

<b>OFFICE OF THE ALBANY CITY TREASURER</b>
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**DATE:** OCTOBER 4, 2021

**TO:** MEMBERS OF THE COMMON COUNCIL

**FROM:** HON. DARIUS SHAHINFAR

**RE:** 2021 DEBT REPORT

The following provides information on the City's debt service and current outstanding debt. The 2021 information was provided from the adopted 2021 budget.

This report is made up of five sections. The first compares total General Fund expenses to total debt service expenses and landfill debt from 2017 to 2021 and the second shows debt issued and retired from 2017 to 2021. The third part provides a listing of outstanding debt by year for general obligation bonds with landfill general obligation bonds shown separately, and annual debt service from 2021 to 2034. The next section provides information on the estimated overlapping indebtedness. The last part provides information on the City's credit rating from Standard and Poor's.

**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) by year from 2017 to 2021.\* \*For 2021 this report includes the total budgeted General Fund expenses

During 2017 the City issued \$44,596,417 in Bond Anticipation Notes at a net interest rate of 1.19% not reoffered. The BANs included 2014 – 2017 capital projects. BANs are considered a short-term liability since they mature in 1 year from the date of issue. The BANs required a paydown of \$3.7 million and interest expense of \$530,698 when they matured in June 2018.

In 2018 the City issued \$33,310,417 in General Obligation Serial Bonds with a maturity of 10 years. The total interest expense on these bonds will be \$7,535,102.

During 2018 the City also issued \$18,854,100 in Bond Anticipation Notes at a net interest rate of 1.65%. The BANs included 2015 – 2018 capital projects. The BANs required a paydown of \$205,000 and interest expense of \$518,488 when they matured in June 2019.

In 2019 the City issued \$26,000,000 in General Obligation Serial Bonds for the purchase of street lights, with a maturity of 15 years. The total interest expense on these bonds will be \$6,765,650.

During 2019 the City also issued \$29,799,600 in Bond Anticipation Notes at a net interest rate of 1.40%. The BANs included 2015 – 2019 capital projects. The

BANs required a paydown of \$2.4 million and interest expense of \$744,990 when they matured in March 2020.

During 2020 the City issued \$44,672,719 in Bond Anticipation Notes in two parts. The first part totaling \$8,500,000 at a net interest rate of 1.29% not reoffered. The second part totaling \$36,172,719 at a net interest rate of 2.25% not reoffered. The BANs included 2015 – 2020 capital projects. The BANs require a paydown of \$3.0 million and interest expense of \$923,537 when they mature in March 2021.

During 2021 the City issued \$59,304,275 in Bond Anticipation Notes. The BANs included 2015 – 2021 capital projects. The BANs require a paydown of \$6.0 million and interest expense of \$142,924 when they mature in March 2022.

## **Debt Issued and Retired**

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 2017– 2021. This chart includes principal and interest expense (including the BAN paydowns and interest). In

these 5 years, the City retired \$101.9M in debt and issued only \$73.6M in new bonded debt (or only \$47.6m if the \$26m street light debt, which pays for itself, is excluded), along with the current \$59.5M BAN.

BANs are generally authorized to be renewed or “rolled over” for up to five years after the original date of issuance. Due to the pandemic, the State now allows renewals of BANs originally issued during calendar years 2015 through 2021 to extend up to seven years after the original date of issuance. 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 if funds become available from debt service or operating revenue to pay some or all of the BANs before bonding. Our office will, as always, keep a sharp eye on interest rates to evaluate whether we should bond or continue to BAN in 2022.

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

The chart above demonstrates the percentage of Debt Service expense (\$17.5M including the BAN pay down and interest) to total budgeted General Fund expenses (\$180.8M) for 2021.

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

The chart above demonstrates the percentage of Debt Service less landfill debt (\$16.5M) to total budgeted General Fund expenses (\$180.8M) for 2021. From 2017 to 2021 the percentage of debt service has remained relatively consistent at between 10% to 12.5% of total general fund expenses. When landfill debt is deducted the percentage falls to 7% to 10%.

## **OUTSTANDING DEBT SCHEDULE**

<b>Schedule of Principal and Interest Payments</b>					
Serial Bond Indebtedness as of January 2022					
(Including Bond Anticipation Note)					
	Principal	(Landfill)	Interest	(Landfill)	Total
<b>2022</b>	8,950,000	990,000	1,830,468	23,850	10,780,468
<b>2023</b>	8,315,000	400,000	1,552,400	4,000	9,867,400
<b>2024</b>	6,295,000		1,285,550		7,580,550
<b>2025</b>	6,515,000		1,069,400		7,584,400
<b>2026</b>	5,165,000		858,725		6,023,725
<b>2027</b>	5,370,000		665,150		6,035,150
<b>2028</b>	5,525,000		464,950		5,989,950
<b>2029</b>	1,860,000		335,550		2,195,550
<b>2030</b>	1,920,000		278,850		2,198,850
<b>2031</b>	1,985,000		220,275		2,205,275
<b>2032</b>	2,050,000		159,750		2,209,750
<b>2033</b>	2,115,000		97,275		2,212,275
<b>2034</b>	2,185,000		32,775		2,217,775
<b>Bonds</b>	<b>\$58,250,000</b>		<b>\$8,851,118</b>		<b>\$67,101,118</b>
<b>BAN Paydown</b>	<b>\$6,031,411</b>		<b>\$142,924</b>		<b>\$6,174,335</b>
<b>RANs est.</b>	<b>\$10,000,000</b>		<b>\$25,000</b>		<b>\$10,025,000</b>
<b>Totals</b>	<b>\$74,281,411</b>		<b>\$9,019,042</b>		<b>\$83,300,453</b>

