



# DEBT SERVICE FUND

# Debt Service Fund Summary

The City of La Vista issues long-term debt to finance major capital purchases; most often to improve or expand City facilities and infrastructure, but also for major capital equipment. The Debt Service Fund is used to account for the accumulation of resources for payment of principal and interest on the City's general obligation bond debt. The primary sources of funding for the Debt Service Fund include revenue from a designated property tax levy (*proposed at .06 for FY19 & FY20*) and one-half of one percent of the local option sales tax.

## PROPERTY TAX LEVY

The property tax levy for the Debt Service Fund was changed from .06 to .14 in FY16 in an effort to increase the fund reserve in anticipation of the issuance of new bonds.

A rebalance of the property tax levy between the General Fund and Debt Service Fund is being recommended as a result of recent fiscal trend analysis. Specifically, it is recommended that the Debt Service Fund levy revert back to .06, directing the .08 difference to the General Fund. This would account for approximately 22% of the Debt Service Fund's revenue; and generate \$941,478 in FY19 and \$940,023 in FY20. The City's overall tax levy would remain unchanged at .55.

## DEBT SERVICE FUND BUDGET SUMMARY

	FY17 Actuals	FY18 Budget	FY18 Estimated Year-End	FY19 Proposed Budget	FY20 Proposed Budget	FY21 Projected Budget	FY22 Projected Budget	FY23 Projected Budget
Beginning Fund Balance	5,610,083	5,805,208	5,805,208	2,988,847	2,382,524	1,927,739	1,696,299	2,473,848
<b>Operating</b>								
Revenue	4,487,891	5,496,931	5,332,834	4,241,469	4,459,844	4,550,601	5,083,896	5,558,609
Expenditures	3,672,161	4,481,471	3,668,769	4,321,319	4,026,470	4,072,689	4,471,425	3,791,847
Surplus/(deficit)	815,730	1,015,460	1,664,065	(79,850)	433,374	477,912	612,471	1,766,762
<b>Non-Operating</b>								
Transfers-In	-	-	184,062	2,340,721	727,879	858,716	1,235,596	1,281,240
Transfers-Out	(620,605)	(5,528,600)	(4,664,488)	(2,867,194)	(1,616,038)	(1,568,068)	(1,070,518)	(1,967,218)
Surplus/(deficit)	(620,605)	(5,528,600)	(4,480,426)	(526,473)	(888,159)	(709,352)	165,078	(685,978)
Net Revenue	195,125	(4,513,140)	(2,816,361)	(606,323)	(454,785)	(231,440)	777,549	1,080,784
<b>ENDING FUND BALANCE</b>	<b>5,805,208</b>	<b>1,292,068</b>	<b>2,988,847</b>	<b>2,382,524</b>	<b>1,927,739</b>	<b>1,696,299</b>	<b>2,473,848</b>	<b>3,554,632</b>

## SALES TAX

On June 19, 1990, by Ordinance No. 504, the City adopted an additional one-half percent local option sales tax following a successful referendum. Those funds were to be used for major street improvement projects and other capital improvements. La Vista voters authorized continuation of the tax in 1998 and 2008. In 2008, it was extended to July 1, 2025.

The sales tax generates approximately 61% of the Debt Service Fund's revenue; projected at \$2.6 million in FY19 and \$2.8 million in FY20.

## TRANSFERS

Several changes are recommended in the FY19 & FY20 Biennial Budget regarding transfers. Previously, bond issue proceeds were placed in the Debt Service Fund and then transferred to the Capital Fund as project work was completed. The recommendation is to begin placing bond issue proceeds related to CIP projects directly into the Capital Improvement Fund or other fund that project is related to, eliminating the need for a transfer of bond proceeds from one fund to another. The Debt Service Fund will continue to transfer portions of the half-cent sales tax that is placed into that fund to the Capital Improvement Fund for CIP projects as they are completed.

# Debt Service Fund Summary

The bonds for improvements made in Off-Street Parking District #1 (Southport) reside in the Off-Street Parking Fund. Historically, the amount needed for debt service payments and operations has been transferred from the General Fund to the Off-Street Parking Fund. The recommendation is to begin transferring the amount needed for the debt service payments from the Debt Service Fund to the Off-Street Parking Fund. This will also be the case for improvements made in the newly created Off-Street Parking Districts #2 (84th Street Redevelopment Area) which will be funded through a transfer from the Redevelopment Fund and Off-Street Parking District #3 (the vicinity of Giles Road and the I-80 Interchange) which will be funded by a Debt Service Fund transfer.

