90 Debt Service Funds-At a Glance

Mission

To accumulate funds to repay principal (money borrowed) and interest due on general obligation bonds and notes issued by the government to finance capital projects (land, buildings, equipment, etc.) with lives greater than one year. Three funds are used to account for this debt:

25104	Schools Debt Service Fund
20115	GSD Debt Service Fund
28315	USD Debt Service Fund

Budget Summary

	2007-08	2008-09	2009-10
Expenditures and Transfers:			
Debt Service Funds	$170,360,300	$175,079,200	$173,216,100
Total Expenditures and Transfers	$170,360,300	$175,079,200	$173,216,100
Revenues and Transfers:			
Program Revenue			
Charges, Commissions, and Fees	$0	$0	$0
Other Governments and Agencies	$1560,000	$2,100,000	$2,185,000
Other Program Revenue	2,519,400	2,694,000	1,310,000
Total Program Revenue	$4,079,400	$4,794,000	$3,495,000
Non-program Revenue	139,792,300	141,015,500	138,710,400
Transfers From Other Funds and Units	15,064,200	17,138,900	31,010,700
Total Revenues	$158,935,900	$162,948,400	$173,216,100
Expenditures Per Capita	$278.09	$285.80	$282.76

Positions

Total Budgeted Positions

Contacts

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These funds are administered by the Department of Finance, and have no separate organization chart.

Debt Service Expenditures by District & Fund

Source Description	FY 2008 Budget	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
GSD - General Services District				
20115 GSD Debt Service	90,071,000	96,177,859	97,556,100	97,218,400
25104 MNPS Debt Service	61,057,900	60,275,173	60,426,200	58,169,200
Total GSD	151,128,900	156,453,032	157,982,300	155,387,600
USD - Urban Services District				
28315 USD Debt Service	19,231,400	19,706,925	17,096,900	17,828,500
Total USD	19,231,400	19,706,925	17,096,900	17,828,500
Total General Obligation Debt Service – GSD+USD	170,360,300	176,159,957	175,079,200	173,216,100

90 Debt Service Funds-At a Glance

Budget Highlights FY 2010

The recommended budget services outstanding debt issues in addition to projects recommended in the FY 2009 capital plan based on the current tax rate. Currently, Metro has approximately $578,407,065 in unissued general obligation bonds authorized for capital plans in Fiscal Years 2000 through 2009. The current budget reflects the continued funding of these outstanding authorizations at historical spending levels.

Overview

Debt Financing: Periodically, Metro borrows money to undertake selected capital improvements that are included in the Capital Plan by issuing (or selling) bonds and notes, which are written promises to repay the debt at certain times and with certain interest to bondholders/investors. The specific improvements to be financed are listed in the legislation that authorizes the debt. The proceeds from the sale of the debt are used to pay for those improvements.

Debt service is the process of repaying those bonds and notes, and their interest, over time to bondholders/ investors. A small portion of the principal is repaid each year between issuance and maturity. This approximately matches the maturity dates of bonds to the lives of the projects they fund, and keeps Metro from having to make a big payment at one time to make a capital improvement.

Metro does not issue long-term notes and bonds to finance operating expenditures or deficits.

Types of debt: Debt generally falls into the following categories:

- General obligation (GO) debt is payable from taxes, and is backed by the full faith, credit, and taxing power of the government. There is no legal limit to Metro's use of general obligation debt, although issuance requires passage of a Council ordinance. Only general obligation debt is repaid from the three debt service funds (25104, 20115, and 28315).
- Revenue debt is often used to finance projects that will generate revenue. Part of the revenue generated by a project is used to service the debt on the project. It is accounted for through the enterprise or internal service fund that develops the capital project and receives its revenues.
- Limited obligation revenue debt is a newer hybrid form that normally operates as revenue debt, but is backed by certain non-property-tax revenues (defined in the bond covenants) in the event that there are not sufficient revenues to service the debts.

Interest earned by our bondholders/investors is generally held to be exempt from federal and Tennessee taxation as income.

Structure: Metro's outstanding debt takes three forms:

- Bonds - Long-term debt that usually matures over a period of 20-30 years.
- Notes - Shorter-term debt that is issued for three years, renewable for an additional two terms of three years each. The usual total maturity is 3 to 5 years.
- Commercial paper – Short-term GO obligations with flexible maturities ranging from 2 to 270 days, is issued as cash is needed in blocks of $100,000 plus $1,000 increments. Interest rates are usually lower than bond interest rates.

Notes and commercial paper often provide temporary financing and are retired by issuing longer-term bonds.

Many bonds have "call" provisions that allow Metro to redeem the debt before its scheduled maturity. This is most often done when the debt being called is refunded by issuing new debt for the same period of time but at lower interest rates. The lower interest costs save Metro money over the remaining life of the bond issue.

Legal Limitations: There is no legal debt margin limitation on GSD debt. Section 7.08 of the Charter limits the USD total net bonded indebtedness payable from USD ad valorem taxes, after deduction of sinking funds for the payment of principal, to 15% of the USD assessed valuation of taxable property. At June 30, 2008, the taxable property was valued at $11.105 billion, so the 15% limit was $1.666 billion. With only $153.29 million of applicable debt (1.36% of valuation), the margin was $1.514 billion.

Bond Ratings: Metro holds excellent investment-grade ratings from all three independent rating agencies (Moody's Aa2, Standard & Poor's AA, and Fitch AA). These ratings are based on both the city's financial health and available reserves for paying off debt. Each agency has its own rating system; ratings of the three agencies cannot necessarily be compared to each other. For explanations of the ratings, visit each agency's web site.

