

## SINKING INTEREST AND REDEMPTION (18)

### AGENCY PLAN: STATEMENT OF PURPOSE, GOALS AND BUDGET SUMMARY

STATEMENT OF PURPOSE:

The Debt Service Fund meets the principal and interest of the bonded indebtedness of the City of Detroit.

AGENCY FINANCIAL SUMMARY:

| <u>2013-14<br/>Requested</u> |                                  | <u>2012-13<br/>Budget</u> | <u>2013-14<br/>Recommended</u> | <u>Increase<br/>(Decrease)</u> |
|------------------------------|----------------------------------|---------------------------|--------------------------------|--------------------------------|
|                              | <u>Appropriations</u>            |                           |                                |                                |
|                              | General Obligation Bonds:        |                           |                                |                                |
| \$ 26,736,406                | Interest                         | \$ 28,855,780             | \$ 26,736,406                  | \$ (2,119,374)                 |
| 38,205,000                   | Principal                        | 41,575,000                | 38,205,000                     | (3,370,000)                    |
| 1,565,000                    | DDA Tax Increment Dist.          | 3,388,175                 | 3,250,232                      | (137,943)                      |
| 17,000                       | GM Tax Increment Dist.           | 17,498                    | -                              | (17,498)                       |
| 590,000                      | Other Captured Taxes             | 590,129                   | 27,185                         | (562,944)                      |
| <u>-</u>                     | Prior Years Deficit              | <u>-</u>                  | <u>-</u>                       | <u>-</u>                       |
| \$ 67,113,406                | Total Appropriations             | \$ 74,426,582             | \$ 68,218,823                  | \$ (6,207,759)                 |
|                              | <u>Revenues</u>                  |                           |                                |                                |
| \$ 60,804,406                | Current Year's Property Tax      | \$ 66,194,985             | \$ 57,941,551                  | \$ (8,253,434)                 |
| (1,800,000)                  | Uncollectible Property Tax       | (1,485,000)               | (1,260,000)                    | 225,000                        |
|                              | Prior Year's:                    |                           | -                              |                                |
| 507,000                      | Real Property Tax                | 25,000                    | 507,000                        | 482,000                        |
| 74,000                       | Personal Property Tax            | 75,000                    | 74,000                         | (1,000)                        |
| 3,428,000                    | Industrial Facilities Tax        | 840,540                   | 318,497                        | (522,043)                      |
| -                            | Neigh. Enterprise Zone Tax       | 2,704,818                 | 2,054,696                      | (650,122)                      |
| -                            | Renaissance Zone Tax             | 4,864,926                 | 7,114,600                      | 2,249,674                      |
| -                            | Other Miscellaneous Taxes        | 130,331                   | 103,660                        | (26,671)                       |
| <u>4,100,000</u>             | Other Surplus                    | <u>1,075,982</u>          | <u>1,364,819</u>               | <u>288,837</u>                 |
| \$ 67,113,406                | Total Revenues                   | \$ 74,426,582             | \$ 68,218,823                  | \$ (6,207,759)                 |
| 0                            | NET TAX COST:                    | 0                         | <u><u>0</u></u>                | \$ 0                           |
|                              | Tax Levy Requirement             | \$ 69,665,780             | \$ 63,520,406                  | \$ (6,145,374)                 |
|                              | Delinquency Rate                 | 12.00%                    | 12.00%                         | 0.00%                          |
|                              | Tax Rate (per \$1,000 valuation) | \$ 9.6136                 | \$ 8.9952                      | \$ (0.6184)                    |

## **SINKING INTEREST AND REDEMPTION (18)**

### ACTIVITY DESCRIPTION: BONDS AND INTEREST REDEMPTION

Bond and interest redemption provides for the scheduled retirement of principal and interest on long-term City debt. This debt derives from general obligation bond sales. (The debt service on Enterprise Funds appears in the Enterprise Agency Sections.)

