

DEBT SERVICE FUND

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 accounts 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 from Fitch Ratings, Inc. applies to 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that either or all of such ratings will be maintained for any given period of time or that it will not be revised or withdrawn entirely by the rating agencies if, in the judgment of the respective rating agency, circumstances so warrant.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	FY 2019 Actual	FY 2020 Adopted	FY 2020 Forecast	FY 2021 Adopted
Local Taxes	140,772,833	140,114,909	137,504,955	136,077,197
State Taxes	16,292,557	15,300,000	16,789,512	14,800,000
Use of Money and Property	2,801,886	920,000	2,462,001	1,776,300
Federal Grants	2,449,557	2,288,150	2,305,314	2,321,358
Other Revenues	2,128,731	1,861,235	2,017,882	1,652,027
Transfers In	13,122,560	15,438,771	14,249,771	11,651,940
Proceeds from Refunded Debt	0	0	242,517,953	0
Proceeds from Bond Issue	34,556	0	0	0
Total Revenues	\$ (177,602,680)	\$ (175,923,065)	\$ (417,847,388)	\$ (168,282,822)
Materials and Supplies	725,516	1,167,500	1,125,000	1,125,000
Investment Fees	5,396	0	3,434	4,900
Bond Issue Costs	38,000	40,000	1,439,856	40,000
Redemption of Serial Bonds and Notes	102,944,265	104,961,040	104,887,117	102,681,233
Interest	69,318,898	67,651,728	66,321,084	66,571,867
Service Charges	20,158	96,890	96,890	64,500
Transfers Out	3,500,000	0	767,188	1
Retirement of Refunded Debt	0	0	241,112,526	0
Misc Expense	0	0	3,805,813	0
Total Expenditures	\$ 176,552,233	\$ 173,917,155	\$ 419,558,908	\$ 170,487,501
NET EXPENDITURES	\$ (1,050,447)	\$ (2,005,910)	\$ 1,711,520	\$ 2,204,679