Some bonds' scheduled payment of principal and interest is privately insured by Ambac Assurance Corporation, the Financial Guaranty Insurance Company (FGIC), MBIA Insurance or Financial Security Assurance, Inc. (FSA).

Debt Policies: The following guidelines are used in managing debt service funds:

- USD general obligation debt is subject to the legal limitation noted above.
- Debt is not issued above the capacity provided by current revenue sources (including property taxes at the current rate) plus anticipated normal growth; debt is not issued in anticipation of a not-yet-approved property tax increase.
- When planning future debt capacity, normal revenue growth is projected conservatively.
- The financing of an improvement will not exceed its useful life. In a multi-purpose bond package, the package maturities will reflect the mix of project lives funded by the package; the average life of the bonds cannot exceed the average life of the projects.
- General obligation issues are sold by bid in public offering; the sale is awarded to the bidder with the lowest true interest cost.
- Bond issues may be considered for refunding when lower interest rates on the new bonds will result in a 3% or better net present value savings over the old bonds. The term of the refunding bonds will not exceed the terms of the bonds being refunded.

90 Debt Service Funds-At a Glance

Revenue Sources: Revenues for all three funds are detailed in the budget ordinance. The GSD and USD Debt Service Funds (funds 20115 & 28315) are funded primarily by a dedicated portion of the property tax levies. The GSD Debt Service Fund also receives $3.2 million from the GSD General Fund (fund 10101) for stadium debt, and the Schools Debt Service Fund (fund 25104) receives substantial schools-related sales taxes.

Capital Expenditures and the Budget: The discussion of Capital Improvements in Section A of this book describes how these funds relate to the operating budget.

Recent Bond Issues: The Recent Bond Issues table summarizes recent bond issues. Note that only the general obligation issues are serviced through the GSD, USD, and Schools Debt Service funds; the revenue issues are serviced through non-tax sources. Future debt service requirements are listed on the next page.

Comparative Debt Statistics: The Comparable Debt Statistics table uses standard indicators to measure debt burden levels and trends.

Comparative Debt Statistics

Fiscal Year	Net Debt to Assessed Valuation		Net Debt Per Capita	Debt Service to Total Expenditures
	GSD+USD	USD only		
1997	8.36%	0.82%	1,276.11	8.1%
1998	7.40%	0.57%	1,463.21	8.3%
1999	8.26%	0.48%	1,661.54	8.5%
2000	7.55%	0.39%	1,551.82	9.2%
2001	8.89%	0.60%	1,758.64	9.4%
2002	7.50%	1.08%	1,721.58	10.0%
2003	6.94%	0.94%	1,634.61	9.8%
2004	7.49%	1.06%	1,730.99	9.4%
2005	8.46%	1.10%	1,992.91	9.8%
2006	9.76%	1.16%	2,629.23	10.0%
2007	8.97%	1.15%	2,475.02	10.0%
2008	10.23%	1.36%	2,681.96	10.0%

Source: Comprehensive Annual Financial Reports for each year

90 Debt Service Funds-At a Glance

Recent Bond Issues						
Issue	Date Issued	Amount & interest rate	Ma-turity	Ratings *	Fund*	Comments *
GO Refunding Bonds, Series 1996	12/1/96	$34,305,000 3.500-6.000%	1997 to 2010	M: Aa S: AA	G U	Advance refund of GO MP Impv. Bonds of 1990 maturing on and after 12/1/2000.
GO Refunding Bonds, Series 1997	8/15/97	$110,990,000 4.000-5.125%	1998 to 2025	M: Aa S: AA	S G	Advance refund of GO MP Improvement Bonds of 1994 with certain maturities.
Water & Sewer Revenue Refunding Bonds, Series 1998A	2/1/98	$156,315,000 4.000-5.000%	1999 to 2022	(I) M: Aaa S: AAA	--	Non-GO. Advance refund of W&S Revenue Bonds of 1992 maturing in 2005-2022.
Water & Sewer Revenue Refunding Bonds, Series 1998B	2/15/98	$55,000,000 3.600-5.250%	1999 to 2014	(I) M: Aaa S: AAA	--	Water system extensions & improvements. Non-GO.
Sports Authority Taxable Public Facility Revenue Bonds, Series 1998	6/1/98	$20,700,000 5.910-6.600%	1999 to 2019	M: Aaa	--	Non-GO. Interest is not federal income tax-exempt.
GO Public Improve-ment and Refunding Bonds, Series 1999	5/15/99	$187,500,000 4.000-5.250%	1999 to 2029	<u>1999-2019</u> M: Aa2 S: AA <u>2024&29 (I)</u> M: Aa S: AAA	S G	Libraries, streets, drainage, arts, parks, safety, courtrooms, and animal control. Also advance refund of GO MP Improvement Bonds of 1977 ($3,300,000) & of 1979 ($3,915,000).
GO Multi-Purpose Improvement Bonds, Series 2001A GO Multi-Purpose Refunding Bonds, Series 2001B	2/15/01	$262,155,000 5.000-5.500% $73,745,000 5.000-5.500%	2001 to 2020	M: Aa2 S: AA F: AA+ <u>2014-18 (I)</u> M: Aaa S, F: AAA	S G U	Various projects in the GSD, the USD, and for schools; and to refund various prior bond issues from Series 1994, 1995, 1996, 1996A, and 1997A.
Special Limited Obliga-tion Correctional Facili-ties Revenue Refunding Bonds, Series 2002	2/01/02	$16,265,000 3.750-5.000%	2002 to 2011	M: Aa3 S: A+	--	Non-GO. Advance refund of outstanding balance of 1991 Correctional Facility bonds.
GO Energy Production Facility Refunding Bonds, Series 2002A	4/01/02	$31,065,000 2.000-5.250%	2002 to 2014	M: Aa2 S: AA F: AA+	U	Advance refund of outstanding Energy Production Facility Revenue Bonds Series 1997A, 1997B, and 1994 related to the former Nashville Thermal Transfer Corporation. Interest on the 2002 Series B bonds is not federal income tax-exempt.
GO Energy Production Facility Refunding Bonds, Series 2002B	4/01/02	$27,000,000 3.000-6.000%	2002 to 2012	M: Aa2 S: AA F: AA+	U	
District Energy System Revenue Bonds 2002 Series A	10/24/02	$66,700,000 3.000-5.250%	2005 to 2033	M: Aaa S: AAA F: AAA	--	Non-GO. Construction of steam & chilled water generating facilities & improvements to an existing energy distribution system. Ambac-insured.
GO Multi-Purpose Refunding Bonds, Series 2002	10/31/02	$108,690,000 3.000-5.000%	2003 to 2024	<u>2003-2021</u> M: Aa2 S: AA F: AA+ <u>2022-2024</u> M: Aaa S, F: AAA	S G U	Advance refund portions of outstanding bonds: GO MP Series 1994, GO MP Series 1995, GO MP Series 1996, and GO MP Series 2001A. Bonds maturing on or after 11/15/2022 are FSA-insured.
Water and Sewer Revenue Refunding Bonds, Series 2002	11/19/02	$30,255,000 3.000-5.125%	2004 to 2016	M: Aaa S: AAA F: AAA	--	Non-GO revenue bonds to refund portions of outstanding Water & Sewer Revenue Bonds, Series 1992, and Water & Sewer Revenue Refunding Bonds, Series 1993. FSA-insured.
GO Multi-Purpose Bonds, Series 2003	10/1/03	$122,100,000 2.000-5.000%	2005 to 2023	<u>2005-2021</u> M:Aa2 S:AA F: AA+ <u>2022-2023</u> M:Aaa S, F: AAA	G U S	Finance the retirement of a portion of the GO TAN commercial paper. Bonds maturing in 2022-2023 are FGIC-Insured.
GO Multi-Purpose Bonds, Series 2004	12/15/04	$65,755,000 4.000-5.250%	2007 to 2024	M:Aa2 S:AA F: AA+	G U S	Finance the retirement of a portion of the GO TAN commercial paper.

