

# 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

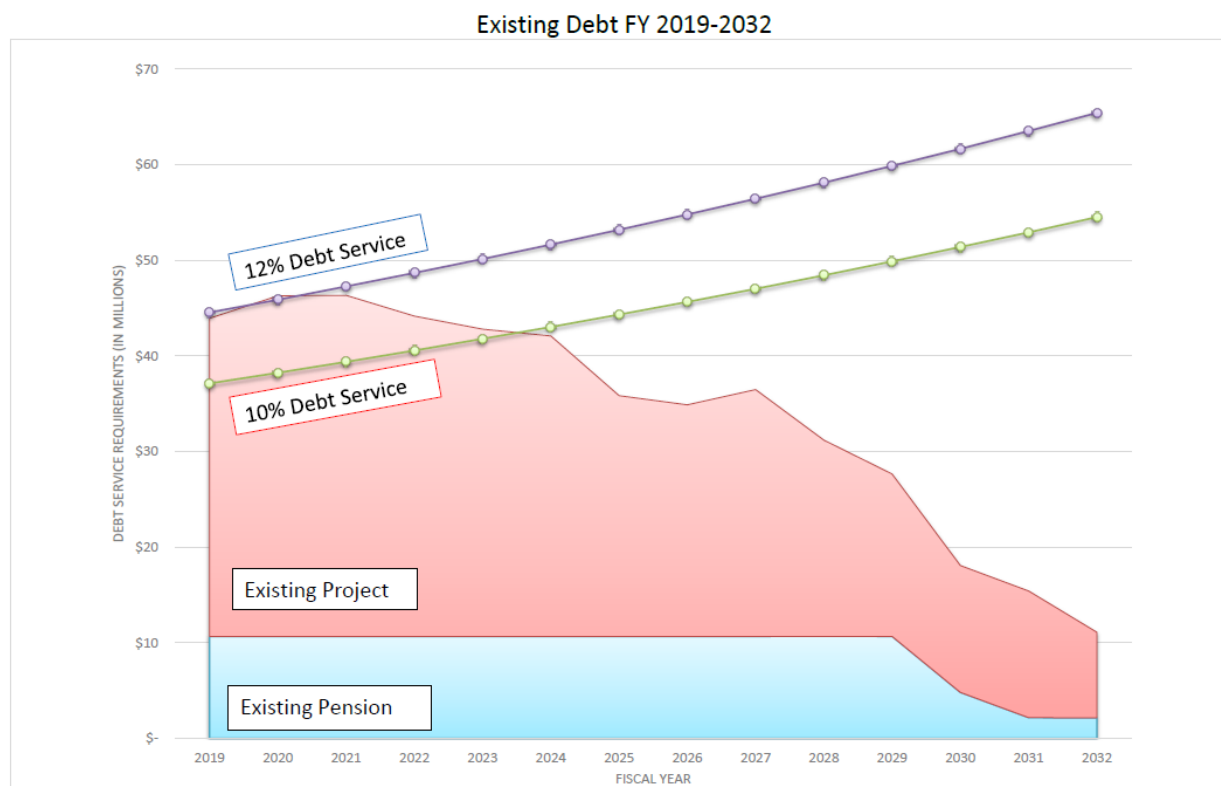
Fiscal Year	General Fund Revenue	Annual Principal & Interest	D/S as a % of Revenue	Principal & Interest with yearly 20 mil bond	D/S as a % of Revenue W/ yearly 20 mil Bond
2014	\$ 303,716,831	\$ 35,567,635	11.71%		
2015	\$ 324,502,643	\$ 33,414,351	10.30%		
2016	\$ 335,535,557	\$ 36,337,994	10.83%		
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



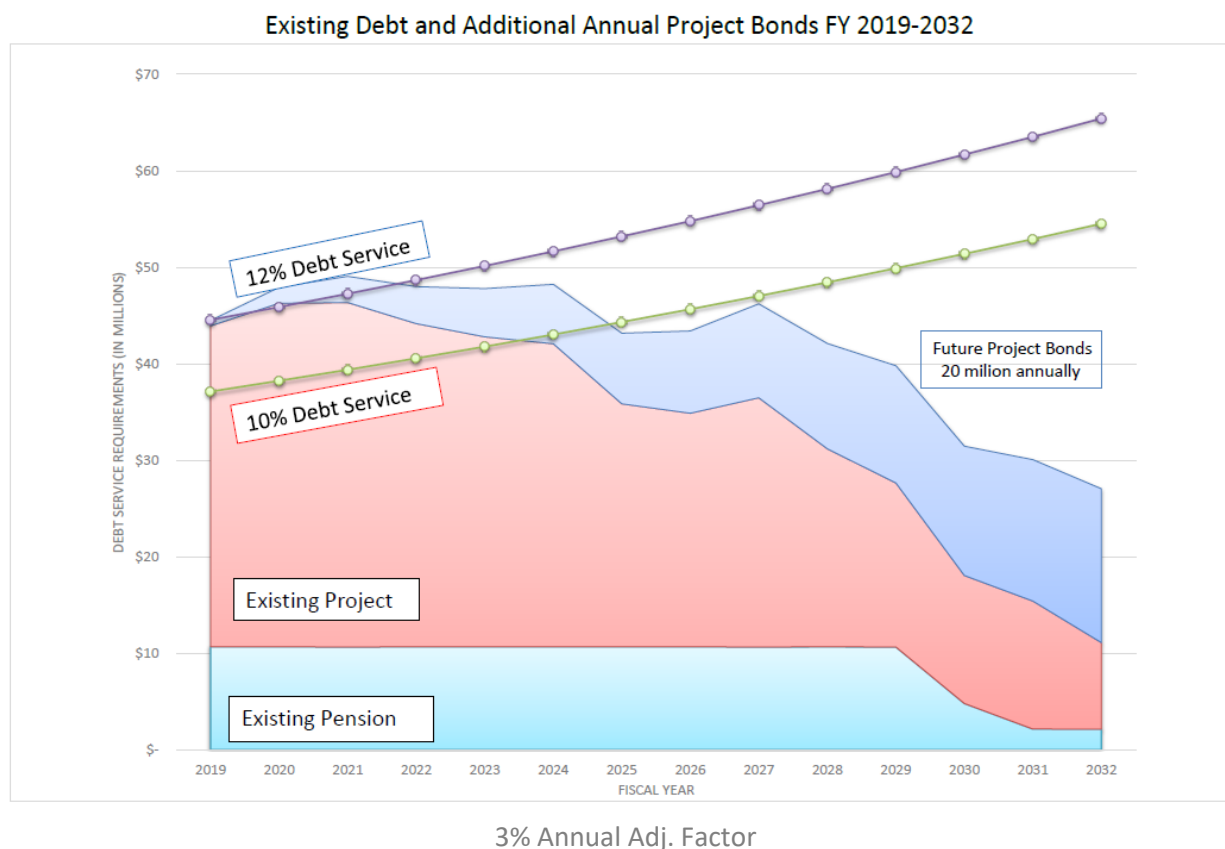
# 12 Years Existing Debt



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?**