

# *DEBT SERVICE FUNDS*

## **Fund Description**

Debt service funds are used to account for the accumulation of resources for and the payment of principal, interest, and related costs for general long-term debt and special assessment debt.





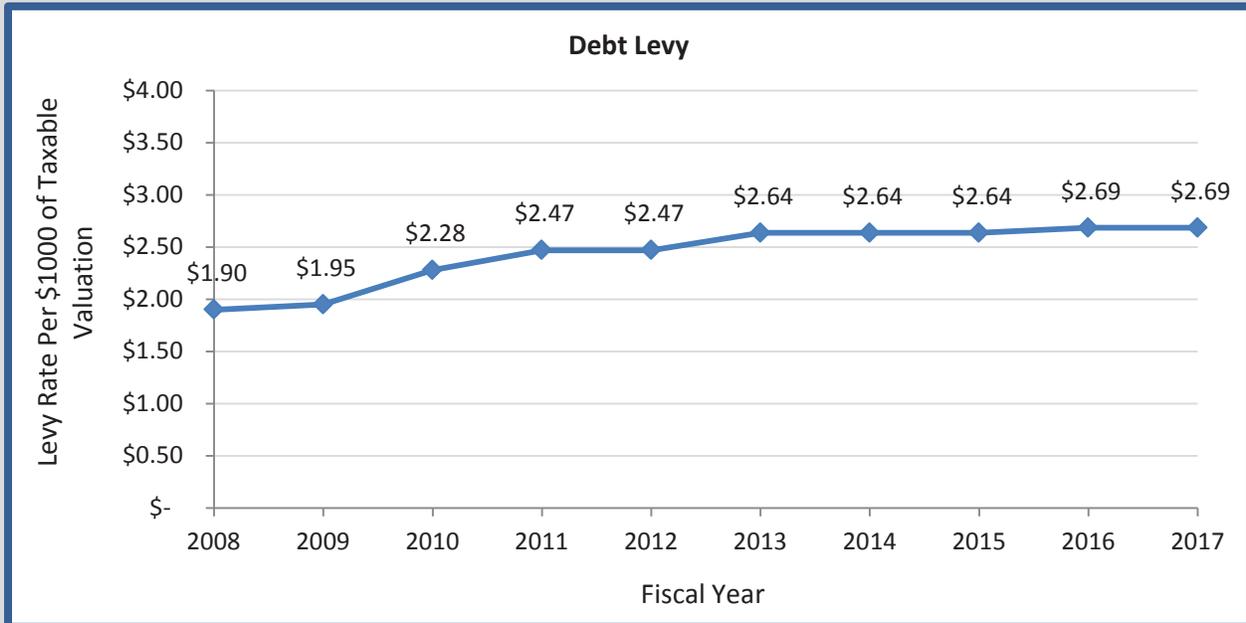
## Debt Service Fund Highlights



FY 2017 debt service fund expenditures increased \$1.5M to \$25.1M. Revenues increased \$1.5M to \$23.9M.

	FY 2015 Actual	FY 2016 Adopted Budget	FY 2017 Budget	Change From FY 2016 Incr / (Decr)	% Change From FY 2016
<b>Revenues</b>	46,863,612	22,475,310	23,928,803	1,453,493	6%
<b>Expenditures</b>					
Personal Services	-	-	-	-	
Discretionary	-	-	-	-	
Fleet & Facilities	-	-	-	-	
Non-Discretionary	-	-	-	-	
Capital Outlay	-	-	-	-	
Debt Service	32,194,859	20,696,088	21,829,014	1,132,926	
Transfers Out	14,355,782	2,849,777	3,255,124	405,348	
	46,550,641	23,545,864	25,084,138	1,538,274	7%
<b>Net</b>	312,971	(1,070,555)	(1,155,335)	(84,781)	

In FY 2017, the debt service cost for general long-term debt is \$21.8M. Property tax revenue generated from the debt service levy to fund debt service costs is \$16.9M. The remainder of the FY 2017 debt payments will be funded with tax increment financing, backfill from the state from property tax law changes, and debt service fund reserves. By using reserves of \$1.16M, the City will be able to relieve some of the pressure on the debt service levy in FY 2017. The reserves were created by excess revenue from FY 2015 in the general fund. In FY 2018, if additional excess revenue from FY 2016 is not available, the entire debt payment will require an increase to the debt service levy of 31.4 cents. A history of the debt service levy rate per \$1000 of taxable valuation is detailed below.





## Debt Service Fund Highlights



### Credit Ratings

The City of Cedar Rapids seeks to maintain the highest possible credit ratings for all categories of short and long term general obligation and revenue debt that can be achieved without compromising the delivery of basic City services and the achievement of adopted City policy objectives. The City recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Nevertheless, the City is committed to ensuring that actions within their control are prudent.

