

# 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 Tourism Development Zone revenue.

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	FY17 Actual	FY18 Adopted	FY18 Forecast	FY19 Budget
<b>REVENUES AND OTHER SOURCES</b>				
Current Property Taxes	\$115,942,849	\$116,000,000	\$119,000,000	\$122,038,300
Delinquent Property Taxes	\$1,569,005	\$1,500,000	\$1,500,000	\$1,500,000
Sale of Delinquent Property Taxes	\$2,826,772	\$3,000,000	\$2,200,000	\$2,200,000
Local Option Sales Tax	\$8,197,006	\$8,500,000	\$8,647,020	\$8,645,000
In Lieu Of Taxes - Contractual	\$1,337,542	\$1,964,678	\$1,964,678	\$1,964,678
Tourism Development Zone	—	—	—	\$4,507,242
State Taxes	\$17,490,648	\$17,500,000	\$16,770,859	\$17,106,275
Use of Money	\$390,709	\$145,000	\$527,000	\$527,000
Federal Grants	\$2,377,111	\$2,327,146	\$3,245,815	\$2,298,523
Other	\$4,122,367	\$2,002,535	\$1,940,895	\$1,857,536
Issuance of Refunding Debt	\$175,785,458	—	\$150,000,000	—
Transfers In - Hotel - Motel Tax	—	—	—	\$6,685,804
Transfers In - State Street Aid	\$2,063,016	\$1,768,300	\$1,768,300	\$1,768,300
Transfers In - New Memphis Arena	\$4,858,620	\$4,858,600	\$4,418,866	—
Transfers In - Solid Waste	\$4,128,723	\$4,553,000	\$4,553,000	\$5,000,000
Transfers In - Storm water	\$1,893,502	\$3,739,477	\$3,739,476	\$1,845,975
Transfers In - GF	\$4,371,087	\$4,726,825	\$4,726,825	\$4,726,825
Transfers In - Grant Funds	\$194,496	—	\$171,198	—
<b>Total Revenues</b>	<b>\$347,548,911</b>	<b>\$172,585,561</b>	<b>\$325,173,932</b>	<b>\$182,671,458</b>
<b>EXPENDITURES AND OTHER USES</b>				
Principal - Serial Bonds, Notes and Leases	\$96,214,039	\$97,237,864	\$98,092,863	\$105,588,425
Interest - Serial Bonds, Notes and Leases	\$65,050,631	\$62,994,156	\$60,274,827	\$67,351,888
Bond Issue Cost	\$1,662,479	—	\$286,344	—
Other (M&S & Svr. Chrg.)	\$1,105,570	\$1,252,390	\$1,252,390	\$1,252,390
Retirement of Refunded Debt	\$195,829,835	—	\$150,000,000	—
Transfers Out - General Fund	—	—	—	\$3,500,000
Net Audit Adjustments	\$143,011	—	—	—
<b>Total Expenditures</b>	<b>\$360,005,565</b>	<b>\$161,484,410</b>	<b>\$309,906,424</b>	<b>\$177,692,703</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(\$12,456,654)</b>	<b>\$11,101,151</b>	<b>\$15,267,508</b>	<b>\$4,978,755</b>
<b>Authorized Complement</b>				<b>0</b>
<b>NET INCOME (REVENUE - EXPENSE)</b>	<b>\$ (12,456,654)</b>	<b>\$ 11,101,151</b>	<b>\$ 15,267,508</b>	<b>\$ 4,978,755</b>
<b>Fund balance beginning of year</b>	<b>\$ 61,254,835</b>	<b>\$ 48,798,180</b>	<b>\$ 48,798,180</b>	<b>\$ 64,065,688</b>
<b>Fund balance end of year</b>	<b>\$ 48,798,180</b>	<b>\$ 59,899,331</b>	<b>\$ 64,065,688</b>	<b>\$ 69,044,443</b>

