

**DEBT SERVICE
FUNDS**

DEBT SERVICE FUND

GENERAL INFORMATION:

Bond and interest payments on outstanding long-term debt are basically made from two (2) types of debt repayment funds: the Debt Service Fund and Revenue Sinking Funds. Revenue Sinking Funds are considered part of the Enterprise Fund structure and consequently are included in that section of the budget document.

The Debt Service Fund accounts for general obligation (G.O.) bonds, which are backed by the full faith and credit of the City of Muscatine. As of July 1, 2012, the City's G.O. bonds outstanding will total \$18,705,000. This includes the \$4,500,000 issue scheduled for June 1, 2012. Projects to be funded from this bond issue were determined as part of the 2011/2012 and 2012/2013 capital projects budget review. A list of these projects and the bond funding requirements are as follows:

**City of Muscatine
June 1, 2012 Bond Issue**

	Bond Requirements
Clay Street Bridge	\$ 383,000
Cedar Street Improvements - Parham to Houser Phase I (Estimated Local Share)	1,068,000
Hershey Avenue Improvements (Estimated Local Share)	1,108,000
Colorado Street Improvements - Phase I (Estimated Local Share)	1,055,000
Corridor Project - Environmental Impact and Preliminary Design (Local Share)	225,000
Southend Fire Station (Estimated Local Share)	440,000
Mad Creek Flood Control Project (Estimate of Additional Local Share)	74,000
Airport Snow Removal Equipment (Additional Local Share)	1,600
Airport Runway Lighting Project (Local Share)	19,000
Airport Hangar Repairs (Local Share)	9,400
Airport Runway Blowup Repairs	14,000
Airport Hangar Access Security and Drainage Improvement (Local Share)	15,500
Airport Airfield Maintenance (Local Share)	8,900
Airport Obstruction Removal (Local Share)	3,600
Total Estimated Bond Funding Requirements	\$ 4,425,000
Estimated Issuance Costs/Allowance for Discount/Misc.	75,000
Total G.O. Bond Issue	\$ 4,500,000 *

- * After the budget was adopted the decision was made to call the bonds from the June 1, 2003 issue scheduled for maturity on June 1, 2013 on June 1, 2012. This will increase the bond issue to \$4,715,000. The \$215,000 increase in the issue will be paid with the first principal payment on the new issue. This change will result in a savings in interest costs of approximately \$4,800.

CURRENT TRENDS AND ISSUES:

The debt service tax rate for the current year 2011/2012 is \$2.85051 per \$1,000 of valuation. This rate will increase to \$2.90388 per \$1,000 of valuation for 2012/2013 due to debt requirements on the June 1, 2012 bond issue. Debt requirements on the new issue are estimated at \$158,436 for 2012/2013.

In 2004/2005 the debt service levy for the first time included tax funding of \$470,000 of Transfer Station debt. Beginning in 2005/2006 and continuing through 2012/2013, debt service levies include tax funding of 100% of Transfer Station debt. For 2012/2013 transfer station debt requirements total \$726,219. Due to decreasing waste volumes and increased landfill costs, Transfer Station revenues continue to be insufficient to fund the debt requirements on the issues that financed construction of this facility. Tax funding of this debt will continue until these bonds are retired in 2013/2014.

Revenues from property taxes, utility tax replacement funds, interest earnings and a portion of the accumulated debt service fund balance total the amount necessary to support debt service payments of \$2,417,824, which is the total estimated requirement for property tax supported debt including the Transfer Station debt previously mentioned.

The State of Iowa limits the amount of general obligation bonds, which a city may issue. This limitation amounts to 5% of actual valuation of all property within the city limits. The computation for the legal debt margin for the City of Muscatine as of July 1, 2012 is as follows:

Although tax increment bonds and tax increment rebate obligations are required by State law to be included in the computation of the debt subject to the debt limit, these obligations are totally financed by incremental taxes received from the benefited property. Additionally, although certain portions of the general obligation debt are funded solely from user fees and sources other than property taxes, these issues are also required by State law to be considered in the computation of the City of Muscatine's legal debt margin.

