

# **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) rating is Aa3 from Moody's Investors Service. The bond rating was lowered from Aa2 during the most recent sale in July 2010. Moody's expressed concerns about decreasing cash reserves and numerous budgetary pressures when reviewing the City's financial operations. Declining elastic revenues, mandated public safety costs, and an increased need to support development funds were cited. The City's limited financial flexibility, due to being non home rule, was an issue for them. An elevated debt burden with some exposure to variable rate interim debt was noted. Finally, as in past ratings, Moody's highlighted the local economy with high unemployment levels. The last bond rating, an upgrade, occurred in 2000.

# Debt Management

## 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
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	2,3,5	2028
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)	3	2029, 2024
2009 \$8.065 Series C - GOB Alternate Refunding Taxable (Metro Center)	6,9	2026
2009 \$1.7 GOB Alternate (Series D-\$1.35 Springfield Corners TIF, Series E-\$0.35 River East TIF)	3	2023
2009 \$13.585 Refunding (Series E-\$7.93 GOB Street, Series F-\$4.325 Water, Series G-\$1.33 7th Street TIF District)	1,2,3	2015
2010 \$3.4 GOB Alternate Water	2	2029

2010 bonds issued

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

# Debt Management

## Budget Summary

DEBT SERVICE FUND BUDGET SUMMARY					
APPROPRIATION	2008 ACTUAL	2009 ACTUAL	2010 BUDGET	2011 BUDGET	INCREASE (DECREASE)
BOND INTEREST	\$5,037,849	\$4,695,169	\$5,761,222	\$5,422,742	(\$338,480)
BOND PRINCIPAL	11,025,852	18,273,210	13,735,713	13,620,037	(115,676)
TOTAL	\$16,063,701	\$22,968,379	\$19,496,935	\$19,042,779	(\$454,156)
Actuals exclude water system debt					
FUNDING SOURCE	2010 AMOUNT	2010 PERCENTAGE	2011 AMOUNT	2011 PERCENTAGE	
PROPERTY TAXES					
DEBT SERVICE-CITYWIDE	\$6,334,985	32.5	\$5,546,650	29.1	
DEBT SERVICE-SPECIAL DISTRICTS	0	0.0	0	0.0	
	6,334,985	32.5	5,546,650	29.1	
ABATEMENTS-TAX EXEMPT					
PUBLIC WORKS WATER DIVISION	6,777,922	34.8	6,697,874	35.2	
SALES TAX	583,073	3.0	579,573	3.0	
TIF DISTRICTS	2,266,409	11.6	2,608,586	13.7	
OFF TRACK BETTING	0	0.0	0	0.0	
REDEVELOPMENT FUND	841,380	4.3	910,893	4.8	
OTHER	824,644	4.2	819,519	4.3	
	11,293,428	57.9	11,616,445	61.0	
ABATEMENTS-TAXABLE					
TIF DISTRICTS	973,061	5.6	946,660	5.0	
SALES TAX	331,093	1.7	319,844	1.7	
REDEVELOPMENT FUND	441,868	2.3	441,868	2.3	
PARKING	122,500	0.6	171,312	0.9	
OTHER	0	0.0	0	0.0	
	1,868,522	9.6	1,879,684	9.9	
INTEREST	0	0.0	0	0.0	
TOTAL	\$19,496,935	100.0	\$19,042,779	100.0	

## Budget Analysis

Only one sale was held in 2010, \$3.4 million for water improvements. Repayment is by water revenues.

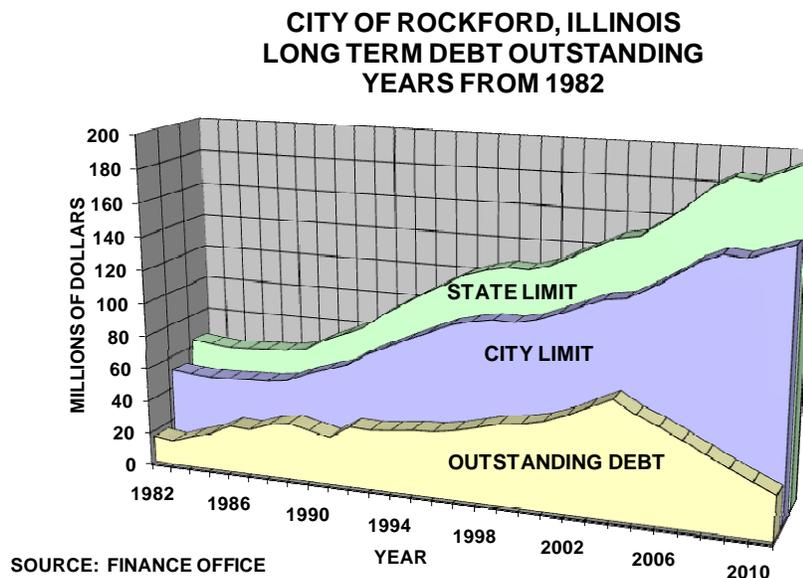
For the \$75 million water program, the City has issued \$30.9 million in the traditional marketplace. In addition, the City is participating in a State (IEPA) loan program for eligible mitigation activities that is anticipated to produce \$15 million in savings over traditional financing. To date, the State has approved \$23.4 million in twenty year 2.5% loans, \$9.6 million in twenty year 1.25% loans, and \$7.5 million in twenty year 0.0% loans, a total of \$40.5 million. In addition, the City has received \$3.9 million in ARRA stimulus grants. The State total is \$44.4 million. The total borrowing is \$71.4 million. With the grant funds, the total program is \$75.3 million.

For 2011, the City does not plan to issue long term debt.

# Debt Management

The General Fund sales tax transfer for annexation improvements will be \$483,417 (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 2011 sales tax transfer for debt service will be \$899,417.

With no new general obligation debt proposed for street issues, the 2011 property tax funded debt service will only be for the five outstanding bond issues. The 2011 gross levy is \$5,602,677, an estimated rate of 28.9 cents. The \$796,000 decrease from the prior year is due primarily to the 2004 \$4.375 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.



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 \$39.6 million in interim variable debt (total \$71.8 million), the City is at 40.0% of the limit and has \$107.8 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, \$71.9 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 2012-2016 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 Management

## DEBT SERVICE FUND 2012-2016 FINANCIAL FORECAST (IN 000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$17,945	\$17,341	\$17,760	\$16,001	\$14,746
Expenditures	<u>17,945</u>	<u>17,341</u>	<u>17,760</u>	<u>16,001</u>	<u>14,746</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)	27.7	23.4	18.0	13.3	8.9