CITY OF LINCOLN, NEBRASKA

LEGAL ANALYSIS OF TRANSPORTATION FINANCING ALTERNATIVES

General Obligation Bonds (Lincoln Home Rule Charter – Article IX, Sections 39 to 43, inclusive)
- Must be voted by residents
- Supported by the full faith, credit and taxing power of the City
- May be supplemented by other funding sources

Highway Allocation Bonds (Section 66-4,101, Reissue Revised Statutes of Nebraska, as amended)
- No vote required
- Supported by pledge of receipts from the Nebraska Highway Allocation Fund
- May levy property taxes upon all the taxable property in the City (within any applicable charter, statutory or constitutional limitations) for the payment of such bonds
- May be supplemented by other funding sources

Sale Tax (Sections 77-27,142 to 77-27,148, Reissue Revised Statutes of Nebraska, as amended)
- No statutory authorization to issue bonds supported solely by sales tax
- City currently imposes maximum allowable rate; increase would require approval of Legislature and vote of residents
- May be used to support indebtedness for street improvement purposes if a permitted purpose when approved by voters

New Sale Tax on Auto Sales (No current statutory authorizing for imposing such a tax)
- Would require approval of Legislature and vote of residents

Existing Wheel Tax (Section 18-1214, Reissue Revised Statutes of Nebraska, as amended)
- No statutory or City Charter authority to issue bonds supported solely by wheel tax
- May be used on an annual basis to support indebtedness for street improvement purposes, but cannot be pledged

New Wheel Tax (see Existing Wheel Tax)

City Income Tax (No current statutory authorizing for imposing such a tax)
- Would require approval of Legislature and vote of residents

Occupation Fuel Tax (Section 15-202, Reissue Revised Statutes of Nebraska, as amended)
- No statutory or City Charter authority to issue bonds.
- May be levied against public service property or corporations in such amounts as may be proper and necessary, in the judgment of the mayor and city council for revenue purposes. May based upon percentage of the gross receipts.

Special Assessment Districts (Home Rule Charter 8:3, *et seq.*, Section 15-701.02, Reissue Revised Statutes of Nebraska, as amended)
- May issue special assessment revolving fund bonds payable from special assessments, and supported by full faith and credit of the City

CATEGORY 5, (Cost,Geometry Mods.,Deferred Projects and Conversions)

April 17, 2003

1st and 2nd 6-YEAR ROADWAY NETWORK USES AND SOURCES

With Wheel Tax, Fuel Tax & G.O Bonds Included as Funding Sources

USES

	Fiscal Year 2002-03	1 Fiscal Year 2003-04	2 Fiscal Year 2004-05	3 Fiscal Year 2005-06	4 Fiscal Year 2006-07	5 Fiscal Year 2007-08	6 Fiscal Year 2008-09	Six Year Total plus 02-03 C. B.	7 Fiscal Year 2009-10	8 Fiscal Year 2010-11	9 Fiscal Year 2011-12	10 Fiscal Year 2012-13	11 Fiscal Year 2013-14	12 Fiscal Year 2014-15	Second Six Year Total	Twelve Year Total
Antelope Valley Projects		$12,494,400	$10,587,360	$12,362,880	$5,786,880	$11,244,960	$13,283,520	$65,760,000	$12,108,333	$12,108,333	$12,108,333	$12,108,333	$12,108,333	$12,108,333	$72,650,000	$138,410,000
South Beltway Project		820,080	3,569,760	4,365,720	3,931,560	4,124,520	7,308,360	24,120,000	0	0	0	0	0	0	0	24,120,000
East Beltway Project		0	0	0	0	0	0	0	203,500	203,500	203,500	203,500	203,500	203,500	1,221,000	1,221,000
Street Operations and Maintenance		6,545,903	6,865,431	7,198,274	7,548,868	7,917,214	8,303,311	44,379,000	7,458,928	7,823,024	8,202,292	8,601,787	9,021,510	9,461,460	50,569,000	94,948,000
Arterial and Residential Rehabilitation		5,591,733	5,858,006	6,162,318	6,466,630	6,808,981	7,151,332	38,039,000	6,371,715	6,675,130	7,021,890	7,368,650	7,758,755	8,148,860	43,345,000	81,384,000
Committed Projects as of Sept 1, 2002	$23,912,000	5,978,000	0	0	0	0	0	29,890,000	0	0	0	0	0	0	0	29,890,000
Remaining Baseline Projects		25,146,912	20,196,114	58,492,765	48,250,637	45,919,309	63,941,263	261,947,000	24,039,667	24,039,667	24,039,667	0	0	0	72,119,000	334,066,000
TOTAL	$23,912,000	$56,577,028	$47,076,671	$88,581,957	$71,984,575	$76,014,984	$99,987,786	$464,135,000	$50,182,143	$50,849,654	$51,575,682	$28,282,270	$29,092,098	$29,922,153	$239,904,000	$704,039,000

