

# DEBT SERVICE FUND OVERVIEW

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The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

General obligation bonds are issued to provide funding for various capital projects of the City. These capital projects are related to infrastructure and equipment needs of one or more of the City's operating divisions or outside agencies funded by the City. An outside agency that has received major capital funding from the City include the Memphis Area Transit Authority.

General obligation bond proceeds are disbursed on a "first-in/first-out" basis. Capital expenditures are assigned to the oldest bond issue at the time of actual cash disbursement. The City reconciles internal accounting records monthly to insure that activity in the CIP cash account and actual cash disbursement balance at month-end.

Expenditures are not charged against a specific bond issue until the actual cash is disbursed. This methodology was developed to satisfy certain provisions of the Tax Reform Act of 1986 which require all bond proceeds to be spent within three years of original issuance. This methodology also allows the City to take advantage of the two-year spend-down rule which allows municipalities to keep any excess arbitrage earnings, if such requirements are met.

From April 2001 until April 2009, the City issued bond anticipation notes in the form of General Obligation Commercial Paper in an amount not to exceed \$150,000 through the State of Tennessee's Commercial Paper Program of which notes totaling \$60,000 were issued in fiscal year 2009. Upon expiration of the commercial paper agreement with the State of Tennessee in April 2009, the City secured a \$150,000 term loan until the City's direct issuance of bond anticipation notes was complete. The City issued \$148,470 in bond anticipation notes in May 2009. The issue resulted in net proceeds of \$150,000 (after the net issue premium of \$2,165, payment of \$334 in underwriter's discount and \$301 cost of issuance). The purpose of the bond anticipation notes is to provide interim financing of various capital projects. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other sources and debt issue cost. The \$150,000 term loan was paid off via \$70,000 of the bond anticipation notes proceeds and \$80,000 of general improvement bond proceeds obtained in June 2009.



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Category	FY 2009 Actual	FY 2010 Adopted	FY 2010 Forecast	FY 2011 Adopted
<b>Revenues</b>				
Current Property Taxes	76,860,045	76,057,402	79,411,461	80,213,461
Delinquent Property Taxes	2,519,453	2,550,000	2,550,000	2,000,000
In Lieu Of Taxes-Contractual	1,559,047	1,122,000	1,539,747	1,700,000
Hotel-Motel Tax	398,314	399,533	399,533	401,270
Use of Money	1,564,281	2,000,000	2,000,000	2,000,000
<b>Intergovernmental Revenues</b>				
Memphis Shelby County Airport Authority	2,075,930	2,074,268	2,074,268	2,072,243
Memphis Shelby County Port Commission	401,493	422,571	0	0
<b>Other</b>	5,031,977	3,484,173	3,484,173	3,305,194
<b>Total Revenues</b>	<b>90,410,540</b>	<b>88,109,947</b>	<b>91,459,182</b>	<b>91,692,168</b>
<b>Other Sources</b>				
Transfer from General Fund	5,652,990	4,119,706	5,407,006	2,933,756
Transfer from Municipal State Aid Fund	2,285,896	1,768,300	1,768,300	1,768,300
Transfer from Stormwater Fund	4,412,440	4,412,440	4,412,440	4,412,440
Transfer from Solid Waste Management Fun	1,662,215	1,662,215	0	1,662,215
Transfer from Hotel Motel Fund	902,813	867,375	867,375	1,182,896
Operating transfers in components units:				
Board of Education	0	0	0	0
Proceeds from Refunding Bonds	0	0	0	0
<b>Total Other Sources</b>	<b>14,916,354</b>	<b>12,830,036</b>	<b>12,455,121</b>	<b>11,959,607</b>
<b>Total Revenue/Other Sources</b>	<b>105,326,894</b>	<b>100,939,983</b>	<b>103,914,303</b>	<b>103,651,775</b>



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Category	FY 2009 Actual	FY 2010 Adopted	FY 2010 Forecast	FY 2011 Adopted
<b><u>Expenditures</u></b>				
Redemption of serial bonds and notes	58,564,534	64,938,016	64,938,016	24,099,970
Interest	52,450,523	53,991,871	53,991,871	55,211,265
Other	538,525	350,000	401,102	350,000
Operating transfer Out (General Fund)	6,000,000	0	0	51,000,000
Retirement of Refunded Debt	0	0	0	0
<b>Total Expenditures</b>	<b>117,553,582</b>	<b>119,279,887</b>	<b>119,330,989</b>	<b>130,661,235</b>
<b>Other use:</b>				
<b>Total Expenditures/Other Sources</b>	<b>117,553,582</b>	<b>119,279,887</b>	<b>119,330,989</b>	<b>130,661,235</b>
Contribution(Use) of Fund Balance	(12,226,688)	(18,339,904)	(15,416,686)	(27,009,460)
<b>Fund balance beginning of year</b>	<b>58,715,528</b>	<b>35,970,492</b>	<b>46,488,840</b>	<b>31,072,154</b>
<b>Fund balance end of year</b>	<b>46,488,840</b>	<b>17,630,588</b>	<b>31,072,154</b>	<b>4,062,694</b>