90 Debt Service Funds-At a Glance

Recent Bond Issues						
Issue	**Date Issued**	**Amount & interest rate**	**Ma-turity**	**Ratings ***	**Fund***	**Comments ***
General Obligation Public Improvement Refunding Bonds, Series 2004	09/01/04	$51,340,000 3.000-5.000%	2004 to 2017	M: Aa2 S: AA F: AA+	G S	Advance refund portions of outstanding GO MP Improvement Bonds, Series 1996A
General Obligation Multi-Purpose Bonds, Series 2005A	05/05/05	$150,275,000 4.250-5.000%	2005 to 2025	M: Aa2 S: AA F: AA+	G U S	Finance the retirement of a portion of the General Obligation Bond Anticipation Notes (commercial paper). Bonds maturing in 2016-2025 are MBIA-Insured.
General Obligation Multi-Purpose Refunding Bonds, Series 2005B	05/05/05	$190,460,000 4.000-5.000%	2005 to 2025	M: Aa2 S: AA F: AA+	G U S	Advance refund portions of outstanding bonds: GO MP Series 1997A, GO MP Series 1999, Gen. Improvement and Refunding, Series 2001A B, and GO MP Series 2003.
General Obligation Bonds, Series 2005C	11/01/05	$214,000,000 3.625-5.000%	2005 to 2026	M: Aa2 S: AA F: AA+	G U S	Finance the retirement of a portion of the General Obligation Anticipation Notes (Commercial Paper), and general government projects.
General Obligation Refunding Bonds, Series 2006A	05/11/06	$60,805,000 3.60%	2006 to 2026	M: Aa2/VMIG1 S: AA/A-1 F: AA+/F1+	G	Current Refund of outstanding general obligation public improvement bonds, Series 1996 held in interest rate hedging agreement.
General Obligation Bonds, Series 2006B	06/23/06	$203,315,000 4.00-5.00%	2006 to 2026	M: Aa S: AA F: AA+	G U S	Finance the retirement of a portion of the General Obligation Anticipation Notes (Commercial Paper), and general government projects.
General Obligation Refunding Bonds, Series 2007A	04/24/07	$186,890,000 4.00%-5.00%	2008 to 2028	M: Aa2 S: AA F: AA	G U S	Current and Advance refund portions of outstanding bonds: GO Bonds Series 2003, GO MP & Refunding Series 1999, Series 1997A and GO Refunding Series 1997
GO Tax Anticipation Notes (TAN) commercial Paper, Series 2007A	07/11/07	Up to $400,000,000 Market rates	Up to 270 days after issue	M: P-1 S: A-1+	G U S	Provide interim financing of various capital projects and refinance existing general obligation bonds anticipation notes of 2002. .
Water and Sewer Revenue Refunding Bonds, Series 2007	07/17/07	$36,240,000 4.25%-5.00%	2009 to 2016	M: Aaa S: AAA	G U S	Non-GO. Current refund of W&S Revenue Bonds, Series 1986 ($13,390,000) maturing in 2016 and W&S Revenue Refunding Bonds, Series 1996 ($23,925,000) maturing 2009-2014.
Water and Sewer Revenue Refunding Bonds, Series 2008A	02/22/08	$122,530,000 3.25%-5.25%	2011 to 2022	M: Aa3 S: AA- F: AA-	G U S	Non-GO. Current refund of W&S Revenue Refunding Bonds, Series 1998A ($127,775,000) maturing in 2011-2019, and W&S Revenue Bonds, Series 1998B ($785,000) maturing 2011-2012.
Water and Sewer Revenue Refunding Bonds, Series 2008B (Taxable)	02/22/08	$27,950,000 3.45%-4.84%	2009 to 2016	M: Aa3 S: AA- F: AA-	G U S	Non-GO. Current refund of W&S Revenue Refunding Bonds, Series 1986A ($27,525,000) maturing in 2016.
General Obligation Bonds, Series 2008	03/4/08	$208,000,000 4.00-5.00%	2011 to 2028	M: Aa2 S: AA F: AA	G U S	Finance the retirement of a portion of the General Obligation Anticipation Notes (Commercial Paper), and general government projects.

