

**OFFICE OF THE ALBANY CITY TREASURER**

**DATE:** APRIL 20, 2015

**TO:** MEMBERS OF THE COMMON COUNCIL

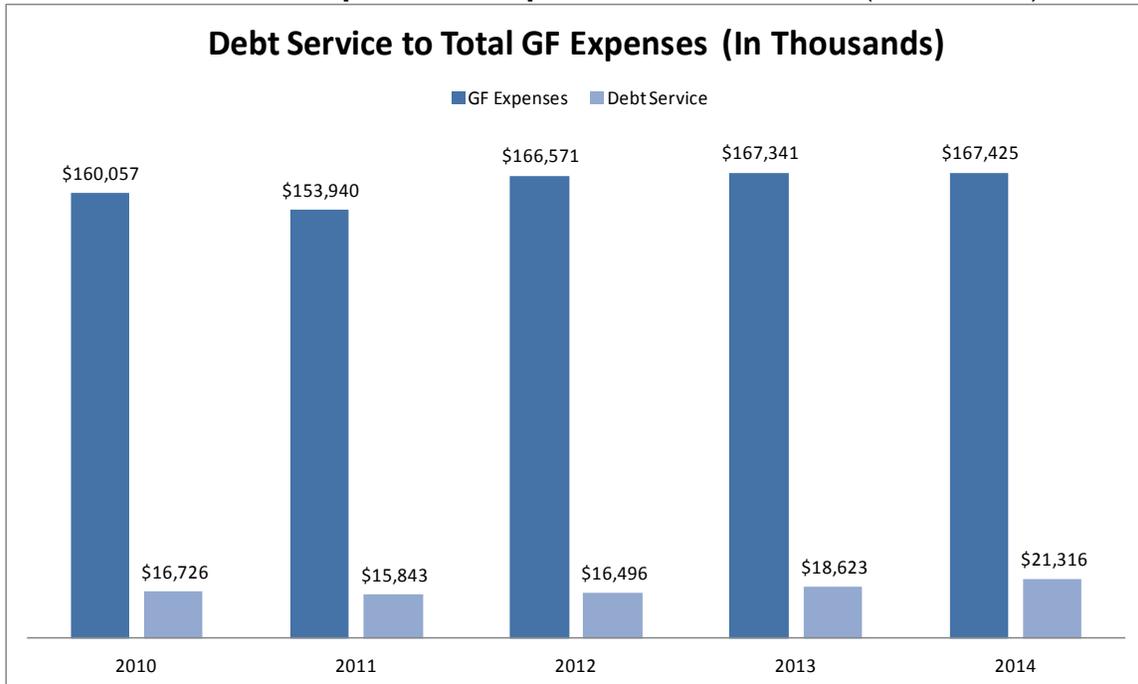
**FROM:** HON. DARIUS SHAHINFAR

**RE:** 2015 DEBT REPORT

The following provides information on the City's debt service and current outstanding debt. The 2014 information will not be audited until September of 2015.

This report is made up of five sections. The first compares total General Fund expenses to debt service expenses from 2010 to 2014 and the second shows debt issued and retired from 2010 to 2014. The third part provides a listing of outstanding debt by year and is divided into non-landfill general obligation bonds, landfill general obligation bonds, capital leases and annual debt service from 2015 to 2025. The next section provides information on the estimated overlapping indebtedness. The last part provides information on the City's bond and note (Bond Anticipation Note (BAN)) ratings from S&P and Fitch.

