

Review of LFUCG Debt

Budget, Finance, and Economic Development Committee

February 26, 2019



Office of the
Urban County Council



Purpose

For the Budget, Finance, and Economic Development Committee to review LFUCG's current debt and the Comprehensive Debt Management Policy, to make informed decisions in the future.



Comprehensive Debt Management Policy

- Ordinance 3-2014: adopted a comprehensive debt management policy on January 16, 2014
 - Establishes guidelines regarding the purpose, type, structure, method of sale, usage and maintenance of debt
 - Identifies two metrics to evaluate the debt position of LFUCG
 - 8 objectives to assist LFUCG maintenance of outstanding debt and management of future debt:
 - A) credit quality; B) purposes for issuing bond debt; C) types of debt permitted and criteria for issuance; D) debt structures; E) methods of sale; F) refunding debt; G) legal debt limits; H) tests of afford ability and capacity



Policy Objective: (B)

Purposes for Issuing Bond Debt

- May only be used to finance costs associated with the acquisition or construction of capital projects
 - i.e. buildings, permanent structures, attached fixtures or equipment, planning and design, land acquisition and development, and equipment purchases – permanent or moveable
 - Life shall not depreciate before the maturity of the bond issue
- NOT to be used:
 - To fund operating expenses of day-to-day governmental activities
 - If the aggregate cost for projects to be financed fails to reach a total of \$1,000,000.
- Approval must be granted by the Urban County Council, prior to the issuance and sale of bonds



Policy Objective: (D)

Debt Structures

- Debt borrowed should be of a duration that does not exceed the useful life of the underlying capital project that it finances
- LFUCG should design the repayment of debt, with 2 objectives:
 - To expedite recapturing debt capacity for future use
 - Match its cash flows to the anticipated debt service payments



Policy Objective: (H)

Tests of Affordability and Capacity

- General Obligation Bond Debt: metrics to evaluate the affordability and its capacity to use debt in the future
- Operating Expenditures: total expenditures for all general operating funds, including net transfers out
- Recurring Revenues: revenues earned by LFUCG that don't reflect one-time tax initiatives (i.e. tax amnesty programs), temporary revenue sharing or revenue infusions by other governments, sale of surplus assets, and fund balance or Economic Contingency draws
- **If targets are not achieved, then LFUCG will work to create and implement a strategy toward achieving these financial targets**



Policy Objective: (H)

Affordability Targets

Evaluation Metric	Target
Debt Service as % of Operating Expenditures	10%
Debt Service as % of Recurring Revenue	10%

- 2 ratios to evaluate its outstanding debt and capacity of issuing

1) Debt Service as % of Operating Expenditures =

$$\frac{\text{debt service expenditures for all General Operating Funds}}{\text{Operating Expenditures}}$$

2) Debt Service as % of Recurring Revenues =

$$\frac{\text{debt service expenditures for all General Operating Funds}}{\text{Operating Expenditures}}$$



Bonded Capital Projects per Fiscal Year

Fiscal Year	Total Bonded for Capital Projects
2013	\$3,532,000
2014	\$17,505,950
2015	\$26,188,100
2016	\$59,204,280
2017	\$47,913,720
2018	\$30,383,485
2019	\$40,318,500



Comparable Cities

Jurisdictions	Pop (2017 ets.)	Year Ending	Total General Fund Revenue	Total General Obligation Bonds	Annual Principal & Interest	Annual P&I / Rev	Annual P&I / GOB	S&P Bond Rating
Greensboro, NC	290,222	2017	261.8 mil	185.5 mil	21.2 mil	8.10%	11.43%	AAA
Madison, WI*	255,214	2017	287.7 mil	406.4 mil	44.3 mil	15.40%	10.90%	AAA
Lincoln, NE*	284,736	2017	351.8 mil	431.9 mil	36.1 mil	10.26%	8.36%	AAA
Cincinnati, OH	301,301	2017	377.4 mil	526.4 mil	65.4 mil	17.03%	12.42%	AA
Louisville, KY**	621,349	2017	697.4 mil	428.5 mil	151.0 mil	21.65%	35.24%	AA+
Lexington, KY*	321,959	2017	347.0 mil	355.0 mil	36.4 mil	10.48%	10.25%	AA