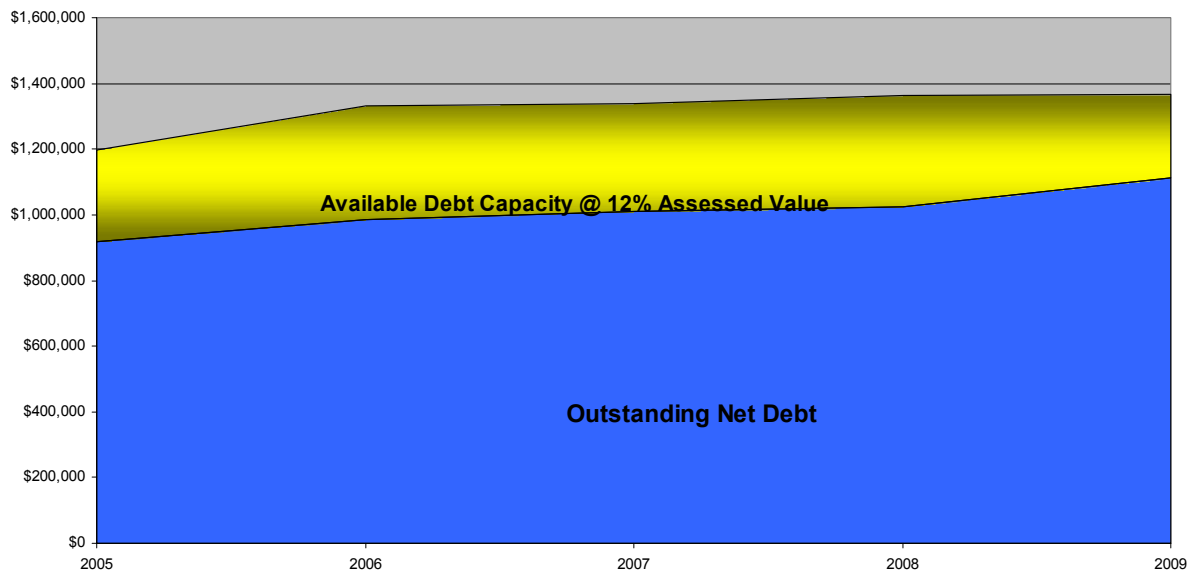


# DEBT SERVICE FUND OVERVIEW

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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)**



	2005	2006	2007	2008	2009
Total Net Debt Outstanding	\$917,384	\$986,312	\$1,009,532	\$1,025,081	\$1,114,247
Excess Debt Capacity	281,641	346,725	329,199	339,294	252,861
Maximum Debt @ 12% - City Policy	1,199,025	1,333,037	1,338,731	1,364,375	1,367,108



# DEBT SERVICE FUND OVERVIEW

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## RATIO OF GENERAL BONDED DEBT TO APPRAISED AND ASSESSED VALUES AND BONDED DEBT PER CAPITA Last Five Fiscal Years

	For the Fiscal Years Ended June 30			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Estimated Population	674,028	640,393	640,393	672,277
Appraised Property Valuation (3)	\$ 36,776,628	36,554,763	35,682,731	35,550,325
Assessed Valuation (3)	\$ 11,392,569	11,369,792	11,156,092	11,108,644
Total General Obligation Debt (1) (3)	\$ 1,127,812	1,042,744	1,031,071	1,011,698
Self-Supporting Debt (2) (3)	\$ 13,565	17,663	21,539	25,386
Net Debt (3)	\$ 1,114,247	1,025,081	1,009,532	986,312
Bonded Debt Per Capita - Total Debt	1,673	1,547	1,522	1,505
Bonded Debt Per Capita - Net Debt	1,653	1,521	1,490	1,467
Bonded Debt to Appraised Valuation - Total Debt	3.07%	2.85%	2.89%	2.85%
Bonded Debt to Appraised Valuation - Net Debt	3.03%	2.80%	2.83%	2.77%
Bonded Debt to Assessed Valuation - Total Debt	9.90%	9.17%	9.24%	9.11%
Bonded Debt to Assessed Valuation - Net Debt	9.78%	9.02%	9.05%	8.88%

(1) Debt includes City general obligation bonds and capital lease obligations.

