

# DEBT SERVICE FUND

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The Debt Service Fund is used to account for resources that are restricted, committed, or assigned for payment of debt obligations and related costs.

## Introduction

The Debt Service Fund is used to account for resources that are restricted, committed, or assigned for payment of certain debt obligations and related costs. Major sources of revenue for the fund include ad valorem taxes, local option sales taxes, loan repayments from other internal service centers, proceeds from the sale of delinquent ad valorem tax receivables, and revenue from the Tourism Development Zone.

General obligation bonds and notes are direct obligations of the city. The full faith, credit and unlimited taxing power of the city, as to all property subject to ad valorem taxation within the City, are pledged to the payment of the principal of and interest on the city's general obligation debt.

Although there are no statutory limitations on the amount of general obligation debt the city can issue, the city conducts its finances so that the amount of general obligation debt outstanding does not exceed twelve percent (12%) of the city's taxable assessed valuation.

The City manages its general obligation debt conservatively as it does not have any outstanding variable rate debt or derivative agreements, although both are permitted in the City's Debt Management Policy and Procedures manual. The City does, however, utilize commercial paper proceeds as a source of interim construction financing for projects contained in the City's CIP Budget. Commercial paper has proven to be a low cost source of funds for the City.

The size of the City's Commercial Paper Program is \$150 million which, if fully utilized, would represent approximately 11% of outstanding general obligation debt. Such percentage falls within generally accepted guidelines for variable rate or short term debt exposure.

Moody's Investors Service Inc., S&P Global Ratings and Fitch Ratings, Inc. have assigned ratings of "Aa2", "AA" and "AA", respectively, to the City's general obligation bonds. The rating assigned by Fitch Ratings, Inc. applies only to outstanding general obligation bonds issued prior to June 2010. Such ratings express only the views of the Rating Agencies. An explanation of the significance of such ratings may be obtained from the Rating Agencies furnishing the ratings. There is no assurance that either or all of such ratings will be maintained for any given period of time or that it will not be revised or withdrawn entirely by the Rating Agencies if, in the judgment of the respective Rating Agency, circumstances so warrant.

In addition to general obligation debt, the City issues leases and other appropriation obligations whereby the City budgets and appropriates legally available funds each fiscal year for the payment of principal of and interest on such obligations.

## Debt Service Fund

Category	FY 2018 Actual	FY 2019 Adopted	FY 2019 Forecast	FY 2020 Adopted
Local Taxes	\$ 138,958,279	\$ 140,855,220	\$ 141,845,237	\$ 140,114,909
State Taxes	16,770,859	17,106,275	16,292,557	15,300,000
Use of Money and Property	1,149,969	527,000	1,662,128	920,000
Federal Grants	2,361,985	2,298,523	2,205,337	2,288,150
Other Revenues	10,697,044	1,856,736	1,816,885	1,856,734
Transfers In	16,619,004	20,026,904	15,915,417	15,438,771
Other Revenues - Stadium Baseball	9,901	800	4,514	4,500
Proceeds from Refunded Debt	150,590,914	0	0	0
Proceeds from Bond Issue	0	0	0	0
<b>Total Revenues</b>	<b>\$ (337,157,955)</b>	<b>\$ (182,671,458)</b>	<b>\$ (179,742,075)</b>	<b>\$ (175,923,064)</b>
Materials and Supplies	1,168,016	1,151,500	1,090,010	1,167,500
Investment Fees	0	0	0	0
Bond Issue Costs	877,258	0	38,000	40,000
Redemption of Serial Bonds and Notes	97,153,995	105,588,424	102,944,264	104,961,040
Interest	59,848,302	67,351,888	70,144,608	67,651,728
Service Charges	29,792	100,890	48,000	96,890
Transfers Out	0	3,500,000	3,500,000	0
Retirement of Refunded Debt	150,000,000	0	0	0
<b>Total Expenditures</b>	<b>\$ 309,077,363</b>	<b>\$ 177,692,703</b>	<b>\$ 177,764,879</b>	<b>\$ 173,917,154</b>
<b>NET INCOME (REVENUE - EXPENSE)</b>	<b>\$ (28,080,592)</b>	<b>\$ (4,978,755)</b>	<b>\$ (1,977,188)</b>	<b>\$ (2,005,911)</b>