Lexington, KY	NA	2018	364.1 mil	363.1 mil	41.9 mil	11.53%	11.54%	AA
Lexington, KY	NA	2019	371.2 mil	375.9 mil	45.1 mil	12.16%	12.00%	AA

*University City **Merged Government

Note: Every jurisdiction has unique financial management strategies based on their circumstances and needs.



KEY SCHEDULES:

Summary of Outstanding Principal Requirements

*As of June 30, 2018

General Obligation Bonds, Notes & Leases		
Fiscal Year	Outstanding Principal	Principal Change
2014	\$ 304,185,000	
2015	\$ 308,890,000	\$ 4,705,000
2016	\$ 343,060,000	\$ 34,170,000
2017	\$ 355,015,000	\$ 11,955,000
2018	\$ 363,050,000	\$ 8,035,000
2019	\$ 375,860,000	\$ 12,810,000
2020	\$ 344,020,000	\$ (31,840,000)
2021	\$ 311,550,000	\$ (32,470,000)
2022	\$ 279,790,000	\$ (31,760,000)
2023	\$ 247,989,000	\$ (31,801,000)
2024	\$ 215,470,000	\$ (32,519,000)
2025	\$ 187,705,000	\$ (27,765,000)
2026	\$ 159,680,000	\$ (28,025,000)
2027	\$ 128,790,000	\$ (30,890,000)
2028	\$ 102,045,000	\$ (26,745,000)
2029	\$ 77,820,000	\$ (24,225,000)
2030	\$ 62,285,000	\$ (15,535,000)
2031	\$ 48,840,000	\$ (13,445,000)
2032	\$ 39,270,000	\$ (9,570,000)
2033	\$ 29,340,000	\$ (9,930,000)
2034	\$ 21,230,000	\$ (8,110,000)
2035	\$ 14,095,000	\$ (7,135,000)
2036	\$ 8,620,000	\$ (5,475,000)
2037	\$ 3,595,000	\$ (5,025,000)
2038	\$ 1,435,000	\$ (2,160,000)
2039	\$ -	\$ (1,435,000)
2040	\$ -	\$ -



KEY SCHEDULES:

