

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of, and resources for, the payment of principal and interest on debt instruments issued by the City. Revenue for this fund is from property taxes, interest and transfers of capital recovery fees from other funds.

Debt Issuance and Debt Service - Cities are authorized to issue several types of debt to finance the construction of streets, drainage systems, park improvements and municipal buildings and to acquire equipment and real property. Following approval by the voters, the City Council may issue General Obligation (G.O.) debt. Tax Notes do not require voter approval. Certificates of Obligation (C.O.) may or may not involve an election. Following a published notice of intent to issue C.O. debt, voters may petition the City Council to conduct an election. If no election is called, the City Council may issue C.O. debt. In addition to specifying principal and interest payment schedules, the bond covenants, or legal conditions under which debt is issued, provide for the establishment of a Debt Service Fund to accumulate the resources to repay the debt. Certain minimum amounts must be accumulated and may be used only for payment of principal, interest and debt service fees. This is known as the "interest and sinking" portion of the property tax rate.

The General Obligation bonds are currently rated at "Aa2" by Moody's and "AA" by Standard and Poor's.

Effects of Current Debt Levels on Current and Future Operations - In order to repay the City's outstanding debt over the life of this planned series of bond issues, the possibility of a property tax rate increase always exists. For FY 2012-2013, the Property Tax Rate is \$0.69569. \$0.18606 of this tax rate is used for debt service. The \$1,369,296 fund balance projected at year-end equals the 15% fund balance requirement established by the City Council in the City's financial policies.

Legal Debt Limits - Neither the City Charter nor the State of Texas limits the amount of debt the City of Cedar Hill may issue. As a matter of policy, Cedar Hill limits General Obligation Debt expenditures to 50% of General Fund expenditures. The City's financial policy requires a 15% fund balance reserve.

DEBT SERVICE FUND
SUMMARY OF FY 2013-2014 BUDGET

CATEGORY	FY 11-12 ACTUAL	FY 12-13 BUDGET	FY 12-13 ESTIMATED	FY 13-14 BUDGET
Fund Balance-Beginning of Year	\$1,214,647	\$1,065,383	\$1,113,788	\$1,357,296
Revenue				
Property Taxes	\$5,120,327	\$5,018,910	\$5,120,000	\$5,027,479
Interest Income	20,637	23,000	20,000	20,000
Transfer from EDC	1,159,517	1,160,590	1,160,592	1,173,830
Transfer from CDC	465,249	462,295	462,296	448,905
Transfer from Impact Fee Funds	991,000	1,336,425	1,336,425	1,365,753
Receipts from Duncanville and Desoto	103,345	101,210	101,210	102,345
Bond Refunding	9,514,838	-	-	-
Total Revenue	\$17,374,913	\$8,102,430	\$8,200,523	\$8,138,312
Total Available Resources	\$18,589,560	\$9,167,813	\$9,314,311	\$9,495,608
Expenditures				
Principal	\$4,524,345	\$4,792,415	\$4,792,415	\$5,175,860
Interest	3,253,886	3,134,600	3,134,600	2,901,952
Paying Agent Fees	26,062	45,000	30,000	48,500
Bond Refunding	9,671,479	-	-	-
Total Expenditures	\$17,475,772	\$7,972,015	\$7,957,015	\$8,126,312
Revenue over (under) Expenditures	(\$100,859)	\$130,415	\$243,508	\$12,000
Fund Balance-End of Year	\$1,113,788	\$1,195,798	\$1,357,296	\$1,369,296

* City policy requires the Debt Service Fund balance to equal or exceed 15% of budgeted expenditures. If resources on hand at the beginning of the fiscal year exceed the 15% requirement, these extra funds included in the resources available to fund expenditures. Therefore, expenditures can exceed revenue and still meet or exceed the fund balance policy.