

Debt Management

Mission Statement

It is the mission of the Debt Management Fund to account for bonded indebtedness incurred by the City, including all bond and interest payments.

Primary Functions → The primary function of the Debt Management Fund is to retire debt incurred by the City for long-term capital projects and short-term cash flow financing, by making annual payments of interest and principal based upon a planned schedule.

Fund Highlights →

Since 1982 when the first Capital Improvements Program was adopted, the City has gone to the market annually to seek financing for its infrastructure improvements. In addition to retiring debt through property taxes, sales taxes, and water revenues, the City also utilizes tax increment financing (TIF) and special service area (SSA) districts property taxes to retire bonds.

In 2006, the City submitted a referendum question to the voters to determine whether or not they would, rather than financing streets and drainage improvements through voter approved bond issue referendums and the resulting property tax financed debt service, rather pay for infrastructure improvements through a one percent sales tax. While the voters defeated that proposal, they approved the same proposal, but with a five year limitation, in the spring 2007 election. Effective July 1, 2007, the tax generates \$15 million annually. Property tax financed debt service will end in 2017.

Currently, the City is in the midst of a four year \$75 million water improvement program that is being financed by bond issues and Illinois EPA loans that will be repaid by water revenues. When this program is complete, the City will finance future water improvements on a cash basis.

For the future, the City will only issue bonds for development purposes that are financed by TIF district property tax increment or other non property tax alternate revenue sources.

The City's current bond (long-term debt) and note (short-term debt) ratings are Aa2 and MIG-1 respectively from Moody's Investors Service. The bond rating was last upgraded during 2000 from A2 to A1. Moody's highlighted three critical factors in their review: (1) the City's economic base will continue to experience moderate growth and diversification improving economic performance; (2) sound financial operations in the City government due to steady revenue growth and conservative financial management; and (3) a moderate debt burden with rapid payout. This improved rating will reduce interest costs for future bond issues. The City plans to continue its efforts in order to insure that it will be able to borrow and borrow at the best interest rate possible. In 2010, Moody's developed a new rating system; the result for the City rating was a change from A1 to Aa2.

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CITY OF ROCKFORD, ILLINOIS OUTSTANDING AND PROPOSED DEBT ISSUES

<u>ISSUE AND AMOUNT</u>	<u>PAYMENT SOURCE</u>	<u>FINAL LEVY YEAR</u>
1995 \$1,745,924 Kishwaukee Trunk Sewer (RRWRD)	7	2015
1999 \$5.3 Water Alt (Series A-\$2.2, Series B-\$3.1)	2	2011, 2018
1999 \$28.5 GOB (Series A-\$16.5 (\$7.0 Street, \$9.5 GOB Refunding), Series B-\$7.0 Coronado Theatre Public	1,6	2012, 2018
2000 \$12.2 GOB (Series A-\$6.0 Street, Series B-\$2.2 Water, Series C-\$4.0 South Rockford TIF)	1,2,3,6, 9	2013, 2020
2000 \$3.0 GO Alt (Series D-7th Street TIF Project)	3	2014
2001 \$9.2 GOB (Series A-\$7.0 Street, Series B-\$2.2 Water	1, 2	2013
2001 \$0.575 GOB Alternate (Lincolnwood Housing TIF)	3	2010
2002 \$13.2 GOB (Series A-\$8.0 Street, Series B-\$2.2 Water, and Series C-\$3.0 7th Street TIF Project)	1, 2, 3	2014
2002 \$2.5 GOB Taxable Alternate (Downtown Development)	3	2011
2002 \$3.360 GOB Alternate and Refunding (Series D-\$2.060 Refunding Sales/Water, \$1.3 Springfield Corners Housing TIF	2, 3, 7	2020
2003 \$10.4 GOB (Series A-\$8.2 Street, Series B-\$2.2 Water	1, 2	2015
2004 \$15.9 GOB (Series A-\$8.5 Street, Series B-\$2.2 Water, Series C-\$2.0 7th St Taxable TIF Project, and Series D-\$3.2 Equipment)	1, 2, 3, 7	2016
2004 \$14.570 GOB Alternate and Refunding, (Alternate, Series E-\$4.65, N Main TIF \$1.65, Airport TIF \$3.0, Refundings, Series F-\$4.375 Street/ Drainage, Series G-\$2.475 Water, Series H-\$3.070 S Rockford TIF)	1, 2, 3	2023
2005 \$10.9 GOB (Series A-\$8.7 Street, Series B-\$2.2 Water)	1, 2	2017
2005 \$10.6 GOB (Alternate, Series C-\$7.550, Airport TIF \$0.915, Lincolnwood II TIF \$0.560, Springfield Corners TIF \$1.795, River Oaks \$2.450, Garrison TIF \$1.500, Lincolnwood I Refunding, \$0.530, Series D-\$2.850 Taxable Alternate Southwest Rockford Econ Dev	3,7	2017
2006 \$17.5 GOB (Series A-\$15.0 Water, Series B-\$2.5 Hope 6 TIF)	2,3	2025
2007 \$29.865 GOB Alternate and Refunding (\$23.0 Metro Centre Improvements (Series A-\$6.635 Tax Exempt, Series B-\$16.365 Taxable), Series C-\$6.865 GOBA Refunding)	6,9	2026
2007 \$8.75 GOB Alternate (Series D-\$3.5 Water, Series E-\$1.1 Preston Central TIF, Series F-\$1.1Sewer, Series G-\$3.05 Library)	2	2026
2008 \$12.15 GOB Alternate (Series A-\$9.0 Water, Series B-\$1.3 TIF (\$1.1 Airport, \$0.2 Jackson School), Series C-\$1.85 Taxable Parking	2,3,7,8	2026
2009 \$2.6 GOB Alternate (Series A-\$1.65 TIF (\$0.35 River North, \$1.3 Main Whitman), Series B-\$0.95 Taxable Global Trade #1)	2,3,5	2028
2009 \$8.065 Series C - GOB Alternate Refunding Taxable (Metro Center)	3	2018
2009 \$1.7 GOB Alternate (Series D-\$1.35 Springfield Corners TIF, Series E-\$0.35 River East TIF)	3	2028
2009 \$13.585 Refunding (Series E-\$7.93 GOB Street, Series F-\$4.325 Water, Series G-\$1.33 7th Street TIF District)	6,9	2026
2010 \$3.4 GOB Alternate Water	1,2,3	2015
	2	2029