Authorized Complement

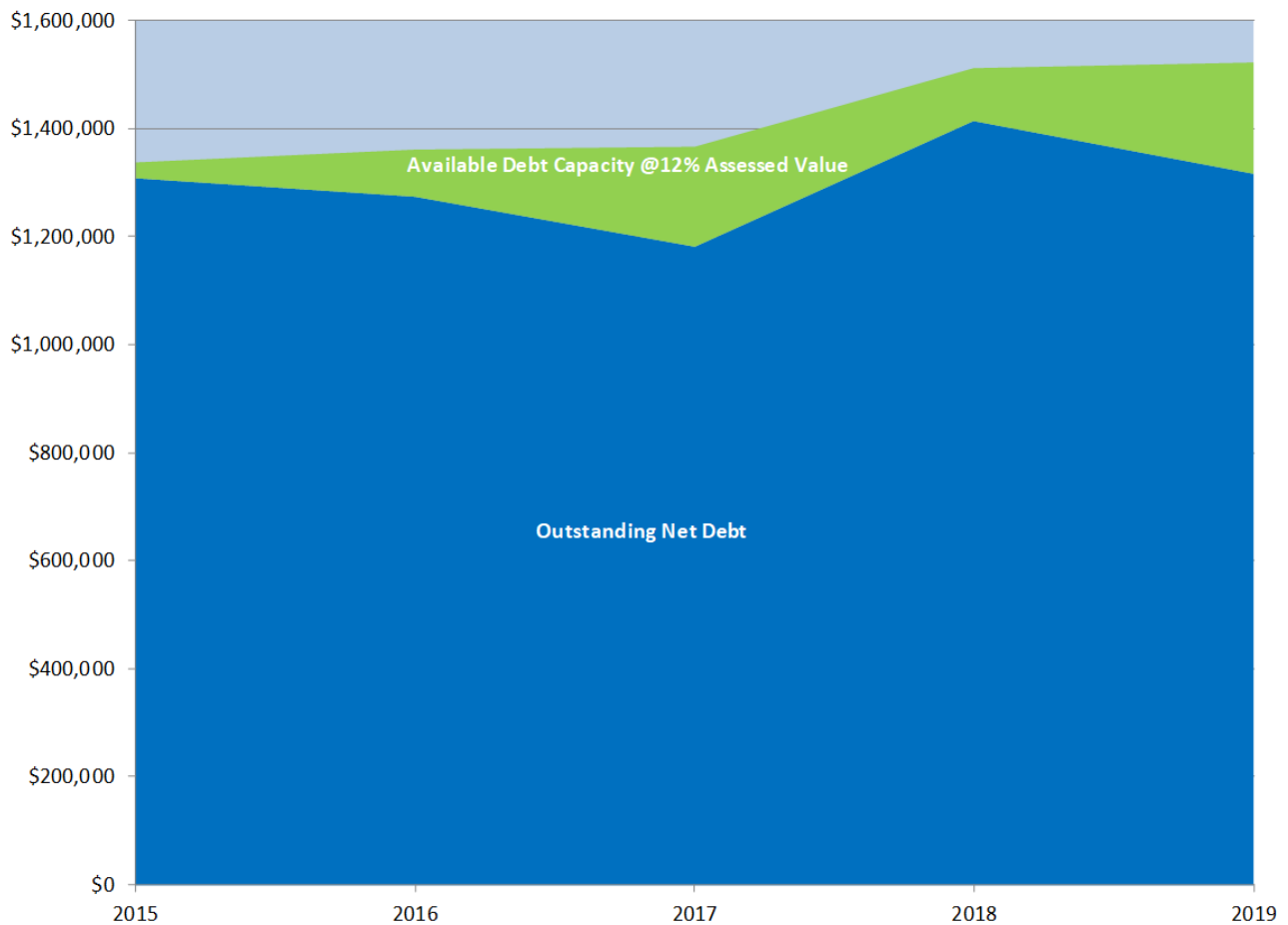
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Increase/(Decrease) in Net Assets	1,050,447	2,005,910	(1,711,520)	(2,204,679)
Fund balance beginning of year	76,878,772	77,929,219	77,929,219	76,217,699
Fund balance end of year	77,929,219	79,935,129	76,217,699	74,013,020

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 ("G.O.") 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)



	2015	2016	2017	2018	2019
Maximum Debt @ 12% - City Policy	\$1,337,070	\$1,361,518	\$1,364,952	\$1,511,642	\$1,522,544
Less: Total Net Debt Outstanding ¹	1,308,289	1,273,105	1,179,577	1,413,892	1,314,548
Excess Debt Capacity	\$ 28,781	\$ 88,413	\$ 185,375	\$ 97,750	\$ 207,996

⁽¹⁾ Total Net Debt Outstanding includes principal and unamortized premium of general obligation bonds, plus commercial paper outstanding, if any, less principal and unamortized premium of self-supporting general obligation bonds.