## Authorized Complement

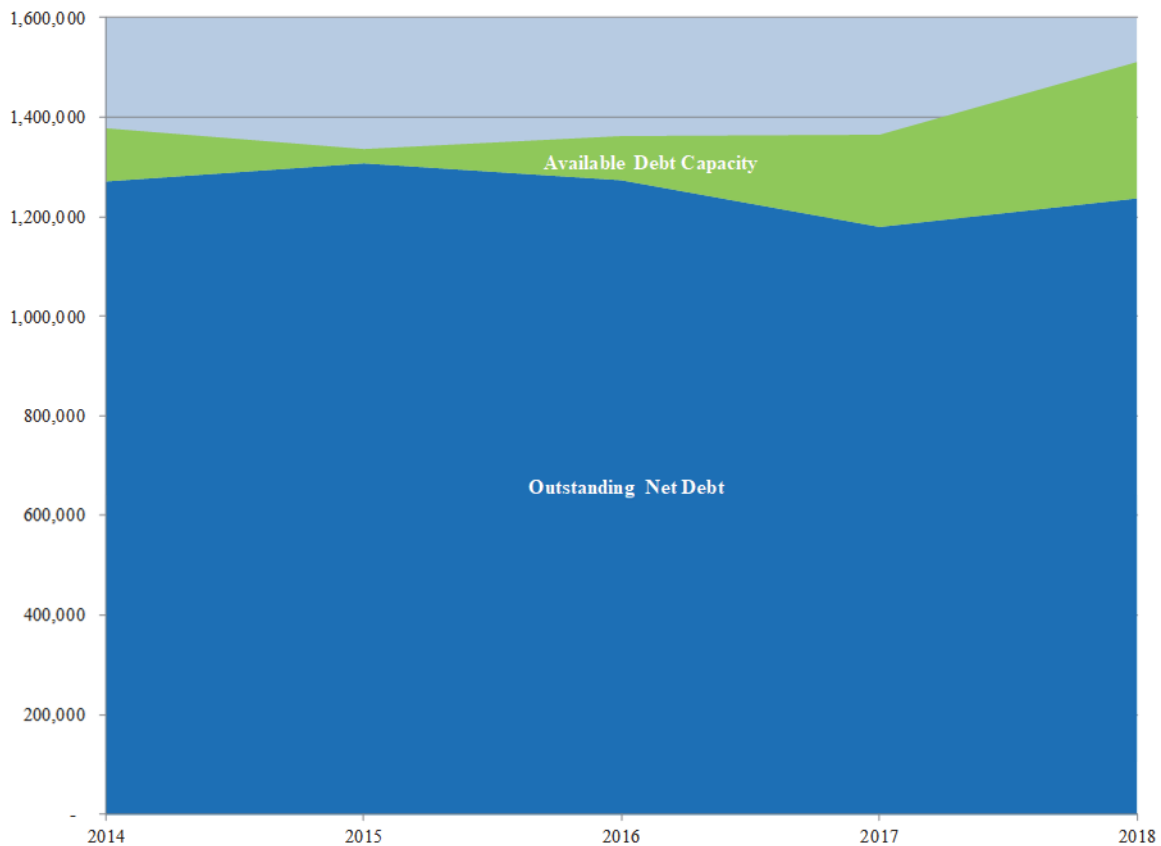
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<b>Increase/(Decrease) in Net Assets</b>	<b>28,080,592</b>	<b>4,978,755</b>	<b>1,977,197</b>	<b>2,005,911</b>
<b>Fund balance beginning of year</b>	<b>48,798,180</b>	<b>76,878,772</b>	<b>76,878,772</b>	<b>78,855,968</b>
<b>Fund balance end of year</b>	<b>76,878,772</b>	<b>81,857,527</b>	<b>78,855,968</b>	<b>80,861,879</b>

## Debt Service Fund Overview

It has been the City’s past practice to issue general obligation bonds on an annual basis to support ongoing and new capital projects initiated by the City. In relationship to the City’s Debt Affordability Targets that are outlined in the City’s Debt Policy, the City shall conduct its finances so that the amount of general obligation (“GO”) debt outstanding does not exceed 12% of the City’s taxable assessed valuation. The chart below demonstrates the debt capacity.