2010 bonds unissued

Amounts are in Millions

ALTERNATE - General Obligation Bonds (Alternate)

ALTERNATE CERTIFICATE - General Obligation Certificates

GOB - General Obligation Bonds (Exempt)

GOB TAXABLE - General Obligation Bonds (Taxable)

WRB - Water Revenue Bonds

PAYMENT SOURCES

- 1 Property Taxes
- 2 Water Fund Revenues
- 3 Tax Increment Financing District Revenues
- 4 Special Service Area Property Taxes
- 5 Parking Fund Revenues
- 6 Redevelopment Fund Revenues
- 7 Sales Taxes
- 8 Off Track Betting Revenues
- 9 Private, Other

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Budget Summary

DEBT SERVICE FUND BUDGET SUMMARY					
APPROPRIATION	2008 ACTUAL	2009 BUDGET	2009 ACTUAL	2010 BUDGET	INCREASE (DECREASE)
BOND INTEREST	\$5,037,849	\$6,111,173	\$4,695,169	\$4,982,228	(\$1,128,945)
REFUNDING ESCROW	0	0	18,273,210	0	0
BOND PRINCIPAL	11,025,852	12,613,764	9,023,765	12,031,764	(582,000)
TOTAL	\$16,063,701	\$18,724,937	\$31,992,144	\$17,013,992	(\$1,710,945)
Actuals exclude water system debt					
FUNDING SOURCE	2009 AMOUNT	2009 PERCENTAGE	2010 AMOUNT	2010 PERCENTAGE	
PROPERTY TAXES					
DEBT SERVICE-CITYWIDE	\$6,996,014	39.5	\$6,334,985	37.2	
DEBT SERVICE-SPECIAL DISTRICTS	0	0.0	0	0.0	
	6,996,014	39.5	6,334,985	37.2	
ABATEMENTS-TAX EXEMPT					
PUBLIC WORKS WATER DIVISION	4,587,139	25.9	4,294,979	25.2	
SALES TAX	617,173	3.5	583,073	3.4	
TIF DISTRICTS	2,052,151	11.6	2,266,409	13.3	
OFF TRACK BETTING	0	0.0	0	0.0	
REDEVELOPMENT FUND	786,905	4.4	841,380	4.9	
OTHER	829,769	4.7	824,644	4.8	
	8,873,137	50.1	8,810,485	51.6	
ABATEMENTS-TAXABLE					
TIF DISTRICTS	873,061	4.9	973,061	6.0	
SALES TAX	316,094	1.8	331,093	1.9	
REDEVELOPMENT FUND	532,696	3.7	441,868	2.6	
PARKING	123,687	(15.9)	122,500	0.7	
OTHER	0	0.0	0	0.0	
	1,845,538	10.4	1,868,522	11.2	
INTEREST INCOME	0	0.0	0	0.0	
TOTAL	\$17,714,689	100.0	\$17,013,992	100.0	

Budget Analysis

Four sales were held in 2009. On March 2nd, a \$2.6 million development issue was sold. The nineteen year \$1.65 million tax exempt portion funded housing rehabilitation projects in two tax increment districts, \$0.35 million for the Valencia in the River North TIF District and \$1.3 million for the Rock River Towers in the Main Whitman TIF District. The fourteen year \$0.95 million taxable portion funded the Tandem cargo facility project at the airport in Global Trade Park #1 TIF District. Repayment is by TIF property tax increment.