The bonds that were issued in the Economic Development Program Fund were paid off on June 20, 2018. Principal payments for that bond were transferred from the General Fund. It is anticipated that another application may be made to the City's Economic Development Program and a bond issue may be needed to fund that application. It is recommended that any transfers be made from the Debt Service Fund to the Economic Development Fund for any future bond issue payments.

There are currently two small highway allocation bond issues in the Debt Service Fund. We are anticipating a third highway allocation bond issue. Highway allocation funds received from the State go into the General Fund and are pledged to make the payments on any highway allocation bonds issued. Consequently, it is recommended that transfers of highway allocation funds from the General Fund be made.

It was anticipated that preliminary work on a major public infrastructure project near 120th Street & Giles Road might take place in FY18 in the amount of \$1.5 million (*total project cost of \$10 million*). This would have required funding from the Debt Service Fund as bonds for the entire project amount would not be issued until the project well underway. At this point it does not appear as though this project is going to get started in time to require any payments in FY18, however the Debt Service Fund continues to show this potential transaction as a precaution. The project also appears in the Capital Improvement Fund for FY19 and adjustments will be made accordingly based on actual activity and timing.

## IN GENERAL

Revenues into the Debt Service Fund generated by property and sales tax exceeded principal and interest payments through FY17 as a result of proceeds from a new bond issue in FY16. The FY18 budget and FY18 year-end estimate are impacted by contingency planning for a major infrastructure project near 120th & Giles. The fund then builds back to a DSCR near or above 1.0.

The debt service coverage ratio (DSCR) is a measure of the current period income available to pay current period debt obligations. A DSCR greater than one (1) means that there is sufficient income to cover current debt obligations without utilizing the accumulated fund balance. The DSCR's for both FY19 and FY20 are 0.86 and 0.89, respectively. (The aforementioned fact that a \$1.5 million expenditure was anticipated from the Debt Service Fund to potentially pay some up front project costs does affect the DSCR. If these funds are not expended, it will have a positive impact on the DSCR.) The ratio increases to over 1 in the projected years due to growth of the property tax valuation base through annexation and sales tax growth. No current bonds are retired in the five-year period and new bonds are added at a pace slightly less than the revenue growth.

## CONCLUDING FY18 FINANCIAL PERFORMANCE

The City received an upgraded bond rating of Aa3 (up from A1) from Moody's Investor Services in FY15 which was affirmed in 2017. The City issued no new bonds in FY17 or FY18 relative to the Debt Service Fund. (See the Redevelopment Fund narrative for a discussion of new bonds issued there.)

**Revenues (less bond proceeds)** are estimated to total approximately \$5.3 million, which is slightly more (\$844,943) than revenues received in FY17. The year-end estimate is an approximate 3% decrease from the FY18 budgeted amount (*less bond proceeds*) of \$5.5 million.

**Expenditures** for FY18 are projected to be nearly \$3.7 million, which is approximately 18% less than the budgeted amount of \$4.5 million. The \$812,702 decrease over what was projected in the FY18 budget can primarily be attributed to reduced transfers to the Capital Improvement Fund.

# Debt Service Fund Summary

**Transfers** for FY18 are projected to be a net negative of \$4.5 million, which is 19% less than the budgeted amount of \$5.5 million. The \$1.1 million decrease over what was planned in the FY18 budget is due to a changing capital improvement project schedule resulting in reduced transfers from the Debt Service Fund to the Capital Improvement Fund.

**Fund Balance** - The estimated ending fund balance for FY18 is \$3 million. This is a 131% increase over the FY18 budget. The contributing factors to the increase in the fund balance are reduced transfers to the Capital Improvement Fund.

## FY19 BUDGET

**Revenues** for the proposed FY19 budget are estimated at \$4.2 million, which reflects a 23% decrease from the FY18 budget due to the recommended decrease in the property tax levy from \$.14 to \$.06, a 57% decrease.

**Expenditures** for FY19 are projected to be \$4.3 million, which reflects a decrease of 3.6% from the FY18 budgeted amount of \$4.5 million. The \$160,152 decrease is due to updates to the proposed new bonds.