(2) The self-supporting debt includes Port Commission Bonds, Airport Bonds, bonds sold for the Convention Center and State loans.

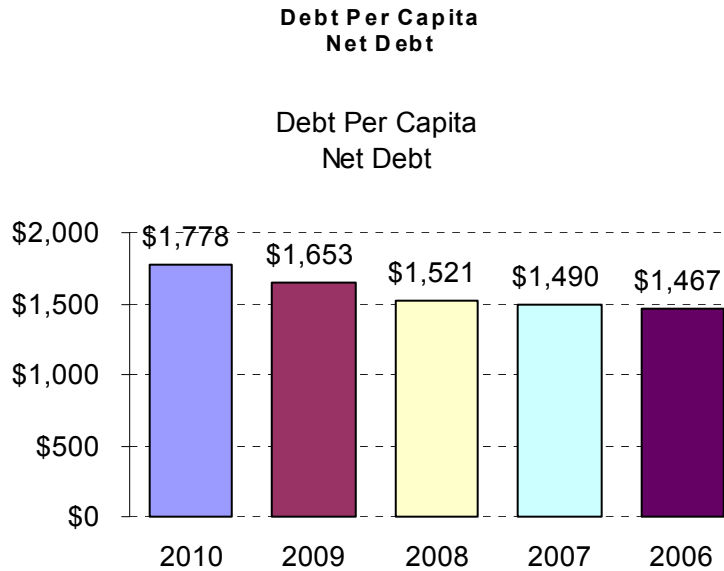
(3) In thousands of dollars.

(4) Source-U.S> Census Bureau



# DEBT SERVICE FUND OVERVIEW

Bonded debt per capita on a net debt basis has increased over the last five years. From 2006 through 2010, the City's net debt per capita has averaged approximately \$1,582 per person.



The ratio of annual debt service to general expenditures has averaged approximately 15% over the last 10 years.

## Ratio of Annual Debt Service to General Expenditures Last Ten Fiscal Years (In Thousands of Dollars)

Fiscal Year	General Obligation Debt Service			Total General Fund Expenditures (1)	Ratio of Debt Service to General Expenditures (%)
	Principal	Interest	Total		
2000	45,634	31,605	77,239	509,711	15.15%
2001	47,528	39,179	86,707	535,795	16.18%
2002	45,292	33,847	79,139	548,454	14.43%
2003	43,341	37,258	80,599	580,238	13.89%
2004	50,792	40,310	91,102	629,789	14.47%
2005	51,600	37,065	88,665	621,570	14.26%
2006	45,230	40,133	85,363	604,833	14.11%
2007	35,743	46,738	82,481	593,079	13.91%
2008	42,925	49,015	91,940	638,398	14.40%
2009	58,565	52,451	111,016	702,953	15.79%

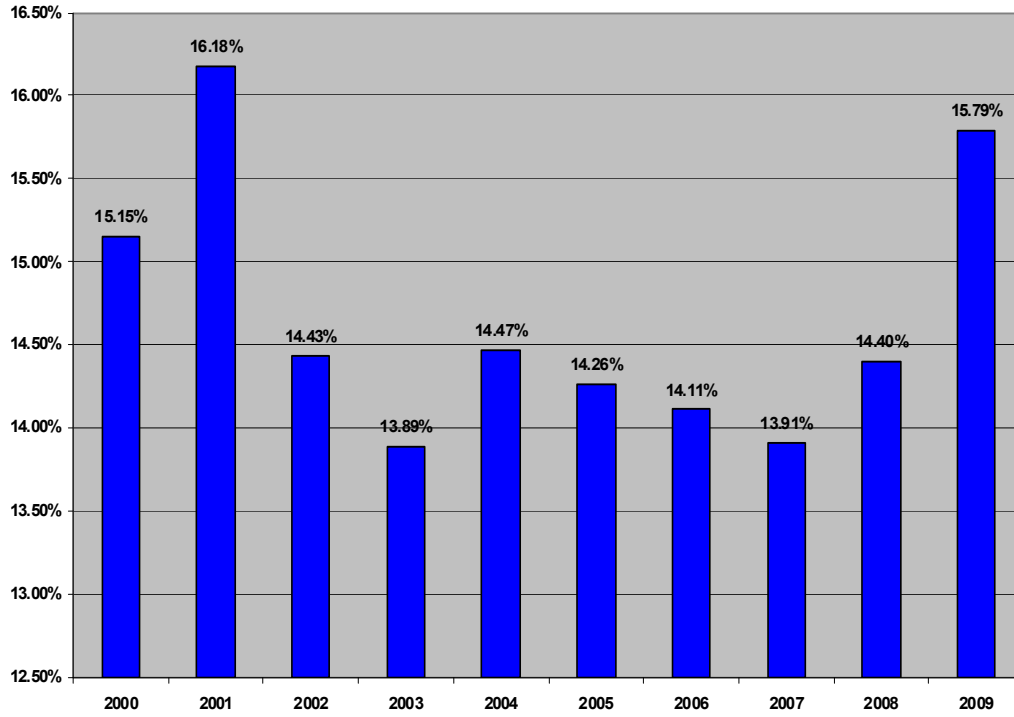
(1) Includes General Fund and Debt Service Fund; expenditures and transfers out