* **Ratings:** M = Moody's, S = Standard & Poor's, F = Fitch, I = Insured (see text). Maturity dates are underlined.
Fund: This code shows the debt service fund(s) used to repay this issue. G = GSD, U = USD, S = Schools.
Comments: Non-GO = Not a general obligation debt, but included in this table for completeness.

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GENERAL OBLIGATION BONDS PAYABLE For General Purposes:	Bonds and Notes Payable at June 30, 2008 Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding 6/30/08	Interest to Maturity as of 6/30/08
GSD G.O. Refunding Bonds of 1996	6.00	Dec. 1, 1996	Dec. 1, 2010	28,671,142	9,444,298	865,901
GSD G.O. Refunding Bonds, Series 1997	4.850 - 5.125	Sept. 15, 1997	May 15, 2025	64,596,180	261,900	12,702
GSD G.O. Public Improvement and Refunding Bonds of 1999	5.00 - 5.25	May 15, 1999	Nov. 15, 2029	133,288,342	12,013,217	918,156
GSD G.O. Multi-Purpose Improvement Bonds, Series 2001A	5.00 - 5.50	Feb. 15, 2001	Oct. 15, 2020	62,065,000	31,905,000	3,539,687
GSD G.O. Multi-Purpose Refunding Bonds, Series 2001B	5.00 - 5.50	Feb. 15, 2001	Oct. 15, 2016	43,633,148	33,868,258	6,822,297
GSD G.O. Multi-Purpose Refunding Bonds, Series 2002	3.250 - 5.00	Nov. 15, 2002	Nov. 15, 2024	41,749,303	34,089,865	16,977,068
GSD G.O. Multi-Purpose Bonds, Series 2003	4.00 - 5.00	Oct. 1, 2003	Apr. 1, 2024	59,543,042	34,435,970	14,921,296
GSD G.O. Multi-Purpose Bonds, Series 2004	5.00 - 5.25	July 15, 2004	Jun. 1, 2024	33,825,000	31,370,000	15,128,687
GSD G.O Pub Impr. Refunding Bonds, Series 2004	3.250 - 5.00	Sept. 1, 2004	Nov. 14, 2016	48,367,055	39,638,563	9,953,725
GSD G.O. Multi-Purpose Bonds, Series 2005A	4.250 - 5.25	May 1, 2005	Jan. 1, 2025	49,817,419	44,265,540	21,810,804
GSD G.O. MP Refunding Bonds, Series 2005B	4.125 - 5.00	May 1, 2005	Jan. 1, 2020	107,433,445	96,806,866	36,909,843
GSD G.O. Multi-Purpose Bonds, Series 2005C	3.625 - 5.00	Nov. 1, 2005	Feb. 1, 2026	150,696,497	140,867,270	74,545,064
GSD G.O. Multi-Purpose Improvement Bonds, Series 2006A	3.60	May 15, 2006	May 15, 2026	60,805,000	58,900,000	34,847,280
GSD G.O. Bonds, Series 2006B	4.00 - 5.00	Jun.15, 2006	Feb. 1, 2026	113,783,394	110,285,638	57,893,946
GSD G.O. Refunding Bonds, Series 2007A	4.00 - 5.00	April 15, 2007	May 15, 2030	125,908,003	125,864,957	86,622,657
GSD G.O. Bonds, Series 2008A	4.00 - 5.00	Mar. 15, 2008	Jan. 1, 2028	173,425,850	173,425,881	130,426,343
Total General Obligation Bonds Payable For General Purposes				1,297,607,821	977,443,223	512,195,456
For School Purposes:						
GSD G.O. Refunding Bonds, Series 1997	4.850 - 5.125	Sept. 15, 1997	May 15, 2025	46,393,820	188,100	9,123
GSD G.O. Public Improvement and Refunding Bonds of 1999	5.00 - 5.25	May 15, 1999	Nov. 15, 2019	53,474,949	7,281,337	557,969
GSD G.O. Multi-purpose Improvement Bonds, Series 2001A	5.00 - 5.50	Feb. 15, 2001	Oct. 15, 2020	176,640,000	47,315,000	4,546,312
GSD G.O. Multi-purpose Refunding Bonds, Series 2001B	5.00 - 5.50	Feb. 15, 2001	Oct. 15, 2016	30,111,852	22,621,742	4,840,560
GSD G.O. Multi-Purpose Refunding Bonds, Series 2002	3.250 - 5.00	Nov. 15, 2002	Nov. 15, 2024	60,984,934	55,404,371	23,254,656
GSD G.O. Multi-purpose Bonds, Series 2003	4.00 - 5.00	Oct. 1, 2003	Apr. 1, 2024	41,515,465	24,009,947	10,403,643
GSD G.O. Multi-Purpose Bonds, Series 2004	5.00 - 5.25	July 15, 2004	Jun. 1, 2024	26,170,000	24,260,000	11,637,925
GSD G.O Pub Impr. Refunding Bonds, Series 2004	3.250 - 5.00	Sept. 1, 2004	Nov. 14, 2016	2,972,945	2,436,437	611,819
GSD G.O. Multi-Purpose Bonds, Series 2005A	4.250 - 5.25	May 1, 2005	Jan. 1, 2025	79,503,345	70,643,133	34,807,699
GSD G.O. MP Refunding Bonds, Series 2005B	4.125 - 5.00	May 1, 2005	Jan. 1, 2020	77,018,422	70,677,676	25,821,030
GSD G.O. Multi-Purpose Bonds, Series 2005C	3.625 - 5.00	Nov. 1, 2005	Feb. 1, 2026	43,740,078	40,997,126	21,695,127
GSD G.O. Bonds, Series 2006B	4.00 - 5.00	Jun.15, 2006	Feb. 1, 2026	69,160,188	67,034,180	35,189,284
GSD G.O. Refunding Bonds, Series 2007A	4.00 - 5.00	April 15, 2007	May 15, 2030	58,421,307	58,405,175	36,911,754
GSD G.O. Bonds, Series 2008A	4.00 - 5.00	Mar. 15, 2008	Jan. 1, 2028	96,611,856	96,611,856	72,657,745
Total General Obligation Bonds Payable for School Purposes				862,719,161	587,886,080	282,944,646
Total General Obligation Bonds Payable - General Services District				2,160,326,982	1,565,329,303	795,140,102
LIMITED OBLIGATION REVENUE BONDS PAYABLE						
Correctional Facility Revenue Bonds	4.00 - 5.00	Feb. 1, 2002	Sept. 1, 2011	16,265,000	7,375,000	760,375
Special Limited Obligation Revenue Refunding Bonds Payable - General Services District				16,265,000	7,375,000	760,375
Total Bonds Payable - General Services District				2,176,591,982	1,572,704,303	795,900,477