Debt Service Fund
General Obligation Bonds
Fund Statement

	<u>Actual 2009/2010</u>	<u>Actual 2010/2011</u>	<u>Budget 2011/2012</u>	<u>Revised Estimate 2011/2012</u>	<u>Budget 2012/2013</u>
Beginning Balance, July 1	\$ 182,707	\$ 256,511	\$ 135,108	\$ 138,908	\$ 121,908
Revenues					
Property Tax	\$ 2,167,678	\$ 2,386,789	\$ 2,219,574	\$ 2,219,574	\$ 2,326,416
Utility Tax Replacement Excise Tax	11,835	10,419	9,951	9,951	10,908
Interest	4,112	2,263	500	500	500
Excess Bond Proceeds	119,591	0	0	0	0
Transfers In:					
Refuse Collection	99,002	101,627	99,893	99,893	99,969
Landfill	116,167	120,122	119,838	119,838	114,312
Downtown Tax Increment Fund	0	91,225	70,225	70,225	209,625
Total Revenues	<u>\$ 2,518,385</u>	<u>\$ 2,712,445</u>	<u>\$ 2,519,981</u>	<u>\$ 2,519,981</u>	<u>\$ 2,761,730</u>
Funds Available	<u>\$ 2,701,092</u>	<u>\$ 2,968,956</u>	<u>\$ 2,655,089</u>	<u>\$ 2,658,889</u>	<u>\$ 2,883,638</u>
Expenditures					
Charges for Services	\$ 1,800	\$ 2,250	\$ 2,500	\$ 2,500	\$ 3,000
Bonds	2,010,000	2,245,000	2,020,000	2,020,000	2,230,000
Interest	432,781	582,798	514,481	514,481	450,294
Estimated Debt Requirements New Issue:					
Principal	0	0	0	0	55,000 (1)
Interest	0	0	0	0	103,436 (1)
Total Expenditures	<u>\$ 2,444,581</u>	<u>\$ 2,830,048</u>	<u>\$ 2,536,981</u>	<u>\$ 2,536,981</u>	<u>\$ 2,841,730</u>
Ending Balance, June 30	<u>\$ 256,511</u>	<u>\$ 138,908</u>	<u>\$ 118,108</u>	<u>\$ 121,908</u>	<u>\$ 41,908</u>
Increase (Decrease) in Fund Balance	<u>\$ 73,804</u>	<u>\$ (117,603)</u>	<u>\$ (17,000)</u>	<u>\$ (17,000)</u>	<u>\$ (80,000)</u>
Debt Service Tax Levy Rates (Per \$1,000 of Taxable Valuation)	\$ 2.90101	\$ 3.14336	\$ 2.85051	\$ 2.85051	\$ 2.90388

