

OFFICE OF THE ALBANY CITY TREASURER

DATE: FEBRUARY 29, 2016

TO: MEMBERS OF THE COMMON COUNCIL

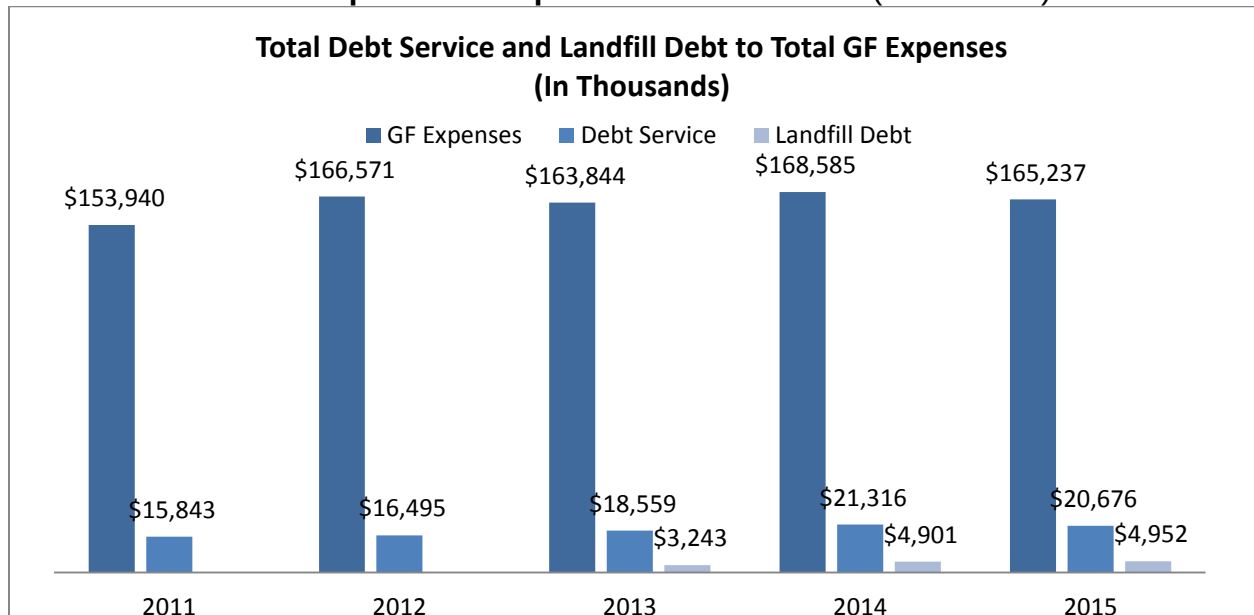
FROM: HON. DARIUS SHAHINFAR

RE: 2016 DEBT REPORT

The following provides information on the City's debt service and current outstanding debt. The 2015 information will not be audited until September of 2016.

This report is made up of five sections. The first compares total General Fund expenses to total debt service expenses and landfill debt from 2011 to 2015 and the second shows debt issued and retired from 2011 to 2015. The third part provides a listing of outstanding debt by year and is divided into non-landfill general obligation bonds, landfill general obligation bonds and annual debt service from 2016 to 2025. The next section provides information on the estimated overlapping indebtedness. The last part provides information on the City's credit rating from S&P.

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 and the portion of landfill debt included in the total debt service) by year from 2011 to 2015.* Prior to 2013 the landfill debt was not issued as a separate bond series.

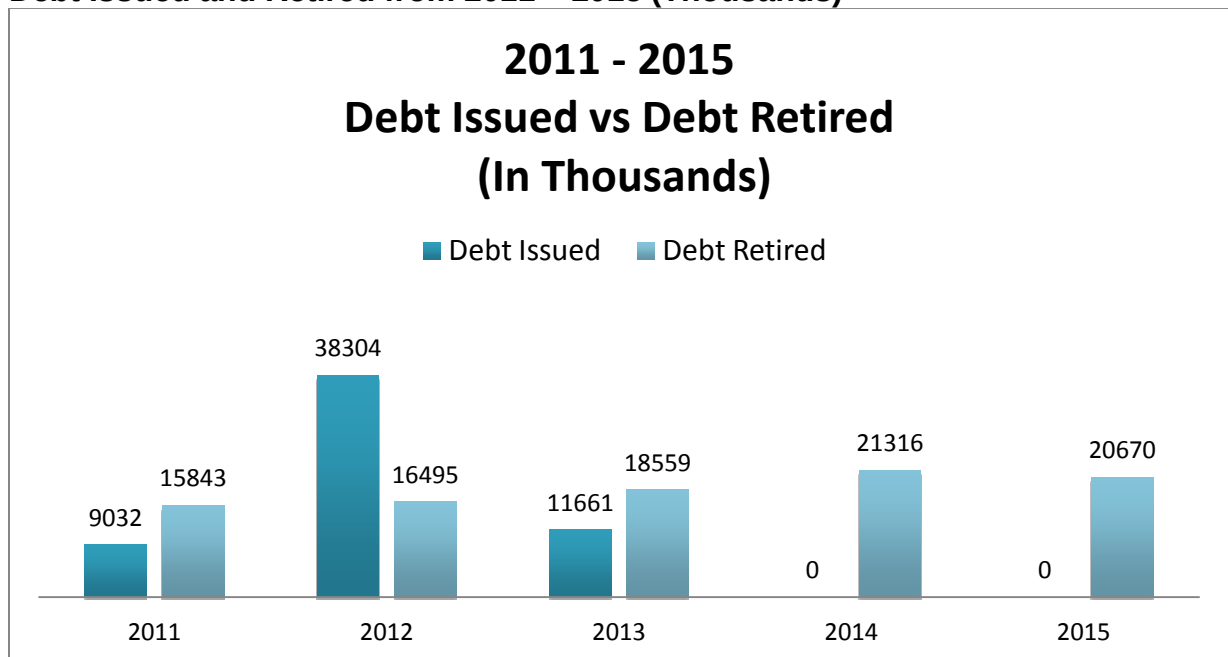
*2015 total General Fund expenses were not finalized as of the date of this report.

