

DEBT SERVICE FUNDS

Debt Service Funds are funds established to finance and account for the payment of interest and principal on all tax supported debt, serial and term, including that payable for special assessments.

Description of Long Term Debt

General Obligation Debt Fund - 301

Court Building Debt Service - 303

Debt Service Fund – 360

Legal Debt Margin

Description of Long-Term Debt

As of June 30, 2015, the City of Royal Oak has 18 outstanding bonded debt issues and contracts totaling \$52,390,638. Michigan statute limits general obligation debt to ten percent (10%)(250,560,454) of state equalized value and the city charter provides for a five percent (5%) limit or \$125,280,227. Our non-exempt debt of \$22,465,203 is 9% of the 10% limit leaving approximately \$228 million of additional debt that can be incurred. These bonds and contract terms are summarized as follows:

Primary Government

Building Authority – Public Act 31 of 1948 (First Extra Session)

Act 31 provides for an authority to issue bonds to build and equip various public buildings, which are then leased to the city. Proceeds from these leases are used to repay the bonds. The collection of lease payments, payment of interest and retirement of debt is reflected in the respective Debt Service or Proprietary fund.

On May 16, 2001, the City of Royal Oak Building Authority issued \$11,500,000 of Bonds, Series 2001 (General Obligation Limited Tax). The proceeds were used to construct a parking deck at 5th and Lafayette Streets, and demolish an existing building and pave a lot for parking purposes. These 25-year bonds have interest rates that range from 4.500 percent to 5.250 percent. Parking fee revenue is used to pay the debt service. The city is obligated to pay interest commencing November 1, 2001 and semiannually thereafter. The first principal payment was due May 1, 2002 and was originally due annually May 1 through 2026. Due to a May 1, 2006 advance refunding, the last debt service payment was made May 1, 2011.

On October 11, 2001, the City of Royal Oak Building Authority issued \$9,000,000 of Bonds, Series 2001A (Unlimited Tax General Obligation), pursuant to a special election on May 15, 2001. The proceeds were used to construct and equip a new fire station, and remodel and equip existing fire stations. These 20-year bonds have interest rates that range from 3.750 percent to 5.000 percent. The city was obligated to pay interest commencing March 1, 2002 and semiannually thereafter. The first principal payment was due September 1, 2002 and due annually September

1 through 2021. In August 2012, the city performed an advanced refunding of the Series 2001A, now Series 2012. This refunding created a net present value savings of \$614,000. The term of the payments did not change.

On June 2, 2005, the City of Royal Oak Building Authority issued \$3,700,000 of Bonds, Series 2005 (General Obligation Limited Tax). The proceeds were used to remodel, renovate, equip and furnish the city library building. These 18-year bonds have interest rates that range from 3.000 percent to 4.250 percent. Library fund revenue is used to pay the debt service. The city is obligated to pay interest commencing December 1, 2005 and semiannually thereafter. The first principal payment was due June 1, 2006 and due annually June 1 through 2023. In November 2014, the city performed an advanced refunding, issuing capital improvement refunding bonds, series 2014 with a 2.3% interest rate. This refunding created a net present value savings of \$104,000. The term of the payments did not change.

Capital Improvement Bonds – Revised Municipal Finance Act, Public Act 34 of 2001, Part V

Act 34 permits the issuance of bonds for the purpose of paying the cost of capital improvements.

On March 15, 2006, the City of Royal Oak issued \$4,325,000 of Capital Improvement Bonds, Series 2006A (General Obligation Limited Tax) to finance capital improvements to the city's water and sewer systems and other items. The city used the net proceeds exclusively to finance improvements to the water and sewer system, which is responsible for all debt service payments. These 20-year bonds have interest rates ranging from 3.500 percent to 4.300 percent. The city is obligated to pay interest commencing November 1, 2006 and semiannually thereafter. The first principal payment was due May 1, 2007 and was due through May 1 2026. In March 2016, these bonds were refunded at 1.9% true interest cost providing a net present value savings of \$295,028. And now part of the Capital Improvement Refunding Bonds, Series 2016.