Summary of Outstanding & Projected Debt Service Requirements

*As of June 30, 2018

General Obligation Bonds, Notes & Leases				
Fiscal Year	Current Annual Principal & Interest	Change	Principal & Interest w/ Yearly 20 mil bond	Change w/ Yearly 20 mil Bond Issue
2014	\$ 35,567,635		-	
2015	\$ 33,414,351	\$ (2,153,284)	-	
2016	\$ 36,337,994	\$ 2,923,643	-	
2017	\$ 36,375,467	\$ 37,473	-	
2018	\$ 41,998,257	\$ 5,622,790	-	
2019	\$ 45,143,076	\$ 3,144,819	-	
2020	\$ 47,256,726	\$ 2,113,650	\$ 47,800,439	
2021	\$ 46,428,496	\$ (828,230)	\$ 48,059,636	\$ 259,197
2022	\$ 44,252,589	\$ (2,175,907)	\$ 46,971,156	\$ (1,088,480)
2023	\$ 42,884,904	\$ (1,367,685)	\$ 46,725,485	\$ (245,671)
2024	\$ 42,171,879	\$ (713,025)	\$ 47,169,062	\$ 443,577
2025	\$ 35,938,870	\$ (6,233,009)	\$ 42,092,655	\$ (5,076,407)
2026	\$ 34,963,675	\$ (975,195)	\$ 42,291,743	\$ 199,088
2027	\$ 36,586,395	\$ 1,622,720	\$ 45,106,428	\$ 2,814,685
2028	\$ 31,181,334	\$ (5,405,061)	\$ 40,893,332	\$ (4,213,096)
2029	\$ 27,661,809	\$ (3,519,525)	\$ 38,583,705	\$ (2,309,627)
2030	\$ 18,068,316	\$ (9,593,493)	\$ 30,218,043	\$ (8,365,662)
2031	\$ 15,413,422	\$ (2,654,894)	\$ 28,809,159	\$ (1,408,884)
2032	\$ 11,109,372	\$ (4,304,050)	\$ 25,769,298	\$ (3,039,861)
2033	\$ 11,108,953	\$ (419)	\$ 27,051,488	\$ 1,282,190
2034	\$ 8,957,766	\$ (2,151,187)	\$ 26,201,330	\$ (850,158)
2035	\$ 7,737,425	\$ (1,220,341)	\$ 18,563,247	\$ (7,638,082)
2036	\$ 5,844,700	\$ (1,892,725)	\$ 25,746,286	\$ 7,183,039
2037	\$ 5,237,221	\$ (607,479)	\$ 26,496,030	\$ 749,744
2038	\$ 2,246,088	\$ (2,991,133)	\$ 24,881,005	\$ (1,615,025)
2039	\$ 1,460,113	\$ (785,975)	\$ 25,490,246	\$ 609,241
2040	\$ -	\$ (1,460,113)	\$ 25,444,458	\$ (45,788)



KEY SCHEDULES:

Summary of Annual Payments as Percent of Revenue

General Fund Revenue

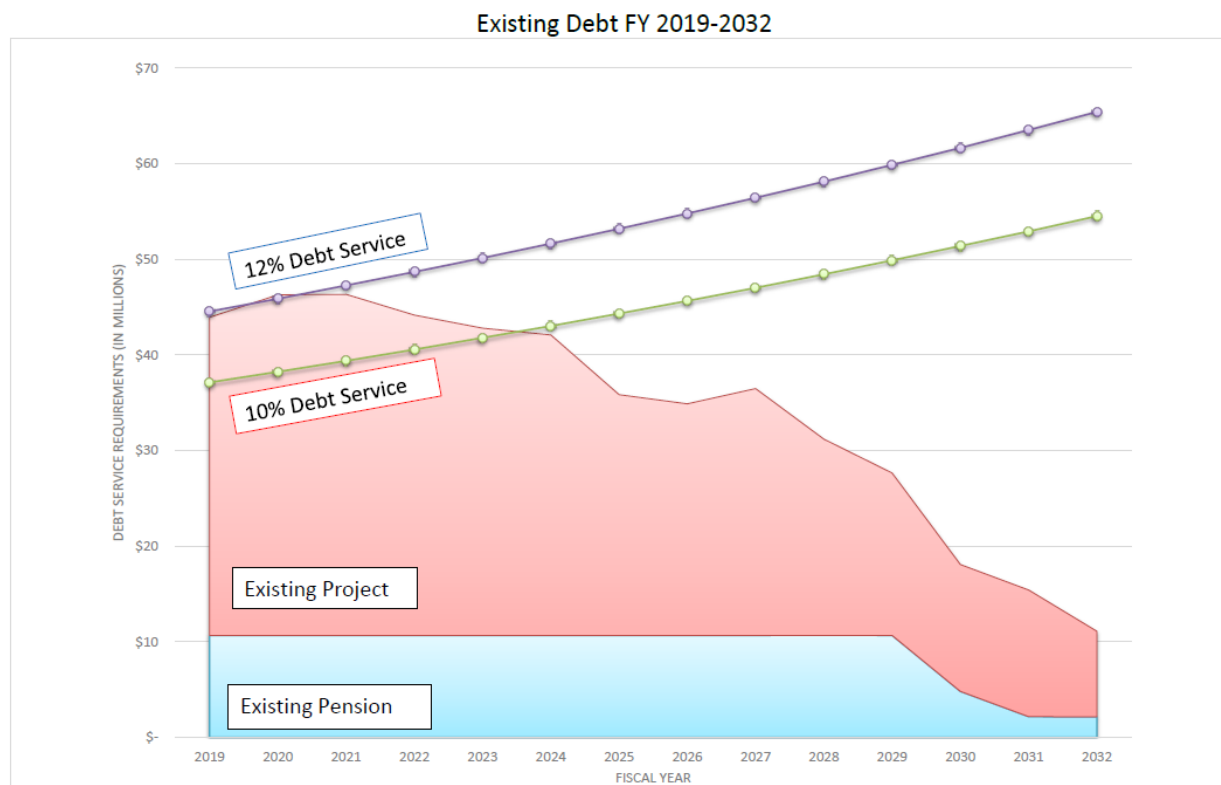
Fiscal Year	General Fund Revenue	Annual Principal & Interest	D/S as a % of Revenue	Principal & Interest with yearly 20 mil bond	D/S as a % of Revenue W/ yearly 20 mil Bond
2014	\$ 303,716,831	\$ 35,567,635	11.71%		
2015	\$ 324,502,643	\$ 33,414,351	10.30%		
2016	\$ 335,535,557	\$ 36,337,994	10.83%		
2017	\$ 347,006,741	\$ 36,375,467	10.48%		
2018	\$ 364,102,653	\$ 41,998,257	11.53%		
2019*	\$ 371,240,109	\$ 45,143,076	12.16%		
2020**	\$ 382,377,312	\$ 47,256,726	12.36%	\$ 47,800,439	12.50%
2021**	\$ 393,848,632	\$ 46,428,496	11.79%	\$ 48,059,636	12.20%
2022**	\$ 405,664,091	\$ 44,252,589	10.91%	\$ 46,971,156	11.58%
2023**	\$ 417,834,013	\$ 42,884,904	10.26%	\$ 46,725,485	11.18%
2024**	\$ 430,369,034	\$ 42,171,879	9.80%	\$ 47,169,062	10.96%
2025**	\$ 443,280,105	\$ 35,938,870	8.11%	\$ 42,092,655	9.50%
2026**	\$ 456,578,508	\$ 34,963,675	7.66%	\$ 42,291,743	9.26%
2027**	\$ 470,275,863	\$ 36,586,395	7.78%	\$ 45,106,428	9.59%
2028**	\$ 484,384,139	\$ 31,181,334	6.44%	\$ 40,893,332	8.44%
2029**	\$ 498,915,663	\$ 27,661,809	5.54%	\$ 38,583,705	7.73%
2030**	\$ 513,883,133	\$ 18,068,316	3.52%	\$ 30,218,043	5.88%
2031**	\$ 529,299,627	\$ 15,413,422	2.91%	\$ 28,809,159	5.44%
2032**	\$ 545,178,616	\$ 11,109,372	2.04%	\$ 25,769,298	4.73%
2033**	\$ 561,533,974	\$ 11,108,953	1.98%	\$ 27,051,488	4.82%
2034**	\$ 578,379,994	\$ 8,957,766	1.55%	\$ 26,201,330	4.53%
2035**	\$ 595,731,393	\$ 7,737,425	1.30%	\$ 18,563,247	3.12%
2036**	\$ 613,603,335	\$ 5,844,700	0.95%	\$ 25,746,286	4.20%
2037**	\$ 632,011,435	\$ 5,237,221	0.83%	\$ 26,496,030	4.19%
2038**	\$ 650,971,778	\$ 2,246,088	0.35%	\$ 24,881,005	3.82%
2039**	\$ 670,500,932	\$ 1,460,113	0.22%	\$ 25,490,246	3.80%
2040**	\$ 690,615,960	\$ -	0.00%	\$ 25,444,458	3.68%