**Transfers** for FY19 are projected to be a net negative of \$526,473 which is 90% less than the FY18 budget of \$5.5 million. This \$5.0 million decrease is due to a \$2.8 million reduction in transfers to the Capital Improvement Fund, a \$634,604 Highway Allocation fund transfer to the Debt Service Fund from the General Fund and a potential \$1.7 million transfer to

the Debt Service Fund from the Capital Improvement Fund for reimbursement of FY18 capital improvement projects that would be funded by a new FY19 bond issue, if and when the proposed CIP project is implemented.

**Fund Balance** - An ending fund balance of \$2.4 million is projected for FY19, which is an increase of \$1,090,456 from the FY18 budget. The increase in the fund balance is related to the timing of projects and subsequent transfers to the Capital Improvement Fund, the transfer in of Highway Allocation funds and the reimbursement of prior Capital Improvement Fund transfers, partially offset by the decrease in the property tax levy dedicated to the Debt Service Fund.

## FY20 BUDGET

**Revenues** for the FY20 proposed budget are estimated at \$4.5 million, which reflects a 5.2% increase over the FY19 recommended budget. This is a \$218,375 increase in revenue over the FY19 recommended budget. This increase is due to estimated growth in the property valuation and estimated continued growth in sales tax revenue.

**Expenditures** recommended for the proposed FY20 budget are anticipated to be approximately \$4 million, reflecting a decrease of \$294,849 from the recommended FY19 budget. This is due to no bond issuance fees in FY20 and reductions in the current bond amortization schedules as they near their maturity dates.

## DEBT SERVICE FUND REVENUE DETAIL

	FY17 Actuals	FY18 Budget	FY18 Estimated Year-End	FY19 Proposed Budget	FY20 Proposed Budget	FY21 Projected Budget	FY22 Projected Budget	FY23 Projected Budget
Property Tax	1,971,230	2,110,551	2,110,642	941,478	940,023	1,016,647	1,166,648	1,189,709
Sales Tax	1,887,721	2,514,420	2,514,419	2,598,480	2,818,742	2,832,301	3,211,881	3,656,493
Special Assess. - Principal	-	250,000	50,000	50,000	50,000	50,000	50,000	50,000
Special Assess. - Interest	-	75,000	25,000	25,000	25,000	25,000	25,000	25,000
Interest Income	14,081	10,117	21,930	13,286	10,573	8,809	10,127	14,711
Other	614,859	536,843	610,843	613,225	615,506	617,844	620,240	622,696
<b>TOTAL REVENUE</b>	<b>4,487,891</b>	<b>5,496,931</b>	<b>5,332,834</b>	<b>4,241,469</b>	<b>4,459,844</b>	<b>4,550,601</b>	<b>5,083,896</b>	<b>5,558,609</b>

# Debt Service Fund Summary

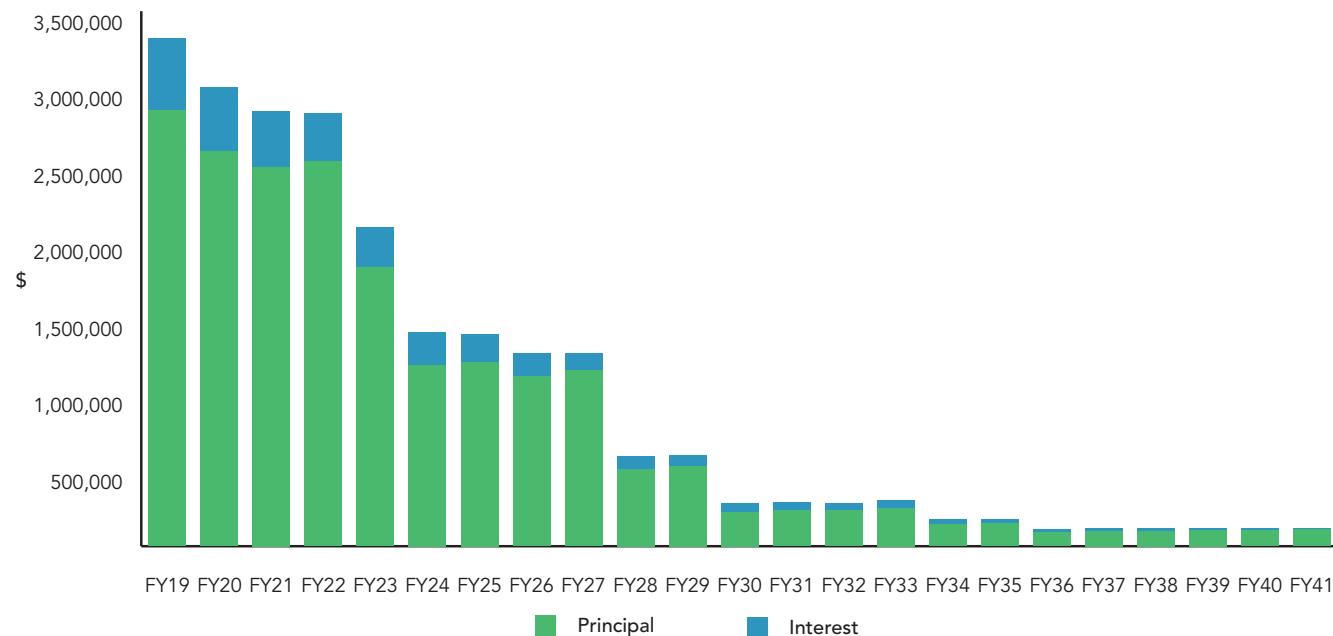
**Transfers** for FY20 are projected to be a net negative of \$888,159, which is 69% less than the FY19 budget of negative \$526,473. This is a \$361,686 decrease over the FY19 budget and is due to the one-time large transfer into the fund made in the prior fiscal year.