On April 26, 2006, the City of Royal Oak Building Authority issued \$11,100,000 of capital improvement refunding bonds, series 2006B (General Obligation Limited Tax), with interest rates that range from 4.000 percent to 4.375 %. The net proceeds were used to advance refund 1999 Prior (44th District Court building) Bonds for the years 2010 through 2024 in the amount of \$5,475,000, and the 2001 prior (parking structure) bonds for the years 2012 through 2026 in the amount of \$8,185,000. The proceeds were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including call premiums on June 1, 2009 and May 1, 2011 respectively. Accordingly, the refunded bonds are no longer reported on the city's financial statements. The advance refunding reduced the total debt payments over the next 20 years by approximately \$310,090 which represents an economic gain of \$198,175. The new bonds will bear interest payable commencing November 1, 2006 and semiannually thereafter. The first principal payment was due May 1, 2008 and was due annually May 1 through 2026. In March 2016, these bonds were refunded at 1.8% true interest cost, providing a net present value savings of \$871,950. And now part of the Capital Improvement Refunding Bonds, Series 2016.

On January 9, 2007, the City of Royal Oak issued \$825,000 of capital improvement bonds, series 2007 (General Obligation Limited Tax) to finance an energy conservation project. These 10-year bonds have interest at 4.0 percent. The city is obligated to pay interest commencing August 1, 2007 and semiannually thereafter. The first principal payment was due February 1, 2008 and will continue to be due February 1 until 2017.

On November 15, 2007, the City of Royal Oak issued \$2,645,000 of capital improvement bonds, series 2007A (General Obligation Limited Tax) to finance a vehicle purchase project. The city used approximately \$1,970,000 to acquire five fire trucks, \$500,000 for two ambulance rescue vehicles and \$175,000 for two dump truck bodies. These 12-year serial bonds have interest at 4.0 percent. The city is obligated to pay interest commencing May 1, 2008 and semiannually thereafter. The first principal payment was due October 1, 2008 and will continue to be due October 1 until 2019.

In September 1997, the City of Royal Oak and the Oakland County Drain Commission (currently Water Resources Commission) entered into an agreement whereby the city contracted to pay \$1,710,691 of Garfield drain refunding revenue bonds, series 1997, with interest rates that range from 5.000 percent to 5.125 percent. Repayment is made from net revenues of the water and sewer fund. These bonds bear interest payable commencing April 1, 1998 and semiannually thereafter. The first principal payment was due October 1, 1998 and due annually October 1 through 2017.

On December 11, 2008, the City of Royal Oak sold \$11,825,000 of capital improvement bonds, series 2008 (General Obligation Limited Tax) with interest rates that range from 4.000% to 6.250%. The bonds finance projects in three funds: auto parking \$7,250,000 (\$5,481,000 to purchase & develop the 600-700 S. Main Street property and to improve other decks and lots, plus \$1,550,000 to acquire the 225 S. Troy Street property); water and sewer \$3,270,000 for infrastructure improvements; and motor pool \$1,305,000 (\$650,000 to purchase vehicles and \$620,000 to repave the DPS yard); plus related costs. These bonds bear interest payable commencing May 1, 2009 and semiannually thereafter. The first principal payment is due annually October 1, 2009 through 2028. In March 2016, these bonds were advance refunded at a true interest cost of 2.32% providing a net present value savings of \$1,086,758. And now a part of the Capital Improvement Refunding Bonds, Series 2016.

Michigan Municipal Bond Authority Bonds – Public Act 227 of 1985

The MMBA has a variety of financing tools including the broad authority to purchase municipal notes or bonds and bundle them for resale. Among those tools, the MMBA and Michigan Department of Environmental Quality (MDEQ) jointly administer State revolving fund (SRF) and drinking water revolving fund (DWRF) low interest loan programs. The following bonds are paid from net revenues of the Water and Sewer fund.

On September 29, 1998, the City of Royal Oak and the Michigan Municipal Bond Authority entered into an agreement whereby the city of Royal Oak would issue revenue bonds, and the Michigan Municipal Bond Authority would purchase, up to \$15,800,000 of North Arm Relief

Drain Bonds, Series 1998A (General Obligation Limited Tax). The project built enclosed pipes, expanding and improving the North Relief Arm of the Twelve Towns Drainage District, to abate flooding primarily affecting the City of Royal Oak, plus seven other communities and highways therein, controlled by the State of Michigan and Oakland County. The State and County paid cash up front. Based on the interlocal agreement between the City of Royal Oak (the City) and the seven other communities, the city pledges its net water and sewer revenue and pays approximately 49% of the debt service. The city bills approximately 51% to the other communities and collects their payments to pay the debt service. The city is obligated if payments received on contracts with benefiting municipalities are insufficient to meet principal and interest requirements of this debt, when due. The city is obligated to pay interest at 2.25 percent commencing on April 1, 1999 and semiannually thereafter. The first principal payment was due October 1, 2001 and will continue to be due October 1 through 2020.

