



COMMONWEALTH of VIRGINIA

Office of the Governor

Timothy M. Kaine
Governor

February 13, 2009

The Honorable Linda T. Johnson
Mayor, City of Suffolk
City Hall
441 Market Street
Suffolk, Virginia 23434

Dear Mayor Johnson:

I was recently informed about the financial crisis at the Southeastern Public Service Authority (SPSA) which could potentially threaten the Commonwealth's bond rating and I am writing you to encourage a successful resolution to this problem.

The basis of my concern is \$129.4 million of SPSA bonds that are backed by the moral obligation of the Commonwealth through the Virginia Resources Authority (VRA). This bond package was authorized by the Commonwealth to SPSA in good faith with the understanding that the eight owner communities would fulfill their financial obligations related to SPSA.

As you know, failure by SPSA to pay its obligations to the VRA could trigger a sequence of events that would be unfavorable to the Commonwealth, SPSA member communities and all Virginia localities.

To avoid a call on the Commonwealth's moral obligation pledge I am prepared to authorize payments that are sufficient to service the debt on this bond package. However, under those circumstances, I will also instruct my Secretary of Finance to recoup any such payments from the eight owner communities by intercepting funds the State routinely makes to these localities in support of various programs. As you know, this intercept action is consistent with state law.

Moreover, there is presently a bill before the General Assembly to raise the debt ceiling for bonds issued and guaranteed by VRA from \$900 million to \$1.5 billion. If

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this bill were to reach my desk under the cloud of the current SPSA financial crisis which threatens a call on the Commonwealth's moral obligation pledge, prudence would dictate that I reconsider my support for this proposal.

I understand that the VRA Board of Directors has offered to assist in the restructuring of SPSA's debt as a solution to this problem. Please encourage your very capable staff to work with VRA and SPSA to address this issue by complying with the terms outlined and approved by the VRA Board of Directors on February 10, 2009.

Sincerely,

A handwritten signature in dark ink, appearing to read 'TK', with a stylized flourish extending from the end.

Timothy M. Kaine