

# Debt Service Funds



# The Community News

September 3, 2010

ROCHESTER HILLS FAVORITE NEWSPAPER

- Since 1835

## Rochester Hills Receives AAA Rating

### **Strong Financial Position and Good Management Practices Cited**

Rochester Hills, Michigan— The City of Rochester Hills is proud to announce that it has received an 'AAA' Rating from Fitch Ratings, the leading global rating agency. The recent ratings review by Fitch affirms the 'AAA' rating with a stable outlook of the city of Rochester Hills's general obligation limited tax capital improvement bonds, series 2002, as well as the outstanding maturity of the Rochester Hills Building Authority's general obligation limited tax bonds, series 2002.

According to Fitch's assessment, key rating drivers include; the city's internal funding of capital projects combined with a rapid debt payout, as well as the lack of future borrowing plans, should allow the city to retain its favorable debt profile.

Additionally, the presence of ample general fund reserves and the retention of margins under operating millage limits provide vital flexibility as the city weathers the economic downturn.

several new employers are expected to add over 850 new jobs to the local economy in the near future, which should strengthen the employment base," states Mayor Bryan K. Barnett.

"We've seen a recent pickup in our commercial/industrial activity, including a 28% increase in building permits and a decline from 15% to 10% in our vacancy rates this year. We also have a favorable unemployment rate, which was 7.8% in June and trending downward, and remains well below the state level of 13.1% and the national level of 9.6%," states Keith Sawdon, Finance Director.

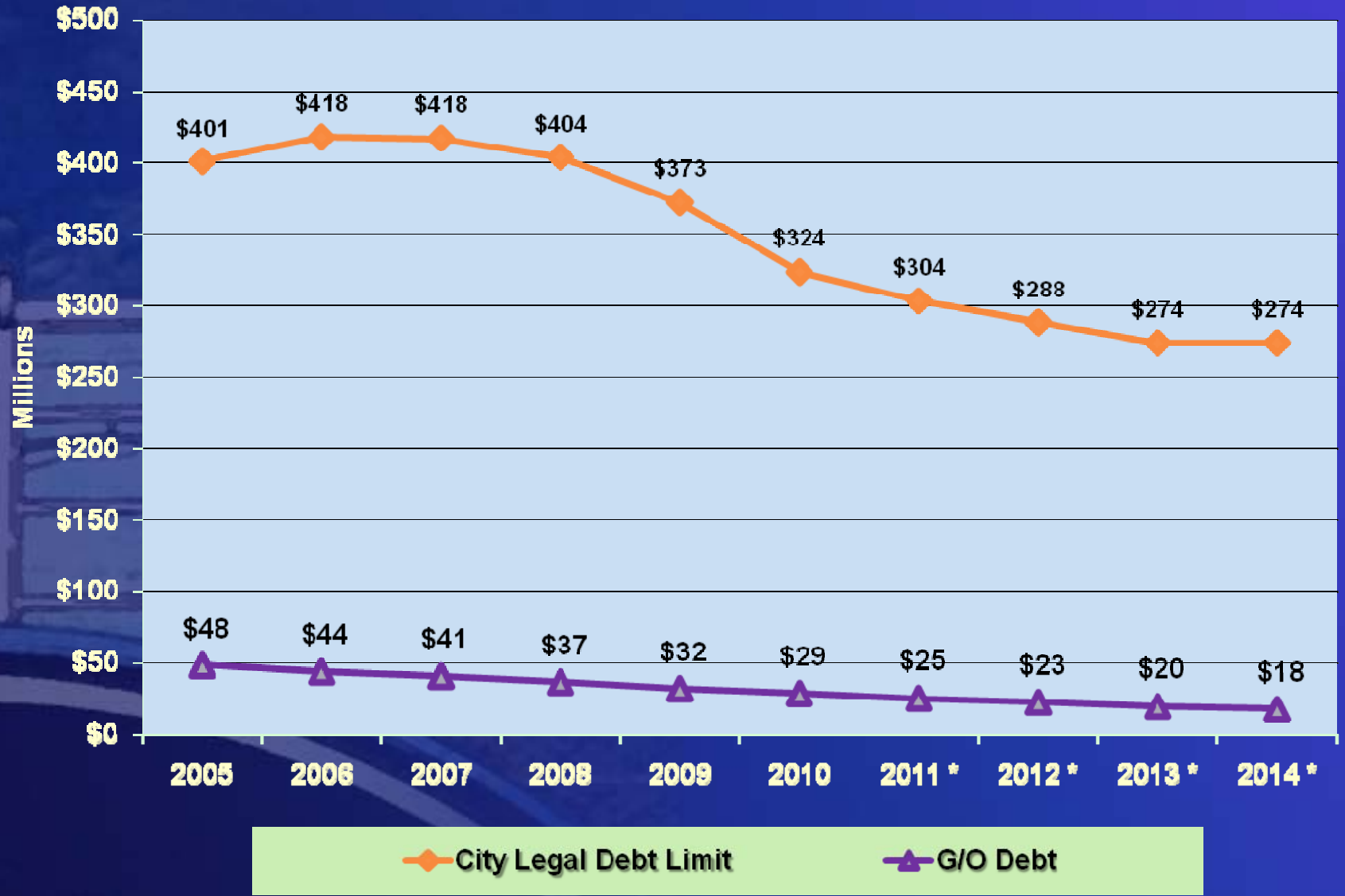
The city just recently presented its multi-year budget for FY2011, along with FY2012 and FY2013 to council; this sophisticated multi-year approach will allow the city to plan for economically induced revenue declines. The 2011 budget calls for a 9% decline in revenues and a 12% reduction in expenditures with no appropriation of fund balance for the next 3 years.