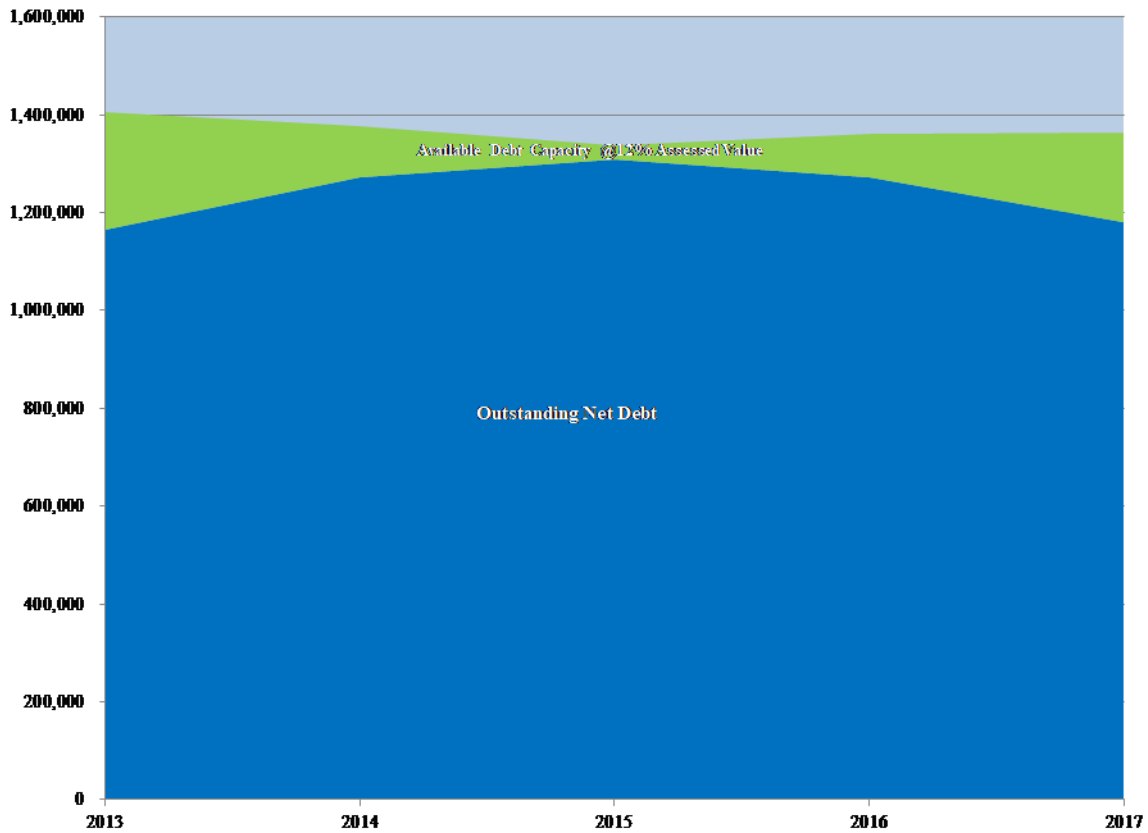
\* Revenues do not reflect contribution from Fund Balance.

\* Expenditures do not include contribution to Fund Balance

## 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)**



	2013	2014	2015	2016	2017
Maximum Debt @ 12% - City Policy	\$ 1,406,468	\$ 1,378,018	\$ 1,337,070	\$ 1,361,518	\$ 1,364,952
Less: Total Net Debt Outstanding	1,163,755	1,271,320	1,308,289	1,273,105	1,179,577
Excess Debt Capacity	\$ 242,713	\$ 106,698	\$ 28,781	\$ 88,413	\$ 185,375

