

INTEROFFICE MEMORANDUM

May 30, 2009

MEMO TO: J. Russell Allen
City Manager

FROM: Perry James, Chief Financial Officer

SUBJECT: Budget Note – General Debt Model

The Finance Department, through its Treasury Services Office, maintains debt models for the following programs:

- General Debt
- Water & Sewer Debt
- Parking Fund Debt
- Convention Center Debt

With the exception of the General Debt Model, all other models receive dedicated revenues specific to each particular enterprise or program. Water and sewer debt is funded by water/sewer charges; parking debt is funded by parking fees; and the Convention Center debt is funded by interlocal taxes. The General Debt program is funded mostly by General Fund transfers to the General Debt Service Fund.

The General Debt Model presents a 10-year projection of revenues and expenditures although we internally have modeling through the end of all debt service obligations. The amounts reflect currently budgeted and projected revenue streams and the incurred or anticipated debt service expenses on debt proposed to be included in this budget.

Debt service, as a percentage of the total budget, is a key ratio in measuring the fiscal health of the City's operations. The General Fund's proposed allocation to the debt model for FY 2009-10 represents 10% of the General Fund budget. A reasonable benchmark for debt service burdens for the General Fund is 15% or less. While tax rate increases modeled in FY's 10-11, 12-13 and 14-15 will increase the size of the allocations from the General Fund, it is anticipated that the total debt service burden will remain under 15% during the 10-year projection period.

Fund balance, as shown on the model, is maintained to primarily meet two overall objectives:

1. To provide the ability to meet spikes in resource requirements from future debt issuances. Particularly as we build in debt service for several large capital projects, the Public Safety Center and Remote Operations Facilities, the dedication of a stream of revenues to the model allows for the resources to stay relatively level as the debt builds up over the construction periods. Because of the size and incremental timing of these projects, the fund balance in the model accumulates in the early years to larger than normal levels. However, as the debt builds, the dedication of the proposed 1 cents increase in FY11 and the two later tax dedications of 2 cents each are sufficient to fund long-term debt requirements on new proposed projects that grow as high as \$87 million

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per year. All fund balance is invested and proceeds are used to help moderate other resource requirements.

2. To provide flexibility in structuring new issues as they are identified. As plans change due to different timing decisions or variations in financing rates, the fund balance is important in providing funding that can cover those changes.

Other highlights of the General Debt Model are as follows:

- The current model continues the 1.68 cents dedicated tax from the 2008 revaluation adjustment approved last year.
- The new debt-related projects are included in the FY 2009-10 model are as follows:
 - The \$226 million CEL Public Safety Center
 - The \$276 million remote operations facilities
- These new debt items require dedicated general fund resources to support the debt service. At the height of debt repayments these projects total approximately \$47 million in annual debt service. Three proposed incremental tax increases of 1 cent in FY11, 2 cents each in FY13 and FY15 are needed to fulfill the debt service requirements of these major facilities projects.

In addition to modeling the current and planned debt projects, the debt model allows future debt options to be modeled as “what if” scenarios, allowing decisions to better be made as to size and timing of projects.

We are available to review the model further and answer any questions that there may be.

GENERAL BLENDED DEBT MODEL
CURRENT YEAR PLUS FUTURE YEARS PROJECTION

~ New Tax rate is \$0.3735 (4.18 cent increase consisting of 1.68 cents to the debt model and 2.5 cents to operations)
Revenue Neutral Rate is .3317