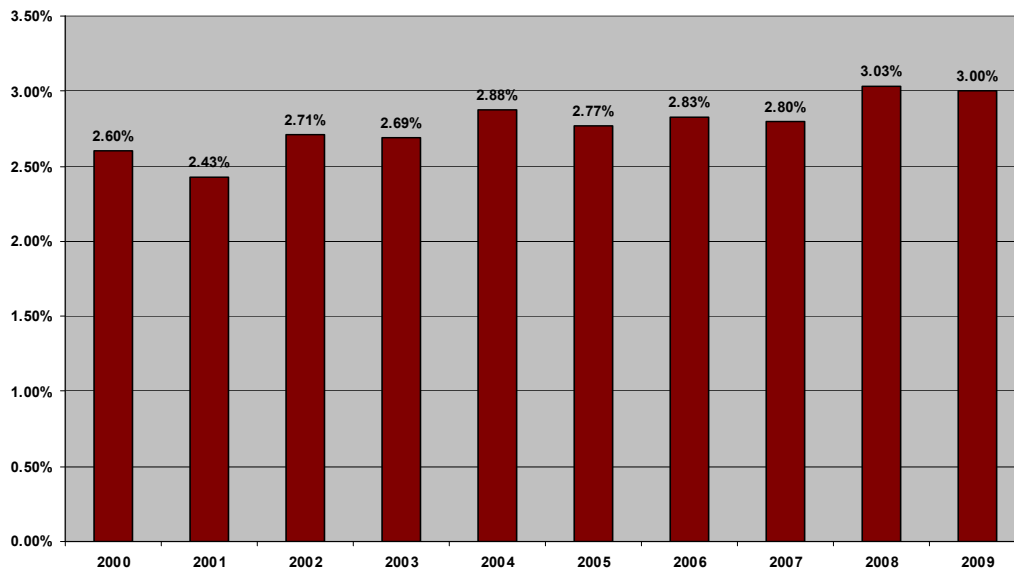
# DEBT SERVICE FUND OVERVIEW

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Debt Service % General Fund Expenditures



Net Debt % Appraisal Value



# DEBT SERVICE FUND OVERVIEW

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**City of Memphis**  
**General Obligation Debt Service - As of: Fiscal Year 2009**  
**By Issue; By Fiscal Year**  
**Principal Only**

