

<b>OFFICE OF THE ALBANY CITY TREASURER</b>
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**DATE:** SEPTEMBER 29, 2023

**TO:** MEMBERS OF THE COMMON COUNCIL

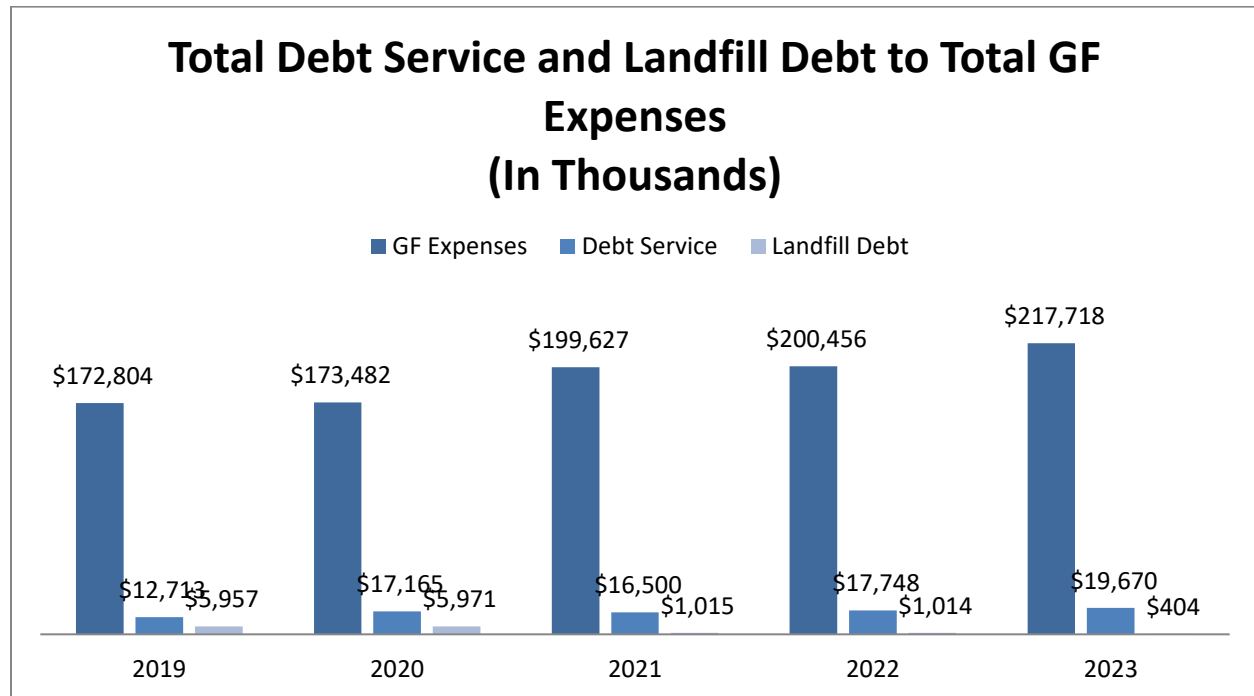
**FROM:** HON. DARIUS SHAHINFAR

**RE:** 2023 DEBT REPORT

The following provides information on the City's debt service and current outstanding debt. The 2023 information was provided from the adopted 2023 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 2019 to 2023 and the second shows debt issued and retired from 2019 to 2023. 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 2019 to 2023.\* \*For 2023 this report includes the total budgeted General Fund expenses

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.