1. Estimated 2012/2013 principal and interest requirements on the \$4.5 million bond issue to be issued June 1, 2012.

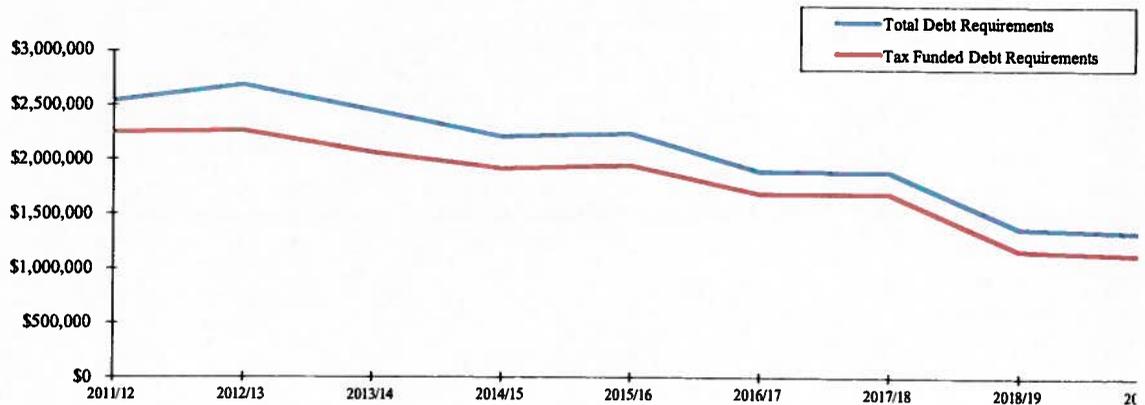
DEBT SERVICE FUND

SUMMARY OF BOND AND INTEREST REQUIREMENTS

CURRENT GENERAL OBLIGATION BONDS

Fiscal Year	Principal	Interest	Total Requirements Current Debt	Enterprise & TIF Funded Debt Requirements (Exc. Tr. St. Debt)	Expected Tax Funded Debt Requirements (Inc. Tr. Station)
2011/12	\$ 2,020,000	\$ 514,481	\$ 2,534,481	\$ 289,956	\$ 2,244,525
2012/13	2,230,000	450,294	2,680,294	423,906	2,256,388
2013/14	2,070,000	379,294	2,449,294	388,915	2,060,379
2014/15	1,890,000	314,056	2,204,056	290,853	1,913,203
2015/16	1,980,000	255,513	2,235,513	291,600	1,943,913
2016/17	1,700,000	189,213	1,889,213	203,050	1,686,163
2017/18	1,750,000	134,988	1,884,988	202,650	1,682,338
2018/19	1,295,000	79,163	1,374,163	207,100	1,167,063
2019/20	1,290,000	40,313	1,330,313	206,250	1,124,063
Total	\$ 16,225,000	\$ 2,357,315	\$ 18,582,315	\$ 2,504,280	\$ 16,078,035

1. Enterprise funded debt requirements shown above for 2011/2012 and future years exclude amounts for Transfer Station debt. Unless there is a significant increase in waste volume/revenue at the Transfer Station, tax funding for this debt will continue to be required.



**Annual Bond and Interest Requirements
(Current Debt)**

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STATEMENT OF BOND AND INTEREST REQUIREMENTS

**General Obligation Corporate Purpose Bonds
 Pearl of the Mississippi Projects (Series A), East Fifth Street
 Bridge Project (Series A), Parks Playground Improvements,
 Riverfront Improvement Projects, Landfill Property Acquisition,
 Library Building Improvements, and Airport Layout Plan
 \$1,780,000 Issue Dated June 1, 2003**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011/12	\$ 210,000	\$ 12,750	\$ 222,750
2012/13	215,000 *	6,450	221,450
Total	<u>\$ 425,000</u>	<u>\$ 19,200</u>	<u>\$ 444,200</u>

* After the budget was adopted a decision was made to call the bonds scheduled for maturity on June 1, 2013 on June 1, 2012. This will result in an estimated \$4,800 savings in interest costs.

**General Obligation Corporate Purpose Bonds
 Pearl of the Mississippi Projects (Series B), East Fifth Street Bridge
 Project (Series B), Joint Communications Capital Costs, Fire Pumper,
 Pearl Project Phase II, Trail Projects, Landfill Property Acquisition,
 Building Improvements, Building Demolitions and Airport Improvements
 \$2,990,000 Issue Dated June 1, 2006**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011/12	\$ 325,000	\$ 68,955	\$ 393,955
2012/13	340,000	56,443	396,443
2013/14	350,000	43,268	393,268
2014/15	365,000	29,618	394,618
2015/16	380,000	15,200	395,200
Total	<u>\$ 1,760,000</u>	<u>\$ 213,484</u>	<u>\$ 1,973,484</u>

