

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, 2013, the City's G.O. bonds outstanding will total \$16,415,000. The City's next bond issue is scheduled for June 1, 2014 in an estimated total amount of \$2,360,000. This includes \$2 million for the G.O. portion of the issue plus an estimated \$60,000 allowed for bond issuance costs. This is the amount of property tax funded debt that can be issued without an increase in the debt service tax levy rate in 2014/2015. The estimated issue for 2014 also includes \$300,000 to finance construction of a new Park Maintenance facility in Weed Park with this portion of the issue funded from incremental property taxes from the expanded Highway 38 Northeast Tax Increment area. Although this amount is budgeted to be included in the June, 2014 bond issue, the debt service on this portion of the issue will be paid from incremental taxes from this area and not from the debt service tax levy.

A list of the projects to be funded from the 2014 issue and the preliminary bond funding requirements are in the chart below. It should be noted that the funding amounts for all of these projects are preliminary estimates of the local share of the costs for these projects since bids on these projects have not yet been received. The bids for Colorado Street will be received in August, 2013 and the bids for Cedar Street are scheduled to be received in September, 2013. From preliminary estimates of the local share of costs for these two street projects, it appears that other funding sources (Road Use Taxes or the Pavement Management portion of the Local Option Sales Tax) will likely be needed to keep the G.O. portion of the bond issue at \$2,060,000 (including bond issuance costs). The chart below reflects the estimated amount of other funding sources needed for these projects at \$548,500. Financing plans for these projects will be updated after the bids are received. Construction on both of these projects is scheduled to begin in 2013/2014 and be completed in 2014/2015.

City of Muscatine
Estimate for June 1, 2014 Bond Issue

| | <u>Estimated Bond Requirements</u> |
|--|---|
| Cedar Street - Series B (Preliminary Estimate) | \$ 1,950,000 |
| Colorado Street - Series B (Preliminary Estimate) | 500,000 |
| Estimated Portion of above Amounts to be Funded from Other Sources to keep Bond Issue at \$2 Million | (548,500) |
| Airport Hangar Drainage Improvement (Estimated Local Share) | 20,000 |
| Airport Runway Paving Repairs (Estimated Local Share) | <u>78,500</u> |
| Total Estimated Bond Funding Requirements | \$ 2,000,000 |
| Estimated Issuance Costs/Allowance for Discount | <u>60,000</u> |
| Total G.O. Portion of Bond Issue | \$ 2,060,000 |
| Proposed TIF-funded Portion of Issue: | |
| Park Maintenance Building (Highway 38 Northeast TIF as Amended) | <u>300,000</u> |
| Estimated Total Issue | <u><u>\$ 2,360,000</u></u> |

CURRENT TRENDS AND ISSUES:

The debt service tax rate for the current year 2012/2013 is \$2.90388 per \$1,000 of valuation. This rate will decrease by approximately \$.01/\$1,000 (.4%) to \$2.89226 per \$1,000 of valuation for 2013/2014. When the original 2012/2013 budget was prepared, it was projected that the debt service levy rate would need to increase by approximately \$.10/\$1,000 in 2013/2014 with the addition of the \$4,715,000 June 1, 2012 issue. The tax levy reduction was possible due to favorable interest rates on the June 1, 2012 issue, a savings of \$4,525 from refunding the final year of the June 1, 2003 issue in 2012, and a savings from refunding the final three years of the June 1, 2006 issue in 2013. The total savings from refunding the 2006 bonds is \$48,465, with \$13,173 to be realized in 2013/2014, \$18,467 in 2014/2015, and \$16,825 in 2015/2016.

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 2013/2014, debt service levies include tax funding of 100% of Transfer Station debt. Due to decreasing waste volumes and increased landfill costs, Transfer Station revenues have been insufficient to fund the debt requirements on the issues that financed construction of this facility. For 2013/2014 transfer station debt requirements total \$726,054. The 2013/2014 payment will be the final payment on this bond issue.