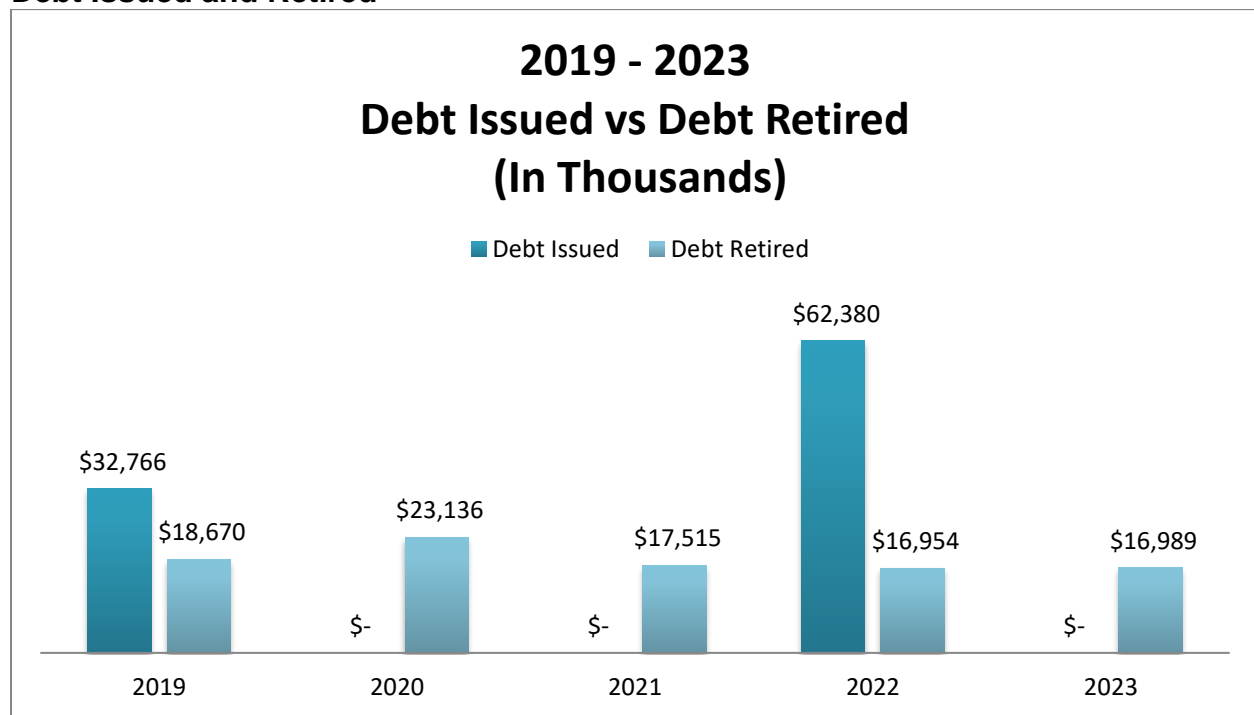
During 2021 the City issued \$59,304,275 in Bond Anticipation Notes. The BANs included 2015 – 2021 capital projects. The BANs require a paydown of \$6,216,411 million and interest expense of \$1,779,120 when they matured in March 2022.

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 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 required a paydown of \$3,180,000 and interest expense of \$378,921 when they matured in March 2023.

During 2023 the City issued \$13,660,944 in Bond Anticipation Notes at a net interest rate of 4.50%. The BANs included 2018 – 2022 capital projects. The BANs required a paydown of \$860,000 and interest expense of \$613,035 when they mature in March 2024. The City opted not to issue further debt on the 2023 Capital Plan because of available ARPA cash on hand, thus delaying borrowing and payments on interest until rates go down and we can most accurately account for borrowing needs.