Source: CAFR 2017

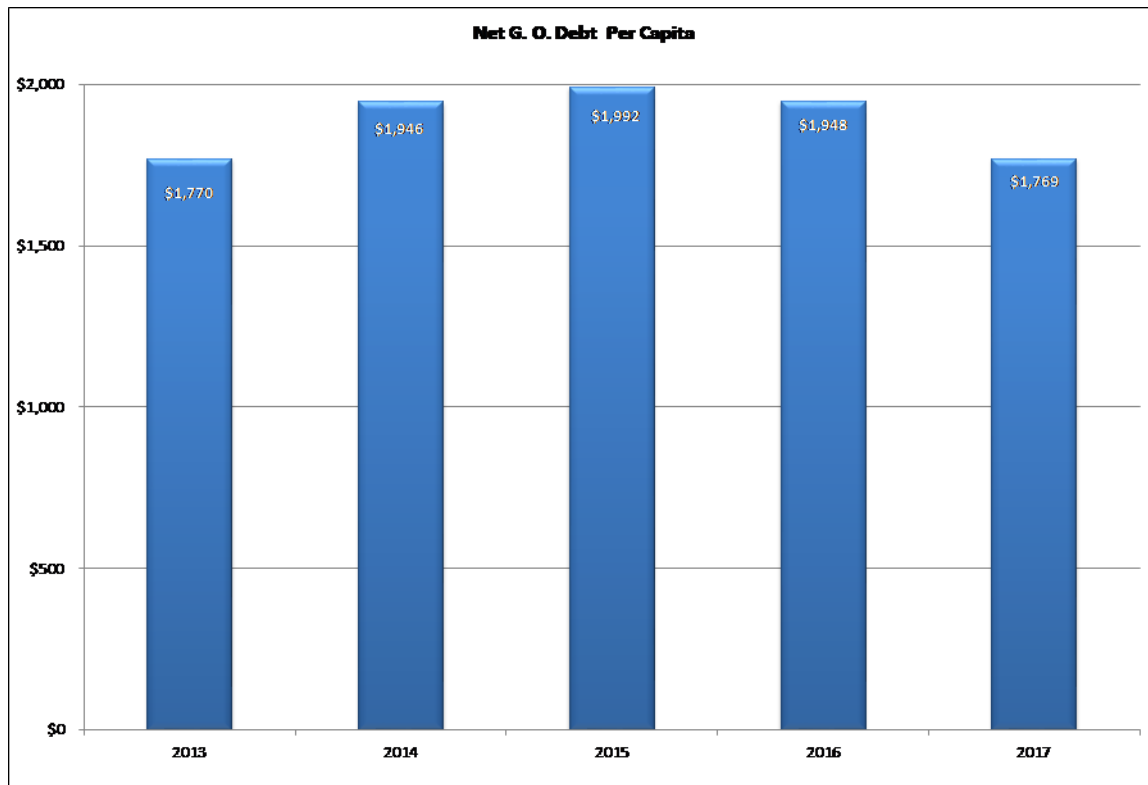
## Debt Ratio Trends

**Debt Ratio Trends**  
LAST FIVE FISCAL YEARS

	2013	2014	2015	2016	2017
Estimated Population	657,457	653,450	656,861	653,480	666,723
Appraised Value of Property <sup>(1)</sup>	\$ 37,757,901	\$ 36,455,804	\$ 35,448,458	\$ 35,955,987	\$ 36,080,187
Assessed Value Valuation of Property <sup>(1)</sup>	11,720,563	11,483,484	11,142,251	11,345,981	11,374,600
Total G. O. Debt	\$ 1,163,755	\$ 1,271,320	\$ 1,228,825	\$ 1,199,950	\$ 1,119,035
Bond Premiums			79,464	73,155	60,542
Net Debt	\$ 1,163,755	\$ 1,271,320	\$ 1,308,289	\$ 1,273,105	\$ 1,179,577
<b>Net G. O. Debt per Capita</b>					
Total Debt	\$ 1,770	\$ 1,946	\$ 1,992	\$ 1,948	\$ 1,769
Net Debt	1,770	1,946	1,992	1,948	1,769
<b>Net G. O. Debt to Appraised Value</b>					
Total Debt	3.08%	3.49%	3.69%	3.54%	3.27%
Net Debt	3.08%	3.49%	3.69%	3.54%	3.27%
<b>Net G. O. Debt to Assessed Value</b>					
Total Debt	9.93%	11.07%	11.74%	11.22%	10.37%
Net Debt	9.93%	11.07%	11.74%	11.22%	10.37%

