

DEBT SERVICE FUNDS

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for and the payment of general obligation and special assessment debt principal, interest and related cost for Local Improvement Districts. Debt incurred by the Enterprise Funds are backed by the revenue generated from the Enterprise Funds and are listed and summarized in the Enterprise Fund section of the operating budget.

In FY 2011 the City had paid in-full all its special assessment debt related to projects outside that financed and recorded within the Enterprise Funds. The City then opted to budget for the annual General Obligation Debt within the General Fund. By these combined efforts, the City currently does not have any Debt Service Funds. Therefore, the information contained in this section is for informational purposes regarding the City's debt policies.

Debt Administration

The City of Wasilla has incurred rapid population growth over the past ten years. The population of the City of Wasilla has increased by over 32% and the population of the Matanuska-Susitna Borough has increased by over 45% in the past ten years. This rapid growth has challenged the City of Wasilla's ability to meet the demands of the residents of the City of Wasilla and the residents of the Matanuska-Susitna Borough to expand public facilities. In order to meet the challenge of expanding public facilities, the City of Wasilla has used three techniques to finance the City of Wasilla's Capital Improvement Program: pay-as-you-go financing, debt financing (issuance of general obligation bonds) and public-private financing (special assessment districts).

The necessity to incur debt in order to finance the Capital Improvement program carries with it the obligation to manage the debt program effectively. Based on this obligation, the City of Wasilla passed an ordinance adopting debt policies (WMC 5.02.040) in Fiscal Year 2002. The objective of the City of Wasilla debt policies is to maintain the City's ability to incur present and future debt at the best interest rates available in amounts needed to finance the Capital Improvement plan without adversely affecting the City's ability to finance essential city services.

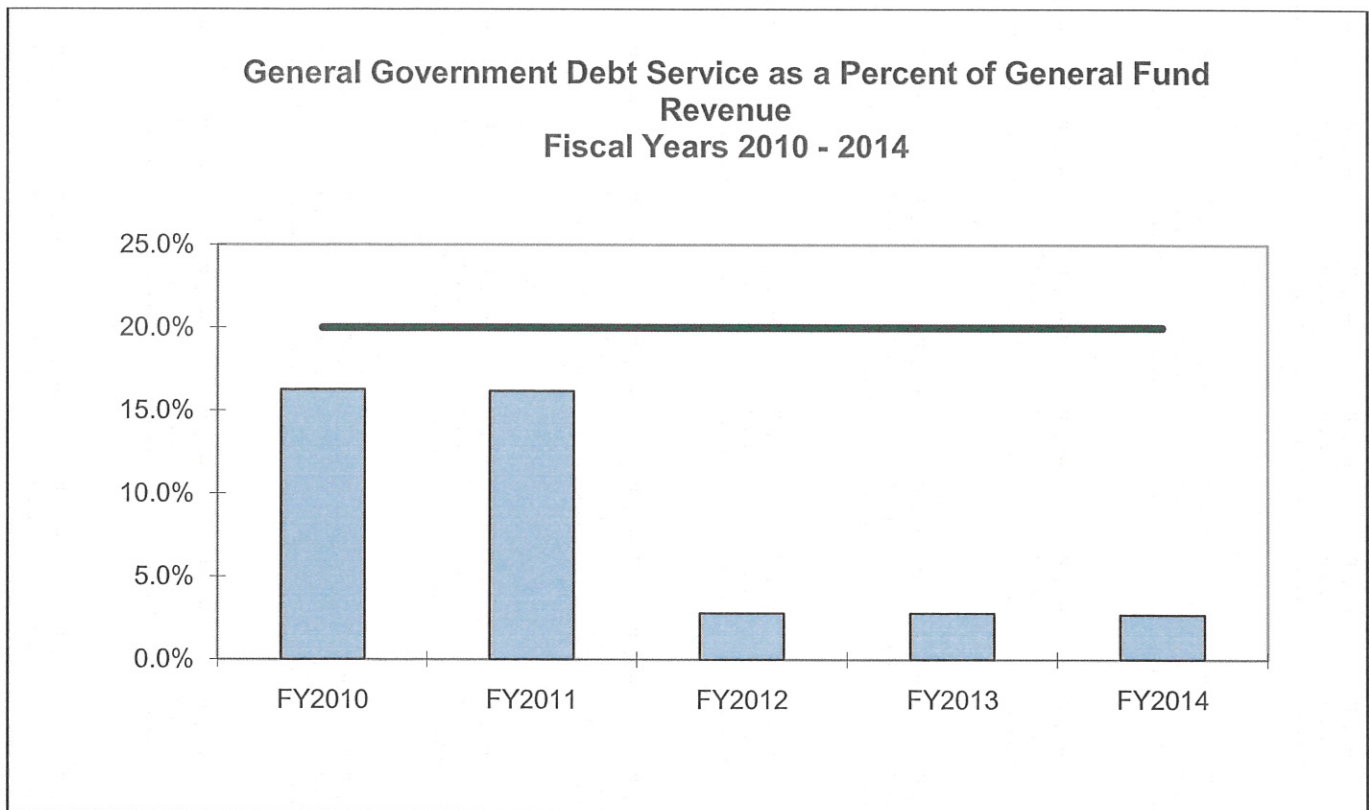
Policy statements include:

- A five-year capital improvement budget will be developed and updated annually along with corresponding anticipated funding sources.
- The City will not fund current operations from the proceeds of borrowed funds.
- Capital projects financed through the issuance of bonded debt will be financed for a period not to exceed the useful life of the project.
- Target debt ratios will be annually calculated and included in the review of financial trends.
- Annual general obligation debt service should not exceed 20 percent of annual general fund revenue.
- The City will maintain good communications about its financial condition with bond and credit institutions.
- The City will avoid borrowing on tax anticipation and maintain an adequate fund balance.
- Pay-as you-go financing will be an integral part of each capital program.