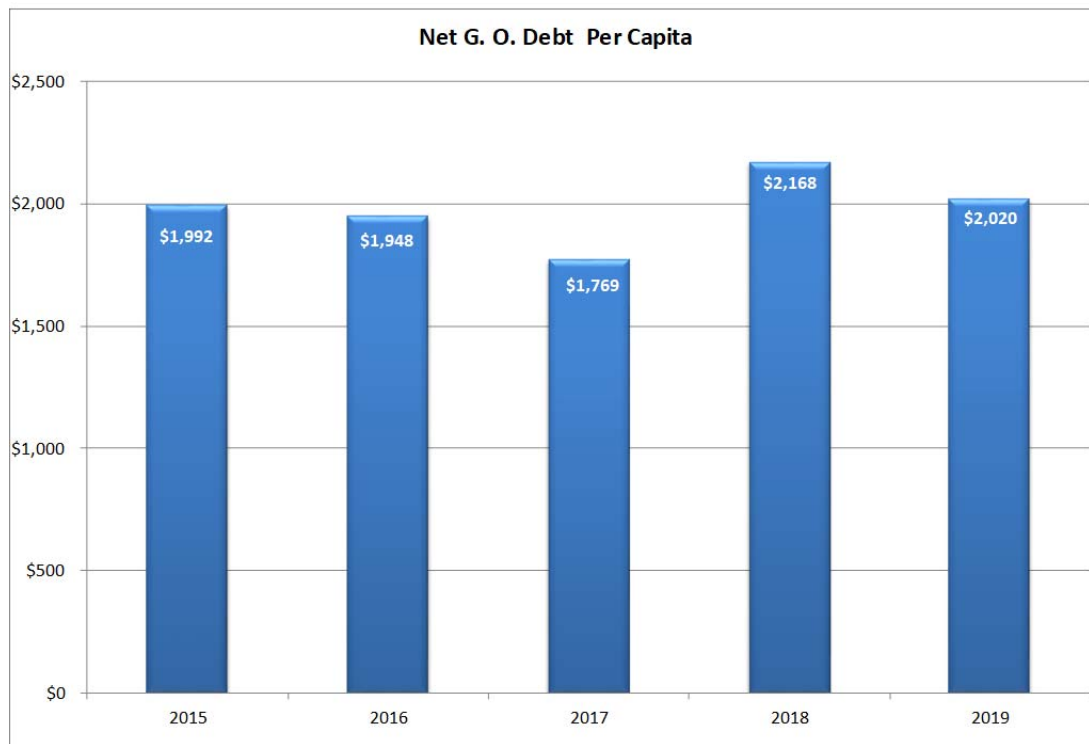
Debt Ratio Trends

Debt Ratio Trends
LAST FIVE FISCAL YEARS

	2015	2016	2017	2018	2019
Estimated Population	656,861	653,480	666,723	652,236	650,618
Appraised Value of Property ⁽¹⁾	\$ 35,448,458	\$ 35,955,987	\$ 36,080,187	\$ 39,799,719	\$ 40,029,728
Assessed Value Valuation of Property ⁽¹⁾	11,142,251	11,345,981	11,374,600	12,597,019	12,687,864
Total G. O. Debt	\$ 1,228,825	\$ 1,199,950	\$ 1,119,035	\$ 1,347,440	\$ 1,261,655
Bond Premiums	79,464	73,155	60,542	66,452	52,893
Net Debt	\$ 1,308,289	\$ 1,273,105	\$ 1,179,577	\$ 1,413,892	\$ 1,314,548
Net G. O. Debt per Capita					
Total Debt	\$ 1,992	\$ 1,948	\$ 1,769	\$ 2,168	\$ 2,020
Net Debt	1,992	1,948	1,769	2,168	2,020
Net G. O. Debt to Appraised Value					
Total Debt	3.69%	3.54%	3.27%	3.55%	3.28%
Net Debt	3.69%	3.54%	3.27%	3.55%	3.28%
Net G. O. Debt to Assessed Value					
Total Debt	11.74%	11.22%	10.37%	11.22%	10.36%
Net Debt	11.74%	11.22%	10.37%	11.22%	10.36%