* Adopted Budget

** Estimated at 3% growth Annually



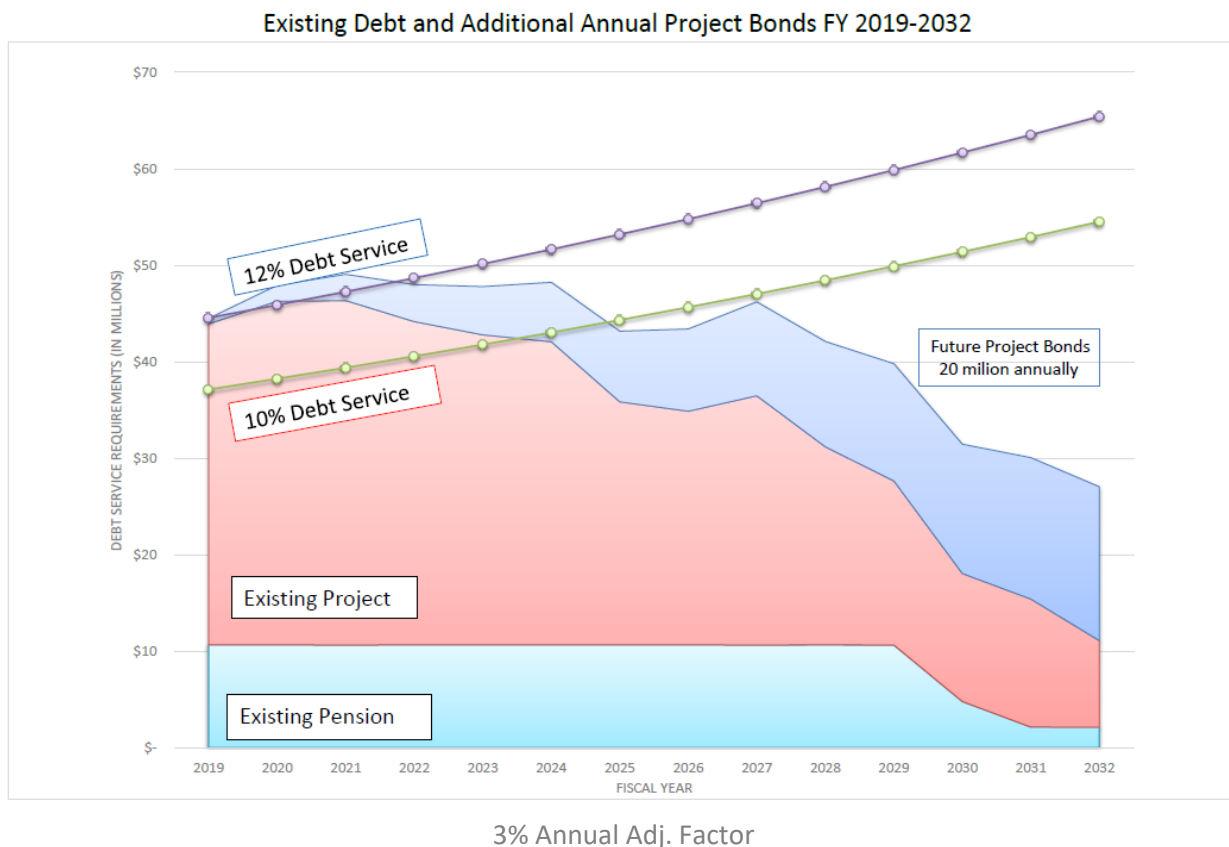
12 Years Existing Debt



3% Annual Adj. Factor



12 Years with Anticipated New Debt





Recommendations

- Monitor and manage debt
- Maintain budget controls
 - Acknowledge the Comprehensive Debt Management Policy and the targets outlined in the policy
- Awareness of overall bonding debt in the future



QUESTIONS?