Blended Revaluation & General Debt Model	NTR \$0.3835			NTR \$0.4035			NTR \$0.4235				
	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
	Proposed Tax Increase	Proposed Tax Increase	Proposed Tax Increase	Proposed Tax Increase	Proposed Tax Increase	Proposed Tax Increase	Proposed Tax Increase	Revaluation	Proposed Tax Increase	Proposed Tax Increase	Proposed Tax Increase
Beginning Balance	\$ 17,040,807	\$ 35,180,313	\$ 44,940,962	\$ 46,546,317	\$ 59,836,812	\$ 54,637,428	\$ 44,916,388	\$ 39,590,288	\$ 32,952,540	\$ 30,125,574	\$ 31,377,598
Continuing Revenues:											
General Fund Allocation	29,900,000	29,116,000	29,338,480	29,567,634	29,803,663	30,046,773	30,297,177	30,555,092	30,820,745	31,094,367	31,376,198
Tech Fund Allocation	3,970,154	3,889,188	3,785,088	3,680,988	3,576,888	3,472,788	3,368,688	3,264,588	3,160,488	3,056,388	-
Other Revenues	2,178,287	2,367,723	2,562,936	2,858,406	3,190,349	2,934,678	2,892,864	2,708,151	2,489,037	2,337,792	2,259,594
Subtotal Continuing Revenues	35,048,441	35,372,911	35,686,504	36,107,029	36,570,901	36,454,239	36,558,729	36,527,831	36,470,270	36,488,547	33,635,792
Future Revenues to be Dedicated:											
\$33.5M 1yr note for CELPSC/Remote Ops	-	34,505,000	-	-	-	-	-	-	-	-	-
Sale of Devereaux Property/Cabarrus St Prop.	-	-	-	13,000,000	-	5,000,000	-	-	-	-	-
1.68 cent CELPSC Govt Ops, \$88.6 PAR Ref \$11.130M 2/3ids**	7,505,072	7,655,173	7,884,829	8,121,374	8,365,015	8,615,965	8,874,444	9,229,422	9,598,599	9,982,543	10,381,844
Facility Fee Revenues*	4,223,738	3,000,000	3,500,000	4,000,000	4,120,000	4,243,600	4,370,908	4,502,035	4,637,096	4,776,209	4,919,495
Proposed 1 cent increase in FY11**	-	-	4,974,534	5,123,770	5,277,483	5,435,807	5,598,882	5,822,837	6,055,750	6,297,980	6,549,899
Proposed 2 cent increase in FY13**	-	-	-	10,760,911	-	11,083,738	-	11,872,900	12,347,817	12,841,729	13,355,398
Proposed 2 cent increase in FY15**	-	-	-	2,500,000	-	-	11,639,002	12,104,562	12,568,745	13,092,294	13,615,986
Payable Reimbursement for CELPSC Design/Transit Maintenance Facility	2,300,000	-	-	-	-	-	-	-	-	-	-
Total New Revenues	14,028,810	45,160,173	16,359,362	32,745,143	28,523,409	34,379,111	41,899,486	43,531,756	45,228,006	46,990,756	48,822,624
Total Revenues	49,077,251	80,533,085	52,045,867	66,852,172	65,094,309	70,833,350	78,455,215	80,059,588	81,696,276	83,479,303	82,458,416
Total Available Resources: Beginning Bal. + Total Rev.	66,118,098	115,713,398	96,986,829	115,398,489	124,931,121	125,470,778	123,374,603	119,649,886	114,850,817	113,604,877	113,836,014
Expenditures:											
Issued General Governmental Debt Service***	30,937,745	31,469,973	30,986,086	30,167,963	29,193,571	28,304,786	27,519,228	25,017,355	24,082,702	23,022,188	18,916,829
Funds for Transit Maintenance Facility w/Reim	-	2,500,000	-	-	-	-	-	-	-	-	-
Authorized but Unissued:											
From 10/07/03 Referendum GO Parks Bond \$27.665M-Unissued	-	622,463	2,126,779	2,126,779	2,126,779	2,126,779	2,126,779	2,126,779	2,126,779	2,126,779	2,126,779
From 10/11/05 Referendum GO Streets \$60M & Housing \$10M-Unissued	-	1,000,000	4,038,848	5,724,228	5,724,228	5,724,228	5,724,228	5,724,228	5,724,228	5,724,228	5,724,228
(Assumes \$30M Sts & \$10M Hsg Fall 09/10 & \$30M Sts 10/11 sale)	-	-	-	-	-	-	-	-	-	-	-
From 10/09/07 Ref: \$88.6M Parks Bds inc'd Reval Model	-	675,000	2,306,284	3,056,284	4,713,562	5,571,562	7,207,040	7,207,040	7,207,040	7,207,040	7,207,040
Subtotal: Authorized but Unissued - Est'd Debt Service:	-	2,297,463	8,471,911	10,907,291	12,564,569	13,422,569	15,059,047	15,059,047	15,059,047	15,059,047	15,059,047
Principal Pmt on \$33.5M 1yr Note for CELPSC/Remote Ops	-	34,505,000	-	-	-	-	-	-	-	-	-
New Projects:											
Lightner Public Safety Center/Remote Ops - 25 yrs Level P/PMT	-	-	10,982,514	14,486,422	28,535,554	38,827,035	41,207,030	46,621,944	45,384,494	44,147,044	42,909,594
Subtotal New Projects	-	-	10,982,514	14,486,422	28,535,554	38,827,035	41,207,030	46,621,944	45,384,494	44,147,044	42,909,594
Total Expenditures	\$ 30,937,745	\$ 70,772,436	\$ 50,440,512	\$ 55,561,677	\$ 70,293,693	\$ 80,554,390	\$ 83,784,305	\$ 86,697,346	\$ 84,525,243	\$ 82,227,279	\$ 76,884,470
Ending Balance-General Debt Model	\$ 35,180,313	\$ 44,940,962	\$ 46,546,317	\$ 59,836,812	\$ 54,637,428	\$ 44,916,388	\$ 39,590,288	\$ 32,952,540	\$ 30,125,574	\$ 31,377,598	\$ 36,951,544

*assumes 3.00% annual growth in revenue dedication (From Streets Facility Fees and Parks Acquisition Facility Fees)

**assumes 2% growth in FY10, 3% annual growth to FY15, 4% thereafter

***includes issued General Debt through 4-2-09

\$33.5M 1yr note included in Debt Svc for CELPSC and Govt Ops (25 yrs amortized level p/pmt)