**Debt Capacity Based on City Debt Policy**  
(IN THOUSANDS)



	2014	2015	2016	2017	2018
Maximum Debt @ 12% - City Policy	\$ 1,378,018	\$ 1,337,070	\$ 1,361,518	\$ 1,364,952	\$ 1,511,642
Less: Total Net Debt Outstanding <sup>(1)</sup>	1,271,320	1,308,289	1,273,105	1,179,577	1,237,777
Excess Debt Capacity	\$ 106,698	\$ 28,781	\$ 88,413	\$ 185,375	\$ 273,865

<sup>(1)</sup> Total Net Debt Outstanding includes principal and unamortized premium of general obligation bonds, plus commercial paper outstanding, if any, less principal and unamortized premium of self-supporting general obligation bonds.

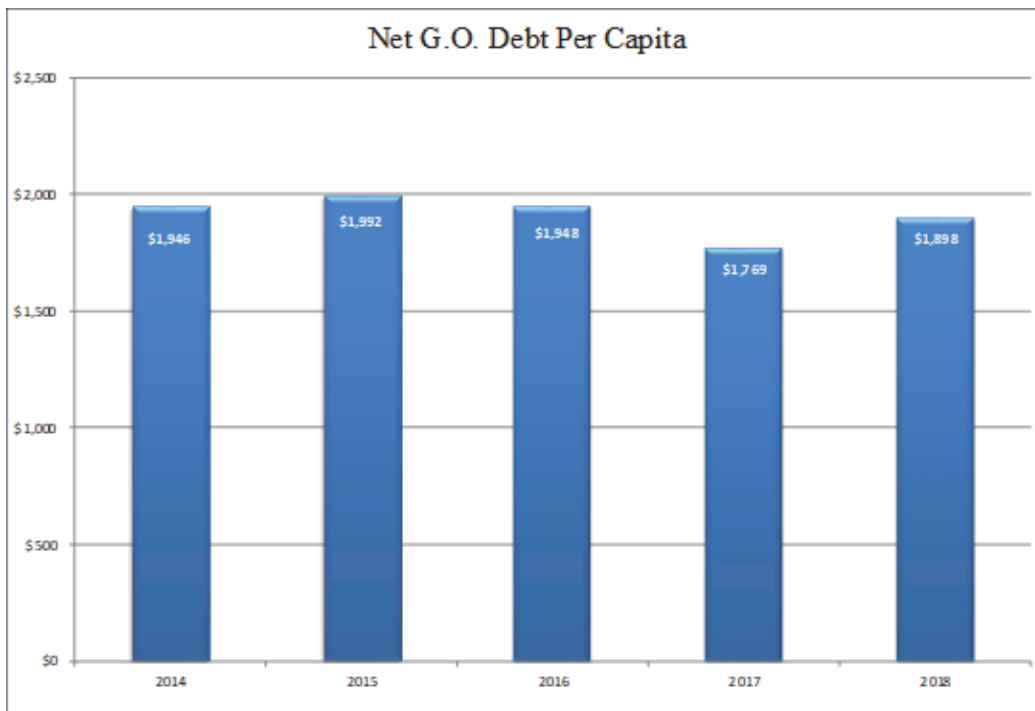
## Debt Ratio Trends

**Debt Ratio Trends**  
LAST FIVE FISCAL YEARS

	2014	2015	2016	2017	2018
Estimated Population	653,450	656,861	653,480	666,723	652,236
Appraised Value of Property <sup>(1)</sup>	\$ 36,455,804	\$ 35,448,458	\$ 35,955,987	\$36,080,187	\$ 39,799,719