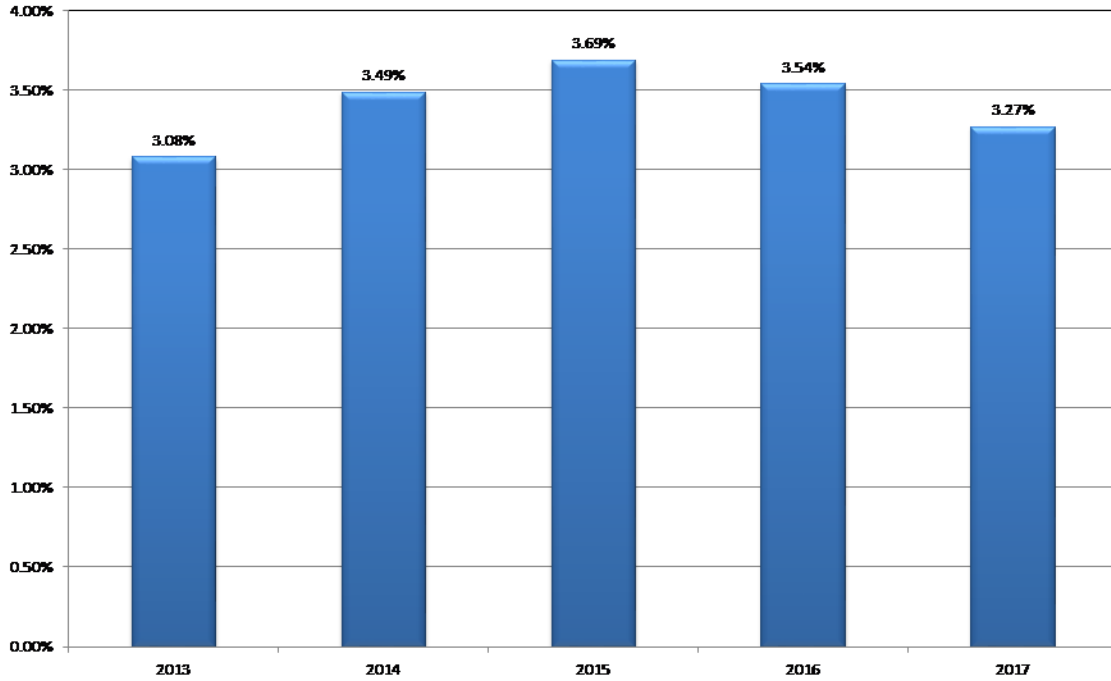
<sup>(1)</sup> In thousands of dollars.

Source: 2017 CAFR

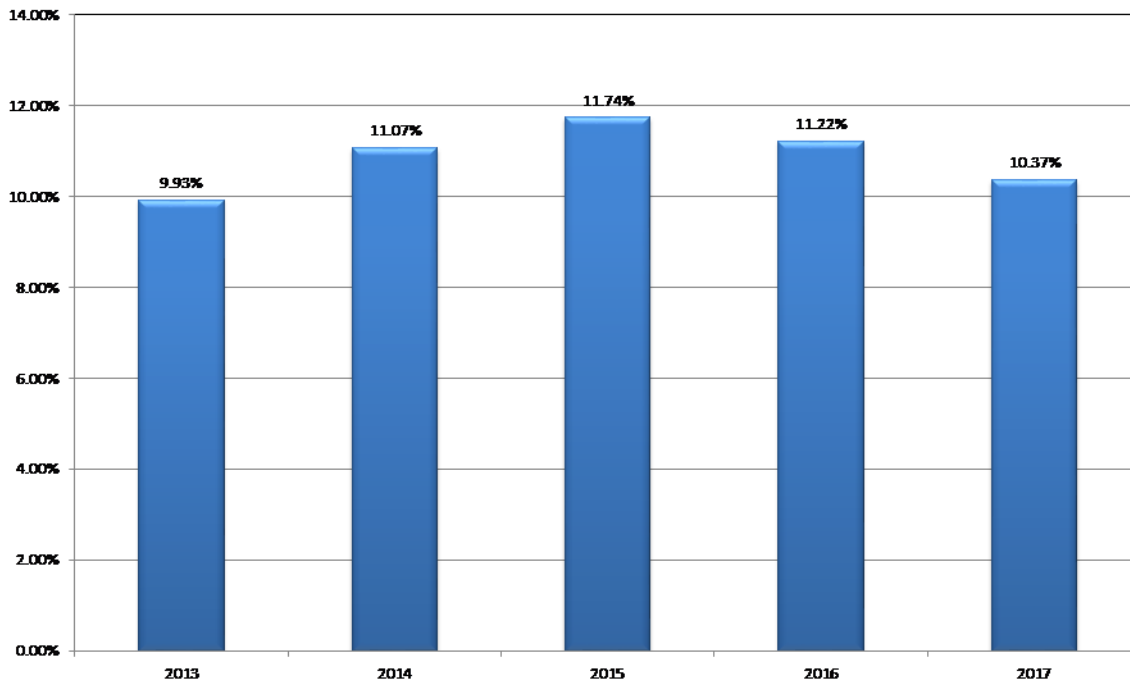


## Net G.O. to Appraised/Assessed Value

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, 2018 (UNAUDITED)

Appropriation Obligations Debt	Outstanding	Final Maturity
\$2,142,850 EDGE Qualified Energy Conservation Bond, Series 2017	\$1,607,138	1/5/2021
\$40,975,000 Memphis and Shelby Co. Port Commission Dev. Revenue Bonds, Series 2011(1)	\$16,807,500	4/1/2036
\$15,416,204 Solid Waste Lease, 2014	\$4,736,953	12/11/2019
\$2,000,000 Solid Waste Lease, 2016	\$1,215,944	4/22/2021
\$36,215,000 TDZ Revenue Refunding Bonds, Series 2017A (Federally Taxable)	\$27,440,000	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)	\$14,985,000	2/1/2029
\$5,720,000 Sports Facility Revenue Bonds, Series 2014B (Stadium Project) (Federally Taxable)	\$4,115,000	2/1/2030
\$1,585,450 CCRFC Convention Center Improvement Bonds, Series 2015	\$634,180	1/5/2020
\$1,561,500 CCRFC Convention Center Improvement Bonds, Series 2016	\$780,750	1/5/2020
\$8,316,000 CCRFC Qualified Energy Conservation Bonds, Series 2015A	\$5,821,200	1/5/2025
\$2,015,300 CCRFC Qualified Energy Conservation Bonds, Series 2015B	\$1,410,710	1/5/2025
\$340,700 CCRFC Qualified Energy Conservation Bonds, Series 2015C	\$238,490	1/5/2025
<b>Total</b>	<b>\$206,217,865</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.

