

DEBT SERVICE FUND OVERVIEW

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.



DEBT SERVICE FUND

REVENUES/EXPENDITURES

Category	FY 2008 Actual	FY 2009 Budget	FY 2009 Forecast	FY 2010 Adopted
Revenues				
Current Property Taxes	74,262,623	74,566,080	74,566,080	76,057,402
Delinquent Property Taxes	2,349,941	2,550,000	2,550,000	2,550,000
In Lieu Of Taxes-Contractual	1,333,229	1,102,200	1,491,568	1,122,000
Hotel-Motel Tax	397,716	398,314	398,314	399,533
Use of Money	2,381,851	2,000,000	2,000,000	2,000,000
Intergovernmental Revenues				
Memphis Shelby County Airport Authority	3,882,894	2,075,930	2,075,930	2,074,268
Memphis Shelby County Port Commission	381,249	401,493	401,493	422,571
Other	3,441,814	4,995,910	4,995,910	3,484,173
Total Revenues	88,431,317	88,089,927	88,479,295	88,109,947
Other Sources				
Transfer from General Fund	1,263,927	4,170,690	5,787,946	4,119,706
Transfer from Municipal State Aid Fund	3,056,082	2,389,415	2,159,961	1,768,300
Transfer from Golf Fund	0	0	0	0
Transfer from Stadium	0	0	0	0
Transfer from Stormwater Fund	2,300,000	4,412,440	4,412,440	4,412,440
Transfer from Solid Waste Management Fund	0	1,662,215	1,662,215	1,662,215
Transfer from Hotel Motel Fund	939,938	902,813	902,813	867,375
Operating transfers in components units:				
Board of Education	1,493,793	1,777,170	0	0
Proceeds from Refunding Bonds	0	0	0	0
Total Other Sources	9,053,740	15,314,743	14,925,375	12,830,036
Total Revenue/Other Sources	97,485,057	103,404,670	103,404,670	100,939,983



DEBT SERVICE FUND**REVENUES/EXPENDITURES**

Category	FY 2008 Actual	FY 2009 Budget	FY 2009 Forecast	FY 2010 Adopted
Expenditures				
Redemption of serial bonds and notes	42,925,000	62,284,534	62,284,534	64,938,016
Interest	49,015,577	53,353,588	53,353,588	53,991,871
Other	622,247	511,584	511,584	350,000
Operating transfer Out (General Fund)	0	0	10,000,000	0
Retirement of Refunded Debt	0	0	0	0
Total Expenditures	92,562,824	116,149,706	126,149,706	119,279,887
Other use:				
Total Expenditures/Other Sources	92,562,824	116,149,706	126,149,706	119,279,887
Contribution(Use) of Fund Balance	4,922,233	(12,745,036)	(22,745,036)	(18,339,904)
Fund balance beginning of year	53,793,295	36,183,135	58,715,528	35,970,492
Fund balance end of year	58,715,528	23,438,099	35,970,492	17,630,588



DEBT SERVICE

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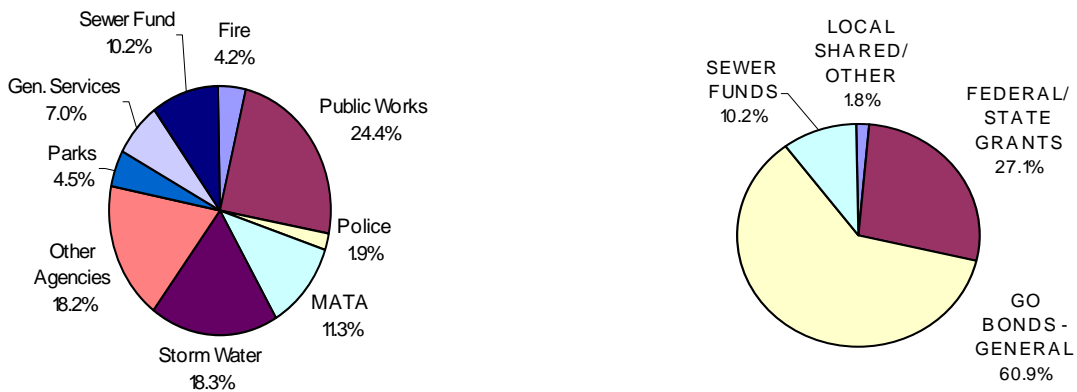
General obligation bonds are issued to provide funding for various capital projects of the City. These capital projects are related to infrastructure and equipment needs of one or more of the City’s operating divisions or outside agencies funded by the City. Outside agencies that receive major capital funding from the City include the Memphis and Shelby County Public Library System, Memphis City Schools and 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.

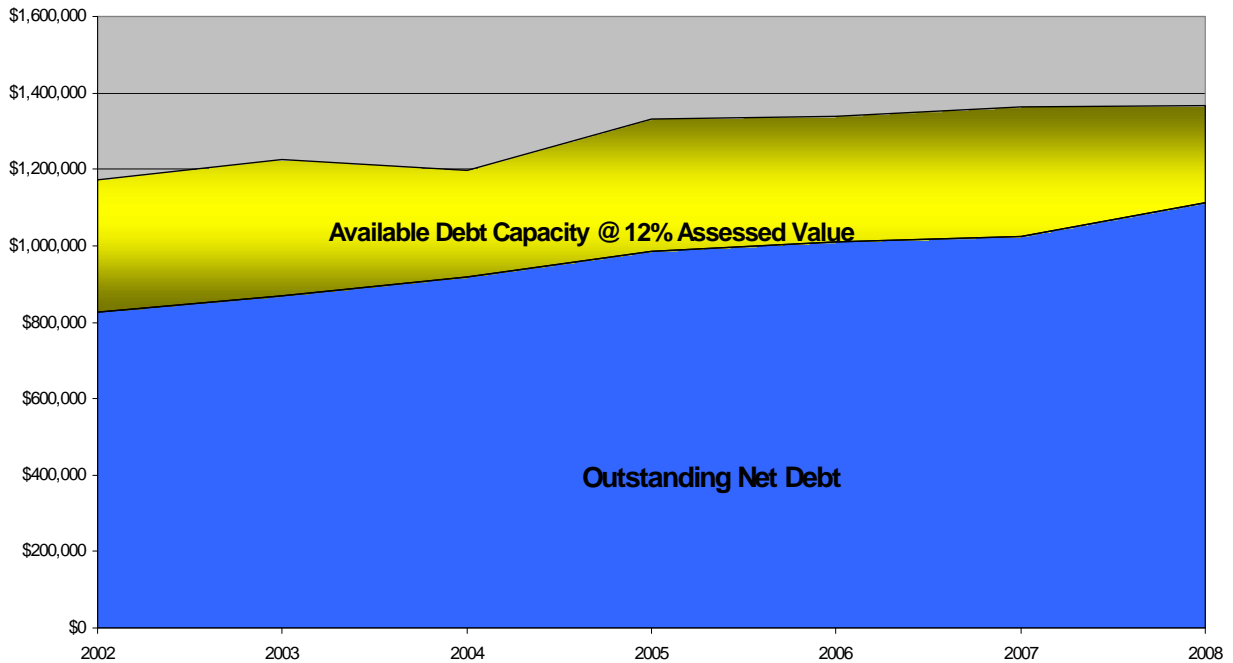
Expenditures are not charged against a specific bond issue until the actual cash is disbursed. This methodology was developed to satisfy certain provisions of the Tax Reform Act of 1986 which require all bond proceeds to be spent within three years of original issuance. This methodology also allows the 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.

In April 2001, the City entered into agreements to sell bond anticipation notes in the form of General Obligation Commercial Paper. The Commercial Paper is issued under the State of Tennessee Commercial Paper Program in an amount not to exceed \$ 150,000,000. The purpose of the Commercial Paper is to provide interim financing of various capital projects and to pay the principal of maturing Commercial Paper. The Commercial Paper has varying maturities of not more than 270 days from their respective dates of issuances. The City has entered a line of credit agreement, which expires on April 2, 2009, to provide liquidity support for this Commercial Paper Program. The debt is classified as long-term debt and is reflected in the City’s Statement of Net Assets and the City’s Capital Improvement Projects Fund, based on the City’s ability to refinance the debt under the line of credit agreement. The amount outstanding under this program is \$150,000,000.

The following graphs show the breakdown of the Fiscal Year 2010 CIP expenditure budget by division or agencies funded and the anticipated revenue sources to fund the capital improvement projects planned for the period.



**Debt Capacity Based on City Debt Policy
(In Millions)**



	2002	2003	2004	2005	2006	2007	2008
Total Net Debt Outstanding	\$827,549	\$869,400	\$917,384	\$986,312	\$1,009,532	\$1,025,081	\$1,114,247
Excess Debt Capacity	344,239	354,709	281,641	346,725	329,199	339,294	252,861
Maximum Debt @ 12% - City Policy	1,171,788	1,224,109	1,199,025	1,333,037	1,338,731	1,364,375	1,367,108



DEBT SERVICE FUND

REVENUES/EXPENDITURES

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>	<u>2005</u>
Estimated Population	674,028	640,393	640,393	672,277	671,929
Appraised Property Valuation (3)	\$ 36,776,628	36,554,763	35,682,731	35,550,325	31,801,586
Assessed Valuation (3)	\$ 11,392,569	11,369,792	11,156,092	11,108,644	9,992,954
Total General Obligation Debt (1) (3)	\$ 1,127,812	1,042,744	1,031,071	1,011,698	947,040
Self-Supporting Debt (2) (3)	\$ 13,565	17,663	21,539	25,386	29,656
Net Debt (3)	\$ 1,114,247	1,025,081	1,009,532	986,312	917,384
Bonded Debt Per Capita - Total Debt	1,673	1,628	1,610	1,505	1,409
Bonded Debt Per Capita - Net Debt	1,653	1,601	1,576	1,467	1,365
Bonded Debt to Appraised Valuation - Total Debt	3.07%	2.85%	2.89%	2.85%	2.98%
Bonded Debt to Appraised Valuation - Net Debt	3.03%	2.80%	2.83%	2.77%	2.88%
Bonded Debt to Assessed Valuation - Total Debt	9.90%	9.17%	9.24%	9.11%	9.48%
Bonded Debt to Assessed Valuation - Net Debt	9.78%	9.02%	9.05%	8.88%	9.18%

(1) Debt includes City general obligation bonds and capital lease obligations (2001 -2008).

(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.

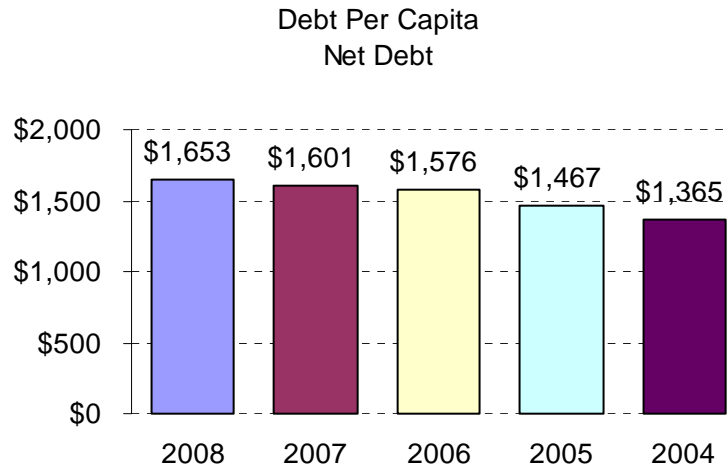
(4) Source-U.S> Census Bureau



DEBT SERVICE FUND

REVENUES/EXPENDITURES

Bonded debt per capita on a net debt basis has increased over the last five years. From 2002 through 2007, the City's net debt per capita has averaged approximately \$1,460 per person.



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

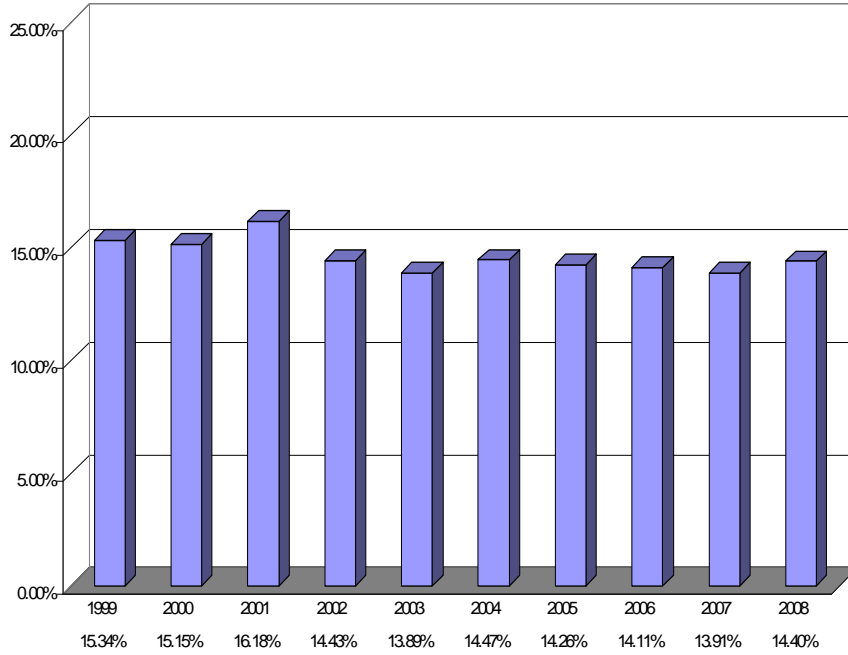
Ratio of Annual Debt Service to General Expenditures Last Ten Fiscal Years (In Thousands of Dollars)