The total outstanding debt including Bond Anticipation Notes for 2021 totals \$83.3M. (This figure presumes the issuance of a \$10M RAN. However, no RANs have been issued since 2015, and their issuance is something the City strives to avoid at all costs. Without the RAN, the total outstanding debt is reduced to about \$73.3M.) The General Obligation Bonds including Landfill total \$67,101,118 with the last maturity in the year 2034. The total outstanding bonds by the end of the year will be \$56.3M if no additional bonded debt is added to this total in 2022. This is the \$67.1M less the current year debt expense of \$10.8M.

The last column shows the current annual debt by year. The paydown, interest due and total of the current bond anticipation notes is listed below the outstanding bonds total.

It should also be noted that the above debt schedule includes approximately \$2.2M per year in debt service for the street light purchase. This bonded debt is

offset by cost savings above and beyond the cost of debt issuance, and should thus be treated as landfill debt is for the purposes of the City's debt policy. Additionally, the City will either have to bond or reissue \$53.3M in BAN debt in 2022 along with the sum total of the Capital Plan being considered for 2022 and any outstanding authorizations to be borrowed upon.

As a guide for your consideration, under current market conditions, depending on the length of borrowing, each \$1M of bonded debt in 2022 would be expected to result in \$75K-\$115K in additional annual debt payments over a 10-15 year time frame. Therefore, were the City to issue bonds for all \$73.8M in the current capital plans (\$16.5M for 2022, \$53.3M 2020 BAN, and \$4M in existing net bond authorizations), the City can expect annual debt service payments of approximately \$5.5-8.3M in addition to the schedule above, beginning in 2023. But there are many decisions to be made before we can provide more accurate figures once the bond resolutions are passed.

As can be seen in the above chart, the debt service numbers drop precipitously starting in 2022 due to 11 years of responsible debt management in the Treasurer's Office. As a result, the City has many options to address capital needs over the next several years, including the ability to incur additional debt above and beyond the Capital Plan presented in the 2022 and out-year budgets, or to decide to utilize more ARPA funding to pay for projects, rather than borrowing for them.

### **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 of the respective municipalities and is not adjusted to include subsequent bond issues, if any.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> <sup>(1)</sup>	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>City Share</u>	<u>Applicable Indebtedness</u>
County of:						
Albany	11/30/2020	\$ 301,000,000	\$ 4,470,000 <sup>(2)</sup>	\$ 296,530,000	18.65%	\$ 55,302,845
School District:						
Albany	7/7/2020	190,543,625	162,152,625 <sup>(3)</sup>	28,391,000	100.00%	28,391,000
					Total:	<u>\$ 83,693,845</u>

Notes:

<sup>(1)</sup> Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond or note sales, if any

<sup>(2)</sup> Water and sewer debt and appropriations.

<sup>(3)</sup> Estimated State building aid.

Source: County Official Statement dated December 8, 2020.

School District Official Statement dated July 14, 2020.

## Debt Ratios

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

### Debt Ratios As of March 4, 2021

Percentage	Amount of Full <u>Indebtedness</u> <u>Valuation</u> <sup>(b)</sup>	Per <u>Capita</u> <sup>(a)</sup>	
Net Indebtedness .....	\$ 99,922,619	\$1,035.90	2.03%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(c)</sup> .....	183,616,464	1,903.55	3.72%

<sup>(a)</sup> The 2018 Census population of the City is 96,460.

<sup>(b)</sup> The City's 2021 full value of taxable real estate is \$4,931,886,605.

<sup>(c)</sup> Estimated net overlapping indebtedness is \$83,693,845.

\*Fiscal Advisors & Marketing Inc.

## CITY BOND RATINGS



Standard and Poor's latest rating for the bonds is A+ (with a stable outlook). All outstanding debt is backed by insurance policies from municipal insurance companies. The biggest factor in our bond rating and our fiscal stress score is the status of our un-audited fund balance (currently about \$14.1M total, with \$10.4M unassigned as of the end of 2020). Best practice is that our unassigned fund balance should be at 10% of our expenses, or roughly \$18.0M, and our total fund balance should be at 20% of expenses, or roughly \$36m.

It should also be noted that after 2019 and 2020, because of an increase in our fund balance prior to 2020, as well as the continued NYS commitment to Albany with Capital City Funding, the City's bond rating remained stable and the fiscal stress score from the NYS Comptroller's office was reduced for the 3<sup>rd</sup> year in a row from "Moderate Fiscal Stress" to "Susceptible" to fiscal stress to "No Designation". While this was a move in the right direction, more work on rebuilding the fund balance remains necessary, and without the continued assistance from NYS, the financial situation of the City would be dire and require deep cuts in employment and services.

Finally, because of the reduction in fund balance in 2020 as a result of COVID, Albany's Fiscal Stress score rose again to "Susceptible". This was expected as a result of lower revenue, but recent revenue gains, along with the use of ARPA funds are expected to assist our City to quickly trend back in the right direction, rebuild our fund balance, maintain or improve our bond ratings and drop our fiscal stress score.