

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 2006 Actual	FY 2007 Forecast	FY 2007 Budget	FY 2008 Adopted
Revenues				
Current Property Taxes	71,750,846	71,737,492	72,492,308	73,104,000
Delinquent Property Taxes	2,688,960	2,980,796	2,500,000	2,500,000
In Lieu Of Taxes-Contractual	1,815,070	1,708,736	1,100,000	1,100,000
Hotel-Motel Tax	395,799	397,233	397,233	397,716
Use of Money	1,071,370	500,000	500,000	500,000
Intergovernmental Revenues				
Memphis Shelby County Airport Authority	3,791,380	3,898,518	3,898,517	3,918,005
Memphis Shelby County Port Commission	345,216	362,499	362,499	381,249
Other	9,095,905	3,662,410	3,698,438	3,826,046
Total Revenues	90,954,546	85,247,684	84,948,995	85,727,016
Other Sources				
Transfer from General Fund	5,355,996	6,807,203	3,624,913	97,200
Transfer from Municipal State Aid Fund	5,131,239	3,157,837	3,157,836	2,389,415
Transfer from Golf Fund	291,621	290,454	290,454	288,983
Transfer from Stadium	0	0	336,030	0
Transfer from Stormwater Fund	0	2,300,000	2,300,000	2,300,000
Transfer from Solid Waste Management Fund	2,781,495	971,871	5,160,637	0
Transfer from Hotel Motel Fund	1,015,875	977,906	977,906	939,938
Operating transfers in components units:				
Board of Education	6,337,918	6,348,015	6,348,015	1,493,793
Proceeds from Refunding Bonds	40,801,109	0	0	0
Total Other Sources	61,715,253	20,853,286	22,195,791	7,509,329
Total Revenue/Other Sources	152,669,799	106,100,970	107,144,787	93,236,345



DEBT SERVICE FUND

REVENUES/EXPENDITURES

Category	FY 2006 Actual	FY 2007 Forecast	FY 2007 Budget	FY 2008 Adopted
Expenditures				
Redemption of serial bonds and notes	45,041,615	36,528,342	39,498,342	46,645,000
Interest	43,331,985	42,629,007	48,763,654	47,963,428
Other	731,494	645,130	350,000	350,000
Transfer to General Fund Unallocated	5,872	6,000,000	6,000,000	18,000,000
Retirement of Refunded Debt	40,693,539	0	0	0
Total Expenditures	129,804,505	85,802,479	94,611,996	112,958,428
Other use:				
Health Department	785,714	785,714	785,714	0
Total Expenditures/Other Sources	130,590,219	86,588,193	95,397,710	112,958,428
Contribution(Use) of Fund Balance	22,079,580	19,512,777	11,747,076	(19,722,083)
Fund balance beginning of year	8,338,420	30,418,000	30,418,000	49,930,777
Fund balance end of year	30,418,000	49,930,777	42,165,076	30,208,694



DEBT SERVICE

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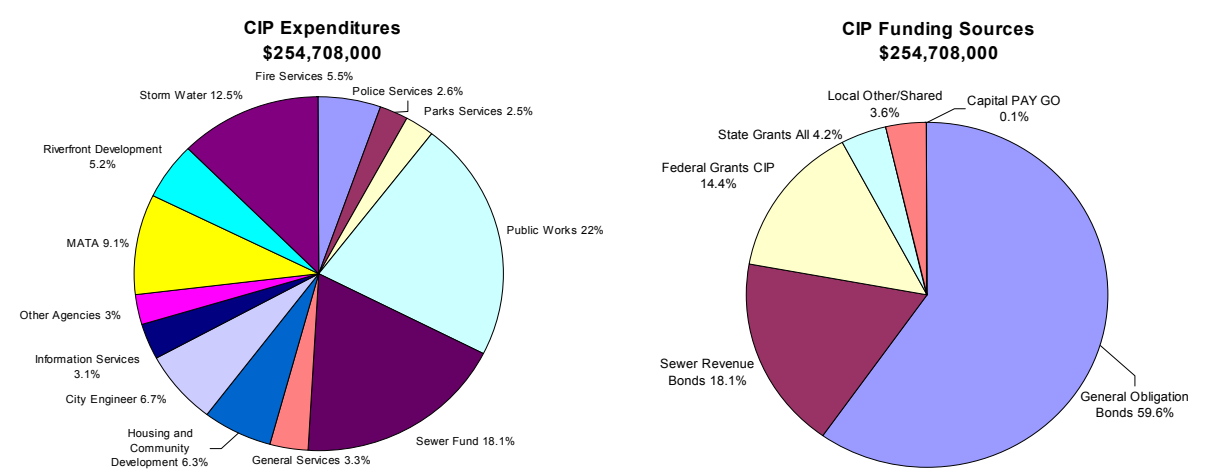
General obligation bonds are issued to provide funding for various capital projects of the City. These capital projects are related to infrastructure and equipment needs of one or more of the City’s operating divisions or outside agencies funded by the City. Outside agencies that receive major capital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