Since 2000, the Oakland County Drain Commission, predominantly with the MMBA, has initiated multiple financings for the George W. Kuhn Drainage District (GWKDD) to abate combined sewer overflows from its communities, which includes the City of Royal Oak. The whole retention/treatment facility was estimated to cost \$144 million in 2001. Construction was staged in several contracts. MMBA borrowing draw-downs occur over months or years during construction. The principal payback period is 20 years. The various communities share in GWKDD debt based on the percentage of their contract flow capacity: about 29% for the city. The following eight paragraphs discuss the city's GWKDD contract debt obligations.

On September 30, 2000, the city's share of GWKDD bonds, series A, was issued for \$5,176,386 to the MMBA bearing interest at 2.50 percent. The city is obligated to pay interest commencing April 1, 2001 and semiannually thereafter. The first principal payment was due April 1, 2003 and will continue to be due April 1 until 2022.

On September 28, 2001, the city's share of GWKDD bonds, series C, was issued for \$23,797,479 to the MMBA bearing interest at 2.50 percent. The city is obligated to pay interest

commencing April 1, 2002 and semiannually thereafter. The first principal payment was due April 1, 2005 and will continue to be due April 1 until 2024.

On December 20, 2001, the city's share of GWKDD bonds, series D, was issued for up to \$3,170,000 to the MMBA bearing interest at 2.50 percent. The city is obligated to pay interest commencing April 1, 2002 and semiannually thereafter. The first principal payment was due April 1, 2005 and will continue to be due April 1 until 2024.

On January 2, 2002, the city's share of GWKDD bonds, series E, was issued originally for \$2,857,431 bearing market interest rates from 4.00 percent to 5.25 percent. The city is obligated to pay interest commencing April 1, 2001 and semiannually thereafter. The first principal payment was due April 1, 2002 and originally continued to be due April 1 until 2024. On August 1, 2007, bonds maturing 2012 through 2024 were advanced refunded and no longer are shown as debt. Remaining unrefunded bonds were due through April 1, 2012.

On September 22, 2005, the city's share of GWKDD bonds, series 2005 (F), was issued for \$469,002 to the MMBA bearing interest at 1.625 percent. To date, \$390,953 has been drawn as the city's share. The city is obligated to pay interest commencing October 1, 2006 and semiannually thereafter. The first principal payment was due April 1, 2007 and will continue to be due April 1 until 2026.

On August 1, 2007, the city's share of GWKDD Drain (partial B & E) refunding bonds, series 2007 (R), was issued for \$3,607,258, bearing market interest rates from 4.250 percent to 4.375 percent. The refunding bonds advanced refunded part of series B and E bonds above. The city is obligated to pay interest commencing October 1, 2007 and semiannually thereafter. The first principal payment was due April 1, 2008 and will continue to be due April 1 until 2024. The city realized a net savings in cash flow of \$176,280 over the life of the bonds for a net economic gain (present value savings) of \$117,311. In February 2016, Drain Refunding Bonds were issued saving the city \$158,000.

On September 22, 2007, the city's share of GWKDD bonds, series 2007 (G) was issued for

Debt Service Funds – Description of Long Term Debt

up to \$1,765,000 in total to the MMBA, bearing interest at 1.625 percent. Based on \$1,754,260 drawn down by 2/9/09, the city's share was approximately \$515,923. The city is obligated to pay interest commencing April 1, 2009 and semiannually thereafter. The first principal payment was due April 1, 2009 and will continue to be due April 1 until 2026.

up to \$2,260,136 in total to the MMBA, bearing interest at 2.500 percent. Based on \$4,057,179 drawn down by 4/2/09, the city's share was approximately \$1,183,205. The city is obligated to pay interest commencing April 1, 2009 and semiannually thereafter. The first principal payment was due April 1, 2010 and will continue to be due April 1 until 2029. This is expected to be the final funding for the GWKDD project.