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 and the first maturity began in 2014.

During 2015 the City issued \$43,425,299 in Bond Anticipation Notes at an interest rate of 2.00% and a yield of 0.38%. The BANs include 2010 – 2015 capital projects. The BANs are considered a short-term liability since they mature in 1 year from the date of issue. The BANs require a paydown of \$3.7 million and interest expense of \$868,506 when they mature in July 2016.

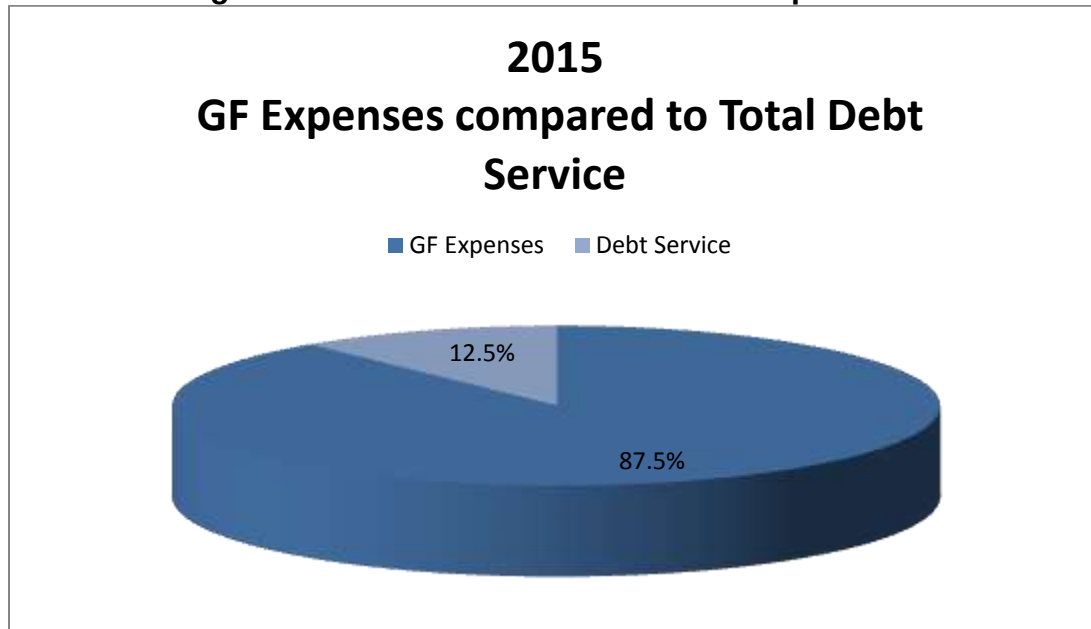
Debt Issued and Retired from 2011 – 2015 (Thousands)



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 2011 – 2015. 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 or paid from operating expenses. The advantage of utilizing BANs rather than bonds is the extremely low applicable interest rates and the flexibility that can be provided for debt issuance. Given the aggressive paydown of bonded debt over this time period, it may be possible for the City to retire most of 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.

