

DEBT SERVICE

The City of Knoxville, like other cities, occasionally needs to borrow money in order to complete various capital projects. In the past the city has issued debt for such items as road paving and construction, fire station construction, waterfront development, storm sewer improvements, land acquisition and improvements at the World's Fair site, auditorium improvements, fleet purchases, the new Convention Center, and various other projects. As of June 30, 2004, the long term debt of the City, excluding revenue supported debt of the Knoxville Utilities Board (KUB) and the Metropolitan Knoxville Airport Authority (MKA), equals \$262,676,500. As KUB and MKA are

category of debt, Enterprise Fund debt, debt attributable to the Main Avenue Garage and the Convention Center, is, consistent with proper accounting procedures, budgeted within each respective enterprise fund. There is, however, a large transfer of funds from this fund to the Convention Center Fund to help pay principal and interest on that facility's debt.

The Other Debt category consists of a debt obligation to Knox County. The City and County have jointly funded construction of an animal welfare center. The costs were funded from bonds issued by Knox County. The amount listed under other debt is the City's share of the debt repayment for the animal welfare center.

The primary revenue to this fund comes from a property tax levy of 81¢. This levy is unchanged when compared to the FY 03/04. For FY 04/05, property tax is projected to yield approximately \$22.64 million. Also included in this fund are interest earnings of \$110,000. The Knoxville Community Development Corporation (KCDC) received a portion of the City's Series 2000-A bonds and is committed to repay the debt service on that portion. In FY 04/05 that amount is \$229,490.

TABLE 1

Type of Debt	Principal Outstanding 6/30/04	Principal Paid In FY 04/05	Principal Outstanding 6/30/05
G.O. Bonds & Notes	\$103,106,400	\$10,786,400	\$92,320,000
Other Debt	1,386,500	58,800	1,327,700
Enterprise Fund Debt	<u>158,183,600</u>	<u>3,293,600</u>	<u>154,890,000</u>
Total	<u>\$262,676,500</u>	<u>\$14,138,800</u>	<u>\$248,537,700</u>

not a part of the City's operating budget the following analysis focuses only on the debt of the general government.

The debt of the City can be separated into three basic categories: general obligation bonds; other debt, i.e., debt that is not a general obligation of the City; and enterprise fund debt. A breakdown of general government debt by category is shown in Table 1.

The debt service on the general obligation bonds as well as the other category of debt is shown in Fund 305, the Debt Services Fund. The final

Debt Limitations

There are no limits on the amount of debt that can be issued by a municipality within the State of Tennessee (TCA 9-21-103). All notes and bonds must be approved by the state Director of Local Finance prior to issuance. We believe that the current debt of the City is within acceptable guidelines, as established by the State and the various rating agencies.

The following pages show a complete debt service schedule of principal and interest payments for FY 04/05, as well as a complete amortization schedule by year.

