD Section 108 Loan (Note 4)	<u>12,885,000</u>	<u>859,189,186</u>
Legal Debt Margin (Notes 5 and 6)		<u>\$1,070,752,864</u>
Amount of Debt as a percent of Debt Limit		<u>44.52%</u>

Notes:

1. Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
2. Water, Parking and Wastewater revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Water Utility Fund, the Parking Facilities Fund and the Wastewater Utility Fund.
3. Includes the remaining balance of \$1,665,000 on a General Obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998. The bonds mature on August 15, 2015.
4. Includes the remaining balance of \$12,885,000 on a 20-year \$13,000,000 Section 108 Loan with HUD, which matures on August 1, 2023.
5. Outstanding capital lease obligations for the purchase of equipment are not included for the purpose of the legal debt margin calculations.
6. The amount of general obligation bonds authorized by ordinance but not issued for Capital Improvement Projects is \$227,483,986.

City of Norfolk, Virginia
Statement of Bonds Authorized and Unissued
as of 12/31/2010

FUND	Balance of 9/30/2010	New Authorizations October - December 2010	New Issuance October - December 2010	Balance as of 12/31/2010
<u>GENERAL OBLIGATION BONDS:</u>				
Capital Fund Projects:				
General Capital Improvement Projects	\$191,288,578	\$934,000	\$0	\$192,222,578
Maritime Center Capital Improvement Projects	425,000	0	0	425,000
Towing and Recovery Capital Improvement Projects	0	0	0	0
Storm Water Capital Improvement Projects	10,050,660	0	0	10,050,660
CAPITAL FUND PROJECTS TOTAL	\$201,764,238	\$934,000	\$0	\$202,698,238
Parking Facilities Fund Projects	0	0	0	0
Wastewater Utility Fund Projects	36,135,748	0	(11,350,000)	24,785,748
G.O. BONDS AUTHORIZED AND UNISSUED	\$237,899,986	\$934,000	(\$11,350,000)	\$227,483,986
<u>REVENUE BONDS:</u>				
Water Utility Fund Projects	\$51,720,626	\$0	\$0	\$51,720,626
Parking Facilities Fund Projects	76,643,933	0	0	76,643,933
REVENUE BONDS AUTHORIZED AND UNISSUED	\$128,364,559	\$0	\$0	\$128,364,559