**Fund Balance** – The ending fund balance for FY20 is projected to be \$1.9 million, which is a decrease of \$454,785 or approximately 19% from FY19. This can be attributed to the one-time large transfer into the fund made in the prior fiscal year and increased transfers out of the Debt Service Fund in FY20 to the Capital Improvement Fund.

## SUMMARY

A summary of the principal and interest payments that will be paid from the Debt Service fund for current bonds from FY19 through FY41 is highlighted in the chart below. The trend shows that current debt obligations are at their highest level in FY19 and obligations drop significantly as the current bonds near their pay-off dates.

ANNUAL PRINCIPAL AND INTEREST  
DEBT SERVICE FUND



## Debt Service Fund Summary

**DEBT SERVICES FUND**  
**CURRENT DEBT AMORTIZATION**

Fiscal Year	\$8.915M Refunding Bond Dated June 30, 2012			\$3.428M Facilities Corporation Bonds Dated December 2014			\$2.1M Highway Allocation Bonds Dated May 25, 2016		
	PRINCIPAL	COUPON	INTEREST	PRINCIPAL	COUPON	INTEREST	PRINCIPAL	COUPON	INTEREST
FY19	705,000	0.0145	116,306	295,000	2.0000	41,995	65,000	1.0000	51,269
FY20	715,000	0.0170	105,118	305,000	1.7500	36,376	65,000	1.0000	50,619
FY21	730,000	0.0190	92,105	310,000	1.9500	30,685	65,000	1.0000	49,969
FY22	740,000	0.0210	77,400	310,000	2.1500	24,330	70,000	2.0000	49,319
FY23	280,000	0.0225	66,480	40,000	2.6000	20,478	70,000	2.0000	47,919
FY24	285,000	0.0240	59,910	40,000	2.6000	19,438	70,000	2.0000	46,519
FY25	290,000	0.0255	52,793	45,000	2.6000	18,333	70,000	2.0000	45,119
FY26	305,000	0.0270	44,977	45,000	3.2500	17,016	75,000	2.0000	43,719
FY27	310,000	0.0280	36,520	45,000	3.2500	15,554	75,000	3.0000	42,219
FY28	320,000	0.0290	27,540	45,000	3.2500	14,091	75,000	3.0000	39,969
FY29	330,000	0.0300	17,950	50,000	3.2500	12,548	80,000	3.0000	37,719
FY30	95,000	0.0325	11,456	50,000	3.4500	10,873	80,000	3.0000	35,319
FY31	100,000	0.0325	8,288	50,000	3.4500	9,148	85,000	3.0000	32,919
FY32	100,000	0.0325	5,038	55,000	3.4500	7,336	85,000	3.0000	30,369
FY33	105,000	0.0325	17,069	55,000	3.6500	5,384	90,000	3.0000	27,819
FY34	-	-	-	60,000	3.6500	3,285	90,000	3.0000	25,119
FY35	-	-	-	60,000	3.6500	1,095	95,000	3.0000	22,419
FY36	-	-	-	-	-	-	95,000	3.0000	19,569
FY37	-	-	-	-	-	-	100,000	3.1250	16,719
FY38	-	-	-	-	-	-	105,000	3.1250	13,594
FY39	-	-	-	-	-	-	105,000	3.1250	10,313
FY40	-	-	-	-	-	-	110,000	3.1250	7,031
FY41	-	-	-	-	-	-	115,000	3.1250	3,594
	5,410,000	-	738,950	1,860,000	-	287,963	1,935,000	-	749,138