**Total General Fund Expenses compared to Debt Service (Thousands)**

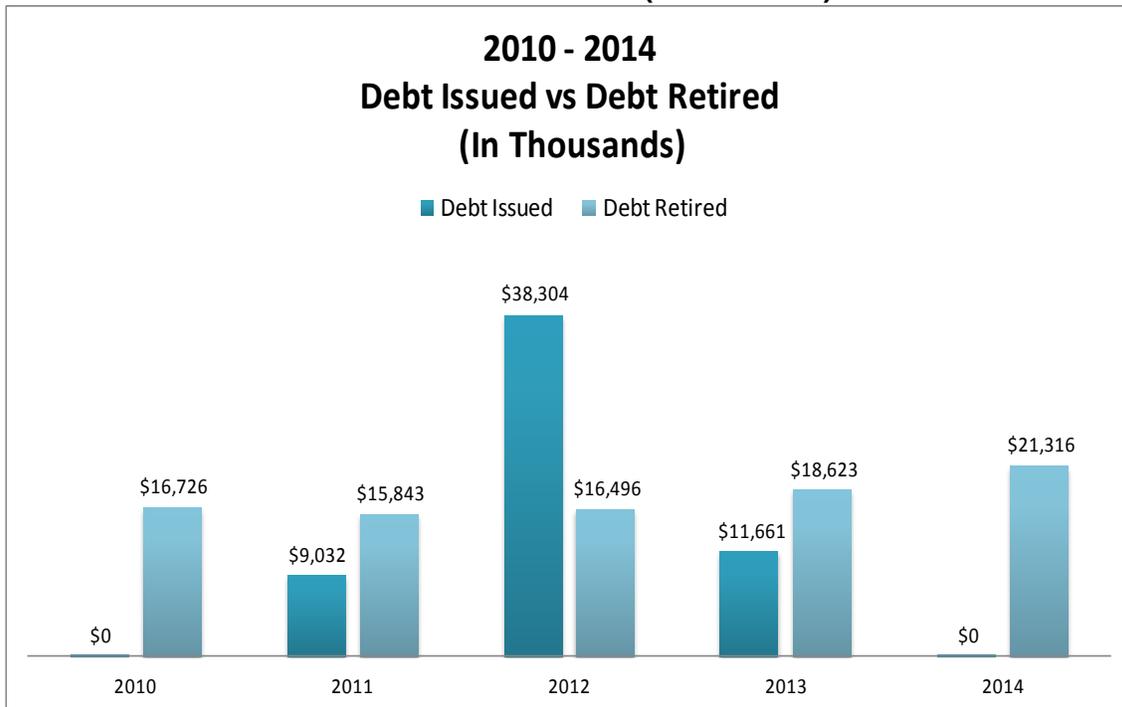


The chart above compares the actual General Fund expenses to actual Debt Service expenses (including paydown on the BANs) by year from 2010 to 2014.\*  
\*2014 total General Fund expenses were not finalized as of the date of this report.

The chart on the next page demonstrates while general fund expenses have fluctuated the debt service expenses have remained consistent with the exception of 2013. In 2012 the City issued \$34,037,827 in General Obligation Serial Bonds separated into a series A bond for \$24,027,579 for all landfill related projects and equipment and a series B bond for \$10,010,247 for all equipment and projects not landfill related. The series A bonds have a maturity of 8 years and the series B bonds have a maturity of 9 years. The aggressive pay down of these bonds especially the landfill related debt was a deliberate decision to match the closing of the landfill and the loss of that revenue. The City began paying on these bonds in 2013 which has resulted in the increase in annual debt service. In 2013 the City issued \$9,890,000 in General Obligation Serial Bonds with a 7 year maturity. This debt was all related to the landfill with the first maturity beginning in 2014.

During 2014 the City issued \$29,138,785 in Bond Anticipation Notes at an interest rate of 1.00%. The BANs include 2010 – 2014 capital projects. The BANs are considered a short-term liability since they mature in 1 year from the date of issue, and are not included as debt issued pursuant to the Council’s debt policy. The 2014 BANs require a paydown of \$3.0 million and interest expense of \$292,000 when they mature in July 2015, which is of course, budgeted.

**Debt Issued and Retired from 2010 – 2014 (Thousands)**



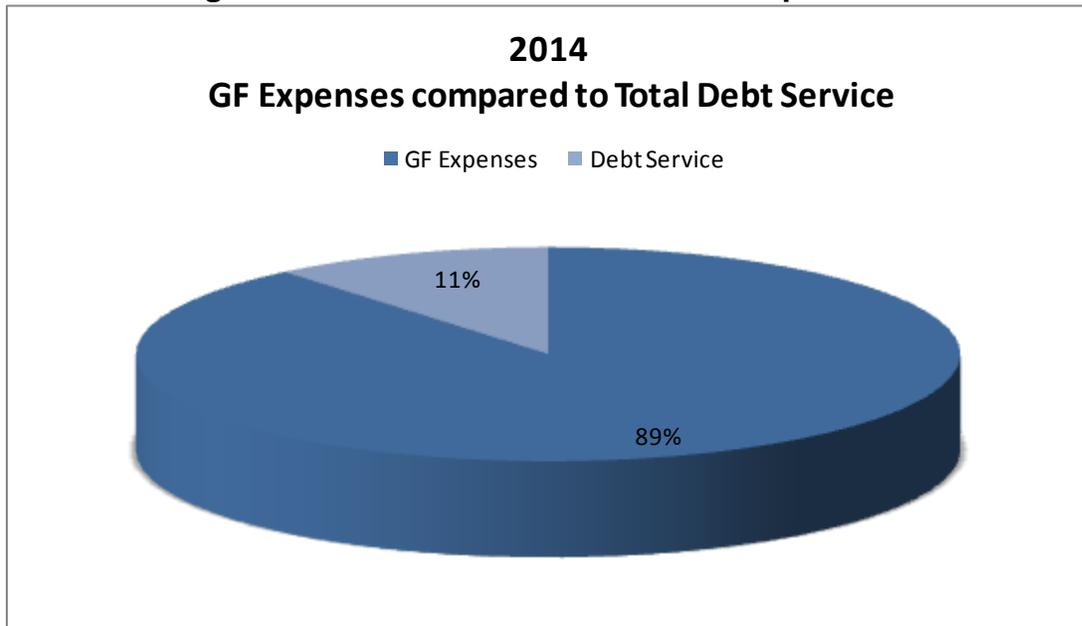
The chart above shows the amount of debt issued on the left side bar and debt retired on the right side bar by year from 2010 – 2014. This chart includes principal and interest expense (including the BANs paydown and interest).