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 \$2,402,305, 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, 2013 is as follows:

**City of Muscatine
Legal Debt Margin Estimate
As of July 1, 2013**

| | | |
|--|---------------|-------------------------|
| Actual Valuation January 1, 2012 | | \$ 1,220,460,654 |
| State Limit (5%) | | 0.05 |
| Debt Limit | | \$ 61,023,033 |
| Bonded Debt: | | |
| Current General Obligation Debt July 1, 2013 | \$ 16,415,000 | |
| Tax Increment Bonded Debt July 1, 2013 | 1,035,000 | \$ 17,450,000 |
| Percent of Debt Limit Used (Before Tax Increment Rebate Obligations) | | 28.6% |
| Estimated Tax Increment Rebate Obligations July 1, 2013: | | |
| Robison Logistics - 100% for 10 years (final year 2013/2014) | \$ 25,625 | |
| Musco Sports Lighting #1 (Including Amendment #1) - 67% for 15 years with final year 2019/2020 to maximum of \$1.8 million | 1,253,747 | |
| Cedar Development - 50% for 10 years to maximum of \$4,719,000 (final year 2018/2019) | 4,095,765 | |
| Musco Sport Lighting (Musser Street) - 50% for 10 years to maximum of \$325,000 (ten year period; beginning date not yet determined) | 325,000 | |
| Muscatine Mall - 50% for 20 years to estimated maximum of \$5,325,000 (twenty year period began in 2009/2010) | 5,279,935 | |
| Curry's Transportation - 50% for 10 years to maximum of \$350,000 (began in 2010/2011) | 274,935 | |
| Newcomb Properties - 50% for 10 years to maximum of \$100,000 (began in 2010/2011) | 74,773 | |
| Heinz - 50% for 15 years to a maximum of \$425,000 (began in 2011/2012) | 399,322 | |
| A & E Convenience - 50% for 10 years to maximum of \$40,000 (began in 2012/2013) | 36,361 | |
| The Villas at MCC, LLC - 50% for 10 years to maximum of \$425,000 (begins in 2013/2014) | 425,000 | |
| R.L. Fridley Theatres Inc. - 15 years to maximum of \$1,500,000; declining percentages 95% to 50% (begins in 2014/2015) | 1,500,000 | |
| | | \$ 13,690,463 |
| Percent of Debt Limit Used for Tax Increment Rebate Obligations | | 22.4% |
| Total Debt Subject to Debt Limit | | 31,140,463 |
| Legal Debt Margin | | \$ 29,882,570 |
| Percent of Legal Debt Limit Used | | 51.0% |

The City's debt policy provides that 40% of the legal debt limit is to be reserved for emergency purposes. Following is a computation of the City's debt margin using the self-imposed debt limit:

| | |
|---|----------------------------|
| City's Self-Imposed Limit - 60% of the Legal Limit | \$ 36,613,820 |
| Total Debt Subject to Debt Limit | <u>31,140,363</u> |
| Debt Margin Using Self-Imposed Limit | <u>\$ 5,473,457</u> |
| Percent of Self-Imposed Debt Limit Used | 85.1% |

It should be noted that the policy reserving 40% of the legal debt limit for emergency purposes was put in place before TIF rebates were required to be counted as debt subject to the debt limit. If the TIF rebates were excluded from the debt in the above calculation there would be \$19,163,820 of the self-imposed limit remaining and only 47.7% of the self-imposed limit would be used. The self-imposed limit will be an item for discussion during the upcoming review of the City's financial policies.