Assessed Value Valuation of Property <sup>(1)</sup>	11,483,484	11,142,251	11,345,981	11,374,600	12,597,019
Total G. O. Debt <sup>(1)</sup>	\$ 1,271,320	\$ 1,228,825	\$ 1,199,950	\$ 1,119,035	\$ 1,347,440
Bond Premiums		79,464	73,155	60,542	66,452
Less: Self-Supporting G.O. Debt & Premium <sup>(1)(2)</sup>					(176,115)
Net Debt <sup>(1)</sup>	\$ 1,271,320	\$ 1,308,289	\$ 1,273,105	\$ 1,179,577	\$ 1,237,777
<b>Net G. O. Debt per Capita</b>					
Total Debt	\$ 1,946	\$ 1,992	\$ 1,948	\$ 1,769	\$ 2,168
Net Debt	1,946	1,992	1,948	1,769	1,898
<b>Net G. O. Debt to Appraised Value</b>					
Total Debt	3.49%	3.69%	3.54%	3.27%	3.55%
Net Debt	3.49%	3.69%	3.54%	3.27%	3.11%
<b>Net G. O. Debt to Assessed Value</b>					
Total Debt	11.07%	11.74%	11.22%	10.37%	11.22%
Net Debt	11.07%	11.74%	11.22%	10.37%	9.83%

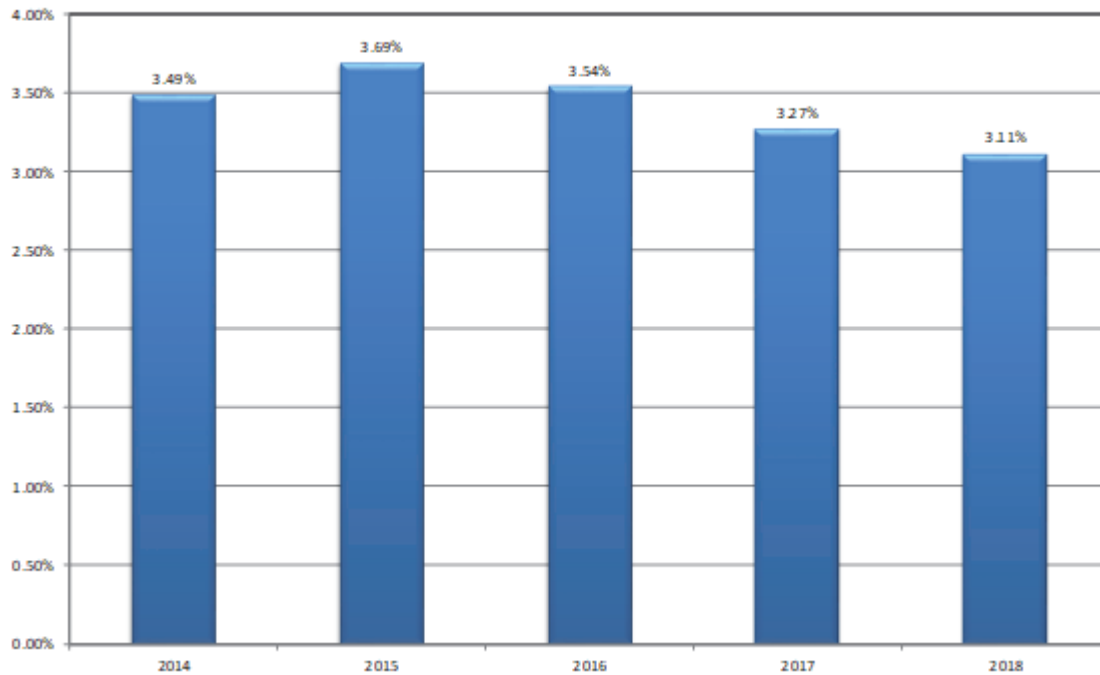
<sup>(1)</sup> In thousands of dollars.