On September 22, 2008, the city's share of 5 GWKDD bonds, Series 2008 (H) was issued for

Budget Summary

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beginning Fund Balance	109,436	96,746	71,666	53,841	34,766	20,466
Revenues and transfers from other funds	615,430	607,200	610,200	613,200	616,700	627,980
Expenditures and transfers to other funds	628,120	632,280	628,025	632,275	631,000	629,275
Net Change in Fund Balance	(12,690)	(25,080)	(17,825)	(19,075)	(14,300)	(1,295)
Ending Fund Balance	96,746	71,666	53,841	34,766	20,466	19,171

Revenues

301.000 REVENUE	Taxes	Licenses, Charges and Fines	Interest and Contributions	Other	Transfers	Total
2012-2013 Actual	695,670	0	80	0	0	695,750
2013-2014 Actual	631,430	0	120	20	0	631,570
2014-2015 Actual	625,840	0	510	60	0	626,410
2015-2016 Original Budget	602,000	0	400	0	0	602,400
2015-2016 Adjusted Budget (Dec)	602,000	0	400	0	0	602,400
2015-2016 Six Month Actual	599,020	0	20	160	0	599,200
2015-2016 Estimated Year End	615,000	0	250	180	0	615,430
2016-2017 Dept Request	607,000	0	200	0	0	607,200
2016-2017 Manager's Budget	607,000	0	200	0	0	607,200
2016-2017 Approved Budget	607,000	0	200	0	0	607,200
2017-2018 Projected Budget	610,000	0	200	0	0	610,200
2018-2019 Projected Budget	613,000	0	200	0	0	613,200
2019-2020 Projected Budget	616,500	0	200	0	0	616,700
2020-2021 Projected Budget	627,775	0	200	0	0	627,975

Debt Service Funds – General Obligation Debt

Expenditures

301.905 GENERAL OBLIGATION DEBT	Personnel Services	Supplies	Capital	Other	Debt	Total
2012-2013 Actual	0	0	0	1,050	628,460	629,510
2013-2014 Actual	0	0	0	750	624,250	625,000
2014-2015 Actual	0	0	0	1,500	624,350	625,850
2015-2016 Original Budget	0	0	0	2,500	627,000	629,500
2015-2016 Adjusted Budget (Dec)	0	0	0	2,500	627,000	629,500
2015-2016 Six Month Actual	0	0	0	210	574,720	574,930
2015-2016 Estimated Year End	0	0	0	1,500	626,620	628,120
2016-2017 Dept Request	0	0	0	1,500	630,780	632,280
2016-2017 Manager's Budget	0	0	0	1,500	630,780	632,280
2016-2017 Approved Budget	0	0	0	1,500	630,780	632,280
2017-2018 Projected Budget	0	0	0	1,500	626,525	628,025
2018-2019 Projected Budget	0	0	0	1,500	630,775	632,275
2019-2020 Projected Budget	0	0	0	1,500	629,500	631,000
2020-2021 Projected Budget	0	0	0	1,500	627,775	629,275

Budget Summary

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beginning Fund Balance	0	0	0	0	0	0
Revenues and transfers from other funds	517,500	518,250	517,490	517,850	517,590	511,220
Expenditures and transfers to other funds	517,500	518,250	517,490	517,850	517,590	511,220
Net Change in Fund Balance	0	0	0	0	0	0
Ending Fund Balance	0	0	0	0	0	0

Debt Service Funds – Court Building Debt Service

Revenues

303.000 REVENUE	Taxes	Licenses, Charges and Fines	Interest and Contributions	Other	Transfers	Total
2012-2013 Actual	0	0	0	0	512,700	512,700
2013-2014 Actual	0	0	0	0	514,930	514,930
2014-2015 Actual	0	0	0	0	88,150	88,150
2015-2016 Original Budget	0	0	0	0	517,750	517,750
2015-2016 Adjusted Budget (Dec)	0	0	0	0	517,750	517,750
2015-2016 Six Month Actual	0	0	0	0	81,250	81,250
2015-2016 Estimated Year End	0	0	0	0	517,500	517,500
2016-2017 Dept Request	0	0	0	0	518,250	518,250
2016-2017 Manager's Budget	0	0	0	0	518,250	518,250
2016-2017 Approved Budget	0	0	0	0	518,250	518,250
2017-2018 Projected Budget	0	0	0	0	517,490	517,490
2018-2019 Projected Budget	0	0	0	0	517,850	517,850
2019-2020 Projected Budget	0	0	0	0	517,590	517,590
2020-2021 Projected Budget	0	0	0	0	511,220	511,220