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 2010/2011</u> | <u>Actual 2011/2012</u> | <u>Budget 2012/2013</u> | <u>Revised Estimate 2012/2013</u> | <u>Budget 2013/2014</u> |
|--|-----------------------------|-----------------------------|-----------------------------|---|-----------------------------|
| Beginning Balance, July 1 | \$ 256,511 | \$ 138,908 | \$ 121,908 | \$ 133,772 | \$ 86,995 |
| Revenues | | | | | |
| Property Tax | \$ 2,386,789 | \$ 2,229,634 | \$ 2,326,416 | \$ 2,326,416 | \$ 2,374,186 |
| Utility Tax Replacement Excise Tax | 10,419 | 10,492 | 10,908 | 10,908 | 9,881 |
| Interest | 2,263 | 1,510 | 500 | 500 | 500 |
| Refunding Bond Proceeds | 0 | 217,377 (1) | 0 | 1,115,000 (3) | 0 |
| Transfers In: | | | | | |
| Refuse Collection | 101,627 | 99,893 | 99,969 | 99,969 | 99,946 |
| Landfill | 120,122 | 119,838 | 114,312 | 114,312 | 80,128 |
| Downtown Tax Increment Fund | 91,225 | 70,225 | 209,625 | 209,625 | 206,225 |
| Total Revenues | <u>\$ 2,712,445</u> | <u>\$ 2,748,969</u> | <u>\$ 2,761,730</u> | <u>\$ 3,876,730</u> | <u>\$ 2,770,866</u> |
| Funds Available | <u>\$ 2,968,956</u> | <u>\$ 2,887,877</u> | <u>\$ 2,883,638</u> | <u>\$ 4,010,502</u> | <u>\$ 2,857,861</u> |
| Expenditures | | | | | |
| Charges for Services | \$ 2,250 | \$ 2,700 | \$ 3,000 | \$ 4,000 | \$ 3,500 |
| Bonds | 2,245,000 | 2,235,000 (1) | 2,230,000 | 2,310,000 (2) | 2,385,000 |
| Interest | 582,798 | 514,480 | 450,294 | 499,007 (2) | 400,104 |
| Refunding Bond Issuance Costs | 0 | 1,925 (1) | 0 | 15,500 (3) | 0 |
| Bonds Retired with Refunding | 0 | 0 | 0 | 1,095,000 (3) | 0 |
| Estimated Debt Requirements New Issue: | | | | | |
| Principal | 0 | 0 | 55,000 (2) | 0 | 0 |
| Interest | 0 | 0 | 103,436 (2) | 0 | 0 |
| Total Expenditures | <u>\$ 2,830,048</u> | <u>\$ 2,754,105</u> | <u>\$ 2,841,730</u> | <u>\$ 3,923,507</u> | <u>\$ 2,788,604</u> |
| Ending Balance, June 30 | <u>\$ 138,908</u> | <u>\$ 133,772</u> | <u>\$ 41,908</u> | <u>\$ 86,995</u> | <u>\$ 69,257</u> |

| | | | | | |
|--|---------------------|-------------------|--------------------|--------------------|--------------------|
| Increase (Decrease) in Fund Balance | \$ (117,603) | \$ (5,136) | \$ (80,000) | \$ (46,777) | \$ (17,738) |
|--|---------------------|-------------------|--------------------|--------------------|--------------------|

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Debt Service Tax Levy Rates (Per \$1,000 of Taxable Valuation) | \$ 3.14336 | \$ 2.85051 | \$ 2.90388 | \$ 2.90388 | \$ 2.89226 |
|---|------------|------------|------------|------------|------------|

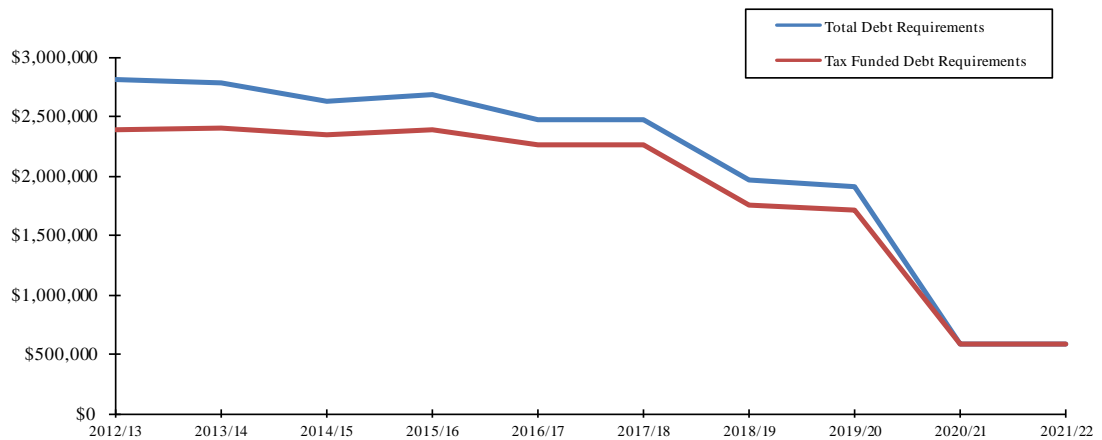
1. The final year of the June, 2003 bond issue was called in 2011/2012. This refunded \$215,000 in bond principal and resulted in an interest savings of \$4,525.
2. The 2012/2013 budget included \$158,436 in estimated principal and interest payments on the June 1, 2012 bond issue. The actual principal and interest on this issue in 2012/2013 (excluding the \$215,000 amount for the refunding) totals \$135,163, which is \$23,273 less than the budgeted amount.
3. The City called the final three years of principal on the June 1, 2006 issue in 2012/2013. This will save the City \$48,465 over the remaining three years of this issue.
4. The transfer from the Landfill fund in 2013/2014 reflects the updated amount after taking into considering the savings from refunding the June 1, 2006 issue.