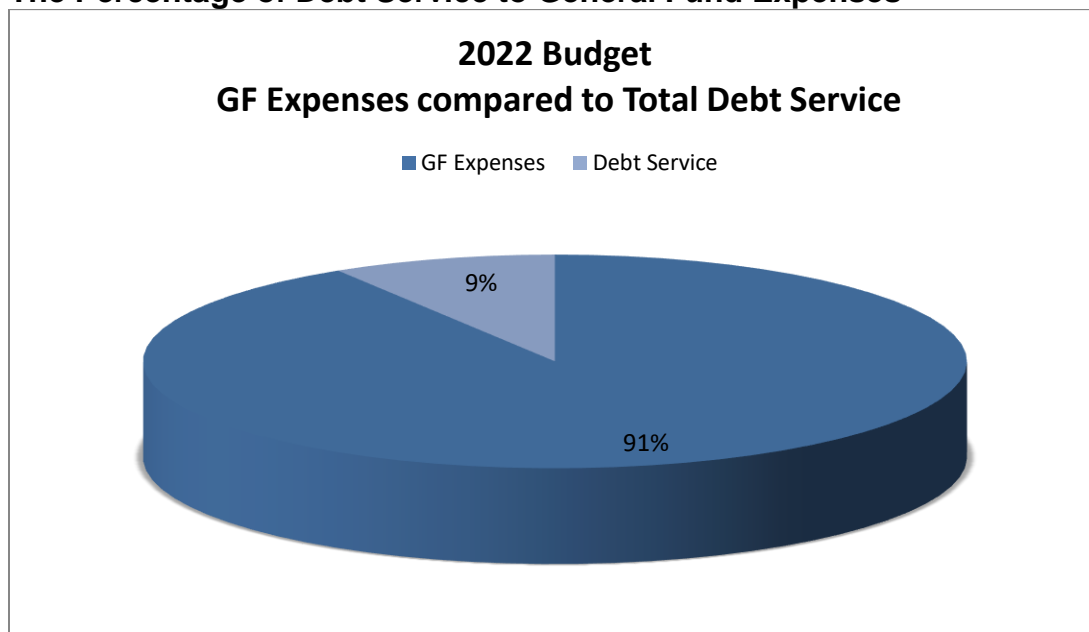
### Debt Issued and Retired



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 2019– 2023. This chart includes principal and interest expense (including the BAN paydowns and interest). In these 5 years, the City retired \$93.3M in debt and issued \$95.1M in new bonded debt.

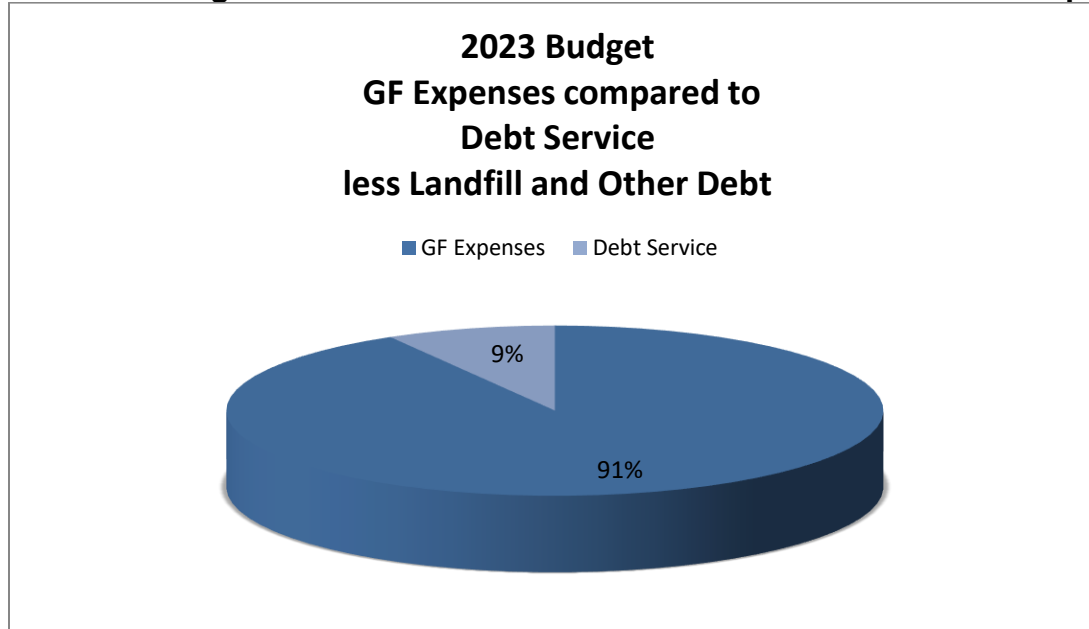
BANs are generally authorized to be renewed or “rolled over” for up to five years after the original date of issuance. Due to the pandemic, the State now allows renewals of BANs originally issued during calendar years 2015 through 2021 to extend up to seven years after the original date of issuance. The advantage of utilizing BANs rather than bonds is the lower 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.