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GENERAL OBLIGATION BONDS PAYABLE	Bonds and Notes Payable at June 30, 2008					
	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Principal Amount Outstanding 6/30/08	Interest to Maturity as of 6/30/08
GENERAL OBLIGATION BONDS PAYABLE						
USD G.O. Refunding Bonds of 1996	6.00	Dec. 1, 1996	Dec. 1, 2010	5,633,858	1,855,783	170,149
USD G.O. Multi-purpose Improvement Bonds, Series 2001A	5.00 - 5.50	Feb. 15, 2001	Oct. 15, 2016	23,450,000	9,760,000	937,313
USD G.O. (Tax Exempt) Thermal Refunding Bonds, 2002	4.00 - 5.25	Apr. 1, 2002	July 1, 2014	31,065,000	17,945,000	3,016,769
USD G.O. (Taxable) Thermal Refunding Bonds, 2002	5.70 - 6.00	Apr. 1, 2002	July 1, 2012	27,000,000	3,390,000	475,503
USD G.O. Multi-Purpose Refundings Bonds, Series 2002	3.250 - 5.00	Nov. 15, 2002	Nov. 15, 2024	5,955,763	5,955,764	1,553,726
USD G.O. Multi-Purpose Bonds, Series 2003	4.00 - 5.00	Oct. 1, 2003	Apr. 1, 2024	21,041,493	12,169,083	5,272,931
USD G.O. Multi-Purpose Bonds, Series 2004	5.00 - 5.25	July 15, 2004	Jun. 1, 2024	5,760,000	5,350,000	2,586,600
USD G.O. Multi-Purpose Bonds, Series 2005A	4.250 - 5.25	May 1, 2005	Jan. 1, 2025	13,979,236	12,421,326	6,120,316
USD G.O. MP Refunding Bonds, Series 2005B	4.125 - 5.00	May 1, 2005	Jan. 1, 2020	6,008,527	5,455,816	2,043,461
USD G.O. Multi-Purpose Bonds, Series 2005C	3.625 - 5.00	Nov. 1, 2005	Feb. 1, 2026	19,967,790	18,715,604	9,904,046
USD G.O. Bonds, Series 2006B	4.00 - 5.00	Jun.15, 2006	Feb. 1, 2026	20,371,418	19,745,191	10,365,149
USD G.O. Refunding Bonds, Series 2007A	4.00 - 5.00	April 15, 2007	May 15, 2030	2,560,691	2,559,867	1,716,130
USD G.O. Bonds, Series 2008A	4.00 - 5.00	Mar. 15, 2008	Jan. 1, 2028	37,962,263	37,962,263	28,549,833
Total General Obligation Bonds Payable (governmental activities)				220,756,039	153,285,697	72,711,924
USD G.O. Multi-purpose Bonds, Series 2005A (District Energy System) (1)				7,695,000	7,170,000	3,533,113
Total General Obligation Bonds Payable (business-type activities)				7,695,000	7,170,000	3,533,113
Total General Obligation Bonds Payable - Urban Services District				228,451,039	160,455,697	76,245,037
REVENUE BONDS PAYABLE						
Dept of Water and Sewerage Rev. Refunding Bonds of 1986	7.30 - 7.70	Oct. 1, 1986	Jan. 1, 2016	339,866,665	94,700,000	18,905,425.00
Dept of Water and Sewerage Revenue Bonds of 1993	5.20 - 6.50	Aug. 1, 1993	Jan. 1, 2013	157,475,000	36,975,000	7,086,040.00
Dept of Water and Sewerage Rev. Refunding Bonds of 1998A	4.625 - 5.00	Feb. 1, 1998	Jan. 1, 2022	156,315,000	9,190,000	636,062.50
Dept of Water and Sewerage Revenue Bonds of 1998B	4.45 - 5.25	Feb. 15, 1998	Jan. 1, 2014	55,000,000	18,400,000	5,167,015.00
Dept of Water and Sewerage Rev. Refunding Bonds of 2002	5.125	Dec. 1, 2002	Jan. 1, 2016	30,255,000	27,825,000	9,489,962.50
Dept of Water and Sewerage Rev. Refunding Bonds of 2007	4.25 - 5.00	Jul. 15, 2007	Jan. 1, 2016	36,240,000	36,240,000	10,770,650.00
Dept of Water and Sewerage Rev. Refunding Bonds of 2008A	3.250 - 5.250	Feb. 15, 2008	Jan. 1, 2022	122,530,000	122,530,000	58,044,232.67
Dept of Water and Sewerage Rev. Refunding Bonds of 2008B	3.450 - 4.840	Feb. 15, 2008	Jan. 1, 2016	27,950,000	27,950,000	9,199,042.06
Total Revenue Bonds Payable - Department of Water and Sewerage				925,631,665	373,810,000	119,298,430
District Energy System Revenue Bonds, Series 2002A	3.00 - 5.00	Oct. 1, 2002	Oct. 1, 2033	66,700,000	63,050,000	49,179,803
Total Revenue Bonds Payable - Urban Services District				992,331,665	436,860,000	168,478,233
Total Bonds Payable - Urban Services District				1,220,782,704	597,315,697	244,723,270

