

DEBT SERVICE

GENERAL OBLIGATION DEBT

Introduction

The General Obligation Debt Service Fund provides for the payment of principal and interest on the City's outstanding general obligation bonds, certificates of obligation and equipment acquisition notes. Debt financing is used to pay for large capital projects by spreading the cost of the project over the life of the asset. Capital projects may include improvements to and/or construction of the City's street system; parks and recreational facilities; libraries, police and fire protection facilities; and the flood protection and storm drainage system. The Financial Management Performance Criteria (FMPC) address debt management, and among other requirements, necessitate voter approval prior to issuance of general obligation bonds and restrict the maturities, amounts of and purposes for which bonded debt may be issued.

The primary source of revenue for the debt service fund is the ad valorem property tax. The adopted ad valorem tax rate of 69.98¢ per \$100 assessed value is split into two rates. Approximately one-fourth (17.55¢) of the tax revenue is used to pay principal and interest on the City's outstanding general obligation debt. The remaining three-fourths (52.43¢) of the revenue generated by the tax rate is used to pay for operating and maintenance costs incurred in the General Fund.

Due to the level principal structure of individual bond sales, the principal and interest payments of the existing general obligation debt decline annually (see page F-4.) This repayment schedule creates more growth in the capacity to issue new debt within the existing debt service tax rate than a level payment schedule would. Additionally, with the growth in the tax base in recent years and prevailing low interest rates, the debt service tax rate has been reduced as a percentage of the overall tax rate without compromising the size of the sales. With the passage of the May 2003 bond election, a modest increase in the tax rate may be necessary in future fiscal years based on conservative tax base growth projections.

Credit Rating

The City of Dallas' General Obligation debt currently holds AA+/Aa1 ratings from Standard & Poor's and Moody's Investors Service, respectively. These exceptionally high ratings reflect the sound management of the City of Dallas' financial resources and allow the City of Dallas to issue relatively low cost debt.

Legal Debt Margin

The City of Dallas Charter (Chapter XXI, Section 3) limits the maximum bonded indebtedness, payable from taxation, to 10% of assessed property value. However, the City's Financial Management Performance Criteria (FMPC) further limits the net general obligation debt to 4% of the true market valuation of the taxable property of Dallas. Existing debt plus new debt of \$194.6 million would constitute 1.2% of the taxable value of \$66.5 billion. Thus, the City would continue to be in compliance with this criterion as of 9/30/2004.

Certified Assessed Value	\$66,501,655,057
10% Legal Debt Margin	\$6,650,165,506
4% FMPC limit	\$2,660,066,202
Projected Net GO Debt 9/30/2004	\$792,572,753
Net GO Debt as a percent of certified assessed value	1.2%

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FY 2003-04 Debt Service Budget

The FY 2003-04 budget includes principal and interest payments on \$723.3 million of existing debt. New debt to be issued includes \$173.4 million in general obligation bonds and \$21.2 million in equipment acquisition notes. Principal and interest expenses for existing debt and new debt are \$83.5 million and \$43.6 million, respectively, and are summarized in the table below.

	Principal	Interest	Total
Existing Debt	\$79,607,721	\$38,126,488	\$117,734,209
\$173.4m General Obligation Bonds	\$0	\$5,129,010	\$5,129,010
\$21.2m Equipment Acquisition Notes	\$3,845,000	\$377,010	\$4,222,010
Total	\$83,452,721	\$43,632,508	\$127,085,229

Selected Financial Management Performance Criteria - Debt Management

These key criteria, established to ensure sound management of the City's financial resources, are listed below to detail the effects of the issuance of new debt.

Criteria	09/30/02 Actual	09/30/03 Estimate	09/30/04 Adopted ¹
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	2.87% In compliance	2.76% In compliance	2.92% In compliance
Weighted average general obligation bond maturities not to exceed 10 years	7.06 years In compliance	6.51 years In compliance	6.95 years In compliance
Certificate of obligation debt not to exceed 15% of total authorized and issued general obligation debt	3.98% In compliance	8.32% In compliance	6.22% In compliance
Per capita general obligation debt not to exceed 10% of latest authoritative computation of per capita annual income	1.72% In compliance	1.64% In compliance	1.90% In compliance

¹9/30/04 Adopted includes the issuance of \$194.6 million of new debt.