## Debt Service Fund Summary

## DEBT SERVICES FUND

## CURRENT DEBT AMORTIZATION

Fiscal Year	\$835,000 Public Safety Bonds Dated December 2014			\$6.475M General Obligation Bonds Dated December 2014			\$8.24M GO Refunding Bonds Dated December 2015 DSF Portion		
	PRINCIPAL	COUPON	INTEREST	PRINCIPAL	COUPON	INTEREST	PRINCIPAL	COUPON	INTEREST
FY19	105,000	2.0000	10,043	995,000	2.0000	69,263	340,000	2.0000	57,870
FY20	105,000	2.0000	7,943	690,000	1.7500	49,363	345,000	1.5000	51,883
FY21	105,000	1.8500	5,921	540,000	2.0500	37,288	355,000	2.0000	45,745
FY22	110,000	2.1500	3,768	550,000	2.2500	26,218	360,000	2.0000	38,595
FY23	110,000	2.3500	1,293	565,000	2.4500	13,843	370,000	2.0000	31,295
FY24	-	-	-	-	-	-	375,000	2.0000	23,845
FY25	-	-	-	-	-	-	380,000	2.2000	15,915
FY26	-	-	-	-	-	-	250,000	2.2500	8,923
FY27	-	-	-	-	-	-	260,000	2.3500	3,055
	535,000	-	28,966	3,340,000			195,973	3,035,000	
									277,126

## DEBT SERVICES FUND

## CURRENT DEBT AMORTIZATION

Fiscal Year	\$4.975M Fire Facility Refunding Bonds Dated July 15, 2011			\$790,000 Highway Allocation Bonds Dated December 2014			2011 Series Debt Service Fund Portion		
	PRINCIPAL	COUPON	INTEREST	PRINCIPAL	COUPON	INTEREST	PRINCIPAL	COUPON	INTEREST
FY19	300,000	2.8000	107,010	50,000	2.0000	16,143	340,000	2.0000	57,870
FY20	310,000	3.0500	98,083	55,000	1.8500	15,134	345,000	1.5000	51,883
FY21	320,000	3.2500	88,155	55,000	1.8500	14,116	355,000	2.0000	45,745
FY22	330,000	3.4500	77,263	55,000	2.3500	12,961	360,000	2.0000	38,595
FY23	340,000	3.6000	65,450	55,000	2.3500	11,669	370,000	2.0000	31,295
FY24	355,000	3.7500	52,674	60,000	2.6500	10,228	375,000	2.0000	23,845
FY25	365,000	3.9000	38,900	55,000	2.6500	8,704	380,000	2.2000	15,915
FY26	380,000	4.0500	24,088	60,000	3.0000	7,075	250,000	2.2500	8,923
FY27	395,000	4.1500	8,196	65,000	3.0000	5,200	260,000	2.3500	3,055
FY28	-	-	-	65,000	3.2500	3,169	-	-	-
FY29	-	-	-	65,000	3.2500	1,056	-	-	-
	3,095,000	-	559,819	640,000	-	105,454	3,035,000	-	277,126

# Debt Service Fund Summary

**DEBT SERVICES FUND**  
**CURRENT DEBT AMORTIZATION**

Fiscal Year	2011 Series Off Street Parking Portion			\$8.24M GO Refunding Bonds Series 2015		
	PRINCIPAL	COUPON	INTEREST	PRINCIPAL	COUPON	INTEREST
FY19	485,000	2.0000	65,565	825,000	2.0000	123,435
FY20	495,000	1.5000	57,003	840,000	1.5000	108,886
FY21	500,000	2.0000	48,290	855,000	2.0000	94,035
FY22	510,000	2.0000	38,190	870,000	2.0000	76,785
FY23	520,000	2.0000	27,890	890,000	2.0000	59,185
FY24	535,000	2.0000	17,340	910,000	2.0000	41,185
FY25	545,000	2.0000	5,995	925,000	2.2000	21,910
FY26	-		-	250,000	2.2500	8,923
FY27	-		-	260,000	2.3500	3,055
	<b>3,590,000</b>		<b>260,273</b>	<b>6,625,000</b>		<b>537,399</b>