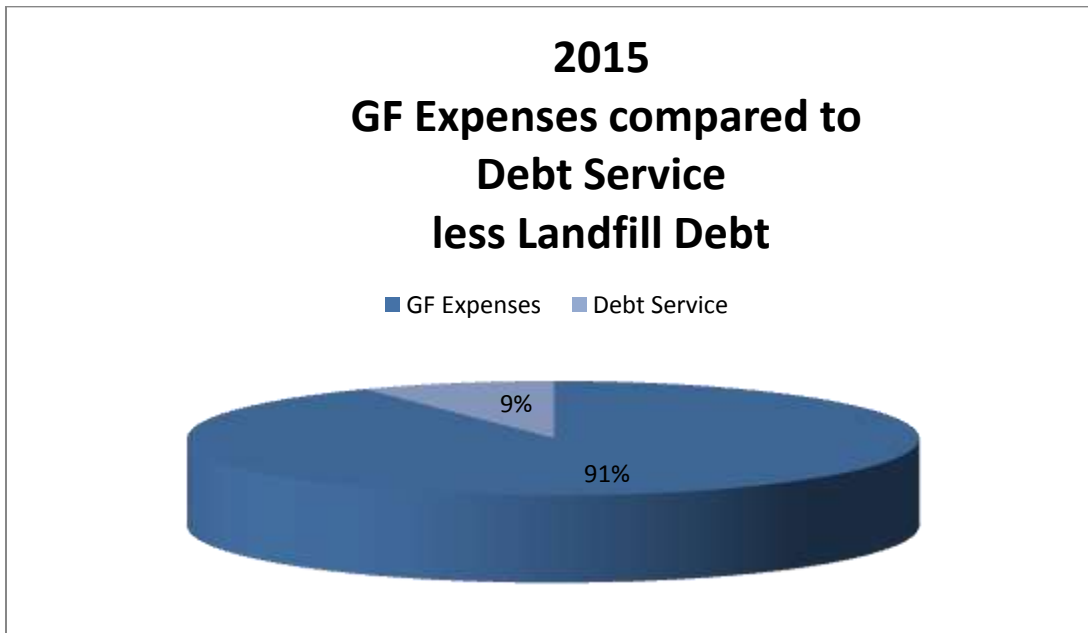
The Percentage of Debt Service to General Fund Expenses



The chart above demonstrates the percentage of Debt Service expense (\$20.7m including the BAN pay down and interest) to total General Fund expenses (\$165.2m) for 2015.*

*2015 total General Fund expenses were not finalized as of the date of this report so the percentage of debt service to GF expenses will be reduced when expenses are finalized.

The Percentage of Debt Service less Landfill Debt to General Fund Expenses



The chart above demonstrates the percentage of Debt Service less landfill debt (\$15.6m) to total General Fund expenses (\$165.2m) for 2015.* From 2011 to 2015 the percentage of debt service has remained consistent at between 10% to 12.5% of total general fund expenses. When landfill debt is deducted the percentage is closer to 7% to 9%.

*2015 total General Fund expenses were not finalized as of the date of this report so the percentage of debt service to GF expenses will be reduced when expenses are finalized.

OUTSTANDING DEBT SCHEDULE

Schedule of Principal and Interest Payments of Serial Bond Indebtedness as of January 2016 (Including Capital Lease Debt and Bond Anticipation Notes)								
	Debt less LF & Cap. Leases		Landfill		Total		Total Annual Debt Less BAN Paydown & Int.	% of Total Debt
	Principal	Interest	Principal	Interest	Principal	Interest		
2016	9,275,000	1,759,879	4,285,000	627,000	13,560,000	2,386,879	15,946,879	19.74%
2017	9,120,000	1,477,097	4,505,000	514,300	13,625,000	1,991,397	15,616,397	19.33%
2018	9,160,000	1,146,009	4,580,000	396,100	13,740,000	1,542,109	15,282,109	18.92%
2019	6,040,000	830,351	4,675,000	268,000	10,715,000	1,098,351	11,813,351	14.62%
2020	6,230,000	616,519	4,825,000	136,375	11,055,000	752,894	11,807,894	14.62%
2021	4,870,000	400,362			4,870,000	400,362	5,270,362	6.52%
2022	2,235,000	204,012			2,235,000	204,012	2,439,012	3.02%
2023	2,025,000	109,563			2,025,000	109,563	2,134,563	2.64%
2024	215,000	22,000			215,000	22,000	237,000	0.29%
2025	225,000	11,250			225,000	11,250	236,250	0.29%
Bonds/Leases	\$49,395,000	\$6,577,041	\$22,870,000	\$1,941,775	\$72,265,000	\$8,518,816	\$80,783,816	100.00%
BAN Paydown	\$3,726,000	\$868,506		BAN	\$43,425,299	\$868,506	44,293,805	
					Total Debt		\$125,077,621	

The total outstanding debt including Bond Anticipation Notes as of January 2016 totals \$125,077,621. The General Obligation Bonds including Landfill total \$80,783,816 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 2016 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> ⁽¹⁾	<u>Net Indebtedness</u>	<u>Approx. % Applicable</u>	<u>Approx. Net Overlapping Indebtedness</u>
County of Albany	\$246,772,454	\$ 24,018,134 ⁽²⁾	\$222,754,320	19.45%	\$ 43,325,715
City School District of the City of Albany	153,811,220	122,126,109 ⁽³⁾	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 June 11, 2015

	<u>Amount Indebtedness</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Valuation</u> ^(b)
Net Indebtedness.....	\$101,403,785	\$1,030.27	2.22%
Net Indebtedness Plus Net Overlapping Indebtedness ^(c)	176,414,611	1,792.39	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 latest rating for the bonds is AA- (with a stable outlook) while the bond anticipation notes are SP-1+. These are two of the higher ratings provided by Standard and Poor's. This is also the highest 2015 rating of any Upstate New York city other than Binghamton. The attached documents from Standard & Poor's describe the rationale for their rating.