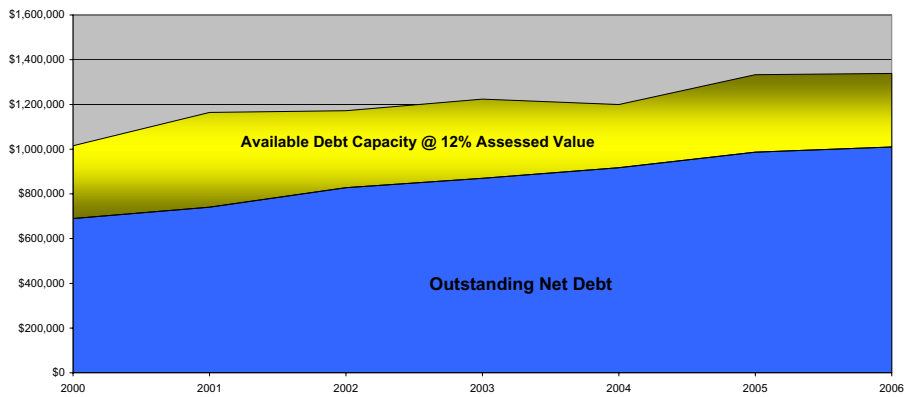
Expenditures are not charged against a specific bond issue until the actual cash is disbursed. This methodology was developed to satisfy certain provisions of the Tax Reform Act of 1986 which require all bond proceeds to be spent within three years of original issuance. This methodology also allows the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



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



	2000	2001	2002	2003	2004	2005	2006
Total Net Debt Outstanding	\$689,377	\$739,912	\$827,549	\$869,400	\$917,384	\$986,312	\$1,009,532
Excess Debt Capacity	325,356	423,818	344,239	354,709	281,641	346,725	329,199
Maximum Debt @ 12% - City Policy	1,014,733	1,163,730	1,171,788	1,224,109	1,199,025	1,333,037	1,338,731



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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Estimated Population	672,277	627,802	677,382	677,382	650,100
Appraised Property Valuation (3)	\$ 35,682,731	35,550,325	31,801,586	21,265,194	30,569,738
Assessed Valuation (3)	\$ 11,156,092	11,108,644	9,992,954	10,200,919	9,764,897
Total General Obligation Debt (1) (3)	\$ 1,031,071	1,011,698	947,040	903,659	866,148
Self-Supporting Debt (2) (3)	\$ 21,539	25,386	29,656	34,259	38,599
Net Debt (3)	\$ 1,009,532	986,312	917,384	869,400	827,549
Bonded Debt Per Capita - Total Debt	1,534	1,611	1,398	1,334	1,332
Bonded Debt Per Capita - Net Debt	1,502	1,571	1,354	1,283	1,273
Bonded Debt to Appraised Valuation - Total Debt	2.89%	2.85%	2.98%	2.80%	2.83%
Bonded Debt to Appraised Valuation - Net Debt	2.83%	2.77%	2.88%	2.69%	2.71%
Bonded Debt to Assessed Valuation - Total Debt	9.24%	9.11%	9.48%	8.86%	8.87%
Bonded Debt to Assessed Valuation - Net Debt	9.05%	8.88%	9.18%	8.52%	8.47%

(1) Debt includes City general obligation bonds and capital lease obligations (2001 -2007).

