

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 71.97¢ per \$100 assessed value is split into two rates. Approximately one-fourth (17.14¢) of the tax revenue is used to pay principal and interest on the City's outstanding general obligation debt. The remaining three-fourths (54.83¢) 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 bond 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 \$201.8 million would constitute 1.3% of the taxable value of \$67.6 billion. Thus, the City would continue to be in compliance with this criterion as of 9/30/2005.

Certified Assessed Value	\$67,579,877,637
10% Legal Debt Margin	\$6,757,987,764
4% FMPC Limit	\$2,703,195,105
Projected Net GO Debt 9/30/05	\$880,852,660
Net GO Debt as percent of Certified Assessed Value	1.3%

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FY 2004-05 Debt Service Budget

The FY 2004-05 budget includes principal and interest payments on \$834.3 million of existing debt. New debt to be issued includes \$172.3 million in general obligation bonds, \$6.0 million in certificates of obligation, and \$23.5 million in equipment acquisition notes. Principal and interest expenses for existing debt and new debt are \$104.3 million and \$43.8 million, respectively, and are summarized in the table below.

	Principal	Interest	Total
Existing Debt	\$99,090,000	\$35,940,268	\$135,030,268
\$172.3m General Obligation Bonds	\$0	\$7,137,541	\$7,137,541
\$6.0m Certificates of Obligation	\$520,000	\$180,038	\$700,038
\$23.5m Equipment Acquisition Notes	\$4,705,000	\$566,158	\$5,271,158
Total	\$104,315,000	\$43,824,005	\$148,139,005

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	09/30/03 Actual	09/30/04 Estimate	09/30/05 Adopted ¹
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	2.8% In compliance	3.0% In compliance	3.1% In compliance
Weighted average general obligation bond maturities (exclusive of pension obligation bonds) not to exceed 10 years	6.5 years In compliance	6.8 years In compliance	6.9 years In compliance
Certificate of obligation debt not to exceed 15% of total authorized and issued general obligation debt	8.3% In compliance	6.2% In compliance	5.3% In compliance
Per capita general obligation debt not to exceed 10% of latest authoritative computation of per capita annual income	1.6% In compliance	1.9% In compliance	2.1% In compliance

¹9/30/05 Adopted includes the issuance of \$201.8 million of new debt.

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Statement of General Obligation Bonded Indebtedness As of 09/30/2004

Series Number	Issue Name	Issue Date	Term Years	Interest Rate(s)	Outstanding Principal
556	General Obligation Various Purpose	11/01/1995	20	5.0%	2,750,000
560	General Obligation Various Purpose	11/01/1996	19	4.0%-6.0%	20,520,000
563	General Obligation Various Purpose	11/01/1997	19	4.3%-5.5%	25,905,000
571	General Obligation Refunding and Improvement	11/01/1998	20	4.0%-5.0%	195,400,000
574	General Obligation Various Purpose	11/01/1999	19	5.1%-5.5%	52,000,000
578	General Obligation Various Purpose	11/01/2000	19	5.0%-5.8%	86,705,000
583	General Obligation Various Purpose	11/01/2001	19	4.0%-5.0%	57,845,000
589	General Obligation Refunding	01/15/2003	8	2.5%-5.0%	68,565,000
592	General Obligation Refunding	10/29/2003	10	4.0%-5.0%	56,015,000
593	General Obligation Various Purpose	11/01/2003	19	3.5%-4.5%	<u>173,370,000</u>
Total General Obligation Bonds					\$739,075,000
579	Equipment Acquisition Notes	11/01/2000	5	5.3%	6,040,000
584	Equipment Acquisition Notes	11/01/2001	5	2.8%-3.0%	13,125,000
588	Equipment Acquisition Notes	11/01/2002	5	2.0%-2.3%	6,715,000
594	Equipment Acquisition Notes	11/01/2003	5	2.0%-2.5%	<u>17,395,000</u>
Total Equipment Acquisition Notes					\$43,275,000
558	Certificates of Obligation	11/01/1995	10	4.7%	180,000
565	Certificates of Obligation	11/01/1997	10	4.4%-4.5%	1,930,000
580	Certificates of Obligation	11/01/2000	10	4.8%	14,090,000
585	Certificates of Obligation (Taxable)	11/01/2001	5	3.6%-4.5%	3,330,000
591	Certificates of Obligation	05/01/2003	10	2.0%-3.3%	<u>32,400,000</u>
Total Certificates of Obligation					\$51,930,000
Total General Obligation Bonds, Equipment Acquisition Notes, and Certificates of Obligation					<u><u>\$834,280,000</u></u>

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General Obligation Debt Service Requirements As of 09/30/2004

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2005	99,090,000	35,940,268	135,030,268
2006	90,985,000	31,933,163	122,918,163
2007	71,735,000	28,416,404	100,151,404
2008	64,765,000	25,445,811	90,210,811
2009	60,420,000	22,595,588	83,015,588
2010	57,470,000	19,849,979	77,319,979
2011	51,400,000	17,240,829	68,640,829
2012	50,850,000	14,853,909	65,703,909
2013	49,660,000	12,542,532	62,202,532
2014	40,880,000	10,407,669	51,287,669
2015	35,835,000	8,574,126	44,409,126
2016	33,640,000	6,913,901	40,553,901
2017	30,205,000	5,370,672	35,575,672
2018	27,230,000	3,967,019	31,197,019
2019	21,405,000	2,780,931	24,185,931
2020	17,940,000	1,822,144	19,762,144
2021	12,525,000	1,102,838	13,627,838
2022	9,125,000	615,713	9,740,713
2023	9,120,000	205,200	9,325,200
	\$834,280,000	\$250,578,696	\$1,084,858,696

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Statement of Revenues and Expenditures *General Obligation Debt*

	<u>FY 2002-03</u> <u>Actual</u>	<u>FY 2003-04</u> <u>Budget</u>	<u>FY 2003-04</u> <u>Estimate</u>	<u>FY 2004-05</u> <u>Adopted</u>
Beginning Cash Balance	\$ 1,639,757	\$ 852,963	\$ 586,666	\$ 6,430,242
<u>Revenues</u>				
Ad Valorem Taxes	123,433,951	115,681,244	115,832,285	115,351,586
Interest/Transfers/Other	5,730,827	17,436,911	17,651,058	29,105,854 ¹
Total	129,164,778	133,118,155	133,483,343	144,457,440
Total Available Resources	\$ 130,804,535	\$ 133,971,118	\$ 134,070,009	\$ 150,887,682
<u>Expenses</u>				
Principal Payments	80,837,827	83,452,721	82,747,721	104,315,000
Interest Payments	44,390,739	42,450,508	43,409,052	43,824,005
Other Expenses	4,989,303	1,754,946	1,482,994	1,146,177
Total	130,217,869	127,658,175	127,639,767	149,285,182
Ending Cash Balance	\$ 586,666	\$ 6,312,943	\$ 6,430,242	\$ 1,602,500

¹ The FY2004-05 General Obligation Debt Service Budget recognizes \$12.0 million in surplus proceeds from the 2003 Certificates of Obligation issuance that will be used to pay associated debt costs in the next three fiscal years (\$4.4 million in FY2004-05, \$3.8 million in FY2005-06, and \$3.8 million in FY2006-07.) A \$7.6 million interim-financing transfer from the Hensley Field Fund is included in the FY2004-05 General Obligation Debt Service Budget, in order to recognize the project savings in FY2004-05 and to comply with the tax laws. The Hensley Field Fund will be repaid \$3.8 million, with interest, by the General Fund in FY2005-06 and FY2006-07.