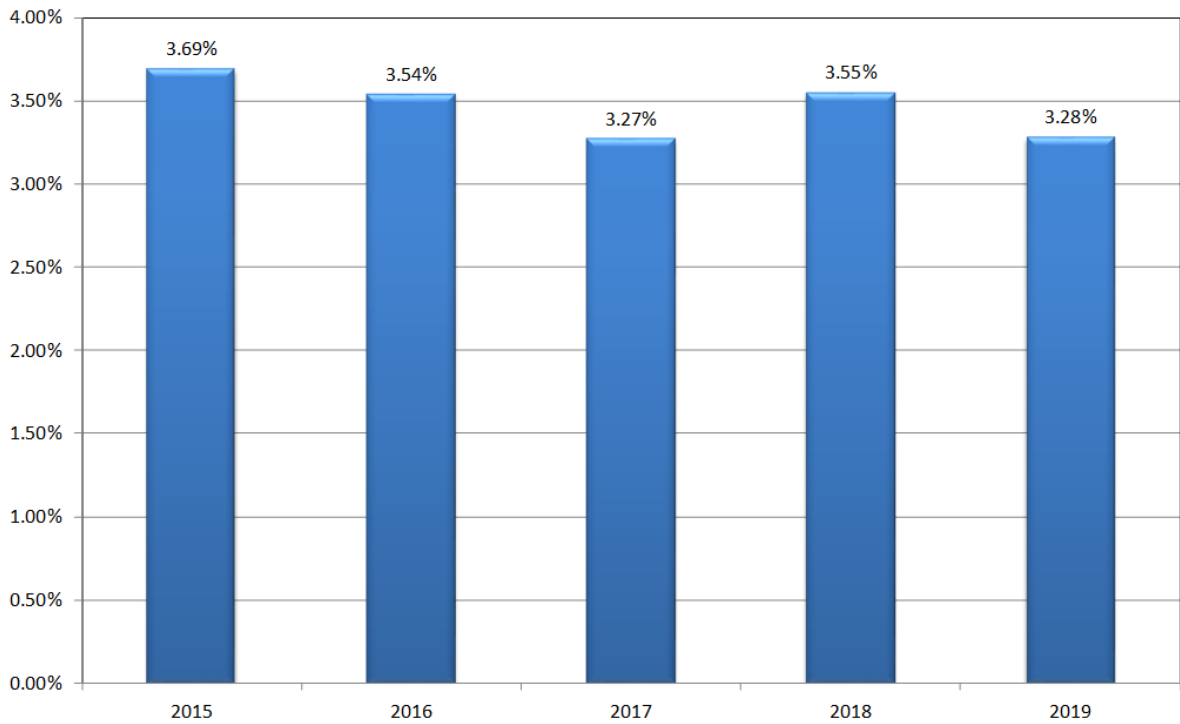
⁽¹⁾ In thousands of dollars.