# What the rating agencies saw when looking at the City

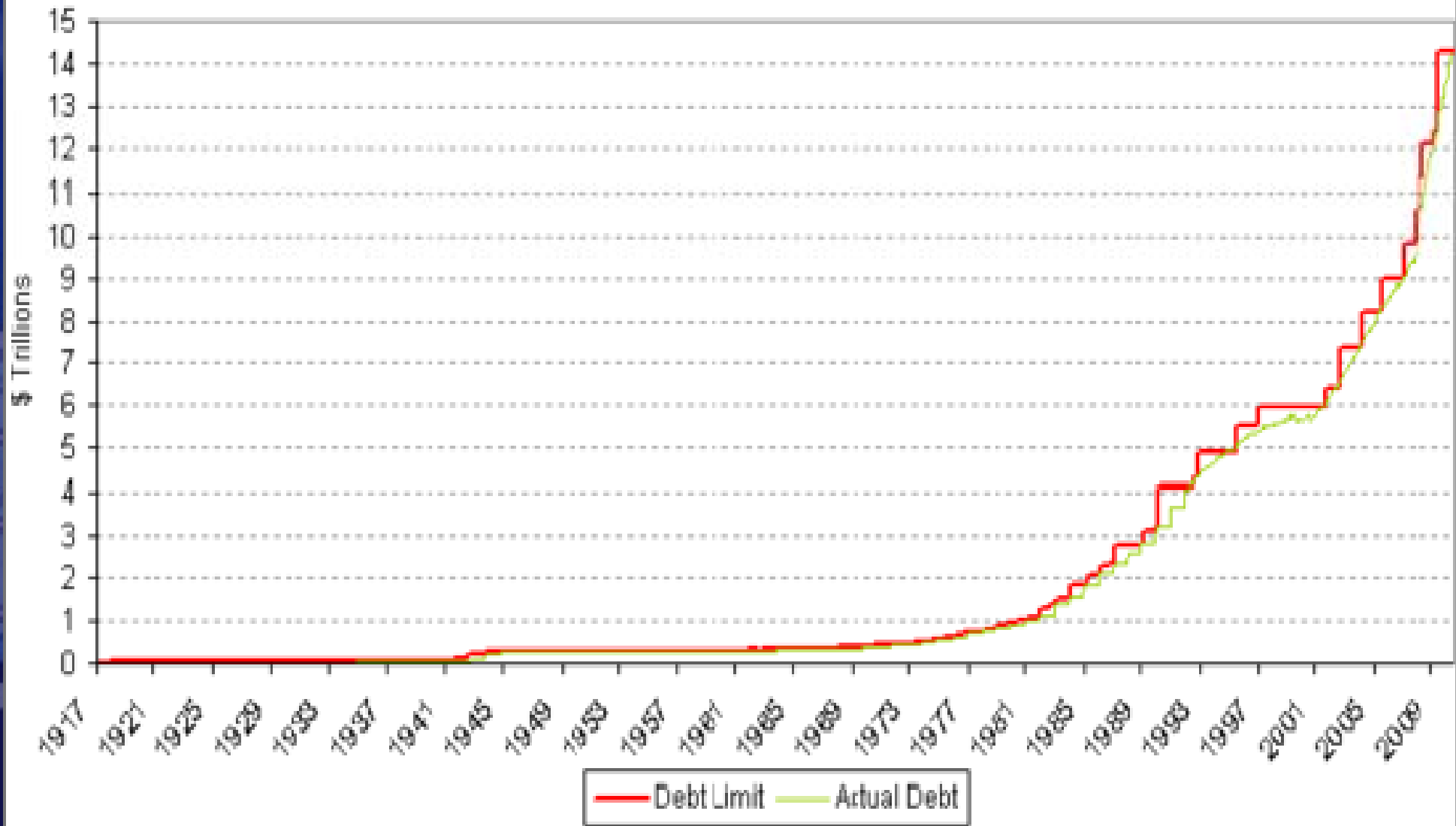
- Adopted a Debt Management Policy
- Made the Financial Forecast a part of our budget process
- Moved to a Multi-year (3 year) Budget
- We have no unfunded liability related to our retirement plans