Note: Antelope Valley Project (Phase 1) extends out to 2011-12 fiscal year and (Phase 2) extends beyond 2014-15 fiscal year.
East Beltway Project extends beyond 2014-15 fiscal year.
* = Years (2012-15) Out Year Projects would be initiated. Estimate $24 - $35 million per year.

FUNDING SOURCE

	Fiscal Year 2002-03	1 Fiscal Year 2003-04	2 Fiscal Year 2004-05	3 Fiscal Year 2005-06	4 Fiscal Year 2006-07	5 Fiscal Year 2007-08	6 Fiscal Year 2008-09	Six Year Total plus 02-03 C.B.	7 Fiscal Year 2009-10	8 Fiscal Year 2010-11	9 Fiscal Year 2011-12	10 Fiscal Year 2012-13	11 Fiscal Year 2013-14	12 Fiscal Year 2014-15	Second Six Year Total	Twelve Year Total
CASH BALANCE as of Sept 1, 2002	$24,000,000	$0	$0	$0	$0	$0	$0	$24,000,000	$0	$0	$0	$0	$0	$0	$0	$24,000,000
(PB) Funds		500,000	500,000	500,000	500,000	500,000	500,000	3,000,000	500,000	500,000	500,000	500,000	500,000	500,000	3,000,000	$6,000,000
(PC) Funds		4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	24,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	24,000,000	$48,000,000
(TMT) Funds		2,000,000	2,000,000	2,000,000	2,000,000	0	0	8,000,000	500,000	500,000	500,000	500,000	500,000	500,000	3,000,000	$11,000,000
(RTSD) Funds		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	9,000,000	$18,000,000
(SO) Funds		15,525,000	15,982,988	16,454,486	16,939,893	17,439,620	17,954,089	100,296,074	18,483,734	19,029,004	19,590,360	20,168,276	20,763,240	21,375,755	119,410,369	$219,706,444
(WC) Funds		3,440,000	3,508,800	3,579,000	3,650,600	3,723,600	3,798,000	21,700,000	3,873,960	3,951,439	4,030,468	4,111,077	4,193,299	4,277,165	24,437,408	$46,137,408
(WR) Funds		4,821,394	4,917,413	5,015,334	5,115,254	5,217,175	5,321,097	30,407,666	5,428,553	5,537,124	5,647,867	5,760,824	5,876,041	5,993,562	34,243,971	$64,651,637
(IF) Funds		1,210,000	1,690,000	2,230,000	2,780,000	3,150,000	3,420,000	14,480,000	4,445,000	4,445,000	4,445,000	4,445,000	4,445,000	4,445,000	26,670,000	$41,150,000
OTHER (CO, BR)		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	6,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	6,000,000	$12,000,000
TOTAL	$24,000,000.0	$33,996,394	$35,099,201	$36,278,819	$37,485,747	$36,530,395	$37,493,185	$240,883,741	$39,731,248	$40,462,568	$41,213,695	$41,985,177	$42,777,579	$43,591,482	$249,761,749	$490,645,489