90 Debt Service Funds-At a Glance

Future Annual Debt Service Requirements for Debt Outstanding at 6/30/2008

General Obligation Debt (Debt Service Funds)

Fiscal	GSD Debt Service			GSD School Debt Service			USD Debt Service		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	43,699,844	46,589,511	90,289,355	30,550,745	27,080,652	57,631,398	9,579,411	7,305,421	9,579,411
2010	44,330,544	46,060,704	90,391,248	29,602,800	26,608,741	56,211,541	10,036,656	7,207,330	10,036,656
2011	45,462,641	43,876,870	89,339,511	30,198,707	25,144,199	55,342,905	10,053,652	6,728,947	10,053,652
2012	41,229,983	41,874,342	83,104,325	29,827,671	23,778,291	53,605,962	9,737,346	6,253,685	9,737,346
2013	41,701,260	39,827,491	81,528,751	30,457,060	22,318,421	52,775,481	9,526,680	5,795,771	9,526,680
2014	43,599,523	37,754,146	81,353,669	30,520,850	20,854,702	51,375,553	8,249,429	5,350,280	8,249,429
2015	44,721,384	35,564,813	80,286,197	30,459,223	19,346,983	49,806,206	8,194,434	4,935,047	8,194,434
2016	54,457,860	33,236,857	87,694,717	32,225,493	17,885,924	50,111,417	4,276,711	4,630,274	4,276,711
2017	52,933,630	30,550,288	83,483,918	29,952,019	16,329,829	46,281,848	5,279,400	4,419,401	5,279,400
2018	53,651,342	28,251,472	81,902,814	31,029,997	15,017,547	46,047,544	8,013,705	4,174,706	8,013,705
2019	53,797,009	25,366,125	79,163,134	33,243,850	13,729,730	46,973,581	7,239,146	3,787,542	7,239,146
2020	51,489,005	22,495,785	73,984,790	27,863,785	12,199,339	40,063,123	7,662,212	3,424,257	7,662,212
2021	54,949,774	19,859,483	74,809,257	31,095,502	10,765,887	41,861,388	8,569,722	3,046,903	8,569,722
2022	57,378,944	17,124,623	74,503,567	32,927,051	9,217,445	42,144,496	9,139,002	2,624,872	9,139,002
2023	60,282,265	14,241,175	74,523,440	34,584,360	7,572,941	42,157,300	9,593,373	2,170,037	9,593,373
2024	62,650,206	11,215,771	73,865,977	35,848,259	5,850,103	41,698,362	9,841,549	1,692,577	9,841,549
2025	58,804,494	8,081,604	66,886,098	32,570,479	4,072,400	36,642,880	8,385,024	1,205,677	8,385,024
2026	47,426,760	5,234,583	52,661,343	20,641,111	2,585,071	23,226,181	6,932,126	797,006	6,932,126
2027	32,462,390	2,932,041	35,394,431	18,151,903	1,584,324	19,736,228	5,675,703	463,000	5,675,703
2028	24,981,861	1,552,497	26,534,358	13,527,202	824,780	14,351,982	4,330,933	222,823	4,330,933
2029	3,636,072	334,444	3,970,516	1,276,029	117,379	1,393,409	68,234	6,277	68,234
2030	3,796,432	170,831	3,967,263	1,331,984	59,958	1,391,942	71,249	3,206	71,249
Total	977,443,223	512,195,456	1,489,638,683	587,886,080	282,944,646	870,830,726	160,455,697	76,245,037	160,455,695

90 Debt Service Funds-At a Glance

Future Annual Debt Service Requirements for Debt Outstanding at 6/30/2008

Revenue Debt (Memorandum Only)