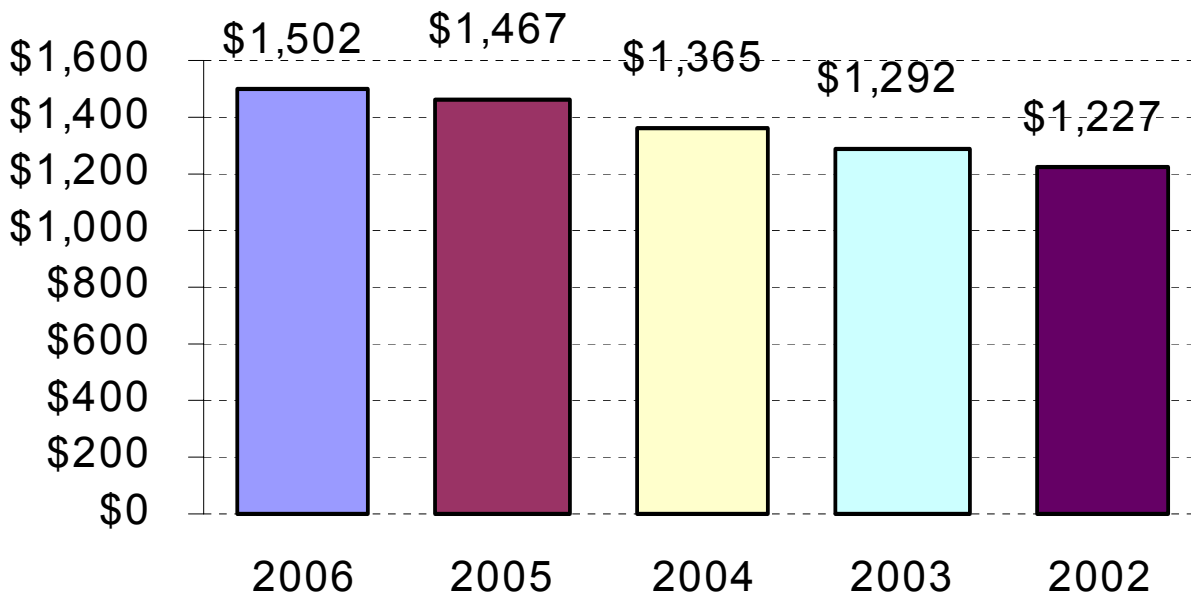
(2) The self-supporting debt includes Port Commission Bonds, Airport Bonds, bonds sold for the Convention Center and State loans.

(3) In thousands of dollars.



Bonded debt per capita on a net debt basis has increased over the last five years. From 2002 through 2006, the City's net debt per capita has averaged approximately \$1,371 per person.