Debt Service Funds - Continued

Legal Debt Margin

Under Alaska State Statutes and the City of Wasilla Municipal code, there is no legal debt limit. The amount of debt outstanding is determined by the residents of the City of Wasilla, and ultimately, by the market place. The City of Wasilla's new debt policy directs management to monitor direct City Debt. Management will evaluate general government annual debt service as a percent of General Fund Revenue. The target goal is that annual debt service will be less than 20 percent of General Fund Revenue (including the dedicated sales tax for retiring the Curtis D. Menard Memorial Sports Center (CMMSC) GO Bond, retired in FY 2011). Since the holders of the Special Assessment bonds have no claims against the City of Wasilla, except for the payments from the special assessments made for the improvements for which the special assessment bonds were issued, the special assessment debt is not included in the annual general debt service. The chart below shows how general government debt service, including debt service on the CMMSC GO Bond compares to General Fund Revenue (not including State Dispatch contract revenue) including the dedicated sales tax for retiring CMMSC GO Bond (retired in FY 2011) from Fiscal Year 2008 through Fiscal Year 2012.



This chart shows that the debt service as a percent of General Fund revenue remained fairly constant from Fiscal Year 2010 through Fiscal Year 2011. In FY 2009 the City defeased the FY 2012 payment of the CMMSC GO Bond and thus, retired the CMMSC GO Bond in FY 2011, leaving only the 2007 GO Bond for street improvements scheduled to be paid in full by FY 2019.

Debt Service Funds - Continued

**CITY OF WASILLA
SUMMARY OF DEBT SERVICE PAYMENTS
UNTIL MATURITY**

<u>Governmental Activities</u>			
<u>2007 GO Bond</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	310,000	112,744	422,744
2014	320,000	97,744	417,744
2015	340,000	82,263	422,263
2016	355,000	65,819	420,819
2017	375,000	46,681	421,681
2018-2019	810,000	37,828	847,828
Total	<u>\$ 2,510,000</u>	<u>\$ 443,079</u>	<u>\$ 2,953,079</u>

<u>Business-Type Activities</u>			
<u>Loans</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	230,697	40,084	270,781
2014	230,697	36,623	267,320
2015	230,697	33,163	263,860
2016	230,697	29,703	260,400
2017	230,697	26,242	256,939
2018-2022	1,127,227	79,697	1,206,924
2023-2024	391,549	8,417	399,966
Total	<u>\$ 2,672,261</u>	<u>\$ 253,929</u>	<u>\$ 2,926,190</u>

Fiscal Year 2013

	<u>Outstanding Balance 6/30/2012</u>	<u>Principal Additions</u>	<u>Principal Reductions</u>	<u>Outstanding Balance 6/30/2013</u>
<u>Governmental Activities</u>				
General Obligation Debt	\$ 2,510,000	\$ -	\$ 310,000	\$ 2,200,000
Total	<u>\$ 2,510,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 2,200,000</u>
<u>Enterprise Activities</u>				
Sewer Loan Payable	\$ 191,916	\$ -	\$ 17,248	\$ 174,668
Water Loan Payable	2,480,345	-	213,450	2,266,895
	<u>\$ 2,672,261</u>	<u>\$ -</u>	<u>\$ 230,698</u>	<u>\$ 2,441,563</u>
Total Governmental Activities and Enterprise Activities	<u>\$ 5,182,261</u>	<u>\$ -</u>	<u>\$ 540,698</u>	<u>\$ 4,641,563</u>

Fiscal Year 2014

	<u>Outstanding Balance 6/30/2013</u>	<u>Principal Additions</u>	<u>Principal Reductions</u>	<u>Outstanding Balance 6/30/2014</u>
<u>Governmental Activities</u>				
General Obligation Debt	\$ 2,200,000	\$ -	\$ 320,000	\$ 1,880,000
Total	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ 1,880,000</u>
<u>Enterprise Activities</u>				
Sewer Loan Payable	\$ 174,668	\$ -	\$ 17,248	\$ 157,420
Water Loan Payable	2,266,895	-	213,450	2,053,445
	<u>\$ 2,441,563</u>	<u>\$ -</u>	<u>\$ 230,698</u>	<u>\$ 2,210,865</u>
Total Governmental Activities and Enterprise Activities	<u>\$ 4,641,563</u>	<u>\$ -</u>	<u>\$ 550,698</u>	<u>\$ 4,090,865</u>

Debt Service Requirement:

	<u>FY2013</u>	<u>FY2014</u>
General Fund Revenue	15,389,579	15,458,943
Target Goal - less than 20%	3,077,916	3,091,789
Debt Requirement	540,698	550,698
Target Goal Met As Required	Yes	Yes