Fiscal	Water Service (USD)			District Energy System (USD)			Correction Facility Revenue Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	31,185,000.00	19,645,802.98	50,830,803	1,290,000	3,052,144	4,342,144	1,710,000	326,000	2,036,000
2010	33,370,000.00	18,859,455.25	52,229,455	1,330,000	3,012,844	4,342,844	1,795,000	238,375	2,033,375
2011	35,525,000.00	16,526,202.75	52,051,203	1,370,000	2,970,631	4,340,631	1,885,000	146,375	2,031,375
2012	37,830,000.00	14,170,087.75	52,000,088	1,250,000	2,917,544	4,167,544	1,985,000	49,625	2,034,625
2013	40,195,000.00	11,569,110.25	51,764,110	1,550,000	2,851,744	4,401,744	-	-	-
2014	41,745,000.00	9,597,415.25	51,342,415	1,545,000	2,777,178	4,322,178	-	-	-
2015	43,690,000.00	7,547,791.50	51,237,792	1,625,000	2,694,930	4,319,930	-	-	-
2016	25,980,000.00	5,495,676.50	31,475,677	1,710,000	2,607,388	4,317,388	-	-	-
2017	12,450,000.00	4,266,412.50	16,716,413	1,800,000	2,517,125	4,317,125	-	-	-
2018	13,030,000.00	3,708,725.00	16,738,725	1,890,000	2,422,138	4,312,138	-	-	-
2019	13,630,000.00	3,087,525.00	16,717,525	1,990,000	2,321,205	4,311,205	-	-	-
2020	14,275,000.00	2,371,950.00	16,646,950	2,090,000	2,215,025	4,305,025	-	-	-
2021	15,100,000.00	1,622,512.50	16,722,513	2,200,000	2,102,413	4,302,413	-	-	-
2022	15,805,000.00	829,762.50	16,634,763	2,315,000	1,984,119	4,299,119	-	-	-
2023	-	-	-	2,440,000	1,859,850	4,299,850	-	-	-
2024	-	-	-	2,150,000	1,747,750	3,897,750	-	-	-
2025	-	-	-	2,665,000	1,632,750	4,297,750	-	-	-
2026	-	-	-	2,795,000	1,496,250	4,291,250			
2027	-	-	-	3,790,000	1,338,731	5,128,731			
2028	-	-	-	3,110,000	1,179,169	4,289,169			
2029	-	-	-	3,255,000	1,025,875	4,280,875			
2030	-	-	-	3,420,000	859,000	4,279,000			
2031				3,590,000	683,750	4,273,750			
2032				3,770,000	499,750	4,269,750			
2033				3,955,000	306,625	4,261,625			
2034				4,155,000	103,875	4,258,875			
2035						-			
	373,810,000	119,298,430	493,108,430 #	63,050,000	49,179,803	112,229,803 #	7,375,000	760,375	8,135,375

90 Debt Service Funds-At a Glance

Highlights from the Metropolitan Government of Nashville and Davidson County's Debt Management Policy

The purpose of the Policy is to establish and document the objectives and practices for debt management for the Metropolitan Government and to assist all concerned parties in understanding the Metropolitan Government's approach to debt management.

Policy Statement

In managing its debt, it is the Metropolitan Government's policy to:

- Achieve the lowest cost of capital
- Ensure high credit quality
- Assure access to the capital credit markets
- Preserve financial flexibility
- Manage interest rate risk exposure

Goals & Objectives

Debt policies and procedures are tools that ensure that financial resources are adequate to meet the Metropolitan Government's long-term financing objectives. In addition, the Policy helps to ensure that financings undertaken by the Metropolitan Government satisfy certain clear objective standards which allow the Metropolitan Government to protect its financial resources in order to meet its short-term financing and long-term capital needs. The adoption of clear and comprehensive financial policies enhances the internal financial management of the Metropolitan Government.

Issuance Process

The Metropolitan Government charter, which was approved by referendum on June 28, 1962, as amended, and Title 9, Chapter 21 of the Tennessee Code Annotated authorizes the Metropolitan Government to issue general obligation bonds subject to the adoption of a bond resolution by the Metropolitan Council. Other sections of the Tennessee Code Annotated and the Federal Tax Code may govern the issuance or structure of the Metropolitan Government's bonds.

The Metropolitan Government strongly prefers a competitive issuance process for all debt issuances. The Metropolitan Government will consider a negotiated issuance or private placement process only where it is clear that such process is in the best interests of the Metropolitan Government.

Credit Quality and Credit Enhancement

The Metropolitan Government's debt management activities will be conducted to receive the highest credit ratings possible, consistent with the Metropolitan Government's financing objectives. The Director of Finance will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the Metropolitan Government's debt. The Director of Finance will provide the rating agencies with periodic updates of the general financial condition of the Metropolitan Government. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Metropolitan Government, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision. The Director of Finance shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies will be asked to provide such rating.

The Metropolitan Government will make an annual credit presentation to the Metropolitan Council, explaining the Metropolitan Government's current rating, rating agency views on the Metropolitan Government's performance and current items which may positively or adversely affect the Metropolitan Government's credit rating.

The Metropolitan Government will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when clearly demonstrable savings can be shown shall an enhancement be considered.

Debt Affordability

It is the intent of the Metropolitan Government to promote the most efficient and cost-effective use of debt financing in order to facilitate long-term access to capital while ensuring that financial leveraging decisions do not negatively impact the Metropolitan Government's annual operations. To this end, the government will periodically review basic measures of debt affordability, including but not limited to, average life of new debt, percentage of principal paid within 10 years, per capita debt/per capita income, per capita debt/per capita assessed value, and debt service/general fund operating expenses.

Bond Structure

The Metropolitan Government shall establish all terms and conditions relating to the issuance of bonds, and will invest all bond proceeds pursuant to the terms of the Metropolitan Government's Investment Policy. Unless otherwise authorized by the Metropolitan Government, the following shall serve as bond requirements:

1. **Term**. Capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements with a maximum of twenty (20) years. In certain circumstances where the debt meets legal requirements and is in the best interest of the Metropolitan Government this period by be extended to a maximum of thirty (30) years.