Source: 2019 CAFR

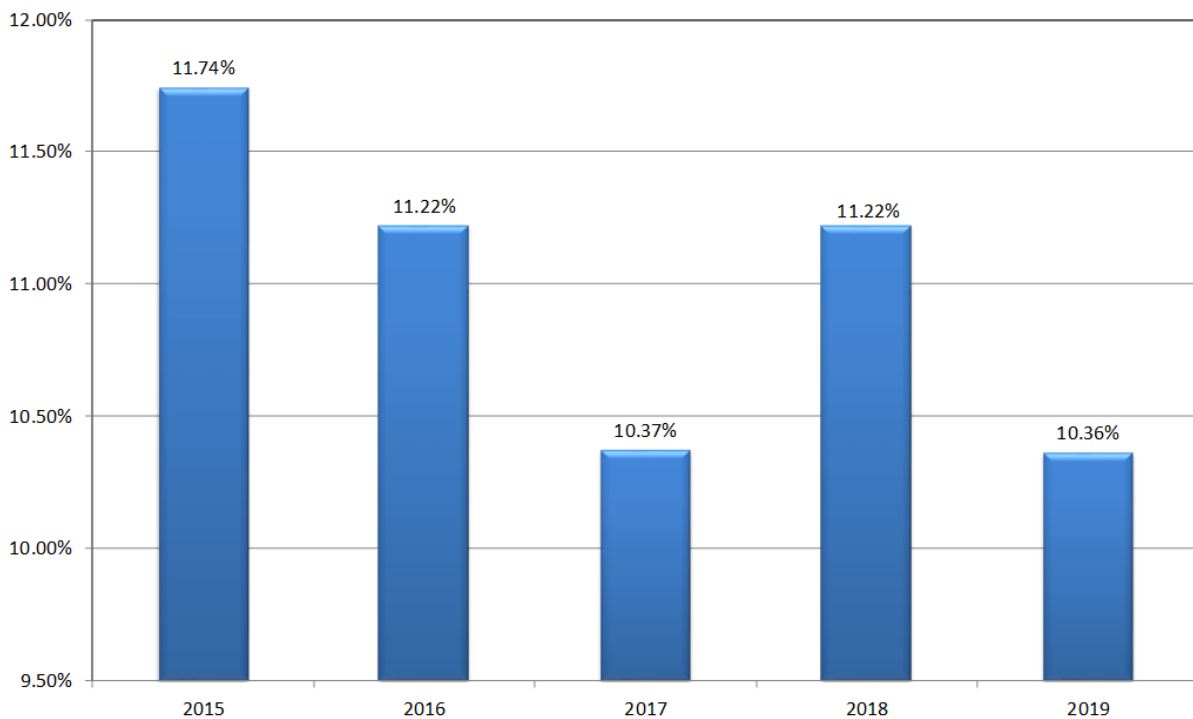


Net G.O. to Appraised/Assessed Value

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, 2020
 (UNAUDITED)

General Obligation Bonds	Outstanding	Final Maturity
\$214,675,000 General Improvement & Refunding Bonds, Series 2020	\$ 214,675,000	5/1/2045
\$309,255,000 General Improvement Bonds, Series 2018	299,165,000	6/1/2048
\$69,885,000 General Improvement Bonds, Series 2016	62,455,000	5/1/2041
\$67,845,000 General Improvement Bonds, Series 2015C	67,845,000	4/1/2045
\$54,390,000 General Improvement Refunding Bonds, Series, 2015B (Taxable)	54,390,000	4/1/2025
\$76,820,000 General Improvement Refunding Bonds, Series, 2015A	76,820,000	4/1/2026
\$208,230,000 General Improvement Refunding Bonds, Series 2014B	185,610,000	4/1/2044
\$103,955,000 General Improvement Refunding Bonds, Series 2014A	68,075,000	11/1/2025
\$5,145,000 General Improvement Bonds, Series 2012B	1,465,000	4/1/2024
\$93,595,000 General Improvement & Refunding Bonds, Series 2012A	71,050,000	4/1/2042
\$86,190,000 General Improvement Bonds, Series 2011	67,045,000	5/1/2036
\$11,160,000 General Improvement Bonds, Series 2010F (RZEDB)	11,160,000	7/1/2034
\$121,205,000 General Improvement & Refunding Bonds, Series 2010D	21,445,000	7/1/2023
\$62,550,000 General Improvement Bonds, Series 2010C (Direct Pay BABs)	58,965,000	7/1/2032
\$39,950,000 General Improvement Bonds, Series 2010B (Direct Pay BABs)	39,950,000	5/1/2030
Total	\$ 1,300,115,000	
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Commercial Paper	Outstanding	
Commercial Paper	\$ 50,000,000	

Appropriation Obligation Bonds
 OUTSTANDING DEBT OBLIGATIONS SERVICED FROM THE DEBT SERVICE FUND
 AS OF JUNE 30, 2020
 (UNAUDITED)

Appropriation Obligations Debt	Outstanding	Final Maturity
\$8,000,000 Solid Waste Lease, 2019	\$ 7,238,341	8/23/2024
\$4,400,000 Solid Waste Lease, 2018	2,706,101	5/1/2023
\$2,000,000 Solid Waste Lease, 2016	410,724	4/22/2021
\$2,142,850 EDGE Qualified Energy Conservation Bond, Series 2017	535,713	1/5/2021
\$36,215,000 TDZ Revenue Refunding Bonds, Series 2017A (Federally Taxable)	10,025,000	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)	13,205,000	2/1/2029
\$5,720,000 Sports Facility Revenue Bonds, Series 2014B (Stadium Project) (Federally Taxable)	3,440,000	2/1/2030
\$8,316,000 CCRFC Qualified Energy Conservation Bonds, Series 2015A	4,158,000	1/5/2025
\$2,015,300 CCRFC Qualified Energy Conservation Bonds, Series 2015B	806,120	1/5/2024
\$340,700 CCRFC Qualified Energy Conservation Bonds, Series 2015C	136,280	1/5/2024
\$40,975,000 Memphis and Shelby Co. Port Commission Dev. Revenue Bonds, Series 2011 ⁽¹⁾	15,547,500	4/1/2036
Total	\$ 180,233,778	

⁽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.

