

**FY 2013-14 Budget  
Debt**

**Overview**

The city operates with a very conservative amount of total debt. The FY 2014 Budget does not call for the issuance on any new General Fund supported debt service. The city's debt is held by two funds; General Fund and Water Fund. Each fund has two outstanding debt issuances they are paying on. The city's debt issuance was reorganized and refinanced in recent years. The city's debt issuance is managed by the First Southwest Company and subsidiary of Plains Capital Bank. The city makes two annual debt service payments every year in February and August.

**Bond Rating**

Willow Park has a bond rating of AA- as rated by Standard & Poors's Investment Service. Bond rating is a credit risk evaluation for investors and is the single most important factor in determining the interest cost of the bond. The city's bond rating of AA- is considered a high quality investment grade rating.

**General Fund**

The city's General Fund is responsible for two debt issuances; Refund 2008 and Series 2010. Refund 2008 was refinanced last year and has a fixed interest schedule of 2% which increases to 3% in year seven. Series 2010 was a refinancing of the Refund 2000 series and was refinanced in 2011 and has a fixed interest schedule increasing from 2% to 3% in year four, and increasing to 4% in year seven. The following chart shows the General Fund's original debt issuance.

Chart 11-1: General Fund Original Debt Issuance

| <b>Debt Issuance</b>          | <b>Principal</b> | <b>Interest</b> | <b>Total Debt Service</b> |
|-------------------------------|------------------|-----------------|---------------------------|
| Refund 2008                   | \$4,190,000      | \$705,813       | \$4,895,813               |
| Series 2010                   | \$ 610,000       | \$128,139       | \$ 738,139                |
|                               |                  |                 |                           |
| General Fund<br>Original Debt | \$4,800,000      | \$833,952       | \$5,633,952               |

Both debt issuances are divided into eleven (11) year installments. Refund 2008 is in its second installment, and Series 2010 is in its fourth installment. The FY 2014 current year interest for Refund 2008 is 2%, and for Series 2010 it is 3%. The following chart shows the General Fund's current debt going into the FY 2014 Budget.

Chart 11-2: General Fund Current Debt

| <b>Debt Issuance</b>      | <b>Debt Schedule</b> | <b>Principal Balance</b> | <b>Interest Balance</b> | <b>Total Debt Service Balance</b> |
|---------------------------|----------------------|--------------------------|-------------------------|-----------------------------------|
| Refund 2008               | Year 2 of 11         | \$3,915,000              | \$ 606,500              | \$4,521,500                       |
| Series 2010               | Year 4 of 11         | \$ 460,000               | \$ 75,285               | \$ 535,825                        |
|                           |                      |                          |                         |                                   |
| General Fund Current Debt |                      | \$4,375,000              | \$ 682,325              | \$5,057,325                       |

The FY 2014 General Fund Debt Service payment is shown in the General Fund Debt Service Department budget. The General Fund Debt Service is listed separately to show the Debt Service payment as a total percentage of the General Fund Budget. Debt Service is approximately 15.2% of the total FY 2014 General Fund budget. The following chart shows the FY 2014 General Fund Debt Service Payment:

Chart 11-3: General Fund Current Debt Service

| <b>Debt Issuance</b> | <b>Principal</b> | <b>Interest</b>     | <b>Total Debt Service</b> |
|----------------------|------------------|---------------------|---------------------------|
| Refund 2008          | \$285,000        | \$50,000 + \$47,650 | \$ 383,150                |
| Series 2010          | \$ 50,000        | \$ 8,425 + \$ 7,675 | \$ 66,100                 |
|                      |                  |                     | \$ 449,250                |

**Water Fund**

The city’s Water Fund is responsible for two debt issuances; Refund 2003 and Series 2010. Both Water Fund debt issuances were refunded along with the General Fund debt issuances. The Water Fund debt follows and identical interest rate structure as the General Fund debt. The following chart shows the Water Fund’s original debt total.

Chart 11-4: Water Fund Original Debt Issuance

| <b>Debt Issuance</b>     | <b>Principal</b> | <b>Interest</b> | <b>Total Debt Service</b> |
|--------------------------|------------------|-----------------|---------------------------|
| Refund 2003              | \$ 945,000       | \$ 156,759      | \$1,101,759               |
| Series 2010              | \$2,055,000      | \$ 325,534      | \$2,380,544               |
|                          |                  |                 |                           |
| Water Fund Original Debt | \$3,000,000      | \$ 482,293      | \$3,482,293               |

Both debt issuances are divided into eleven (11) year installments. Refund 2003 is in its second installment, and Series 2010 is in its fourth installment. The FY 2014 current year interest for Refund 2003 is 2%, and for Series 2010 it is 3%. The following chart shows the Water Fund’s current debt going into the FY 2014 Budget.

Chart 11-5: Water Fund Current Debt

| <b>Debt Issuance</b>      | <b>Debt Schedule</b> | <b>Principal</b> | <b>Interest</b> | <b>Total Debt Service</b> |
|---------------------------|----------------------|------------------|-----------------|---------------------------|
| Refund 2003               | Year 2 of 11         | \$ 935,000       | \$ 134,050      | \$1,069,050               |
| Series 2010               | Year 4 of 11         | \$1,390,000      | \$ 167,275      | \$1,557,275               |
|                           |                      |                  |                 |                           |
| General Fund Current Debt |                      | \$2,325,000      | \$ 301,325      | \$2,626,325               |

The FY 2014 Water Fund Debt Service payment is shown in the Debt Service & Transfers section of the Water Fund budget. Debt Service is approximately 23.3% of the total FY 2014 Water Fund budget. The following chart shows the FY 2014 Water Fund Debt Service Payment:

Chart 11-6: Water Fund Current Debt Service

| <b>Debt Issuance</b> | <b>Principal</b> | <b>Interest</b>     | <b>Total Debt Service</b> |
|----------------------|------------------|---------------------|---------------------------|
| Refund 2003          | \$ 85,000        | \$96,800 + \$10,950 | \$ 260,625                |
| Series 2010          | \$215,000        | \$24,425 + \$21,200 | \$ 107,750                |
|                      |                  |                     | \$ 368,375                |

The Water Fund Debt Service section also includes an item for a water tank maintenance agreement. In 2011 the city signed a contract with the Utility Service Company for water tank rehabilitation and a ten year service agreement on the work. This expense was previously paid out of several different line items and was partially omitted from the original FY 2013 Budget. Since the expense is related to a major capital expense that has already taken place the expense was classified as debt service instead of as a contractual maintenance expense.

The Water Fund may issue new debt through participating in the Texas Water Development Board loan program. In December 2012 the City Council sent an application for funding to the Texas Water Development Board for water line replacement. The Water Board has authorized a loan up to \$750,000 which Council will be given the opportunity to accept or decline.