PROPOSED FUNDING SOURCES

Wheel Tax Revenues (#1)		$667,000	$1,020,000	$1,040,400	$1,769,034	$2,164,864	$2,208,162	$8,869,460	$3,003,475	$3,446,057	$3,514,978	$3,585,278	$3,656,983	$3,730,123	$20,936,894	$29,806,354
Occupantion Tax on Retail Fuel Sales (#2)		4,949,625	7,535,250	7,610,603	7,686,709	7,763,576	7,841,211	43,386,974	7,919,623	7,998,820	8,078,808	8,159,596	8,241,192	8,323,604	48,721,643	$92,108,617
G.O. Bond Proceeds		16,964,009	3,422,220	43,652,135	25,043,085	2,418,551	0	91,500,000	0	0	0	0	0	0	0	$91,500,000
NET NEW SOURCES		$22,580,634	$11,977,470	$52,303,138	$34,498,828	$9,928,440	$10,049,373	$141,337,883	$10,923,098	$11,444,877	$11,593,786	$11,744,874	$11,898,175	$12,053,727	$69,658,537	$213,414,971
OLD GAP		**(22,580,634)**	**(11,977,470)**	**(52,303,138)**	**(34,498,828)**	**(39,484,589)**	**(62,494,600)**	**(223,339,259)**	**(10,450,895)**	**(10,387,086)**	**(10,361,987)**	**13,702,907**	**13,685,481**	**13,669,328**	**9,857,749**	**($213,481,511)**
NEW GAP (#3)		**0**	**0**	**0**	**0**	**(29,556,149)**	**(52,445,227)**	**(82,001,376)**	**472,203**	**1,057,791**	**1,231,799**	**25,447,781**	**25,583,656**	**25,723,055**	**79,516,286**	**($66,540)**

(#1): Assumes a $5/veh. increase in years 1, 4, & 7 to bring total wheel tax to $54/veh. from the present $39/veh. Number of vehicles is assumed to increase at 2% per year. Increased effective Jan. 1st of year. A $5/veh. tax is assumed to raise $1.0 million in revenue annually.
(#2): Assumes a 5 cent per gallon occupation tax effective Jan. 1, 2004. Increased sales of 1 percent per year is assumed. A 5 cent per gallon occupation tax is assumed in raise $7.5 million in revenue annually.
(#3): Highway Allocation Bonds assumed to be used in FY 07-08 and FY 08-09 to cover gaps in those years. Bonds to be paid from future revenue surpluses.
(#4): Bonds with a 20 year maturity would result in a levy of 5.35 cents per $100 valuation -- or about $59 per year on a $110,000 house.
(#5) The total principal and interest payments on a $91.5 million bond issue would be about $136.9 million over the 20 year life of the bond.
(#6): Assumed bond interest rate of approximately 4.11 percent for the 20 year bonds.

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Wheel Tax Income Stream Calculation
Based on Incremental Increase in Wheel Tax Rate

		F.Y.	Revenues Generated from Incremental Increases in Rate No 1.	No. 2	No. 3	Total Add. Income from Wheel Tax
1	*	03-04	$667,000	--	--	$667,000
2		04-05	1,020,000	--	--	1,020,000
3		05-06	1,040,400	--	--	1,040,400
4	*	06-07	1,061,208	$707,826	--	1,769,034
5		07-08	1,082,432	1,082,432	--	2,164,864
6		08-09	1,104,081	1,104,081	--	2,208,162
7	*	09-10	1,126,162	1,126,162	$751,150	3,003,475
8		10-11	1,148,686	1,148,686	1,148,686	3,446,057
9		11-12	1,171,659	1,171,659	1,171,659	3,514,978
10		12-13	1,195,093	1,195,093	1,195,093	3,585,278
11		13-14	1,218,994	1,218,994	1,218,994	3,656,983
12		14-15	1,243,374	1,243,374	1,243,374	3,730,123
					TOTAL	$29,806,354

Assumptions:

1. A $5 increase in the wheel tax brings in $1,000,000 in revenue per year.
2. Incremental increase would be $5 each per vehicle per year for specified years.
3. Incremental increases would occur in years 1, 4, and 7. (*)
4. Base rate of $39/veh would increase total tax to $54/veh ($15 total increase.)
5. Rates for other vehicle categories would be raised proportionately.
6. A natural increase of 2 percent is assumed based for vehicles added to base.
7. No other inflation factors are included.
8. Tax increase would occur on Jan. 1st of the specified year.

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April 9, 2003

Occupation Tax on Retail Fuel Sales Revenue Stream Calculation Based on Single Rate Established in First Year of Program

	F.Y.	Total Add. Income from Occ. Tax	Admin. Fee (1.5%)	Available Balance
1	03-04	$5,025,000	$75,375	$4,949,625
2	04-05	7,650,000	114,750	7,535,250
3	05-06	7,726,500	115,898	7,610,603
4	06-07	7,803,765	117,056	7,686,709
5	07-08	7,881,803	118,227	7,763,576
6	08-09	7,960,621	119,409	7,841,211
7	09-10	8,040,227	120,603	7,919,623
8	10-11	8,120,629	121,809	7,998,820
9	11-12	8,201,835	123,028	8,078,808
10	12-13	8,283,854	124,258	8,159,596
11	13-14	8,366,692	125,500	8,241,192
12	14-15	8,450,359	126,755	8,323,604
	TOTAL	$93,511,285		$92,108,616

Assumptions:

1. A 5 cent per gallon occupation tax brings in $7,500,000 in revenue per year.
2. The flat rate would be set in the first year -- no future increases assumed.
3. A natural increase of 1 percent is assumed for increased fuel sales.
4. No other inflation factors are included.
5. Occupation tax would become effective January 1, 2004

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April 9, 2003

CITY OF LINCOLN, NEBRASKA

GENERAL OBLIGATION BONDS, SERIES 2003
(FUNDING OF 4 YEARS OF ROADWAY NETWORK CONSTRUCTION NEEDS)
20 YEAR MATURITY - 5.35 CENTS/$100 VAL. TAX IMPACT

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2003	-	-	-	-
12/01/2004	2,895,000.00	1.150%	3,950,383.50	6,845,383.50
12/01/2005	3,490,000.00	1.500%	3,352,750.50	6,842,750.50
12/01/2006	3,545,000.00	1.820%	3,300,400.50	6,845,400.50
12/01/2007	3,610,000.00	2.250%	3,235,881.50	6,845,881.50
12/01/2008	3,690,000.00	2.600%	3,154,656.50	6,844,656.50
12/01/2009	3,785,000.00	2.820%	3,058,716.50	6,843,716.50
12/01/2010	3,890,000.00	3.250%	2,951,979.50	6,841,979.50
12/01/2011	4,020,000.00	3.500%	2,825,554.50	6,845,554.50
12/01/2012	4,160,000.00	3.620%	2,684,854.50	6,844,854.50
12/01/2013	4,310,000.00	3.750%	2,534,262.50	6,844,262.50
12/01/2014	4,470,000.00	3.850%	2,372,637.50	6,842,637.50
12/01/2015	4,645,000.00	3.950%	2,200,542.50	6,845,542.50
12/01/2016	4,825,000.00	4.050%	2,017,065.00	6,842,065.00
12/01/2017	5,020,000.00	4.150%	1,821,652.50	6,841,652.50
12/01/2018	5,230,000.00	4.250%	1,613,322.50	6,843,322.50
12/01/2019	5,450,000.00	4.650%	1,391,047.50	6,841,047.50
12/01/2020	5,705,000.00	4.650%	1,137,622.50	6,842,622.50
12/01/2021	5,970,000.00	4.650%	872,340.00	6,842,340.00
12/01/2022	6,250,000.00	4.650%	594,735.00	6,844,735.00
12/01/2023	6,540,000.00	4.650%	304,110.00	6,844,110.00
Total	91,500,000.00	-	45,374,515.00	136,874,515.00

YIELD STATISTICS

Bond Year Dollars	$1,088,850.00
Average Life	11.900 Years
Average Coupon	4.1671961%
Net Interest Cost (NIC)	4.1671961%
True Interest Cost (TIC)	4.1094744%
Bond Yield for Arbitrage Purposes	4.1094744%
All Inclusive Cost (AIC)	4.1094744%

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Net Interest Cost	4.1671961%
Weighted Average Maturity	11.900 Years