On September 14th, an \$8.065 million taxable structural refunding issue was sold to advance refund a portion of the 2007B taxable bonds, debt service through December 15, 2014. Repayment is by Redevelopment Fund revenues.

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On December 3rd, a \$13.585 refunding issue for refinancing seven bond issues originally issued between 1999 and 2001 was sold in a negotiated sale that will provide \$757,800 in savings over a nine year period. Repayment is by the original sources.

On December 7th, a fourteen year \$1.7 million taxable development issue was sold to fund two development projects. In the Springfield Corners TIF District, \$1.35 million reimburses the Renaissance project developer for land acquisition, demolition, and soft costs. For the 202 North Madison building rehabilitation project in the East River TIF District, \$350,000 was needed. Repayment is by TIF property tax increment.

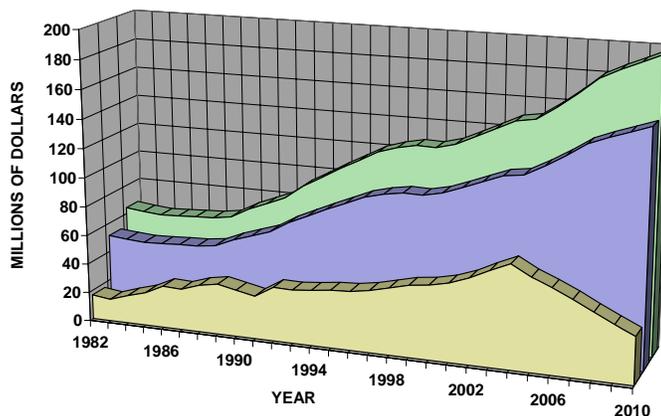
For 2010, a \$3.4 million water issue, needed to complete the \$75 million water program, will be issued.

For the \$75 million water program, the City has issued \$27.5 million in the traditional marketplace. In addition, the City is participating in a State (IEPA) loan program for eligible mitigation activities that is anticipated to produce \$15 million in savings over traditional financing. To date, the State has approved \$32.7 million in twenty year 2.5% loans. The City anticipates seeking \$6.5 million in additional IEPA loans to complete the program. In addition, the City has received \$5.0 million in ARRA stimulus fund, half as a grant and half as a 0% twenty year loan.

The General Fund sales tax transfer for annexation improvements will be \$494,667 (includes \$119,073 for the Kishwaukee Sewer Trunk, a 20 year state loan through the water reclamation district). In addition, the \$3.2 million Equipment issue, averaging \$400,000 per year for 10 years, will be repaid from sales tax. Combined, the 2010 sales tax transfer for debt service will be \$914,167.

With no new general obligation debt proposed for street issues, the 2010 property tax funded debt service will only be for the six outstanding bond issues. The 2010 gross levy is \$6,398,975, a rate of 31.8 cents. The \$660,000 decrease from the prior year is due primarily to the 1999 \$9.5 million refunding issue debt service ending. With no new referendum debt for street improvements to be proposed, all outstanding debt will be retired by 2017 and the City's debt service tax rate will be eliminated.

**CITY OF ROCKFORD, ILLINOIS
LONG TERM DEBT OUTSTANDING
YEARS FROM 1982**



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The State has a limit of 8.625% of debt to equalized assessed valuation (EAV) for non-home rule units. Applying this percentage to the City, the limit would be \$179.6 million (2009 EAV). With \$32.2 million outstanding in general obligation bonds and certificates, the City is at 17.9% of the limit and has \$147.4 million in authority remaining. The City Council has adopted a more stringent policy, 20% less than the State limit that allows only \$143.7 million, 6.9% of EAV. Even with the stricter City policy, \$111.5 million in authority is still available.

Five Year Financial Forecast

As part of the annual development of the five year capital improvements program, the City also prepares a bond issue schedule. While currently no plans exist for the 2011-2015 period, the City may recognize a need in the future during this period and sell bonds. Actual size and issuance depends upon the development of the annual capital improvements program. As existing street debt is retired, the debt service tax rate should continue to decrease.

DEBT SERVICE FUND 2011-2015 FINANCIAL FORECAST (IN 000'S)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues	\$16,375	\$15,247	\$14,646	\$15,067	\$13,312
Expenditures	<u>16,375</u>	<u>15,247</u>	<u>14,646</u>	<u>15,067</u>	<u>13,312</u>
Excess (Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning Balance	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Ending Balance	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
GO Bond Issues	0	0	0	0	0
Water Issues	0	0	0	0	0
Alternate Issues	0	0	0	0	0
Tax Rate (Cents)	28.9	25.3	22.2	18.1	13.4