<b>Description</b>		<b>Issue Size</b>	<b>Total Principal Outstanding</b>	<b>Final Maturity</b>
Refunding-Gen Imp	Dec-93A	48.996	4,288,806.05	8/1/2012
Refunding-Gen Imp	May-97	11.055	2,445,000.00	8/1/2011
Refunding-Airport (Forward)	Apr-98	19.29	5,725,000.00	7/1/2012
Refunding-Gen Imp	Sep-98	81.045	4,710,000.00	10/1/2016
Refunding-Gen Imp	Jan-99	42.29	18,855,000.00	10/1/2013
Gen-Imp	May-99	70.000	3,365,000.00	10/1/2020
Refunding - Gen Imp	Nov-01	92.985	76,730,000.00	11/1/2017
Gen Imp	Jun-02	170.000	14,005,000.00	11/1/2023
Gen-Imp	May-03	96.940	40,055,000.00	5/1/2022
Refunding - Gen Imp	Feb-04	34.16	19,300,000.00	10/1/2018
Gen Imp	Nov-06	125.000	107,415,000.00	10/1/2024
Refunding - Gen Imp	Mar-06	166.880	166,880,000.00	10/1/2020
Refunding - Gen Imp	Jun-05B	115.635	110,635,000.00	10/1/2019
Refunding - Gen Imp	Feb-06	115.115	109,660,000.00	11/1/2025
Refunding - Gen Imp	Dec-06	89.385	86,760,000.00	11/1/2022
Gen Imp	May-07	94.935	94,935,000.00	4/1/2027
Lease - First Tennessee	Nov-07	7.510	6,057,917.18	8/1/2012
Gen Imp	May-08	99.735	99,735,000.00	3/1/2028
Gen Imp	May-09	76.025	76,025,000.00	4/1/2029
Bond Anticipation Notes	May-09	150	148,470,000.00	5/18/2010
<b>Total Bonded Debt</b>			1,196,051,723.23	
<b>Self-Supporting Debt</b>			11,137,820.00	
<b>Total Debt After Self-Supporting</b>			<b>\$1,184,913,903.23</b>	





# DEBT SERVICE FUND OVERVIEW

## City of Memphis Summary of Refundings Since 1992

Closing Date	Series Number	Type of Bonds	Original Bond Size (\$)	Lead Underwriter	PV Savings	Percent %
	22.695		Original Bond Size (\$)			
	22.695		Bond Size (\$)			
		Type of Bonds				
		Type of Bonds				
08/31/89	1993	General Improvement Refunding	24,455,000	First Chicago Capital Market	781,807	8.4
08/31/89	1993A	Sanitary Sewerage System Rev. & Refg.	14,805,000	Morgan Keegan & Company	672,866	4.9
12/15/89	1993A	General Improvement Refunding	42,595,000	Bear, Stearns & Co.	2,656,958	6.1
12/15/89	1993A	General Improvement Refunding	6,401,258	Bear, Stearns & Co.	2,656,958	6.1
08/20/92	1996	General Improvement Refunding	50,130,000	Lehman Brothers	1,682,807	3.5
05/05/93	1997	General Improvement Refunding	11,055,000	Morgan Keegan & Company	671,408	6.1
08/15/93	1995A	General Improvement Refunding	26,200,000	J.P. Morgan Securities, Inc. (See Note 1)		6.1
08/15/93	1995B	General Improvement Refunding	13,500,000	J.P. Morgan Securities, Inc. (See Note 1)		6.1
04/01/94	1998	General Improvement Refunding	19,290,000	Morgan Keegan & Company	1,179,990	6.3
09/01/98	1998A	General Improvement Refunding	81,045,000	Morgan Keegan & Company	1,805,328	2.3
01/01/99	1999	General Improvement Refunding	42,290,000	Morgan Keegan & Company	1,539,457	3.7
01/30/01	2001	Sanitary Sewerage System Rev. & Refg.	20,795,000	Morgan Keegan & Company	890,935	4.3
11/01/01	2001	General Improvement Refunding	92,985,000	First Tennessee Capital Markets	3,629,994	3.6
08/15/02	2002	General Improvement Refunding	24,040,000	Morgan Keegan & Company	1,211,273	5.1
08/15/02	2002	Sanitary Sewerage System Rev. & Refg.	22,805,000	Harvestons Securities, Inc	921,630	4.2
02/19/04	2004	General Improvement Refunding	34,160,000	Morgan Keegan & Company, Inc.	1,573,310	4.6
03/15/05	2005	General Improvement Refunding	166,880,000	Morgan Keegan & Company, Inc.	7,832,566	3.8
06/22/05	2005B	General Improvement Refunding	115,635,000	Morgan Keegan & Company, Inc.	5,163,847	3.7
02/28/06	2006B	General Improvement Refunding	38,185,000	Merrill Lynch	560,542	1.5
09/06/06	2006	Sanitary Sewerage System Rev. & Refg.	20,220,000	Duncan Williams, Inc.	1,334,732	6.6
12/20/06	2006C	General Improvement Refunding	89,385,000	Morgan Keegan & Company, Inc.	4,802,516	5.2
12/20/06	2006C	General Improvement Refunding	89,385,000	Morgan Keegan & Company, Inc.	4,802,516	5.2
		<b>Total Par Amount of Refundings</b>	<b>\$956,856,258</b>			
		<b>Total Number of Refundings Since 1992</b>	<b>21</b>			
		<b>Total Number of Refundings Since 1992</b>	<b>21</b>			

Note 1 2006C