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Statement of General Obligation Bonded Indebtedness As of 09/30/2003

Series Number	Issue Name	Date of Issue	Term Years	Outstanding Principal
514	General Obligation Refunding	08/15/85	18.5	1,372,721
551	General Obligation Various Purpose	06/15/94	20	25,000,000
556	General Obligation Various Purpose	11/01/95	20	16,500,000
560	General Obligation Various Purpose	11/01/96	19	37,620,000
563	General Obligation Various Purpose	11/01/97	19	40,300,000
571	General Obligation Refunding and Improvement	11/01/98	20	207,560,000
574	General Obligation Various Purpose	11/01/99	19	55,470,000
578	General Obligation Various Purpose	11/01/00	19	92,125,000
583	General Obligation Various Purpose	11/01/01	19	61,250,000
589	General Obligation Refunding	01/15/03	8	82,790,000
Total General Obligation Bonds				619,987,721
575	Equipment Acquisition Contractual Obligations	11/01/99	5	2,435,000
579	Equipment Acquisition Contractual Obligations	11/01/00	5	12,080,000
584	Equipment Acquisition Contractual Obligations	11/01/01	5	19,695,000
588	Equipment Acquisition Contractual Obligations	11/01/02	5	8,955,000
Total Equipment Acquisition Contractual Obligations				43,165,000
558	Certificates of Obligation	11/01/95	10	360,000
565	Certificates of Obligation	11/01/97	10	2,575,000
580	Certificates of Obligation	11/01/00	10	16,220,000
585	Certificates of Obligation (Taxable)	11/01/01	5	4,995,000
591	Certificates of Obligation	05/01/03	10	36,000,000
Total Certificates of Obligation				60,150,000
Total General Obligation, Equipment Acquisition Contractual Obligations, and Certificates of Obligation				\$723,302,721

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General Obligation Debt Service Requirements As of 09/30/2003

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2004	79,607,721	38,126,488	117,734,209
2005	85,520,000	28,684,368	114,204,368
2006	77,495,000	25,019,900	102,514,900
2007	58,295,000	21,903,316	80,198,316
2008	51,330,000	19,370,912	70,700,912
2009	51,335,000	16,946,812	68,281,812
2010	48,385,000	14,587,016	62,972,016
2011	42,320,000	12,431,991	54,751,991
2012	41,770,000	10,430,635	52,200,635
2013	40,570,000	8,460,537	49,030,537
2014	31,770,000	6,690,175	38,460,175
2015	26,710,000	5,220,912	31,930,912
2016	24,515,000	3,925,688	28,440,688
2017	21,080,000	2,758,866	23,838,866
2018	18,105,000	1,743,025	19,848,025
2019	12,280,000	944,750	13,224,750
2020	8,815,000	385,181	9,200,181
2021	3,400,000	76,500	3,476,500
	<u>\$723,302,721</u>	<u>\$217,707,072</u>	<u>\$941,009,793</u>

This table does not include any adjustments for anticipated refunding savings.

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Statement of Revenues and Expenditures *General Obligation Debt*

	<u>FY 2001-02</u> <u>Actual</u>	<u>FY 2002-03</u> <u>Budget</u>	<u>FY 2002-03</u> <u>Estimate</u>	<u>FY 2003-04</u> <u>Adopted</u>
Beginning Cash Balance	\$ 5,232,522	\$ 2,271,510	\$ 1,639,757	\$ 852,963
<u>Revenues</u>				
Ad Valorem Taxes	121,926,610	124,583,435	123,540,543	115,681,244
Interest/Transfers/Other	8,110,526	4,756,795	5,932,412	17,436,911
Total	130,037,136	129,340,230	129,472,955	133,118,155
Total Available Resources	\$ 135,269,658	\$ 131,611,740	\$ 131,112,712	\$ 133,971,118
<u>Expenses</u>				
Principal Payments	81,330,122	81,322,827	80,837,827	83,452,721
Interest Payments	50,426,550	47,418,933	44,390,739	43,632,508
Other Expenses	1,873,229	1,479,246	5,031,183	572,946 *
Total	133,629,901	130,221,006	130,259,749	127,658,175
Ending Cash Balance	\$ 1,639,757	\$ 1,390,734	\$ 852,963	\$ 6,312,943

*Includes anticipated refunding savings.