BANs may be reissued for a 5 year period, after which projects must be bonded. The advantage of BANs are the extremely low applicable interest rates, and the flexibility that can be provided for debt issuance. We expect to continue to reissue BANs, paying them off as is required by law, and as possible considering our cash flow and budgetary performance. Our rough estimates are that we would have to either pay off or bond approximately:

\$2m	in 2017 for 2011 BAN issuance
\$4.5m	in 2018 for 2012 BAN issuance
\$10.3m	in 2019 for 2013 BAN issuance
\$10m	in 2020 for 2014 BAN issuance

Given the aggressive paydown of bonded debt over this time period, it may be possible for the City to retire the BAN debt without the necessity of bonding it, even taking into account the 2016-19 Capital Plan. If the City is able to do this, it would be a potential savings of millions to City taxpayers.

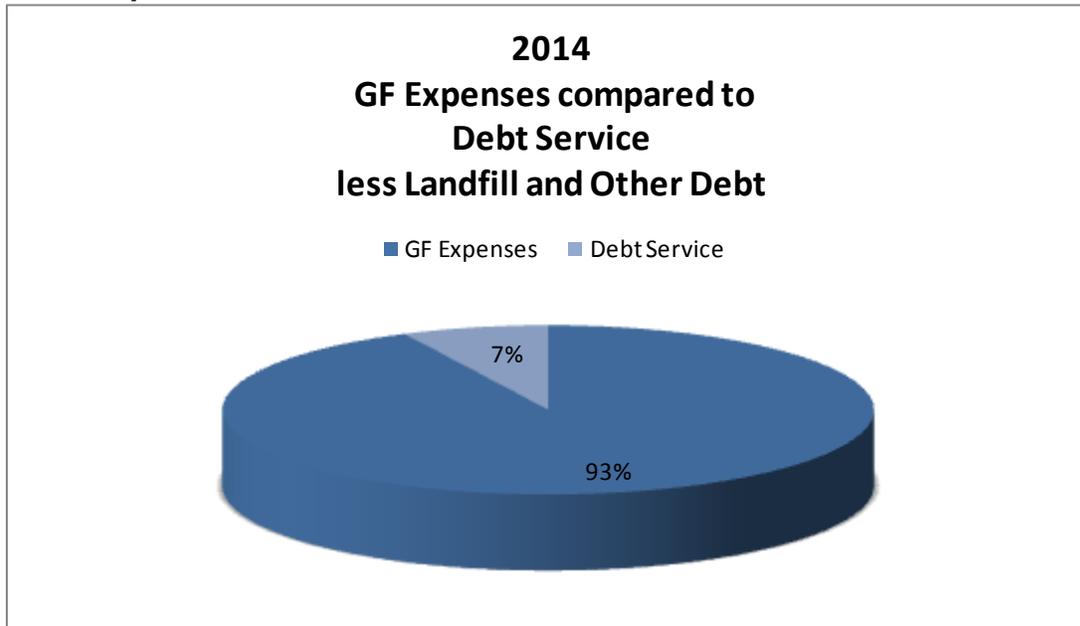
### The Percentage of Debt Service to General Fund Expenses



The chart above demonstrates the percentage of Debt Service expense (including the BAN pay down and interest) to total General Fund expenses for 2014.\*

\*2014 total General Fund expenses were not finalized as of the date of this report.

## The Percentage of Debt Service less Landfill and Other Debt to General Fund Expenses



While general fund expenses have decreased and increased from 2010 to 2014 the percentage of debt service has remained consistent at between 9% to 11% of total general fund expenses. When landfill debt and capital lease debt is deducted the percentage is closer to 7% to 8%.