State law limits the amount of general obligation debt a city may have outstanding at one time. Generally, the limit requires such debt to be within ten percent of the assessed value (which includes certain assessed value equivalents for purposes of the formula) of all real and personal property in the city. Significant exclusions to or extensions of the debt limit are permitted for special assessment bonds, motor vehicle highway bonds, hospital bonds, certain mortgage and housing bonds and various other bonds for projects deemed necessary for abating pollution. The City's outstanding debt is currently within the limits prescribed by State law. After the effective date (December 22, 1978) of an amendment to the State Constitution, the City may not issue general obligation bonds payable from taxes levied for debt service without a vote of the electorate.

The Debts and Disbursements Section of the Finance Department (Agency 23) is responsible for managing the general obligation debt, as well as, that of other bonding and financing authorities, which include the following:

- **The City of Detroit Building Authority**, established by the City for the purpose of financing and managing the construction of various publicly owned buildings, parking lots, recreational facilities and related sites to be leased to the City.
- **The City of Detroit Downtown Development Authority (DDA)**, established by the City to help halt property value deterioration and to promote economic growth in the downtown district.
- **The Greater Detroit Resource Recovery Authority (GDRRA)**, a separate governmental unit from the City, created by the cities of Detroit and Highland Park for the purpose of financing, constructing and operating of a waste-to-energy facility located in the City.
- **The Economic Development Corporation of the City of Detroit**, established for the purpose of assisting industrial and commercial enterprises in various endeavors which would benefit Detroit residents.
- **The City of Detroit Tax Increment Finance Authority**, established for the purpose of preparing development and tax increment financing plans in the City and associated with financing of the Central Industrial Park (GM) Project.
- **The Local Development Finance Authority**, established for the purpose of assisting in the financing of development projects in the City and associated with the City's Jefferson/Conner (Chrysler) Redevelopment Project.
- **The Detroit-Wayne Joint Building Authority**, established by a joint effort of the City and the County for the purpose of constructing and maintaining buildings that would serve both City and County residents.

**CITY OF DETROIT**  
**Debt Services (Sinking Interest and Redemption)**  
**Financial Detail by Appropriation and Organization**

| <b>General Bond Redemption</b>        | <b>2012-13<br/>Redbook</b> |                     | <b>2013-14<br/>Dept Final<br/>Request</b> |                     | <b>2013-14<br/>Mayor's<br/>Budget Rec</b> |                     |
|---------------------------------------|----------------------------|---------------------|---|---------------------|---|---------------------|
|                                       | <b>FTE</b>                 | <b>AMOUNT</b>       | <b>FTE</b>                                | <b>AMOUNT</b>       | <b>FTE</b>                                | <b>AMOUNT</b>       |
| <i>APPROPRIATION<br/>ORGANIZATION</i> |                            |                     |   |                     |   |                     |
| 00212 - General Bond Redemption       |                            |                     |   |                     |   |                     |
| 180010 - General Bond Redemption      | 0                          | \$70,430,780        | 0   | \$64,941,406        | 0   | \$64,941,406        |
| <b>APPROPRIATION TOTAL</b>            | <b>0</b>                   | <b>\$70,430,780</b> | <b>0</b>                                  | <b>\$64,941,406</b> | <b>0</b>                                  | <b>\$64,941,406</b> |
| 00490 - Other Distributions           |                            |                     |   |                     |   |                     |
| 180020 - D.D.A Tax Increment District | 0                          | \$3,388,175         | 0   | \$1,565,000         | 0   | \$3,250,232         |
| 180030 - GM Tax Increment District    | 0                          | \$17,498            | 0   | \$17,000            | 0   | \$0                 |
| 180050 - Other Captured Taxes         | 0                          | \$590,129           | 0   | \$590,000           | 0   | \$27,185            |
| <b>APPROPRIATION TOTAL</b>            | <b>0</b>                   | <b>\$3,995,802</b>  | <b>0</b>                                  | <b>\$2,172,000</b>  | <b>0</b>                                  | <b>\$3,277,417</b>  |
| <b>ACTIVITY TOTAL</b>                 | <b>0</b>                   | <b>\$74,426,582</b> | <b>0</b>                                  | <b>\$67,113,406</b> | <b>0</b>                                  | <b>\$68,218,823</b> |