Expenditures

303.905 COURT BUILDING DEBT SERVICE	Personnel Services	Supplies	Capital	Other	Debt	Total
2012-2013 Actual	-	-	-	-	512,700	512,700
2013-2014 Actual	-	-	-	-	514,930	514,930
2014-2015 Actual	-	-	-	-	511,530	511,530
2015-2016 Original Budget	-	-	-	-	517,750	517,750
2015-2016 Adjusted Budget (Dec)	-	-	-	-	517,750	517,750
2015-2016 Six Month Actual	-	-	-	-	81,250	81,250
2015-2016 Estimated Year End	-	-	-	-	517,500	517,500
2016-2017 Dept Request	-	-	-	-	518,250	518,250
2016-2017 Manager's Budget	-	-	-	-	518,250	518,250
2016-2017 Approved Budget	-	-	-	-	518,250	518,250
2017-2018 Projected Budget	-	-	-	-	517,490	517,490
2018-2019 Projected Budget	-	-	-	-	517,850	517,850
2019-2020 Projected Budget	-	-	-	-	517,590	517,590
2020-2021 Projected Budget	-	-	-	-	511,220	511,220

Budget Summary

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beginning Fund Balance	0	10	520	520	520	520
Revenues and transfers from other funds	102,810	104,510	104,500	0	0	0
Expenditures and transfers to other funds	102,800	104,000	104,500	0	0	0
Net Change in Fund Balance	10	510	0	0	0	0
Ending Fund Balance	10	520	520	520	520	520

Revenues

360.000 REVENUE	Taxes	Grants	Licenses, Charges and Fines	Interest and Contributions	Other	Transfers	Total
2012-2013 Actual	0	0	0	0	0	103,700	103,700
2013-2014 Actual	0	0	0	0	0	100,290	100,290
2014-2015 Actual	0	0	0	0	0	101,900	101,900
2015-2016 Original Budget	0	0	0	300	0	103,300	103,600
2015-2016 Adjusted Budget (Dec)	0	0	0	300	0	103,300	103,600
2015-2016 Six Month Actual	0	0	0	0	0	102,810	102,810
2015-2016 Estimated Year End	0	0	0	0	0	102,810	102,810
2016-2017 Dept Request	0	0	0	0	0	104,510	104,510
2016-2017 Manager's Budget	0	0	0	0	0	104,510	104,510
2016-2017 Approved Budget	0	0	0	0	0	104,510	104,510
2017-2018 Projected Budget	0	0	0	0	0	104,500	104,500
2018-2019 Projected Budget	0	0	0	0	0	0	0
2019-2020 Projected Budget	0	0	0	0	0	0	0
2020-2021 Projected Budget	0	0	0	0	0	0	0

Expenditures

360.905 DEBT SERVICE FUND	Personnel Services	Supplies	Capital	Other	Debt	Total
2012-2013 Actual	0	0	0	500	103,200	103,700
2013-2014 Actual	0	0	0	500	99,800	100,300
2014-2015 Actual	0	0	0	500	101,400	101,900
2015-2016 Original Budget	0	0	0	500	103,100	103,600
2015-2016 Adjusted Budget (Dec)	0	0	0	500	103,100	103,600
2015-2016 Six Month Actual	0	0	0	0	102,800	102,800
2015-2016 Estimated Year End	0	0	0	0	102,800	102,800
2016-2017 Dept Request	0	0	0	0	104,000	104,000
2016-2017 Manager's Budget	0	0	0	0	104,000	104,000
2016-2017 Approved Budget	0	0	0	0	104,000	104,000
2017-2018 Projected Budget	0	0	0	500	104,000	104,500
2018-2019 Projected Budget	0	0	0	0	0	0
2019-2020 Projected Budget	0	0	0	0	0	0
2020-2021 Projected Budget	0	0	0	0	0	0