### Citywide Legal Debt Limit



### History of the U.S. Debt Limit



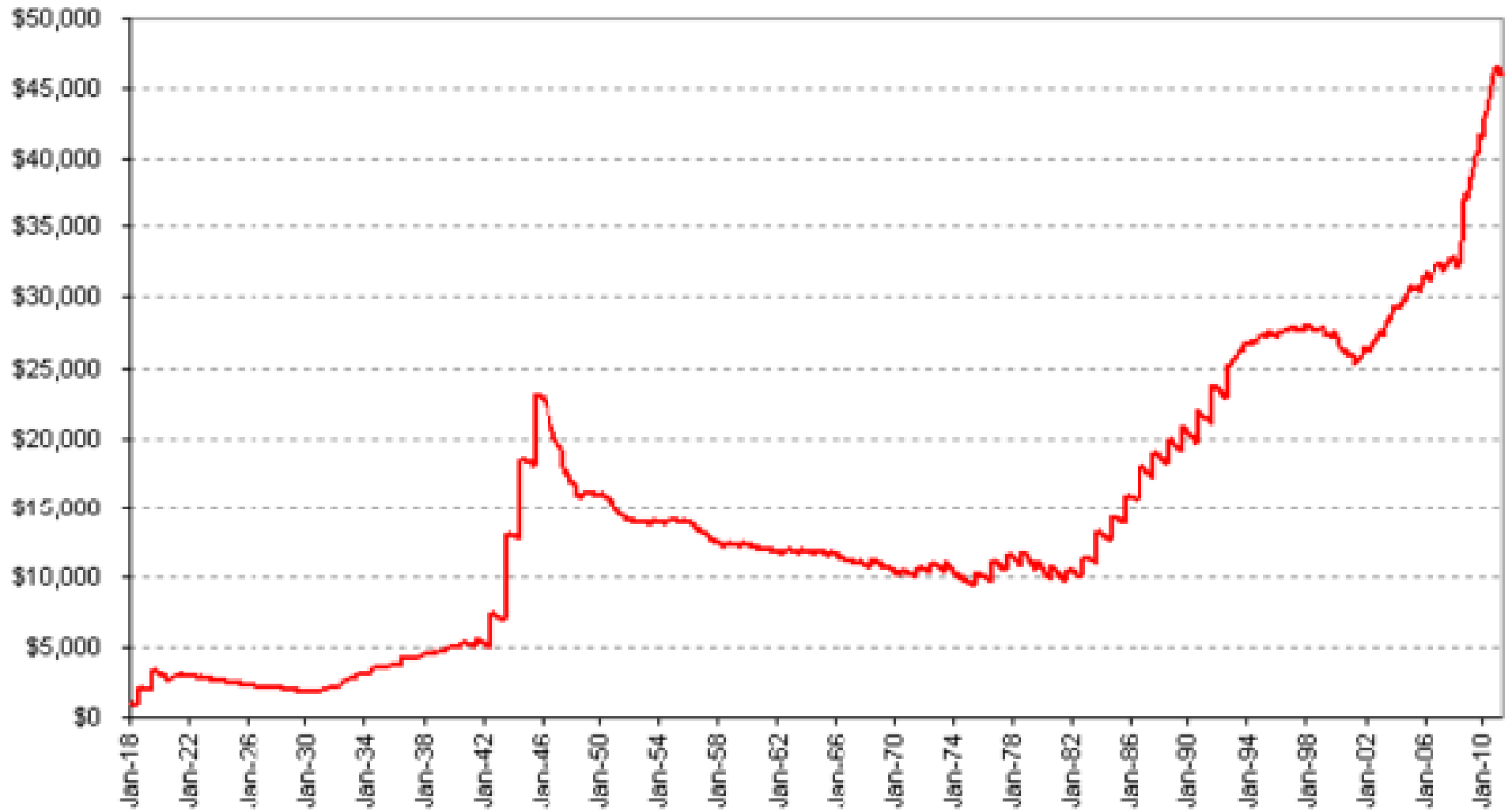
Source: U.S. Treasury

## Citywide Outstanding Debt per Capita



\* = Estimated / Projected

Inflation-Adjusted U.S. Debt Burden Per American



Sources: Treasury, Federal Reserve, Census Bureau, Bureau of Labor Statistics

# Current Outstanding Debt

## 313 - LOCAL STREET IMPROVEMENT BOND/2001

- Improvements to Christian Hills, Great Oaks, Allston, and Foxboro subdivisions
- Payable through FY 2016

## 314 - LOCAL STREET SPECIAL ASSESSMENT BOND / 2001

- Improvements to Avon Hills, Relyea Acres, Klem Gardens, Hillcrest, and South Boulevard Gardens

## 325 - LOCAL STREET IMPROVEMENT BOND FUND / 2002

- Improvements to Avon Manor, Whispering Willows, Springhill, Stratford Knolls, Great Oaks West, Lochmoore Hills, Larchwood, and Independence Court subdivisions
- Payable through FY 2017

## 369 – OPC Building Refunding Debt Fund

- Refund the OPC Building Debt Bonds
- Millage approved by voters in 2001
- Payable through 2021

