

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. The tax was extended by referendum for an additional five year period on April 5, 2011. Property tax financed debt service will end in 2017.

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.

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
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-\$1.1 Sewer, Series G-\$3.05 Library)	6	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	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)	2,3,7,8	2026
2009 \$8.065 Series C - GOB Alternate Refunding Taxable (Metro Center)	2,3,5	2028
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)	3	2029, 2024
2010 \$3.4 GOB Alternate Water	6,9	2026
2012 \$1.47 Refunding (Series B-\$0.64 GOB Water, \$0.83 GOB Water)	1,2,3	2015
2012 \$7.73 Refunding (\$2.7 GO, Series C-\$0.88 7th Street TIF, Series C-\$0.93 Springfield Corners TIF, Series A-\$3.22 GO)	2	2029
	2	2016
	2, 3, 7	2016, 2021

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	2010 <u>ACTUAL</u>	2011 <u>ACTUAL</u>	2012 <u>BUDGET</u>	2013 <u>BUDGET</u>	INCREASE (DECREASE)
BOND INTEREST	\$3,814,422	\$5,807,906	\$5,039,476	\$4,329,146	(\$710,330)
REFUNDING ESCROW	0	0	0	0	0
BOND PRINCIPAL	<u>9,096,764</u>	<u>9,015,000</u>	<u>12,923,221</u>	<u>12,859,335</u>	<u>(63,886)</u>
TOTAL	<u>\$12,911,186</u>	<u>\$14,822,906</u>	<u>\$17,962,697</u>	<u>\$17,188,481</u>	<u>(\$774,216)</u>
Actuals exclude water system debt					
FUNDING SOURCE	2010 <u>ACTUAL</u>	2011 <u>ACTUAL</u>	2012 <u>BUDGET</u>	2013 <u>BUDGET</u>	INCREASE (DECREASE)
PROPERTY TAXES					
DEBT SERVICE-CITYWIDE	\$6,334,895	\$5,546,650	\$4,866,320	\$4,849,256	(\$17,065)
DEBT SERVICE-SPECIAL DI	0	0	0	0	0
	6,334,895	5,546,650	4,866,320	4,849,256	(17,065)
ABATEMENTS-TAX EXEMPT					
PUBLIC WORKS WATER DI	4,294,979	6,697,874	6,527,549	5,776,777	(750,772)
SALES TAX	583,073	579,573	574,773	579,573	4,800
TIF DISTRICTS	2,266,409	2,608,586	2,716,535	2,467,629	(248,907)
REDEVELOPMENT FUND	841,380	910,893	1,000,905	1,080,193	79,288
OTHER	<u>824,644</u>	<u>819,519</u>	<u>814,394</u>	<u>809,269</u>	<u>(5,125)</u>
	8,810,485	11,616,445	11,634,156	10,713,441	(920,715)
ABATEMENTS-TAXABLE					
TIF DISTRICTS	973,061	946,660	519,010	698,635	179,625
SALES TAX	331,093	319,844	333,593	321,094	(12,499)
REDEVELOPMENT FUND	441,868	441,868	441,868	441,868	0
PARKING	122,500	171,312	167,750	164,188	(3,562)
OTHER	0	0	0	0	0
	1,868,522	1,879,684	1,462,221	1,625,785	163,564
INTEREST	0	0	0	0	0
TOTAL	<u>\$17,013,902</u>	<u>\$19,042,779</u>	<u>\$17,962,697</u>	<u>\$17,188,481</u>	<u>(\$774,216)</u>

Budget Analysis

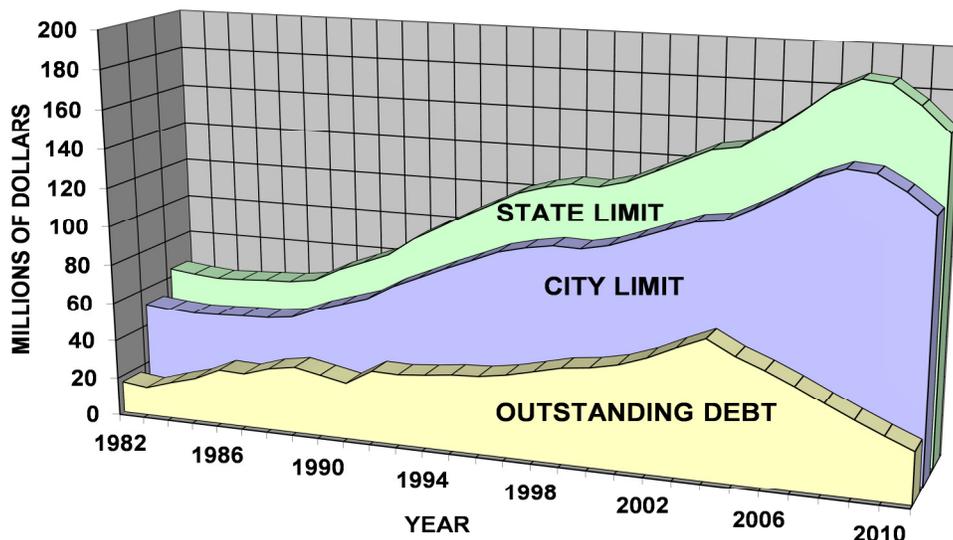
- The last sale was held in 2012, \$10.485 million bond issue for refunding six outstanding series of bonds for 2002 and 2003 for road and water system improvements and tax increment finance districts. The estimated total net present value debt savings will be approximately \$540,000 during the life of the bond.
- 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

Debt Management

mitigation activities that is anticipated to produce \$15 million in savings over traditional financing. To date, the State has approved \$23.1 million in twenty year 2.5% loans, \$8.5 million in twenty year 1.25% loans, and \$7.5 million in twenty year 0.0% loans, a total of \$39.1 million. In addition, the City has received \$5.4 million in ARRA stimulus grants. The State total is \$44.5 million. The total borrowing is \$70.0 million. With the grant funds, the total program is \$75.4 million.

- There is no plan to issue long term debt in 2013.

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



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 \$149.8 million (2012 EAV). The City Council has adopted a more stringent policy, 20% less than the State limit that allows only \$119.9 million, 6.9% of EAV.

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 2014-2018 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 2014-2018 FINANCIAL FORECAST (IN 000'S)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues	\$17,620	\$15,947	\$14,730	\$13,217	\$10,534
Expenditures	<u>17,620</u>	<u>15,947</u>	<u>14,730</u>	<u>13,217</u>	<u>10,534</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)	24.8	16.8	11.7	6.1	0.9

**CITY OF ROCKFORD
NEXT YEAR/CURRENT YEAR BUDGET ANALYSIS
DEBT MANAGEMENT FUNDS**

	2011 ACTUAL	2012 BUDGET	7 MO ACTUAL	2013 BUDGET	BUDGET CHANGE 12-13
78783 GO Bond Principal	9,015,000	12,923,221	7,538,546	12,859,335	(63,886)
78833 GO Bond Interest	5,807,906	5,039,476	2,939,694	4,329,146	(710,330)
TOTAL OTHER	14,822,906	17,962,697	10,478,240	17,188,481	(774,216)
TOTAL DEBT MANAGEMENT	14,822,906	17,962,697	10,478,240	17,188,481	(774,216)