Debt Per Capita Net Debt

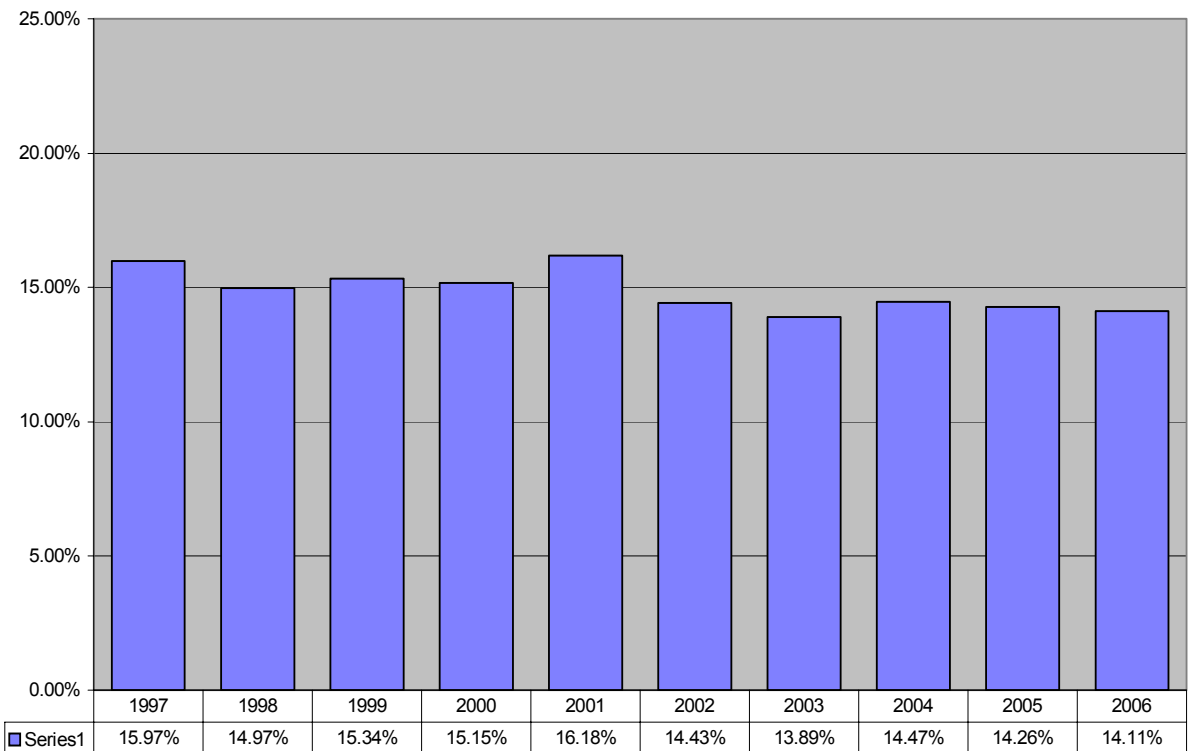


The ratio of annual debt service to general expenditures has averaged approximately 15% over the last ten years.

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	Total		
1997	45,252	22,002	67,254	421,116	15.97%
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%

Debt Service % General Fund Expenditures



DEBT SERVICE FUND

REVENUES/EXPENDITURES

**City of Memphis
General Obligation Debt Service - As of: Fiscal Year 2007
By Issue; By Fiscal Year
Principal Only**

Description		Issue Size	Total Principal Outstanding	Final Maturity
Refunding-Gen Imp	May-92	43.825	2,300,000.00	9/1/2007
Refunding-Gen Imp	Dec-93A	48.996	6,401,257.70	8/1/2012
Refunding-Gen Imp	Aug-95 A	8.700	4,600,000.00	8/1/2008
Refunding-Gen Imp	Aug-95 B	7.900	3,500,000.00	8/1/2008
Refunding-Gen Imp	Aug-96	50.130	6,035,000.00	11/1/2014
Refunding-Gen Imp	May-97	11.055	5,635,000.00	8/1/2011
Refunding-Airport (Forward)	Apr-98	19.290	10,590,000.00	7/1/2012
Gen Imp	Jul-98	89.190	4,065,000.00	10/1/2019
Refunding-Gen Imp	Sep-98	81.045	6,035,000.00	10/1/2016
Refunding-Gen Imp	Jan-99	42.290	37,450,000.00	10/1/2013
Gen-Imp	May-99	70.000	9,670,000.00	10/1/2020
Gen Imp	Apr-00	140.000	6,105,000.00	4/1/2020
Lease-Public Works	Jul-01	4.350	933,341.81	7/1/2007
Commercial Paper (150 M)	Sep-02	150.000	150,000,000.00	6/30/2007
Refunding - Gen Imp	Nov-01	92.985	83,205,000.00	11/1/2017
Gen Imp	Jun-02	170.000	20,480,000.00	11/1/2023
Refunding- Gen Imp	Aug-02	24.040	8,050,000.00	8/1/2008
Gen Imp	May-03	96.940	52,095,000.00	5/1/2022
Refunding - Gen Imp	Feb-04	34.160	32,360,000.00	10/1/2018
Gen Imp	Nov-06	125.000	120,870,000.00	10/1/2024
Refunding - Gen Imp	Mar-06	166.880	166,880,000.00	10/1/2020
Refunding - Gen Imp	Jun-05B	115.635	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	89,385,000.00	11/1/2022
Total GO Bonded Debt			1,057,394,599.51	
Self-Supporting Debt			21,539,311.00	
Net Debt			1,035,855,288.51	



DEBT SERVICE FUND

REVENUES/EXPENDITURES

City of Memphis Summary of Refundings Since 1992

Closing Series Date	Series Type of Bonds	Original Bond Size (\$)	Lead Underwriter	PV Savings	Percentage %
04/28/89	1993 Sanitary Sewerage System Rev. & Refg	21,755,000	Morgan Keegan & Company	(See Note 1)	
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 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	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
				Savings	\$38,911,966
Total Par Amount of Refundings		\$978,611,258			
Total Number of Refundings Since		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.