## 393–Municipal Building Refunding Debt

- Refunding of the Municipal Building Debt
- Payable through 2021





# Water Resources Debt Fund

2012-2014 Budget Summary Report							
331 Water Resources Debt Revenues	2010 Amended Budget	2010 Audited Actual	2011 Amended Budget	2011 June YTD Actual	2012 Proposed Budget	2013 Projected Budget	2014 Projected Budget
Fund Balance to Balance	\$ -	\$ -	\$ 75,720	\$ -	\$ 107,600	\$ 107,600	\$ 107,600
City Taxes	2,102,670	2,108,172	1,919,580	1,923,273	1,191,710	1,128,470	212,920
Investment Earnings	205,000	203,687	11,850	14,176	15,060	20,980	25,820
Other Revenue	-	2,650	-	5,792	-	-	-
<b>TOTAL</b>	<b>\$ 2,307,670</b>	<b>\$ 2,314,510</b>	<b>\$ 2,007,150</b>	<b>\$ 1,943,242</b>	<b>\$ 1,314,370</b>	<b>\$ 1,257,050</b>	<b>\$ 346,340</b>
<i>Per Capita</i>	\$ 33.53	\$ 33.63	\$ 29.16	n/a	\$ 19.10	\$ 18.26	\$ 5.03
331 Water Resources Debt Expenditures	2010 Amended Budget	2010 Audited Actual	2011 Amended Budget	2011 June YTD Actual	2011 Amended Budget	2011 Amended Budget	2011 Amended Budget
Other Services	\$ 27,330	\$ 11,175	\$ 9,680	\$ 12,879	\$ 6,690	\$ 5,550	\$ 1,140
Debt Service	2,143,980	2,143,154	1,997,470	1,917,012	1,307,680	1,251,500	345,200
<b>TOTAL</b>	<b>\$ 2,171,310</b>	<b>\$ 2,154,329</b>	<b>\$ 2,007,150</b>	<b>\$ 1,929,891</b>	<b>\$ 1,314,370</b>	<b>\$ 1,257,050</b>	<b>\$ 346,340</b>
<i>Per Capita</i>	\$ 31.55	\$ 31.30	\$ 29.16	n/a	\$ 19.10	\$ 18.26	\$ 5.03

- Chapter 20 Drains
- Full faith and credit debt
- For FY 2012, **levy 0.4046**

Chapter 20 Project:	Payable Through:	Interest Rate:
McIntyre Drain	2013	2.75% to 5.20%
Hampton Drain	2013	2.75% to 5.20%
Bishop Drain	2013	2.80% to 5.30%
Chester Drain	2013	1.25% to 2.75%
Wolf Drain	2013	4.00% to 4.70%
Huber Drain Refunding	2014	2.00% to 3.30%
Rewold Drain / Phase II	2025	3.00% to 4.30%

**FY2014  
Levy of  
.0797**



# WATER & SEWER DEBT FUND

2012-2014 Budget Summary Report							
595 W&S - Debt Service Revenues	2010 Amended Budget	2010 Audited Actual	2011 Amended Budget	2011 June YTD Actual	2012 Proposed Budget	2013 Projected Budget	2014 Projected Budget
Investment Earnings	\$ -	\$ 3,769	\$ -	\$ (3,769)	\$ -	\$ -	\$ -
Other Revenue	-	8,116	-	9,358	-	-	-
Transfer - In	1,222,810	1,181,122	308,180	244,480	825,210	818,360	811,910
<b>TOTAL</b>	<b>\$ 1,222,810</b>	<b>\$ 1,193,007</b>	<b>\$ 308,180</b>	<b>\$ 250,069</b>	<b>\$ 825,210</b>	<b>\$ 818,360</b>	<b>\$ 811,910</b>
<i>Per Capita</i>	\$ 17.77	\$ 17.33	\$ 4.48	n/a	\$ 11.99	\$ 11.89	\$ 11.80
595 W&S - Debt Service Expenses	2010 Amended Budget	2010 Audited Actual	2011 Amended Budget	2011 June YTD Actual	2012 Proposed Budget	2013 Projected Budget	2014 Projected Budget
Professional Services	\$ 30,340	\$ 13,538	\$ -	\$ -	\$ -	\$ -	\$ -
Other Services	908,460	-	-	-	-	-	-
Debt Service	284,010	330,081	308,180	77,446	825,210	818,360	811,910
<b>TOTAL</b>	<b>\$ 1,222,810</b>	<b>\$ 343,619</b>	<b>\$ 308,180</b>	<b>\$ 77,446</b>	<b>\$ 825,210</b>	<b>\$ 818,360</b>	<b>\$ 811,910</b>
<i>Per Capita</i>	\$ 17.77	\$ 4.99	\$ 4.48	n/a	\$ 11.99	\$ 11.89	\$ 11.80

- New in FY 2012 - \$509,630 increase related to our share of the Oakland/Macomb Sanitary Sewer Interceptor
- Bonds issued by/for the Water & Sewer Fund
- Secured by and paid for by revenues of that fund and Debt expense is part of user rates