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STATEMENT OF BOND AND INTEREST REQUIREMENTS

**General Obligation Corporate Purpose Bonds
Pavement Management Program, Other Street and Bridge Improvements,
Building Improvements, Airport Improvements,
Cemetery Columbarium, and General Fund Vehicle, Equipment
and Technology Improvements
\$5,120,000 Issue Dated June 1, 2008 (Series A)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011/12	\$ 630,000	\$ 147,425	\$ 777,425
2012/13	655,000	128,525	783,525
2013/14	575,000	107,238	682,238
2014/15	600,000	88,550	688,550
2015/16	620,000	67,550	687,550
2016/17	645,000	45,850	690,850
2017/18	665,000	23,275	688,275
Total	<u>\$ 4,390,000</u>	<u>\$ 608,413</u>	<u>\$ 4,998,413</u>

**General Obligation Refunding Bonds
Refunding of Remaining Obligations of December 1, 1995,
June 1, 1998, June 1, 1999 and June 1, 2001 Bond Issues
\$6,560,000 Issue Dated June 1, 2008 (Series B)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011/12	\$ 750,000	\$ 75,563	\$ 825,563
2012/13	775,000	51,188	826,188
2013/14	800,000	26,000	826,000
Total	<u>\$ 2,325,000</u>	<u>\$ 152,751</u>	<u>\$ 2,477,751</u>

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STATEMENT OF BOND AND INTEREST REQUIREMENTS

General Obligation Corporate Purpose Bonds

**Pavement Management Program, Other Street Improvements,
Mad Creek Flood Control Project, Weed Park Tennis Courts,
Public Safety Geothermal Project, Airport, and Trail Projects
(\$5,890,000 General Obligation Portion of Issue)**

**Downtown Urban Renewal Tax Increment Revenue-Funded Projects
3rd and Chestnut Parking Lot Reconstruction,
Downtown Parking Lot, Street and Alley Resurfacing,
Riverfront Flood Repairs, and City Hall Boiler Replacement
(\$1,535,000 Portion of Issue)**

\$7,425,000 Total Issue Dated June 1, 2010

Fiscal Year	Principal	Interest	Total Requirements
2011/12	\$ 105,000	\$ 209,788	\$ 314,788
2012/13	245,000	207,688	452,688
2013/14	345,000	202,788	547,788
2014/15	925,000	195,888	1,120,888
2015/16	980,000	172,763	1,152,763
2016/17	1,055,000	143,363	1,198,363
2017/18	1,085,000	111,713	1,196,713
2018/19	1,295,000	79,163	1,374,163
2019/20	<u>1,290,000</u>	<u>40,313</u>	<u>1,330,313</u>
Total	<u>\$ 7,325,000</u>	<u>\$ 1,363,467</u>	<u>\$ 8,688,467</u>

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STATEMENT OF BOND AND INTEREST REQUIREMENTS

General Obligation Corporate Purpose Bonds

**Clay Street Bridge Improvements, Cedar Street Improvements Phase I,
Colorado Street Improvements Phase I, Hershey Street Improvements,
Mississippi Drive Corridor Environmental Impact Study,
Southend Fire Station, Mad Creek Levee Project, Various Airport
Improvements Projects, and Refunding of 2003 Bond Issue**

\$4,715,000 Total Issue Dated June 1, 2012

Fiscal Year	Principal	Interest	Total Requirements
2012/13	\$ 295,000	\$ 55,163	\$ 350,163
2013/14	295,000	53,983	348,983
2014/15	390,000	52,655	442,655
2015/16	410,000	50,510	460,510
2016/17	530,000	47,435	577,435
2017/18	540,000	42,400	582,400
2018/19	550,000	36,460	586,460
2019/20	555,000	29,035	584,035
2020/21	570,000	20,710	590,710
2021/22	580,000	11,020	591,020
Total	\$ 4,715,000	\$ 399,371	\$ 5,114,371

The 2012/2013 budget included estimated debt requirements for the June 1, 2012 bond issue. The issue was sold June 1, 2012 which was after the budget was adopted, but prior to publication of the budget. The above schedule is the actual annual debt requirements on this issue. This issue also includes \$215,000 for refunding the final year of the 2003 general obligation bond issue.