General Obligation Bonds Debt Service Schedule

AS OF JUNE 30, 2020
(UNAUDITED)

DEBT SERVICE FUND

Period Ending	Principal	Interest	Debt Service	Percentage Retired
6/30/2021	87,020,000	58,048,156	145,068,156	
6/30/2022	89,155,000	54,446,149	143,601,149	
6/30/2023	90,095,000	49,884,427	139,979,427	
6/30/2024	90,520,000	45,367,283	135,887,283	
6/30/2025	94,765,000	41,573,900	136,338,900	35%
6/30/2026	93,745,000	37,512,758	131,257,758	
6/30/2027	34,990,000	33,036,131	68,026,131	
6/30/2028	36,565,000	31,297,660	67,862,660	
6/30/2029	38,175,000	29,480,207	67,655,207	
6/30/2030	39,890,000	27,575,491	67,465,491	53%
6/30/2031	36,150,000	25,702,685	61,852,685	
6/30/2032	37,640,000	24,106,785	61,746,785	
6/30/2033	39,225,000	22,405,910	61,630,910	
6/30/2034	40,520,000	20,671,243	61,191,243	
6/30/2035	42,200,000	18,848,924	61,048,924	69%
6/30/2036	38,025,000	17,164,895	55,189,895	
6/30/2037	34,840,000	15,582,864	50,422,864	
6/30/2038	36,255,000	14,169,776	50,424,776	
6/30/2039	37,725,000	12,691,010	50,416,010	
6/30/2040	39,265,000	11,140,019	50,405,019	83%
6/30/2041	40,910,000	9,510,481	50,420,481	
6/30/2042	38,420,000	7,762,913	46,182,913	
6/30/2043	39,300,000	6,093,538	45,393,538	
6/30/2044	37,550,000	4,383,513	41,933,513	
6/30/2045	26,075,000	2,736,850	28,811,850	97%
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%
Total	1,300,115,000	624,524,166	1,924,639,166	

**GENERAL OBLIGATION DEBT SERVICE
AS A PERCENTAGE OF GENERAL FUND EXPENDITURES**

FISCAL YEARS ENDED JUNE 30
(IN THOUSANDS OF DOLLARS)

	2015	2016	2017	2018	2019
General Fund Expenditures and Other Uses ⁽¹⁾	\$ 616,716	\$ 639,234	\$ 662,997	\$ 712,632	\$ 723,632
G.O. Debt Service ⁽²⁾	132,780	131,575	133,590	132,598	145,118
Total G.F Expenditure and G.O. Debt Service	<u>\$ 749,496</u>	<u>\$ 770,809</u>	<u>\$ 796,587</u>	<u>\$ 845,230</u>	<u>\$ 868,750</u>
G.O. Debt Service as of Percentage of the Sum of G.F. Expenditures and G.O. Debt Service	17.72%	17.07%	16.77%	15.69%	16.70%

⁽¹⁾ Includes General Fund Expenditures, Transfers Out and Special Items.

⁽²⁾ Includes Debt Service on General Obligation Bonds and Interest on General Obligation Commercial Paper. Interest on General Obligation Bonds is net of subsidy payments for the General Improvement Bonds, Series 2010B (Direct Build America Bonds), General Improvement Bonds, Series 2010C (Direct Payment Build America Bonds) and General Improvement, Series 2010F (Recovery Zone Economic Development Bonds).

Source: City of Memphis, Tennessee.