**CITY OF DETROIT**  
**Budget Development for FY 2013-2014**  
**Appropriations - Summary Objects**

|  | <b>2012-13<br/>Redbook</b> | <b>2013-14<br/>Dept Final<br/>Request</b> | <b>2013-14<br/>Mayor's<br/>Budget Rec</b> |
|--|----------------------------|---|---|
| <b>AC9918 - Bond Interest and Redemption</b> |                            |   |   |
| <i>A18000 - Debt Service</i>                 |                            |   |   |
| OTHEXPSSL - Other Expenses                   | 3,995,802                  | 2,172,000                                 | 3,277,417                                 |
| FIXEDCHGSL - Fixed Charges                   | 70,430,780                 | 64,941,406                                | 64,941,406                                |
| <i>A18000 - Debt Service</i>                 | <i>74,426,582</i>          | <i>67,113,406</i>                         | <i>68,218,823</i>                         |
| <b>AC9918 - Bond Interest and Redemption</b> | <b>74,426,582</b>          | <b>67,113,406</b>                         | <b>68,218,823</b>                         |
| <b>Grand Total</b>                           | <b>74,426,582</b>          | <b>67,113,406</b>                         | <b>68,218,823</b>                         |

**CITY OF DETROIT**  
**Budget Development for FY 2013-2014**  
**Appropriation Summary - Revenues**

|  | 2011-12<br>Actuals | 2012-13<br>Redbook | 2013-14<br>Dept Final<br>Request | 2013-14<br>Mayor's<br>Budget Rec | Variance           |
|--|--------------------|--------------------|----------------------------------|----------------------------------|--------------------|
| <b>A18000 - Debt Service</b>           |                    |                    |                                  |                                  |                    |
| <i>00212 - General Bond Redemption</i> |                    |                    |                                  |                                  |                    |
| 401100 - Current Year Property         | 68,561,397         | 66,194,985         | 60,804,406                       | 57,941,551                       | (8,253,434)        |
| 401150 - Uncollectible Property        | 0                  | (1,485,000)        | (1,800,000)                      | (1,260,000)                      | 225,000            |
| 402100 - Prior Years Real Prope        | 506,673            | 25,000             | 507,000                          | 507,000                          | 482,000            |
| 402200 - Prior Years Pers Prope        | 73,609             | 75,000             | 74,000                           | 74,000                           | (1,000)            |
| 407195 - Industrial Facilities Tax     | 3,428,367          | 840,540            | 3,428,000                        | 318,497                          | (522,043)          |
| 407200 - Other Miscellaneous T         | 0                  | 130,331            | 0                                | 103,660                          | (26,671)           |
| 407210 - Neigh Enterprise Zone         | 0                  | 2,704,818          | 0                                | 2,054,696                        | (650,122)          |
| 407215 - Renaissance Zone Tax          | 0                  | 4,864,926          | 0                                | 7,114,600                        | 2,249,674          |
| 407225 - OPRA Property Tax Re          | 47,468             | 0                  | 0                                | 0                                | 0                  |
| 461100 - Earnings On Investmer         | 3,971              | 0                  | 0                                | 0                                | 0                  |
| 475130 - Other Surplus                 | 0                  | 1,075,982          | 4,100,000                        | 1,364,819                        | 288,837            |
| 510100 - Street Funds Reimburs         | 850,781            | 0                  | 0                                | 0                                | 0                  |
| 510325 - Transfers From Other F        | 58,859,439         | 0                  | 0                                | 0                                | 0                  |
| <i>00212 - General Bond Redemption</i> | 132,331,705        | 74,426,582         | 67,113,406                       | 68,218,823                       | (6,207,759)        |
| <b>A18000 - Debt Service</b>           | <b>132,331,705</b> | <b>74,426,582</b>  | <b>67,113,406</b>                | <b>68,218,823</b>                | <b>(6,207,759)</b> |
| <b>Grand Total</b>                     | <b>132,331,705</b> | <b>74,426,582</b>  | <b>67,113,406</b>                | <b>68,218,823</b>                | <b>(6,207,759)</b> |

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