In May 2015, the City's bond rating for outstanding general obligation debt was rated Aa1 with a stable outlook by Moody's Investor Services. Aa1 is the second highest rating that can be achieved and is predicated on the City's strong financial management, a diverse and substantial economic and tax base, and maintenance of healthy liquidity. Since 2009 Moody's Investors Services has rated the City Aa2 for revenue bonds.

### Debt Limit

The State Code of Iowa limits the amount of debt which a city can incur to 5% of assessed market value. The City has set a target for the City's general obligation outstanding debt at 80%, (except as a result of extenuating circumstances such as disasters) of the limit prescribed by State statute. A history of the debt limit and reserve capacity is detailed below.

	Actual FY 2013	Actual FY 2014	Actual FY 2015	Projected FYE 2016	Projected FYE 2017
Assessed Value	9,263,354,893	9,347,805,591	9,648,549,360	9,816,357,043	9,973,793,843
Multiplied by 5%					
Debt Limit	463,167,745	467,390,280	482,427,468	490,817,852	498,689,692
Less: Outstanding Debt					
Tax Supported	162,517,509	161,261,174	162,903,580	163,658,343	165,858,290
Non-tax Supported	179,172,491	169,608,826	152,296,420	136,571,684	120,679,041
Notes Payable	0	0	0	0	0
Total	341,690,000	330,870,000	315,200,000	300,230,027	286,537,331
Reserve capacity	121,477,745	136,520,280	167,227,468	190,587,825	212,152,361
Percent of Reserve Capacity	26.2%	29.2%	34.7%	38.8%	42.5%
Note: Does not include capital leases					
Percent of debt applicable to limit	73.8%	70.8%	65.3%	61.2%	57.5%

In FY 2017, 58% of the debt is tax supported and 42% is non-tax supported. At the end of FY 2017, the City anticipates additional bonding capacity to be \$212.2M or 42.5%. FY 2017 debt issuance does not impact the FY 2017 debt service levy as debt payments will not begin until FY 2018.



### Tax Supported Debt - Fiscal Year Planned Uses

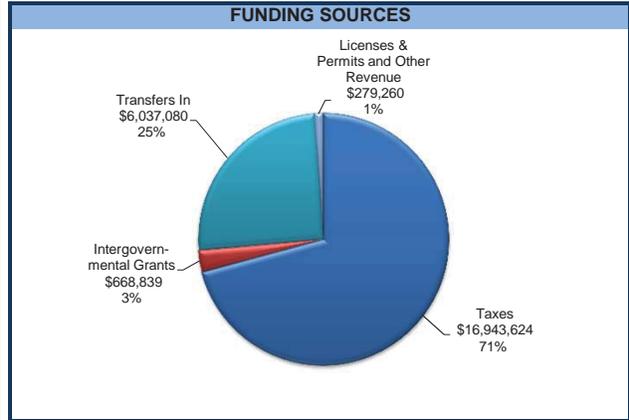
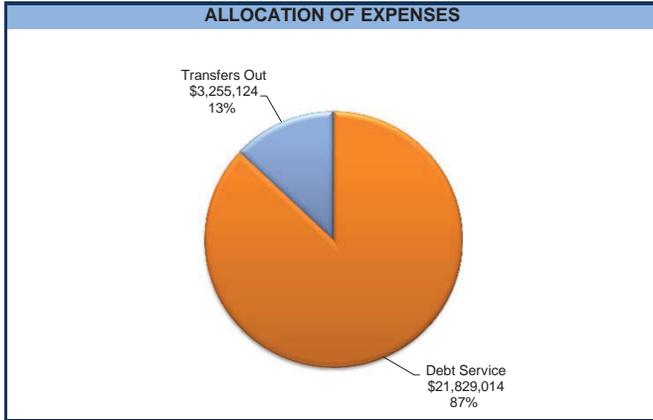
The FY 2017 budget includes issuing \$14.6M of general obligation bond tax supported debt. The bonds are for the following projects/expenses:

- \$5M – ADA improvements
- \$4.7M Public Works
  - \$1.1M – Staff time for positions in association with public works improvements
  - \$1.1M – Street Improvements (Highway 100 from Edgewood Road to Highway 30, Tower Terrace East of C Avenue – Council Street)
  - \$1M – Sidewalk Improvements
  - \$375K – Traffic Improvements (signal upgrading and signal power backup)
  - \$1.1M – Trail Improvements
- \$850K Parks, Recreation, Forestry, Riverfront
  - \$400K Parks
  - \$150K Recreation
  - \$150K Riverfront
  - \$150K Street Trees
- \$1.3M – Fire heavy duty rescue truck and station alerting system
- \$500K – Library books
- \$1M – Flood control system
- \$150K – Information Technology improvements (hardware and software)
- \$500K – City facility improvements
- \$601K – Parking
  - \$450K Skywalk from Convention Center to US Bank Parking Ramp Structure
  - \$151K Parking Structure Safety

General obligation bonds are budgeted by project in the appropriate capital improvement project fund. Prior to issuance the City confirms debt needs. Bonds are typically issued in the May – June time frame of the fiscal year. Bonds to be issued in FY 2017 for projects will have debt payments begin in FY 2018.

