Future Debt
Capital Project

July 9, 2019
GO Bond Election Assumptions

• Issue $145M over 7 years (FY2020-2026) at roughly $20M each year
• We also looked at debt capacity in the out years and the affect on the property tax rate
• 0.25% Sales tax revenue for debt service payments on debt issued for GO Bond Projects
• In future years, after the GO Bond projects are funded, additional revenue above the debt service amount needed will be used to cash fund other street & drainage projects
GO Bond Election Assumptions

GO BOND $145M issued FY2020-2026
FY2027-2034 Debt Estimated $165M
DEBT SERVICE PAYMENTS
GO BOND $145M issued FY2020-2026
FY2027-2034 Debt Estimated $165M

Millions

2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035

Existing Debt  GO Bond Election  Future Estimated Debt
GO Bond Project Implementation

• Staff has heard the call for action from the Council and citizens regarding the implementation of the GO Bond projects
• Several projects already under design and construction funds are part of the GO Bond Election
  • Calder Rd South from Ervin to Cross Colony
  • Grissom Road
  • North Landing Extension (land, environmental & construction)
• Four Drainage projects have been added to the CIP and capital budget and design was approved by Council just weeks after the election
GO Bond Project Implementation

Projects with design contracts approved by Council on May 28th:
• DR1901 Bay Ridge Flood Reduction, Phase III ($260,500)
• DR1902 Deer Ridge Dr Buy-out & Overland Flow Imp. ($249,976)
• DR1903 Dove Meadows & Borden's Gully Detention Pond ($255,500)

Project with design contract approved by Council on June 25th:
• DR1904 Bay Ridge Flood Reduction, Phase IV ($669,348)
CASH FLOW

- Anticipate first GO Bond Issue of $20 million in Nov. 2019
- First payment due in FY2020 which is included in the proposed budget document
  - Proposed budget keeps debt service rate at the same as previous year ($0.150002 per $100 valuation)
  - The debt fund has an estimated fund balance of $4.66 million at the end of FY2020 per the proposed budget
- Drainage projects design total - $1.435 million
  - Currently funded in Misc Capital Projects Fund and based on other project timing may require additional cash from GF fund balance.
CASH FLOW

• Calder South construction will bid in September once utilities are relocated – estimated at $7.7 million
• Sales Tax collections will start in December 2019 for October sales
• Second GO Bond issue for a second $20 million may be needed as early as Summer 2020 with first payment due in 2021
  • Payment will be part of FY2021 budget process
  • Sales tax collected from Dec 2019-Jan 2021 ($3.5 million)
CASH FLOW

• Possible hurdles to overcome:
  • FY2020 Proposed Budget prepared based on same debt rate as previous year and preliminary values
  • If drainage projects that have been submitted for grants are awarded, there is a 3-year timeline for completion and that may change amount of GO Bond issued each year
  • Sales tax revenue for the 0.25% is also an estimate
  • Accelerating the program to the point of debt service payments not fitting within neutral property tax rate
GO BOND $145M issued FY2019-2023
FY2027-2034 Debt Estimated $165M
Potential Debt Payments outpace Estimated Revenue
FY2024-2025

GO BOND $145M issued FY2019-2023
FY2027-2034 Debt Estimated $165M
Debt Rate held at $0.15 for total tax rate $0.55
Comparing Debt Payments by Year
7 year GO Bond Assumptions vs 5 year Accelerated

DEBT SERVICE PAYMENTS
GO BOND $145M issued FY2019-2023
FY2027-2034 Debt Estimated $165M ($16.5M/yr)
CASH FLOW

• Options:
  • Award of grants (bond issue amount would be decreased by amount of grants)
  • Debt service payment structure – (defer principle)
  • If taxable values grow faster than assumptions, there may be additional M&O portion of the property tax that can cash fund projects or use to pay debt service
  • Debt Service Fund has fund balance of $4.66 million
  • GO Bond assumptions were at tax rate of $0.5638, FY2020 proposed budget at $0.55
CASH FLOW

• Unknowns:
  • Interest rate differing from rate used in forecast
  • Actual Sales Tax Revenue and cash on hand at time of bond issue to reduce amount of debt issued
  • Actual Property Tax Values in the future as compared to forecast
CASH FLOW

• Staff GOALS:
  • Start projects based on priority
  • Maximize non-bond funding (grants & sales tax)
  • Complete projects timely
  • Be engaged and creative in cash management to maximize the number of projects that can be started each year based on financing options and sales tax revenue while staying within debt capacity that keeps property tax rate neutral
  • Work with Financial Advisor to time sales for best rates, structure debt payments to meet debt capacity and desired tax rate, protect our credit rating
Utility Fund Debt Payments
Based on $113.75 Million new debt FY2019-2023 CIP

Millions

FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 | FY2032 | FY2033 | FY2034 | FY2035 | FY2036 | FY2037 | FY2038 | FY2039

- Current Debt
- FY 18 Sale
- FY 19 Sale
- FY 20 Sale
- FY 21 Sale
- FY 22 Sale
# Utility Fund Projections

($Thousands)

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<thead>
<tr>
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<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td>$10,390</td>
<td>$10,589</td>
<td>$10,589</td>
<td>$11,101</td>
<td>$9,959</td>
<td>$8,124</td>
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<td><strong>Revenue</strong></td>
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<td>Current Revenue</td>
<td>$36,204</td>
<td>$36,204</td>
<td>$36,999</td>
<td>$37,794</td>
<td>$38,591</td>
<td>$39,385</td>
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<td><strong>Subtotal Revenues</strong></td>
<td>$36,204</td>
<td>$36,204</td>
<td>$36,999</td>
<td>$37,794</td>
<td>$38,591</td>
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<td><strong>Expenditures</strong></td>
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<td>Operating Expenditures</td>
<td>$16,280</td>
<td>$16,275</td>
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<td>$17,604</td>
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<td>Current Debt Service</td>
<td>$12,913</td>
<td>$12,842</td>
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<td>Future Debt Service</td>
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<td>$0</td>
<td>$1,420</td>
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<td>Transfer to General Fund</td>
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<td>Transfer to CIP</td>
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<td>2 Additional Positions Annually</td>
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<td>$164</td>
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<td><strong>Subtotal Expenditures</strong></td>
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<td>Revenue Over/(Under) Expenditures</td>
<td>$199</td>
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<td>$512</td>
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<td><strong>Ending Balance</strong></td>
<td>$10,589</td>
<td>$10,865</td>
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## Utility Fund Reserves

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<th>FY2019</th>
<th>FY2020</th>
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<th>FY2022</th>
<th>FY2023</th>
<th>FY2024</th>
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<td>90 Days of Operating Expenditures as Working Capital</td>
<td>$4,014</td>
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<td>Excess Working Capital</td>
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<td>$6,991</td>
<td>$5,736</td>
<td>$3,783</td>
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<tr>
<td>Days Working Capital Over 90 Days</td>
<td>147</td>
<td>154</td>
<td>153</td>
<td>122</td>
<td>78</td>
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Questions? Comments?