

CITY OF ROYAL OAK, MICHIGAN

Debt Capacity Information

Computation of Legal Debt Margin
Last Ten Fiscal Years

As of June 30	2007	2008	2009	2010
Valuation base				
State equalized valuation - excluding IFT values	\$ 3,012,515,470	\$ 3,114,268,450	\$ 2,986,475,590	\$ 2,808,167,535
Plus: equivalent valuation of Act 198 exemptions	3,177,250	4,931,860	4,893,960	4,908,820
Total valuation	<u>\$ 3,015,692,720</u>	<u>\$ 3,119,200,310</u>	<u>\$ 2,991,369,550</u>	<u>\$ 2,813,076,355</u>
Legal debt limitation - 5% of total valuation	<u>\$ 150,784,636</u>	<u>\$ 155,960,016</u>	<u>\$ 149,568,478</u>	<u>\$ 140,653,818</u>
Calculation of debt subject to limit:				
Debt outstanding	71,837,383	70,918,655	76,207,393	71,277,309
Less: bonds not subject to limit	(44,273,335)	(43,878,655)	(46,396,849)	(44,452,393)
Net debt subject to limit	<u>27,564,048</u>	<u>27,040,000</u>	<u>29,810,544</u>	<u>26,824,916</u>
Additional debt which can be legally incurred	<u>\$ 123,220,588</u>	<u>\$ 128,920,016</u>	<u>\$ 119,757,934</u>	<u>\$ 113,828,902</u>
Non-exempt debt as a percent of debt limit	18.28%	17.34%	19.93%	19.07%

Source: City Finance Department

Note:

Section 21 of Article VII of the Michigan Constitution establishes the City, subject to statutory and constitutional limitations for municipalities to incur debt for public purposes:

"The legislature shall provide by general laws for the incorporation of cities and villages. Such laws shall limit their rate of ad valorem property taxation for municipal purposes, and restrict the powers of cities and villages to borrow money and contract debts. Each property taxation for municipal purposes, and restrict the powers of cities and villages to borrow money and contract debts. Each city and village is granted power to levy other taxes for other public purposes, subject to the limitations and prohibitions provided by the constitution or by law."

In accordance with the foregoing authority granted to the State Legislature, the Home Rule Cities Act limits the amount of debt a home rule city may have outstanding at any time. Section 4-a of the Home Rule Cities Act provides:

"The net indebtedness incurred for all public purposes may be as much as but shall not exceed the greater of the following:

- (a) Ten percent of all the real and personal property of the city adjusted for tax abated property.
- (b) Fifteen percent of the assessed value of all the real and personal property in the city if that portion of the total amount of indebtedness incurred which exceeds ten percent is or has been used solely for the construction or renovation of hospital facilities.

Significant exceptions to the debt limitation have been permitted by the Home Rule Cities Act for certain types of indebtedness which include: special assessment bonds and Michigan transportation fund bonds (formerly motor vehicle highway fund bonds), even though they are general obligations of the City; revenue bonds payable from revenue only, whether secured by a mortgage or not; bonds issued or contract obligations or assessments incurred to comply with an order of the Water Resources Commission of the State or a court of competent jurisdiction; obligations incurred for water supply, sewage, drainage, refuse disposal or resource recovery projects necessary to protect the public health by abating pollution; and bonds issued for construction, improvements and replacement of a combined sewer overflow abatement facility. The resources of a sinking fund pledged for the retirement of outstanding bonds shall also be excluded in computing the debt limitation.

The ten percent limit may be exceeded by 3/8 of one percent in case of flood, fire or other calamity.

However the city charter further restricts the city debt limit to 5%.

2011	2012	2013	2014	2015	2016
\$ 2,462,441,170	\$ 2,349,535,700	\$ 2,335,410,970	\$ 2,320,467,120	\$ 2,496,528,450	\$ 2,685,865,760
5,712,590	14,124,730	9,577,040	9,507,670	9,076,090	7,856,290
<u>\$ 2,468,153,760</u>	<u>\$ 2,363,660,430</u>	<u>\$ 2,344,988,010</u>	<u>\$ 2,329,974,790</u>	<u>\$ 2,505,604,540</u>	<u>\$ 2,693,722,050</u>
\$ 123,407,688	\$ 118,183,022	\$ 117,249,401	\$ 116,498,740	\$ 125,280,227	\$ 134,686,103
66,612,910	66,612,910	61,696,839	57,679,363	52,390,638	48,274,623
(26,437,387)	(38,897,910)	(35,986,839)	(33,001,356)	(29,925,435)	(25,246,458)
<u>40,175,523</u>	<u>27,715,000</u>	<u>25,710,000</u>	<u>24,678,007</u>	<u>22,465,203</u>	<u>23,028,165</u>
<u>\$ 83,232,165</u>	<u>\$ 90,468,022</u>	<u>\$ 91,539,401</u>	<u>\$ 91,820,733</u>	<u>\$ 102,815,024</u>	<u>\$ 111,657,938</u>
32.56%	23.45%	21.93%	21.18%	17.93%	17.10%

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