**Appropriation Obligations Debt**  
 OUTSTANDING DEBT OBLIGATIONS SERVICED FROM THE DEBT SERVICE FUND  
 AS OF JUNE 30, 2018 (UNAUDITED)

General Obligation Bonds	Outstanding	Final Maturity
\$309,255,000 Gen. Imp. Bonds, Series 2018	\$309,255,000	6/1/2048
\$69,885,000 Gen. Imp. Bonds, Series 2016	\$66,135,000	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	\$91,350,000	11/1/2025
\$5,145,000 Gen. Imp. Bonds, Series 2012B	\$2,140,000	4/1/2024
\$93,595,000 Gen. Imp. & Refg Bonds, Series 2012A	\$86,680,000	4/1/2042
\$86,190,000 Gen. Imp. Bonds, Series 2011	\$72,530,000	5/1/2036
\$11,160,000 Gen. Imp. Bonds, Series 2010F (RZEDB)	\$11,160,000	7/1/2034
\$55,295,000 Gen. Imp. & Refg Bonds, Series 2010E (Federally Taxable)	\$20,375,000	7/1/2018
\$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	\$6,825,000	5/1/2021
\$76,025,000 Gen. Imp. Bonds, Series 2009	\$5,750,000	4/1/2024
\$115,635,000 Gen. Imp. & Refg Bonds, Series 2005B	\$28,125,000	10/1/2018
\$166,880,000 Gen. Imp. & Refg Bonds, Series 2005	\$37,730,000	10/1/2019
<b>Total</b>	<b>\$1,347,440,000</b>	
<b>Commercial Paper</b>	<b>\$0</b>	



**General Obligation Bonds Debt Service Schedule**  
AS OF JUNE 30, 2018 (UNAUDITED)

DEBT SERVICE FUND

Period Ending	Principal	Interest	Debt Service	Percentage Retired
6/30/2019	\$85,785,000	\$60,965,988	\$146,750,988	
6/30/2020	\$87,210,000	\$56,043,336	\$143,253,336	
6/30/2021	\$87,120,000	\$52,637,565	\$139,757,565	
6/30/2022	\$87,860,000	\$48,393,024	\$136,253,024	
6/30/2023	\$88,845,000	\$43,787,927	\$132,632,927	32%
6/30/2024	\$89,500,000	\$39,633,658	\$129,133,658	
6/30/2025	\$91,105,000	\$36,483,400	\$127,588,400	
6/30/2026	\$89,900,000	\$32,605,258	\$122,505,258	
6/30/2027	\$30,955,000	\$28,320,881	\$59,275,881	
6/30/2028	\$32,325,000	\$26,784,160	\$59,109,160	57%
6/30/2029	\$33,725,000	\$25,178,707	\$58,903,707	
6/30/2030	\$35,215,000	\$23,496,491	\$58,711,491	
6/30/2031	\$31,290,000	\$21,810,685	\$53,100,685	
6/30/2032	\$32,585,000	\$20,409,185	\$52,994,185	
6/30/2033	\$33,970,000	\$18,910,510	\$52,880,510	70%
6/30/2034	\$35,055,000	\$17,386,043	\$52,441,043	
6/30/2035	\$36,515,000	\$15,782,324	\$52,297,324	
6/30/2036	\$32,115,000	\$14,325,695	\$46,440,695	
6/30/2037	\$28,690,000	\$12,980,064	\$41,670,064	
6/30/2038	\$29,860,000	\$11,812,976	\$41,672,976	82%
6/30/2039	\$31,075,000	\$10,590,010	\$41,665,010	
6/30/2040	\$32,350,000	\$9,305,019	\$41,655,019	
6/30/2041	\$33,715,000	\$7,952,081	\$41,667,081	
6/30/2042	\$30,940,000	\$6,492,313	\$37,432,313	
6/30/2043	\$31,520,000	\$5,122,138	\$36,642,138	93%
6/30/2044	\$29,460,000	\$3,723,313	\$33,183,313	
6/30/2045	\$17,660,000	\$2,400,250	\$20,060,250	
6/30/2046	\$13,165,000	\$1,643,800	\$14,808,800	
6/30/2047	\$13,690,000	\$1,117,200	\$14,807,200	
6/30/2048	\$14,240,000	\$569,600	\$14,809,600	100%
<b>Total</b>	<b>\$1,347,440,000</b>	<b>\$656,663,598</b>	<b>\$2,004,103,598</b>	