**DEBT SERVICE FUND**

**FY 2017 FINANCIAL DETAIL**



Account	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted Budget	FY 2017 Budget	\$ Change From FY 2016 Incr / (Decr)	% Change From FY 2016
<b>Revenues</b>							
<b>Taxes</b>							
Prop Tax Levy - Current	401100	15,608,962	16,101,003	16,399,295	16,857,245	86,379	
Property Tax Levy - Delinquent	401101	12,648	22,541	17,636	-	-	
<b>Total Taxes</b>		<u>15,621,610</u>	<u>16,123,544</u>	<u>16,416,932</u>	<u>16,857,245</u>	<u>86,379</u>	<u>1%</u>
<b>Intergovernmental Grants</b>							
State Comm Indus Backfill	422104	-	-	474,690	725,549	668,839	(56,710)
<b>Total Intergovernmental Grants</b>		<u>-</u>	<u>-</u>	<u>474,690</u>	<u>725,549</u>	<u>668,839</u>	<u>(56,710)</u>
<b>Transfers In</b>							
Operating Transfer In - Inter	483001	3,811,142	5,893,721	6,823,698	4,435,259	4,875,207	439,948
Operating Transfer In - Intra	483002	2,365,616	713,712	10,614,357	150,413	1,161,873	1,011,461
<b>Total Transfers In</b>		<u>6,176,758</u>	<u>6,607,432</u>	<u>17,438,055</u>	<u>4,585,672</u>	<u>6,037,080</u>	<u>1,451,408</u>
<b>Proceeds of Long Term Liabilities</b>							
GO Bond Proceeds	485001	68,000	115,000	10,875,000	-	-	-
Premiums on Bonds Sold	485005	344,247	60,896	1,323,364	-	-	-
TIF GO Bond Proceeds	485008	7,000	380,000	-	-	-	-
<b>Total Proceeds of Long Term Liabilities</b>		<u>419,247</u>	<u>555,896</u>	<u>12,198,364</u>	<u>-</u>	<u>-</u>	<u>0%</u>
<b>Other Revenue</b>							
Interest/Div - Nonproprietary	451000	1,905	619	3,565	-	-	-
Build America interest abate	481004	387,626	356,543	332,007	306,844	279,260	(27,584)
<b>Total Other Revenue</b>		<u>389,531</u>	<u>357,162</u>	<u>335,572</u>	<u>306,844</u>	<u>279,260</u>	<u>(27,584)</u>
<b>Total Revenues</b>		<u>22,607,146</u>	<u>23,644,034</u>	<u>46,863,612</u>	<u>22,475,310</u>	<u>23,928,803</u>	<u>1,453,493</u>
<b>Expenditures</b>							
<b>Debt Service</b>							
Bond Principal	561000	14,404,502	14,653,110	25,711,403	14,648,706	15,914,470	1,265,763
Bond Interest Expense	561002	6,398,386	6,237,127	6,067,306	6,047,381	5,914,544	(132,837)
Discount on Bonds	561004	-	28,542	72,424	-	-	-
Issuance Costs	561006	246,859	156,992	343,725	-	-	-
<b>Total Debt Service</b>		<u>21,049,747</u>	<u>21,075,771</u>	<u>32,194,859</u>	<u>20,696,088</u>	<u>21,829,014</u>	<u>1,132,926</u>
<b>Transfers Out</b>							
Transfer Out-Inter	571100	974,433	1,993,947	3,741,425	2,699,364	2,093,251	(606,113)
Transfer Out-Intra	571200	2,365,616	713,712	10,614,357	150,413	1,161,873	1,011,461
<b>Total Transfers Out</b>		<u>3,340,049</u>	<u>2,707,659</u>	<u>14,355,782</u>	<u>2,849,777</u>	<u>3,255,124</u>	<u>405,348</u>
<b>Total Expenditures</b>		<u>24,389,796</u>	<u>23,783,430</u>	<u>46,550,641</u>	<u>23,545,864</u>	<u>25,084,138</u>	<u>1,538,274</u>
<b>Net Revenues over/(under) Expenditures</b>		<u>(1,782,650)</u>	<u>(139,396)</u>	<u>312,971</u>	<u>(1,070,555)</u>	<u>(1,155,335)</u>	<u>(84,781)</u>