OFFICE OF THE ALBANY CITY TREASURER

DATE: OCTOBER 3, 2022

TO: MEMBERS OF THE COMMON COUNCIL

FROM: HON. DARIUS SHAHINFAR

RE: 2022 DEBT REPORT

The following provides information on the City’s debt service and current outstanding debt. The 2022 information was provided from the adopted 2022 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 2018 to 2022 and the second shows debt issued and retired from 2018 to 2022. 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 2023 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 2018 to 2022.* *For 2022 this report includes the total budgeted General Fund expenses

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 the interest expense was $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 the interest expense was $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 totaled $8,500,000 at a net interest rate of 1.29%. The second part totaled $36,172,719 at a net interest rate of 2.25%. The BANs included 2015 – 2020 capital projects. The BANs required a paydown of $3.0 million and an interest expense of $923,537 when they matured in March 2021.

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

In 2022 the City issued $50,645,000 in General Obligation Serial Bonds with a maturity of 10 years. The total interest expense on these bonds will be $11,734,555.

During 2022 the City also issued $16,840,944 in Bond Anticipation Notes at a net interest rate of 1.15%. The BANs included 2018 – 2022 capital projects. The BANs will require a paydown of $2,660,000 and an interest expense of $378,922 when they mature in March 2023.

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 2018– 2022. This chart includes principal and interest expense (including the BAN paydowns and interest). In these 5 years, the City retired $97.4M in debt and issued almost $136.0M in new bonded debt (or only $110.0M if the $26m street light debt, which pays for itself, is excluded), along with the current $16.8M 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 2023, although at this point, I would say it is highly likely that we will BAN our capital plan in 2023.

The Percentage of Debt Service to General Fund Expenses

The chart above demonstrates the percentage of Debt Service expense ($16.9M including the BAN paydown and interest) to total budgeted General Fund expenses ($190.6M) for 2022.

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

The chart above demonstrates the percentage of Debt Service less landfill debt ($15.9M) to total budgeted General Fund expenses ($190.6M) for 2022. From 2018 to 2022 the percentage of debt service has remained relatively consistent at 10% to 12.5% of total general fund expenses. When landfill debt is deducted the percentage falls to 7% to 10%.

OUTSTANDING DEBT SCHEDULE

	Schedule of Principal and Interest Payments				
	Serial Bond Indebtedness as of January 2023				
	(Including Bond Anticipation Note)				
	Principal	(Landfill)	Interest	(Landfill)	Total
2023	12,580,000	400,000	4,455,155	4,000	17,035,155
2024	10,680,000		3,069,700		13,749,700
2025	11,075,000		2,658,000		13,733,000
2026	9,905,000		2,261,325		12,166,325
2027	10,300,000		1,874,350		12,174,350
2028	10,650,000		1,473,050		12,123,050
2029	7,190,000		1,134,550		8,324,550
2030	7,465,000		860,350		8,325,350
2031	7,750,000		575,575		8,325,575
2032	8,050,000		279,750		8,329,750
2033	2,115,000		97,275		2,212,275
2034	2,185,000		0		2,185,000
Bonds	$99,945,000		$18,739,080		$118,684,080
	BAN Paydown				
BAN	$2,660,000		$378,921		$3,038,921
RANs est.	$10,000,000		$37,500		$10,037,500
Totals	$112,605,000		$19,155,501		$131,760,501

The total outstanding debt including Bond Anticipation Notes for 2023 totals $131.7M. (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 $121.7M.) The General Obligation Bonds including Landfill total $118,684,080 with the last maturity in the year 2034. The total outstanding bonds by the end of the year will be $101.6M if no additional bonded debt is added to this total in 2023. This is the $118.6M less the current year debt expense of $17.0M.

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 $16.8M in BAN debt in 2023 along with the sum total of the

Capital Plan being considered for 2023 and any outstanding authorizations to be borrowed upon.

As can be seen in the above chart, the debt service numbers drop precipitously starting in 2029 due to 10 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. This will be crucial as we move to address the large capital needs contained in the 2023 budget.

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 2018 fiscal year of the respective municipalities and is not adjusted to include subsequent bond issues, if any.

Municipality	Status of Debt as of	Gross Indebtedness [1]	Estimated Exclusions		Net Indebtedness	City Share	Applicable Indebtedness
County of:							
Albany	12/31/2020	$341,000,000	$4,470,000	(2)	$336,530,000	18.65%	$62,762,845
School District:							
Albany	6/30/2021	184,990,733	157,427,114	(3)	27,563,619	100.00%	27,563,619
						Total:	$90,326,464

Notes:

[1] Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond or note sales, if any

[2] Water and sewer debt and appropriations.

[3] Estimated State building aid.

Source: State Comptroller's Report for the 2020 fiscal year for the County and 2021 fiscal year for the School District.

Debt Ratios

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

Debt Ratios
As of September 26, 2022

[b]	Amount Indebtedness	Per Capita [a]	Percentage of Full Valuation
Net Indebtedness	$ 116,785,944	$ 1,184.24	2.15%
Net Indebtedness Plus Net Overlapping Indebtedness [c]	207,112,408	2,100.17	3.81%

[a] The 2021 Census estimated population of the City is 98,617.
[b] The City's 2022 full value of taxable real estate is $5,429,040,168
[c] Estimated net overlapping indebtedness is $90,326,464

*Fiscal Advisors & Marketing Inc.

CITY BOND AND OTHER 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 audited fund balance (currently about $17.4M total, with $10.6M unassigned as of the end of 2021).

After 2019, because of an increase in our fund balance, 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 3rd year in a row from "Moderate Fiscal Stress" to "Susceptible" to fiscal stress to "No Designation".

However, because of the reduction in fund balance in 2020 and 2021 as a result of COVID, Albany's Fiscal Stress score rose again to "Susceptible". This was expected as a result of lower revenue. In 2021, Albany's Fiscal Stress score is still "Susceptible", but the raw score dropped to 47.9, putting us only 3 points away from having "No Designation". Recent revenue gains, along with the use of ARPA funds are expected to assist our City to continue to trend back in the right direction, rebuild our fund balance, maintain or improve our bond ratings and drop our fiscal stress score.

Best practice is that our unassigned fund balance should be at 10% of our expenses, or roughly $19.0M, and our total fund balance should be at 20% of expenses, or roughly $38.0M. While we are managing well within our budgetary constraints, raising our fund balances in the upcoming years is necessary and will put us in a stronger financial position. Everyone should be reminded however, that without the continued assistance from NYS, the financial situation of the City would be dire and require deep cuts in employment and services.