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) |
|-------------|----------------------|---------------------|------------------------------------|--|---|
| 2012/13 | \$ 2,310,000 | \$ 499,007 | \$ 2,809,007 | \$ 423,906 | \$ 2,385,101 |
| 2013/14 | 2,385,000 | 400,104 | 2,785,104 | 386,299 | 2,398,805 |
| 2014/15 | 2,285,000 | 343,243 | 2,628,243 | 287,121 | 2,341,122 |
| 2015/16 | 2,385,000 | 294,198 | 2,679,198 | 288,161 | 2,391,037 |
| 2016/17 | 2,230,000 | 236,648 | 2,466,648 | 203,050 | 2,263,598 |
| 2017/18 | 2,290,000 | 177,388 | 2,467,388 | 202,650 | 2,264,738 |
| 2018/19 | 1,845,000 | 115,623 | 1,960,623 | 207,100 | 1,753,523 |
| 2019/20 | 1,845,000 | 69,348 | 1,914,348 | 206,250 | 1,708,098 |
| 2020/21 | 570,000 | 20,710 | 590,710 | - | 590,710 |
| 2021/22 | 580,000 | 11,020 | 591,020 | - | 591,020 |
| Total | <u>\$ 18,725,000</u> | <u>\$ 2,167,289</u> | <u>\$ 20,892,289</u> | <u>\$ 2,204,537</u> | <u>\$ 18,687,752</u> |



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

DEBT SERVICE FUND

STATEMENT OF BOND AND INTEREST REQUIREMENTS

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> |
|------------------------|---------------------|-------------------|-------------------------------|
| 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* | <u>380,000</u> | <u>15,200</u> | <u>395,200</u> |
| Total | <u>\$ 1,435,000</u> | <u>\$ 144,529</u> | <u>\$ 1,579,529</u> |

* The remaining years of this issue will be refunded 6/1/13

DEBT SERVICE FUND

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> |
|------------------------|---------------------|-------------------|-------------------------------|
| 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 | <u>665,000</u> | <u>23,275</u> | <u>688,275</u> |
| Total | <u>\$ 3,760,000</u> | <u>\$ 460,988</u> | <u>\$ 4,220,988</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> |
|------------------------|---------------------|------------------|-------------------------------|
| 2012/13 | \$ 775,000 | \$ 51,188 | \$ 826,188 |
| 2013/14 | <u>800,000</u> | <u>26,000</u> | <u>826,000</u> |
| Total | <u>\$ 1,575,000</u> | <u>\$ 77,188</u> | <u>\$ 1,652,188</u> |

DEBT SERVICE FUND

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 |
|------------------------|---------------------|---------------------|-------------------------------|
| 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 | 1,290,000 | 40,313 | 1,330,313 |
| Total | <u>\$ 7,220,000</u> | <u>\$ 1,153,679</u> | <u>\$ 8,373,679</u> |

DEBT SERVICE FUND

STATEMENT OF BOND AND INTEREST REQUIREMENTS

General Obligation Corporate Purpose and Refunding 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 | <u>\$ 4,715,000</u> | <u>\$ 399,371</u> | <u>\$ 5,114,371</u> |

General Obligation Refunding Bonds

Refunding of Remaining Obligations of June 1, 2006 Issue

\$1,115,000 Issue Dated March 7, 2013

| Fiscal Year | Principal | Interest | Total Requirements |
|------------------------|---------------------|------------------|-------------------------------|
| 2013/14 | \$ 370,000 | \$ 10,095 | \$ 380,095 |
| 2014/15 | 370,000 | 6,150 | 376,150 |
| 2015/16 | 375,000 | 3,375 | 378,375 |
| Total | <u>\$ 1,115,000</u> | <u>\$ 19,620</u> | <u>\$ 1,134,620</u> |