2. **Capitalized Interest**. From time to time certain financings may require the use of capitalized interest from the issuance date until the Metropolitan Government has beneficial use and/or occupancy of the financed project. Interest shall not be funded (capitalized) beyond

three (3) years or a shorter period if further restricted by statute. Interest earnings may, at the Metropolitan Government's discretion, be applied to extend the term of capitalized interest but in no event beyond the term statutorily authorized or three years, whichever is shorter.

3. **Debt Service Structure**. Debt issuance shall be planned to achieve relatively level debt service for an individual bond issue, while still matching debt service to the useful life of the capital asset financed by the debt. The Metropolitan Government shall avoid the use of bullet or balloon maturities except in those instances where these maturities serve to make existing overall debt service level or match a specific income stream.

4. **Call Provisions**. In general, the Metropolitan Government's securities will include a call feature, which is no later than ten (10) years from the date of delivery of the bonds. The Metropolitan Government will avoid the sale of long-term non-callable bonds absent careful evaluation by the Metropolitan Government with respect to the value of the call option.

5. **Original Issuance Discount/Premium**. Bonds with original issuance discount/premium will be permitted.

6. **Deep Discount Bonds**. Deep discount bonds may provide a lower cost of borrowing in certain markets. The Metropolitan Government will carefully consider their value and effect on any future refinancing as a result of the lower-than-market coupon.

7. **Synthetic Debt.** The Metropolitan Government will consider the limited use of swaps, derivatives and other forms of synthetic debt as a hedge against future interest rate risk when appropriate and in accordance with state guidelines. The Metropolitan Government will not use structured products for speculative purposes. The Metropolitan Government will consider the use of structured products when it is able to gain a comparative borrowing advantage and is able to quantify and understand the potential risks or to achieve fixed and/or variable rate exposure targets.

Types of Debt

When the Metropolitan Government determines that the use of debt is appropriate, the following criteria will be utilized to evaluate the type of debt to be issued.

<u>Structure</u>

1. **General Obligation Bonds.** The Metropolitan Government may issue general obligation bonds supported by the full faith and credit of the Metropolitan Government. General obligation bonds shall be used to finance capital projects that do not have independent creditworthiness and significant ongoing revenue streams. The Metropolitan Government may also use its general obligation pledge to support other bond issues, if such support improves the economics of the other bond issue and is used in accordance with these guidelines.

2. **Revenue Bonds.** The Metropolitan Government may issue revenue bonds, where repayment of the bonds will be made through revenues generated from other sources. Revenue bonds will typically be issued for capital projects which can be supported from project or enterprise-related revenues.

<u>Duration</u>

1. **Long-Term Debt.** The Metropolitan Government may issue long-term debt where it is deemed that capital improvements should not be financed from current revenues or short-term borrowings. Long-term borrowing will not be used to finance current operations or normal maintenance. Long-term debt will be self-supporting and structured such that financial obligations do not exceed the expected useful life of the project.

2. **Short-Term Debt.** Short-term borrowing may be utilized for construction financing, the temporary funding of operational cash flow deficits or anticipated revenues (defined as an assured source with the anticipated amount based on conservative estimates) subject to the following policies:

a) *Bond Anticipation Notes (BANs)* in the form of Commercial Paper shall be used only for the purpose of providing financing for the cost of all or any of the public purposes for which Bonds have been authorized and for the payment of principal of outstanding commercial paper.

b) *Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs)* shall be issued only to meet cash flow needs consistent with a finding by bond counsel that the sizing of the issue fully conforms to Federal IRS and state requirements and limitations.

c) *Lines of Credit* shall be considered as an alternative to other short-term borrowing options. The lines of credit shall be structured to limit concerns as to the Internal Revenue Code.

d) *Other Short-Term Debt* may be used when it provides an interest rate advantage or as interim financing until market conditions are more favorable. The Metropolitan Government will determine and utilize the least costly method for short-term borrowing. The Metropolitan Government may issue short-term debt when there is a defined repayment source or amortization of principal.

90 Debt Service Funds-At a Glance

Refinancing Outstanding Debt

The Director of Finance for the Metropolitan Government, with assistance form the Metropolitan Government's Financial Advisor, shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Metropolitan Government will consider the following issues when analyzing possible refunding opportunities:

1. **Debt Service Savings**. The Metropolitan Government establishes a minimum present value savings threshold of 3.5% of the refunded bond principal amount. The present value savings will be net of all costs related to the refinancing. If present value savings is less than 3.5%, the Metropolitan Government may consider the option value captured as a percent of total savings. If the option value exceeds 70% and present value savings is less than 3.5%, the Metropolitan Government may opt to complete a refunding. The decision to take savings on an upfront or deferred basis must be explicitly approved by the Metropolitan Government.

2. **Restructuring**. The Metropolitan Government will refund debt when it is in the best financial interest of the Metropolitan Government to do so. Such refunding will be limited to restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, release reserve funds or remove unduly restrictive bond covenants.

3. **Term of Refunding Issues**. The Metropolitan Government will refund bonds within the term of the originally issued debt. However, the Metropolitan Government may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The Metropolitan Government may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

4. **Escrow Structuring**. The Metropolitan Government shall utilize the least costly securities available in structuring refunding escrows. A certificate will be provided by a third party agent, who is not a broker-dealer stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Metropolitan Government from its own account.

5. **Arbitrage**. The Metropolitan Government shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding.