

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 2007 Actual	FY 2008 Forecast	FY 2008 Budget	FY 2009 Adopted
Revenues				
Current Property Taxes	72,566,611	73,547,066	73,104,000	74,566,080
Delinquent Property Taxes	3,017,352	2,267,347	2,500,000	2,550,000
In Lieu Of Taxes-Contractual	1,826,131	1,705,113	1,100,000	1,102,200
Hotel-Motel Tax	397,233	397,716	397,716	398,314
Use of Money	1,844,661	2,000,000	500,000	2,000,000
Intergovernmental Revenues				
Memphis Shelby County Airport Authority	3,860,186	3,918,005	3,918,005	2,075,930
Memphis Shelby County Port Commission	362,499	381,249	381,249	401,493
Other	3,358,184	3,799,797	3,826,046	4,995,910
Total Revenues	87,232,856	88,016,293	85,727,016	88,089,927
Other Sources				
Transfer from General Fund	7,214,781	386,184	97,200	4,170,690
Transfer from Municipal State Aid Fund	2,974,489	2,389,415	2,389,415	2,389,415
Transfer from Golf Fund	290,454	0	288,983	0
Transfer from Stadium	0	0	0	0
Transfer from Stormwater Fund	2,300,000	2,300,000	2,300,000	4,412,440
Transfer from Solid Waste Management Fund	971,871	0	0	1,662,215
Transfer from Hotel Motel Fund	977,906	939,938	939,938	902,813
Operating transfers in components units:				
Board of Education	6,348,015	1,493,793	1,493,793	1,777,170
Proceeds from Refunding Bonds	96,150,579	0	0	0
Total Other Sources	117,228,094	7,509,330	7,509,329	15,314,743
Total Revenue/Other Sources	204,460,950	95,525,623	93,236,345	103,404,669



DEBT SERVICE FUND**REVENUES/EXPENDITURES**

Category	FY 2007 Actual	FY 2008 Forecast	FY 2008 Budget	FY 2009 Adopted
Expenditures				
Redemption of serial bonds and notes	36,528,342	46,645,000	46,645,000	62,284,534
Interest	46,738,216	47,963,428	47,963,428	53,353,588
Other	1,460,729	527,355	350,000	511,584
Transfer to General Fund Unallocated	400,000	18,000,000	18,000,000	0
Retirement of Refunded Debt	95,172,546	0	0	0
Total Expenditures	180,299,833	113,135,783	112,958,428	116,149,706
Other use:				
Health Department	785,714	0	0	0
Total Expenditures/Other Sources	181,085,547	113,135,783	112,958,428	116,149,706
Contribution(Use) of Fund Balance	23,375,403	(17,610,160)	(19,722,083)	(12,745,037)
Fund balance beginning of year	30,417,892	53,793,295	53,793,295	36,183,136
Fund balance end of year	53,793,295	36,183,136	34,071,212	23,438,098



DEBT SERVICE

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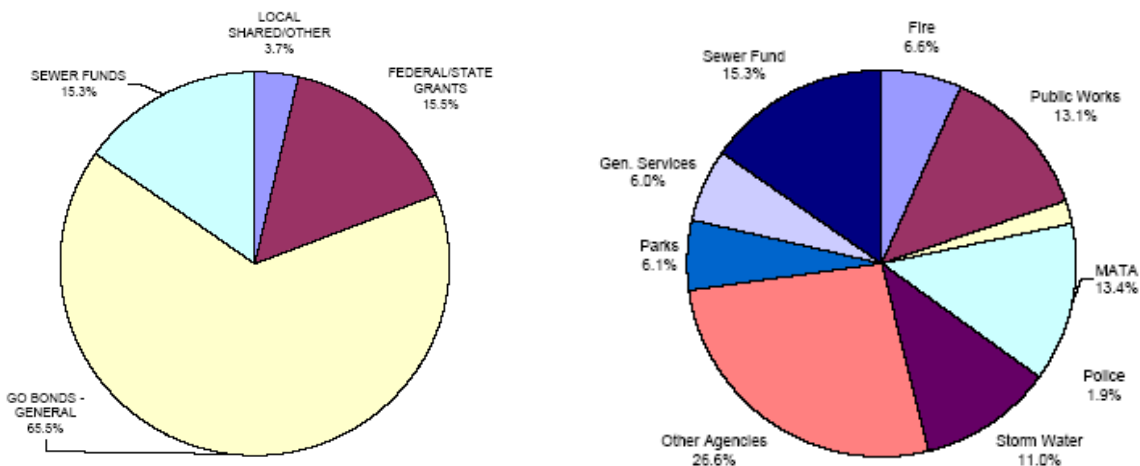
General obligation bonds are issued to provide funding for various capital projects of the City. These capital projects are related to infrastructure and equipment needs of one or more of the City’s operating divisions or outside agencies funded by the City. Outside agencies that receive major capital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

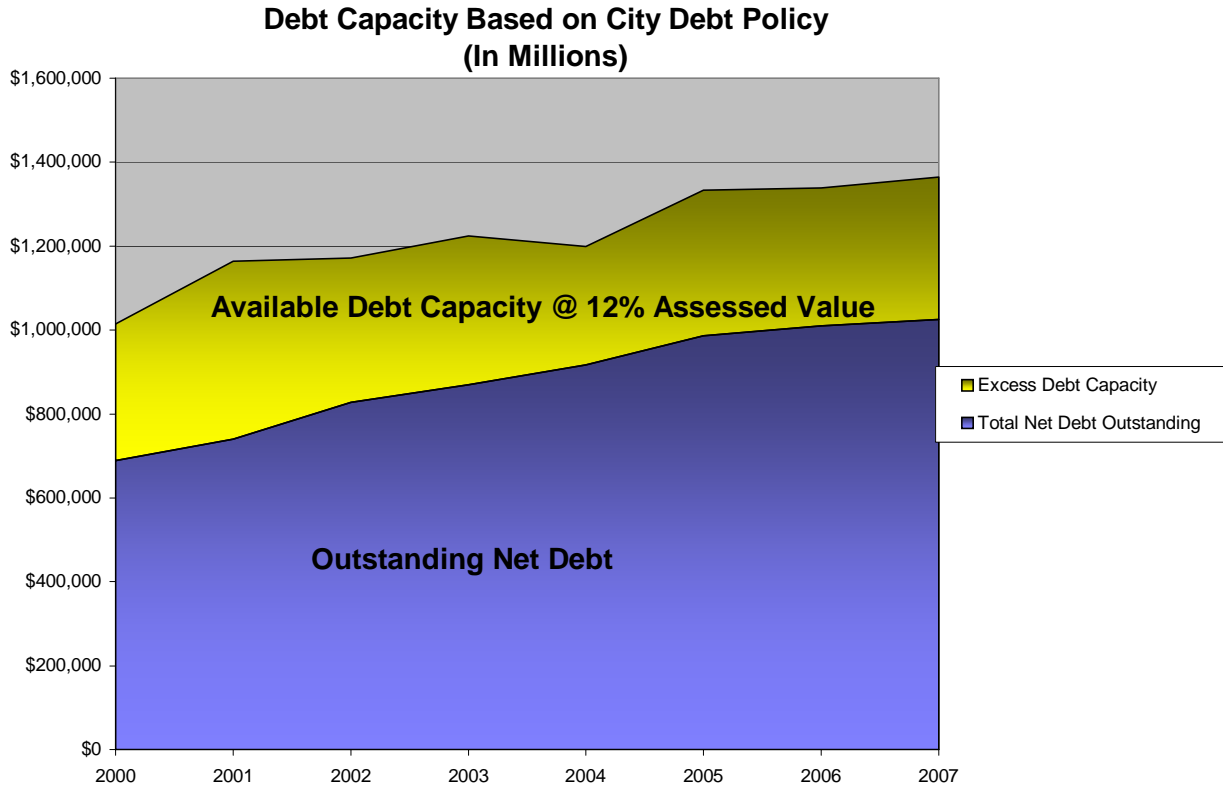
General obligation bond proceeds are disbursed on a “first-in/first-out” basis. Capital expenditures are assigned to the oldest bond issue at the time of actual cash disbursement. The City reconciles internal accounting records monthly to insure that activity in the CIP cash account and actual cash disbursement 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 2008 CIP expenditure budget by division or agencies funded and the anticipated revenue sources to fund the capital improvement projects planned for the period.





	2001	2002	2003	2004	2005	2006	2007
Total Net Debt Outstanding	\$739,912	\$827,549	\$869,400	\$917,384	\$986,312	\$1,009,532	\$1,025,081
Excess Debt Capacity	423,818	344,239	354,709	281,641	346,725	329,199	339,294
Maximum Debt @ 12% - City Policy	1,163,730	1,171,788	1,224,109	1,199,025	1,333,037	1,338,731	1,364,375



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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Estimated Population	640,393	640,393	672,277	671,929	673,120
Appraised Property Valuation (3)	\$ 36,554,763	35,682,731	35,550,325	31,801,586	32,265,194
Assessed Valuation (3)	\$ 11,369,792	11,156,092	11,108,644	9,992,954	10,200,919
Total General Obligation Debt (1) (3)	\$ 1,042,744	1,031,071	1,011,698	947,040	903,659
Self-Supporting Debt (2) (3)	\$ 17,663	21,539	25,386	29,656	34,259
Net Debt (3)	\$ 1,025,081	1,009,532	986,312	917,384	869,400
Bonded Debt Per Capita - Total Debt	1,628	1,610	1,505	1,409	1,342
Bonded Debt Per Capita - Net Debt	1,601	1,576	1,467	1,365	1,292
Bonded Debt to Appraised Valuation - Total Debt	2.85%	2.89%	2.85%	2.98%	2.80%
Bonded Debt to Appraised Valuation - Net Debt	2.80%	2.83%	2.77%	2.88%	2.69%
Bonded Debt to Assessed Valuation - Total Debt	9.17%	9.24%	9.11%	9.48%	8.86%
Bonded Debt to Assessed Valuation - Net Debt	9.02%	9.05%	8.88%	9.18%	8.52%

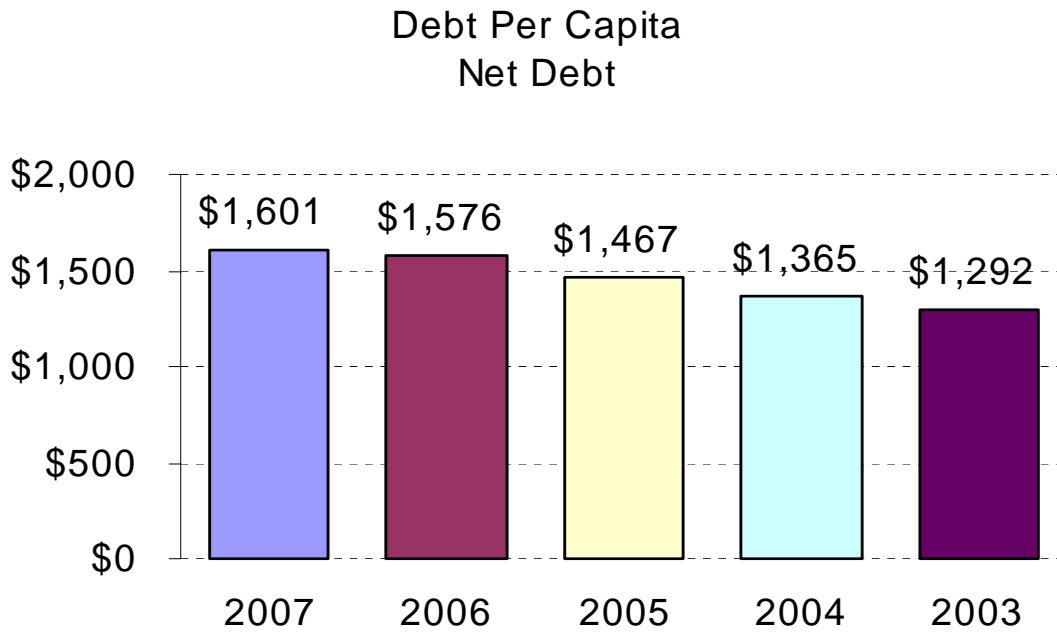
(1) Debt includes City general obligation bonds and capital lease obligations (2003 -2008).

(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.



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.



DEBT SERVICE FUND

REVENUES/EXPENDITURES

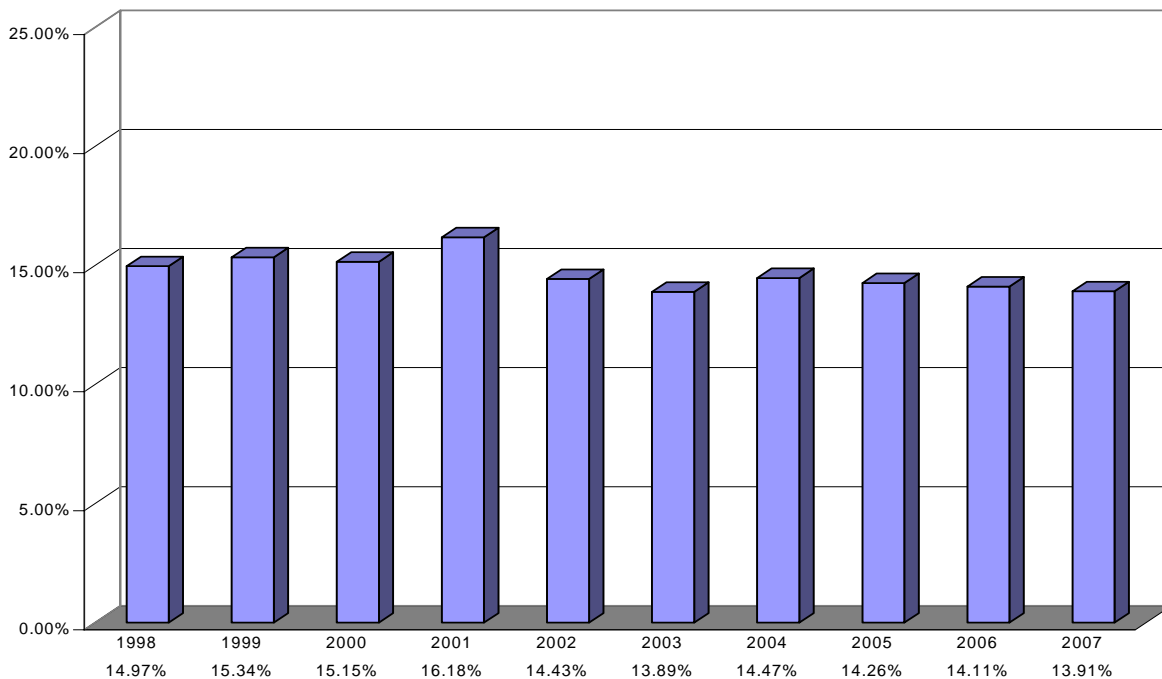
The ratio of annual debt service to general expenditures has averaged approximately 15% over the last ten years.

**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%
1998	\$43,119	\$24,700	\$67,819	\$452,938	14.97%
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%

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

Debt Service % General Fund Expenditures



DEBT SERVICE FUND

REVENUES/EXPENDITURES

City of Memphis
General Obligation Debt Service - As of Fiscal Year 2008
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	Aug-95 A	8.7	2,400,000.00	8/1/2007
Refunding-Gen Imp	Aug-95 B	7.9	1,800,000.00	8/1/2007
Refunding-Gen Imp	Aug-96	50.13	3,400,000.00	11/1/2014
Refunding-Gen Imp	May-97	11.055	4,630,000.00	8/1/2011
Refunding-Airport (Forward)	Apr-98	19.29	9,055,000.00	7/1/2012
Gen Imp	Jul-98	89.19	4,065,000.00	10/1/2019
Refunding-Gen Imp	Sep-98	81.045	5,640,000.00	10/1/2016
Refunding-Gen Imp	Jan-99	42.29	32,020,000.00	10/1/2013
Gen-Imp	May-99	70	9,670,000.00	10/1/2020
Gen Imp	Apr-00	140	6,105,000.00	4/1/2020
Commercial Paper (150 M)	2-Sep	150	120,000,000.00	12/1/2008
Refunding - Gen Imp	1-Nov	92.985	83,005,000.00	11/1/2017
Gen Imp	2-Jun	170	20,480,000.00	11/1/2023
Refunding- Gen Imp	2-Aug	24.04	4,080,000.00	8/1/2008
Gen Imp	3-May	96.94	48,225,000.00	5/1/2022
Refunding - Gen Imp	4-Feb	34.16	26,280,000.00	10/1/2018
Gen Imp	6-Nov	125	116,595,000.00	10/1/2024
Refunding - Gen Imp	6-Mar	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	6-Feb	115.115	115,115,000.00	11/1/2025
Refunding - Gen Imp	6-Dec	89.385	89,385,000.00	11/1/2022
Gen Imp	7-May	94.935	94,935,000.00	4/1/2027
Lease - First Tennessee	7-Nov	7.51	7,510,000.00	11/1/2013
Total Bonded Debt			1,093,311,257.70	
Self-Supporting Debt			17,662,362.00	
Total Debt After Self-Supporting			\$1,075,648,895.70	



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 (See Note 1)	Percent % (See Note 1)
04/28/89	1993	Sanitary Sewerage System Rev. & Refg.	21,755,000	Morgan Keegan & Company	(See Note 1)	(See Note 1)
08/31/89	1993	General Improvement Refunding	24,455,000	First Chicago Capital Market	781,807	781,807
08/31/89	1993A	Sanitary Sewerage System Rev. & Refg.	14,805,000	Morgan Keegan & Company	672,866	672,866
12/15/89	1993A	General Improvement Refunding	42,595,000	Bear, Stearns & Co.	2,656,958	2,656,958
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	1,682,807
05/05/93	1997	General Improvement Refunding	11,055,000	Morgan Keegan & Company	671,408	671,408
08/15/93	1995A	General Improvement Refunding	26,200,000	J.P. Morgan Securities, Inc.	(See Note 2)	(See Note 2)
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	1,179,990
09/01/98	1998A	General Improvement Refunding	81,045,000	Morgan Keegan & Company	1,805,328	1,805,328
01/01/99	1999	General Improvement Refunding	42,290,000	Morgan Keegan & Chapman	1,539,457	1,539,457
01/30/01	2001	Sanitary Sewerage System Rev. & Refg.	20,795,000	Morgan Keegan & Company	890,935	890,935
11/01/01	2001	General Improvement Refunding	92,985,000	First Tennessee Capital Markets	3,629,994	3,629,994
08/15/02	2002	General Improvement Refunding	24,040,000	Morgan Keegan & Company	1,211,273	1,211,273
08/15/02	2002	Sanitary Sewerage System Rev. & Refg.	22,805,000	Harvestons Securities, Inc	921,630	921,630
02/19/04	2004	General Improvement Refunding	34,160,000	Morgan Keegan & Company, Inc.	1,573,310	1,573,310
03/15/05	2005	General Improvement Refunding	166,880,000	Morgan Keegan & Company, Inc.	7,832,566	7,832,566
06/22/05	2005B	General Improvement Refunding	115,635,000	Morgan Keegan & Company, Inc.	5,163,847	5,163,847
02/28/06	2006B	General Improvement Refunding	38,185,000	Merrill Lynch	560,542	560,542
09/06/06	2006	Sanitary Sewerage System Rev. & Refg.	20,220,000	Duncan Williams, Inc.	1,334,732	1,334,732
12/20/06	2006C	General Improvement Refunding	89,385,000	Morgan Keegan & Company, Inc.	4,802,516	4,802,516
Total Par Amount of Refundings Since 1992			\$978,611,258			
Total Number of Refundings Since 1992					22	

Note 1 The savings did not meet the City's goal of 5%, therefore withdrew bonds from financing.

Note 2 Savings will be realized from a reduction in both credit facility & remarketing fees of approximately \$1.1 Million over the life of the loan.