## OUTSTANDING DEBT SCHEDULE

Schedule of Principal and Interest Payments of										
Serial Bond Indebtedness as of January 2015										
(Including Capital Lease Debt and Bond Anticipation Notes)										
	Debt less						Total		Annual Debt	% of
	LF & Cap. Leases		Landfill		Capital Leases		Total		Less BAN	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Paydown & Int.	Debt
2015	10,925,000	2,379,581	4,215,000	737,200	368,008	8,423	15,508,008	3,125,205	18,633,212	18.63%
2016	9,215,000	1,966,613	4,285,000	627,000			13,500,000	2,593,613	16,093,613	16.09%
2017	9,125,000	1,619,212	4,505,000	514,300			13,630,000	2,133,512	15,763,512	15.76%
2018	9,220,000	1,238,489	4,580,000	396,100			13,800,000	1,634,589	15,434,589	15.43%
2019	6,070,000	884,030	4,675,000	268,000			10,745,000	1,152,030	11,897,030	11.89%
2020	6,295,000	634,405	4,825,000	136,375			11,120,000	770,780	11,890,780	11.89%
2021	4,870,000	350,762		49,600			4,870,000	400,362	5,270,362	5.27%
2022	2,235,000	204,012					2,235,000	204,012	2,439,012	2.44%
2023	2,025,000	109,563					2,025,000	109,563	2,134,563	2.13%
2024	215,000	22,000					215,000	22,000	237,000	0.24%
2025	225,000	11,250					225,000	11,250	236,250	0.24%
Bonds/Leases	\$60,420,000	\$9,419,917	\$27,085,000	\$2,728,575	\$368,008	\$8,423	\$87,873,008	\$12,156,915	\$100,029,922	100.00%
BAN Paydown	\$3,000,000	\$291,400				BAN	\$29,138,785	\$291,400	29,430,185	
							Total Debt		\$129,460,107	

The total outstanding debt including Bond Anticipation Notes as of January 2014 totals \$129,460,107. The General Obligation Bonds , including Landfill Bonds and Capital Leases total \$100,029,922 with the last maturity in the year 2025 if no additional debt is added to this total.

The second to last column shows the current annual debt by year not including a paydown and interest due from the current bond anticipation notes. The annual debt service increased in 2015 as a result of the aggressive paydown from the most recent bond issues.

## Estimated Overlapping Indebtedness\*

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Bonded indebtedness, including bond anticipation notes, is estimated as of the close of the 2013 fiscal year of the respective municipalities and is not adjusted to include subsequent bond issues, if any.

<u>Unit</u>	<u>Outstanding Indebtedness</u>	<u>Exclusions</u> <sup>(1)</sup>	<u>Net Indebtedness</u>	<u>Approx. % Applicable</u>	<u>Approx. Net Overlapping Indebtedness</u>
County of Albany	\$246,772,454	\$ 24,018,134 <sup>(2)</sup>	\$222,754,320	19.45%	\$ 43,325,715
City School District of the City of Albany	153,811,220	122,126,109 <sup>(3)</sup>	31,685,111	100.00%	<u>31,685,111</u>
					<u>\$ 75,010,826</u>

(1) Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

(2) Sewer and water exclusions and budgeted appropriations.

(3) Estimated State Building aid.

Source: New York State Comptroller's Special Report on Municipal Affairs for fiscal years ending 2013.

## Debt Ratios\*

The following table sets forth certain ratios relating to the City's indebtedness.

### \*Debt Ratios As of April 14, 2015

	<u>Amount Indebtedness</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Valuation</u> <sup>(b)</sup>
Net Indebtedness.....	\$101,503,785	\$1,031.29	2.22%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(c)</sup>	176,514,611	1,793.41	3.86%

(a) The 2013 Census population of the City is 98,424.

(b) The City's five-year average full value of taxable real estate is \$4,569,969,091.

(c) Estimated net overlapping indebtedness is \$75,010,826.

\*Fiscal Advisors & Marketing Inc.

### **CITY BOND RATINGS**

Standard and Poor's bond rating for the City refunding of 2006 bonds was issued recently, and the rating was held at AA- (with a stable outlook), while the BANs are SP-1+. These are two of the higher ratings provided by Standard and Poor's. Fitch's latest rating is also AA- and is one of their higher ratings for the City's bonds.

The updated S&P rating specifically cited strong management as a rationale to maintain the City's rating, but also cited the City's use of fund balance to balance its budget as a significant weakness and it will be watching this closely.

### **REFUND ISSUE**

The City will be issuing refunding bonds to refund the callable portion of the 2006 Bonds (Ordinance #36.41.15) prior to the June 1<sup>st</sup> call date for a total par amount of \$9.27m. The gross budgetary savings are estimated to be \$709,985 and the net present value savings are estimated to be \$697,775, or 7.65% of the outstanding bonds. The premium generated from the bond issue will offset the costs of issuance and pay for a portion of the escrow deposit.