<sup>(2)</sup> Self-supporting debt includes the outstanding portion of the Series, 2018 Bonds issued to finance improvements to the Convention Center (\$171,345,000) plus unamortized premium on such bonds (\$4,770,224).

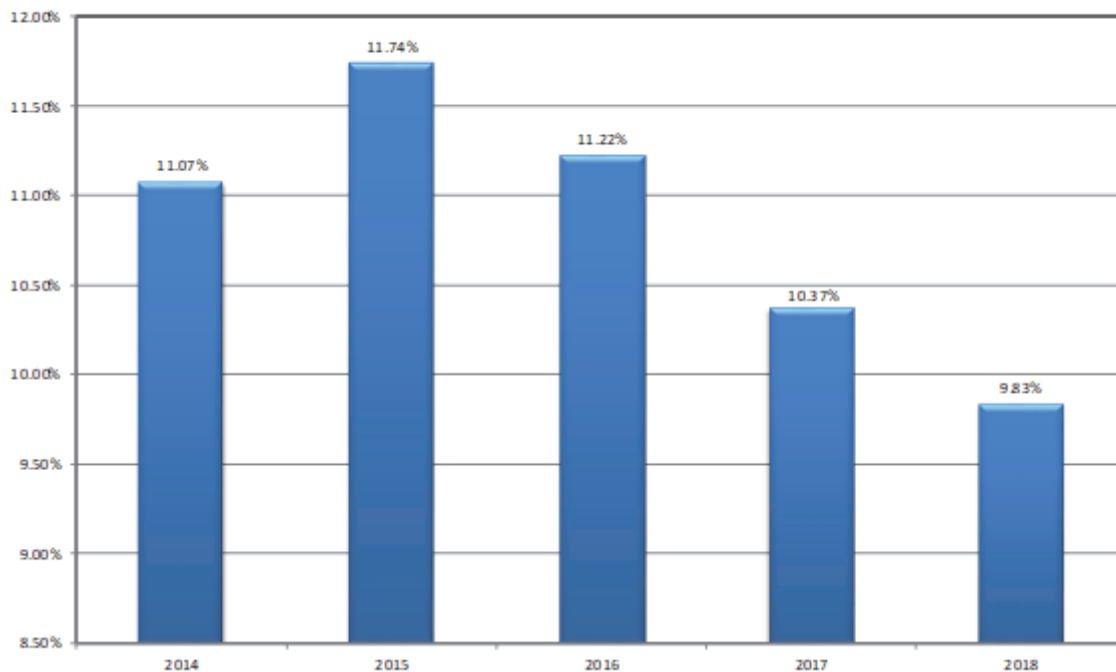


# Net G.O. to Appraised/Assessed Value

### Net G. O. Debt to Appraised Value



### Net G. O. Debt to Assessed Value



## General Obligation Bonds

OUTSTANDING DEBT OBLIGATIONS SERVICED FROM THE DEBT SERVICE FUND  
AS OF JUNE 30, 2019 (UNAUDITED)

General Obligation Bonds	Outstanding	Final Maturity
\$309,255,000 Gen. Imp. Bonds, Series 2018	\$ 304,855,000	6/1/2048
\$69,885,000 Gen. Imp. Bonds, Series 2016	64,340,000	5/1/2041
\$67,845,000 Gen. Imp. Bonds, Series 2015C	67,845,000	4/1/2045
\$54,390,000 Gen. Imp. Refg Bonds, Series, 2015B (Taxable)	54,390,000	4/1/2025
\$76,820,000 Gen. Imp. Refg Bonds, Series, 2015A	76,820,000	4/1/2026
\$208,230,000 Gen. Imp. Refg Bonds, Series 2014B	186,625,000	4/1/2044
\$103,955,000 Gen. Imp. Refg Bonds, Series 2014A	80,005,000	11/1/2025
\$5,145,000 Gen. Imp. Bonds, Series 2012B	1,805,000	4/1/2024
\$93,595,000 Gen. Imp. & Refg Bonds, Series 2012A	82,305,000	4/1/2042
\$86,190,000 Gen. Imp. Bonds, Series 2011	72,045,000	5/1/2036
\$11,160,000 Gen. Imp. Bonds, Series 2010F (RZEDB)	11,160,000	7/1/2034
\$121,205,000 Gen. Imp. & Refg Bonds, Series 2010D	121,205,000	7/1/2023
\$62,550,000 Gen. Imp. Bonds, Series 2010 C (Direct Pay BABs)	62,550,000	7/1/2032
\$39,950,000 Gen. Imp. Bonds, Series 2010B (Direct Pay BABs)	39,950,000	5/1/2030
\$27,880,000 Gen. Imp. Bonds, Series 2010A	3,490,000	5/1/2021
\$76,025,000 Gen. Imp. Bonds, Series 2009	4,900,000	4/1/2024
\$166,880,000 Gen. Imp. & Refg Bonds, Series 2005	27,365,000	10/1/2019
<b>Total</b>	<b>\$ 1,261,655,000</b>	
<b>Commercial Paper</b>	<b>Outstanding</b>	
Commercial Paper	\$ 75,000,000	

**Appropriation Obligations Bonds**

OUTSTANDING DEBT OBLIGATIONS SERVICED FROM THE DEBT SERVICE FUND  
AS OF JUNE 30, 2019 (UNAUDITED)

<u>Appropriation Obligations Debt</u>	<u>Outstanding</u>	<u>Final Maturity</u>
\$4,400,000 Solid Waste Lease, 2018	\$ 3,558,713	5/1/2023
\$2,142,850 EDGE Qualified Energy Conservation Bond, Series 2017	1,071,425	1/5/2021
\$40,975,000 Memphis and Shelby Co. Port Commission Dev. Revenue Bonds, Series 2011 <sup>(1)</sup>	16,192,500	4/1/2036
\$15,416,204 Solid Waste Lease, 2014	1,589,882	12/11/2019
\$2,000,000 Solid Waste Lease, 2016	816,015	4/22/2021
\$36,215,000 TDZ Revenue Refunding Bonds, Series 2017A (Federally Taxable)	19,020,000	11/1/2021
\$87,725,000 TDZ Revenue Refunding Bonds, Series 2017B	87,725,000	11/1/2030
\$34,300,000 TDZ Revenue Refunding Bonds, Series 2017C (Federally Taxable)	34,300,000	11/1/2024
\$17,925,000 Sports Facility Revenue Bonds, Series 2014A (Stadium Project)	14,130,000	2/1/2029
\$5,720,000 Sports Facility Revenue Bonds, Series 2014B (Stadium Project) (Federally Taxable)	3,780,000	2/1/2030
\$1,585,450 CCRFC Convention Center Improvement Bonds, Series 2015	317,090	1/5/2020
\$1,561,500 CCRFC Convention Center Improvement Bonds, Series 2016	390,375	1/5/2020
\$8,316,000 CCRFC Qualified Energy Conservation Bonds, Series 2015A	4,989,600	1/5/2025
\$2,015,300 CCRFC Qualified Energy Conservation Bonds, Series 2015B	1,007,650	1/5/2024
\$340,700 CCRFC Qualified Energy Conservation Bonds, Series 2015C	170,350	1/5/2024
<b>Total</b>	<b>\$ 189,058,600</b>	

(1) The obligation of the City and the County to support the payment of debt service on the Port Commission bonds is apportioned on an equal basis (i.e. 50% by the City and 50% by the County). Such amount represents the City's portion.



## General Obligation Bonds Debt Service Schedule

AS OF JUNE 30, 2019 (UNAUDITED)

Period Ending	Principal	Interest	Debt Service	Percentage Retired
6/30/2020	87,210,000.00	56,043,335.75	143,253,335.75	
6/30/2021	87,120,000.00	52,637,564.52	139,757,564.52	
6/30/2022	87,860,000.00	48,393,023.87	136,253,023.87	
6/30/2023	88,845,000.00	43,787,927.32	132,632,927.32	
6/30/2024	89,500,000.00	39,633,657.83	129,133,657.83	35%
6/30/2025	91,105,000.00	36,483,399.87	127,588,399.87	
6/30/2026	89,900,000.00	32,605,257.93	122,505,257.93	
6/30/2027	30,955,000.00	28,320,881.07	59,275,881.07	
6/30/2028	32,325,000.00	26,784,159.62	59,109,159.62	
6/30/2029	33,725,000.00	25,178,707.02	58,903,707.02	57%
6/30/2030	35,215,000.00	23,496,490.58	58,711,490.58	
6/30/2031	31,290,000.00	21,810,685.37	53,100,685.37	
6/30/2032	32,585,000.00	20,409,185.47	52,994,185.47	
6/30/2033	33,970,000.00	18,910,509.66	52,880,509.66	
6/30/2034	35,055,000.00	17,386,042.86	52,441,042.86	70%
6/30/2035	36,515,000.00	15,782,324.26	52,297,324.26	
6/30/2036	32,115,000.00	14,325,695.01	46,440,695.01	
6/30/2037	28,690,000.00	12,980,063.75	41,670,063.75	
6/30/2038	29,860,000.00	11,812,976.25	41,672,976.25	
6/30/2039	31,075,000.00	10,590,010.01	41,665,010.01	83%
6/30/2040	32,350,000.00	9,305,018.76	41,655,018.76	
6/30/2041	33,715,000.00	7,952,081.26	41,667,081.26	
6/30/2042	30,940,000.00	6,492,312.50	37,432,312.50	
6/30/2043	31,520,000.00	5,122,137.50	36,642,137.50	
6/30/2044	29,460,000.00	3,723,312.50	33,183,312.50	95%
6/30/2045	17,660,000.00	2,400,250.00	20,060,250.00	
6/30/2046	13,165,000.00	1,643,800.00	14,808,800.00	
6/30/2047	13,690,000.00	1,117,200.00	14,807,200.00	
6/30/2048	14,240,000.00	569,600.00	14,809,600.00	100%
<b>Total</b>	<b>\$ 1,261,655,000.00</b>	<b>\$ 595,697,610.54</b>	<b>\$ 1,857,352,610.54</b>	

DEBT SERVICE FUND

**GENERAL OBLIGATION DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND  
EXPENDITURES**

FISCAL YEARS ENDED JUNE 30  
(IN THOUSANDS OF DOLLARS)

	2014	2015	2016	2017	2018
General Fund Expenditures and Other Uses <sup>(1)</sup>	\$ 601,595	\$ 616,716	\$ 639,234	\$ 662,997	\$ 712,632
G.O. Debt Service <sup>(2)</sup>	122,731	132,780	131,575	133,590	132,598
<b>Total G.F Expenditure and G.O. Debt Service</b>	<b>\$ 724,326</b>	<b>\$ 749,496</b>	<b>\$ 770,809</b>	<b>\$ 796,587</b>	<b>\$ 845,230</b>
G.O. Debt Service as of Percentage of the Sum of G.F. Expenditures and G.O. Debt Service	16.94%	17.72%	17.07%	16.77%	15.69%

<sup>(1)</sup> Includes General Fund Expenditures, Transfers Out and Special Items.

<sup>(2)</sup> Includes Debt Service on General Obligation Bonds and Interest on General Obligation Commercial Paper. Interest on General Obligation Bonds is net of subsidy payments for the General Improvement Bonds, Series 2010B (Direct Build America Bonds), General Improvement Bonds, Series 2010C (Direct Payment Build America Bonds) and General Improvement, Series 2010F (Recovery Zone Economic Development Bonds).

Source: City of Memphis, Tennessee.