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



The chart above demonstrates the percentage of Debt Service expense (\$20.1M including the BAN pay down and interest) to total budgeted General Fund expenses (\$218.0M) for 2023. This complies with City policy calling for debt service to be at no more than 10% of General Fund expenses.

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



The chart above demonstrates the percentage of Debt Service less landfill debt (\$19.8M) to total budgeted General Fund expenses (\$218.0M) for 2023. From 2019 to 2023 the percentage of debt service has remained relatively consistent at between 9% and 12.5% of total general fund expenses. When landfill debt is deducted the percentage falls to 7% to 10%. 2023 is the year that the last of our landfill debt. However, even though we have not counted streetlight debt for the purpose of the report, it is still my position that because the streetlights led to expenditure savings that outweigh the cost of the debt, it too should be treated as such for the purposes of our debt policy.

## OUTSTANDING DEBT SCHEDULE

	Schedule of Principal and Interest Payments				
	Serial Bond Indebtedness as of January 2024				
	(Including Bond Anticipation Note)				
	Principal	(Landfill)	Interest	(Landfill)	Total
<b>2024</b>	10,680,000		3,069,700		13,749,700
<b>2025</b>	11,075,000		2,658,000		13,733,000
<b>2026</b>	9,905,000		2,261,325		12,166,325
<b>2027</b>	10,300,000		1,874,350		12,174,350
<b>2028</b>	10,650,000		1,473,050		12,123,050
<b>2029</b>	7,190,000		1,134,550		8,324,550
<b>2030</b>	7,465,000		860,350		8,325,350
<b>2031</b>	7,750,000		575,575		8,325,575
<b>2032</b>	8,050,000		279,750		8,329,750
<b>2033</b>	2,115,000		97,275		2,212,275
<b>2034</b>	2,185,000		0		2,185,000
<b>Bonds</b>	\$87,365,000		\$14,283,925		\$101,648,925
	<u>BAN Paydown</u>				
<b>BAN</b>	\$860,000		\$613,035		\$1,473,035
<b>Totals</b>	\$88,225,000		\$14,896,960		\$103,121,960

The total outstanding debt including Bond Anticipation Notes for 2023 totals \$103.1M. The General Obligation Bonds total \$101,648,925 with the last maturity in the year 2034. The total outstanding bonds by the end of the year will be \$87.9M if no additional bonded debt is added to this total in 2024. This is the \$101.6M less the current year debt expense of \$13.7M.

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. Again, 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 \$13.7M in BAN debt in 2024 along with the sum total of the Capital Plan for 2023 (the 2023 capital projects were not included in the 2023 BAN) and the Capital Plan being considered for 2024 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 14 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 2023 and outyear 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	12/31/2021	\$293,995,000	\$- (2)	\$ 293,995,000	18.82%	\$55,329,859
School District:						
Albany	6/30/2022	224,690,463	197,727,607 (3)	26,962,856	100.00%	<u>26,962,856</u>
					Total:	<u>\$82,292,715</u>

### Debt Ratios

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

<b>Debt Ratios</b>			
	<u>Amount Indebtedness</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Valua-</u>
<u>tion</u> <sup>(b)</sup>			
Net Indebtedness.....	\$ 101,025,944	\$1,001.98	1.66%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(c)</sup> .....	183,318,659	1,818.17	3.02%

(a) The 2022 Census population of the City is 100,826.

(b) The City's 2023 full value of taxable real estate is \$6,074,996,952.

(c) Estimated net overlapping indebtedness is \$82,292,715.

\*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 \$16.7M total, with \$7.3M unassigned as of the end of 2023). Best practice is that our unassigned fund balance should be at 10% of our expenses, or roughly \$21.8M, and our total fund balance should be at 20% of expenses, or roughly \$43.6M.

It should also be noted that 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 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" and has stayed there through 2020. The good news is that the stress score is less than 2 points away from "No Designation". Getting to that stage will require rebuilding our fund balance in 2023 and '24.