Fiscal Year	General Obligation Debt Service			Total General Fund Expenditures	Ratio of Debt Service to General Expenditures (%)
	Principal	Interest	Interest		
1996	43,871	20,668	64,539	389,982	16.55%
1999	46,541	28,098	74,639	486,708	15.34%
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%

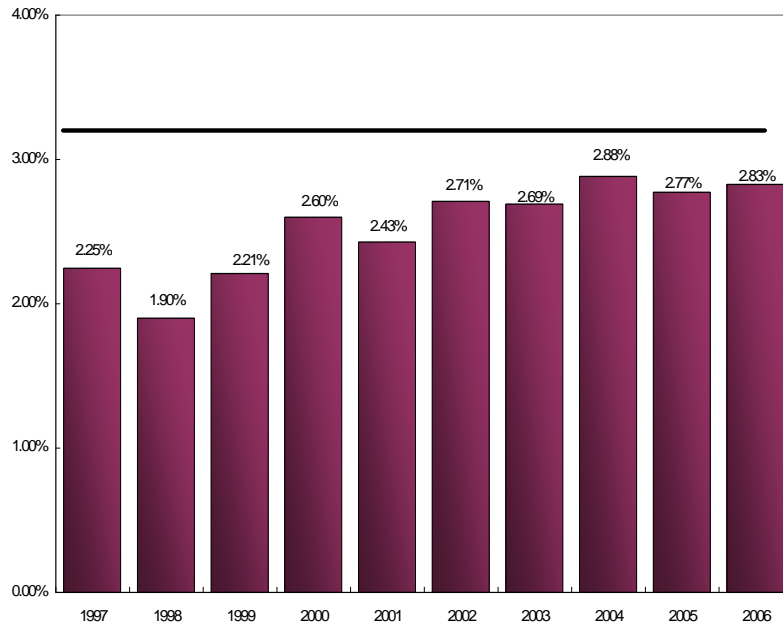
(1) Includes General Fund and Debt Service Fund; expenditures and transfers out



Debt Service % General Fund Expenditures



Net Debt % Appraisal Value



DEBT SERVICE FUND

REVENUES/EXPENDITURES

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

Description		Issue Size	Total Principal Outstanding	Final Maturity
Refunding-Gen Imp	Dec-93A	48.996	6,401,257.70	8/1/2012
Refunding-Gen Imp	May-97	11.055	3,565,000.00	8/1/2011
Refunding-Airport (Forward)	Apr-98	19.29	7,435,000.00	7/1/2012
Refunding-Gen Imp	Sep-98	81.045	5,235,000.00	10/1/2016
Refunding-Gen Imp	Jan-99	42.29	26,360,000.00	10/1/2013
Gen-Imp	May-99	70	6,585,000.00	10/1/2020
Gen Imp	Apr-00	140	6,105,000.00	4/1/2020
Commercial Paper (150 M)	Sep-02	150	150,000,000.00	12/1/2008
Refunding - Gen Imp	Nov-01	92.985	79,925,000.00	11/1/2017
Gen Imp	Jun-02	170	20,480,000.00	11/1/2023
Gen Imp	May-03	96.94	44,240,000.00	5/1/2022
Refunding - Gen Imp	Feb-04	34.16	22,840,000.00	10/1/2018
Gen Imp	Nov-06	125	112,120,000.00	10/1/2024
Refunding - Gen Imp	Mar-06	166.88	166,880,000.00	10/1/2020
Refunding - Gen Imp	Jun-05B	115.635	115,635,000.00	10/1/2019
Refunding - Gen Imp	Feb-06	115.115	115,115,000.00	11/1/2025
Refunding - Gen Imp	Dec-06	89.385	89,020,000.00	11/1/2022
Gen Imp	May-07	94.935	94,935,000.00	4/1/2027
Lease - First Tennessee	Nov-07	7.51	7,510,000.00	11/1/2013
Gen-Imp	May-08	99.735	99,735,000.00	3/1/2028
Total Bonded Debt			1,180,121,257.70	
Self-Supporting Debt			13,564,413.00	
Total Debt After Self-Supporting			\$1,166,556,844.70	



DEBT SERVICE FUND

REVENUES/EXPENDITURES

City of Memphis Summary of Refundings Since 1992

Closing Date	Series Number	Type of Bonds	Original Bond Size (\$)	Lead Underwriter	PV Savings	Percent %
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.		
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)	
08/15/93	1995B	General Improvement Refunding	13,500,000	J.P. Morgan Securities, Inc.		
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 & Chapman	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

Total Par Amount of Refundings \$956,856,258

Total Number of Refundings Since 1992 21

Note 1

