

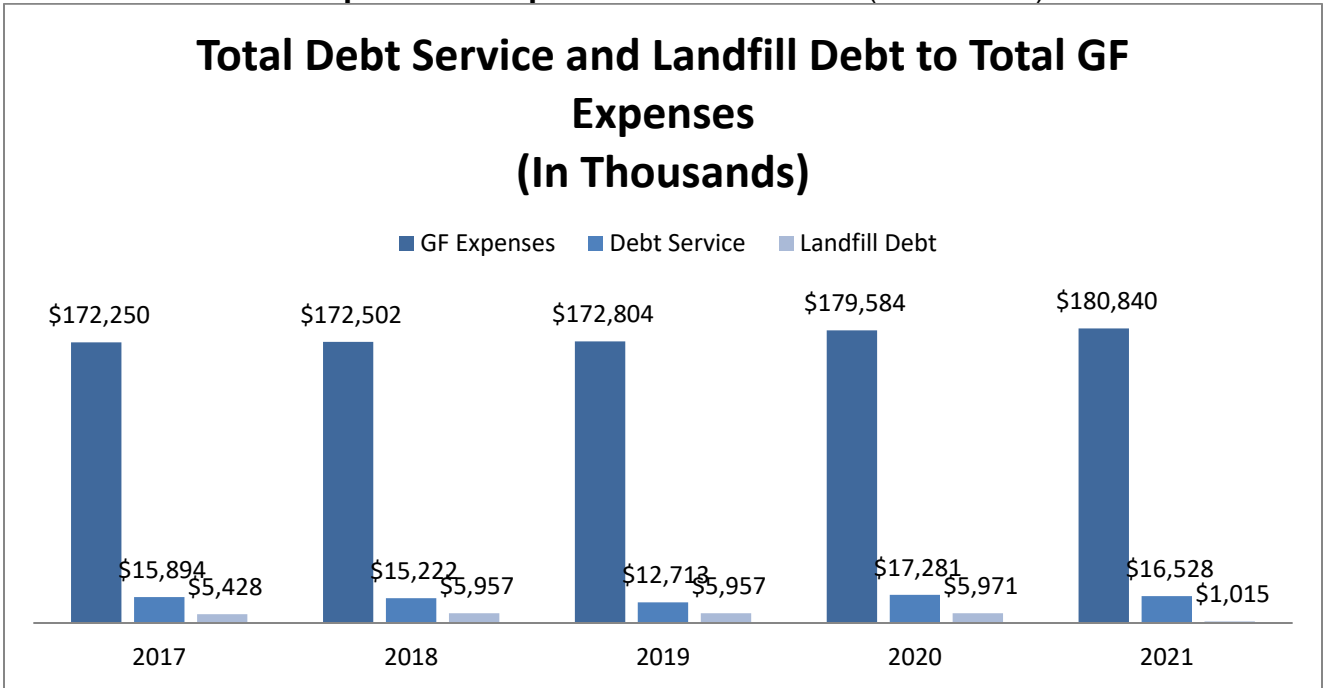
OFFICE OF THE ALBANY CITY TREASURER

DATE: OCTOBER 7, 2020
TO: MEMBERS OF THE COMMON COUNCIL
FROM: HON. DARIUS SHAHINFAR
RE: 2020 DEBT REPORT

The following provides information on the City's debt service and current outstanding debt. The 2020 and 2021 information was provided from the adopted 2020 budget and the proposed 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 2020 and 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.

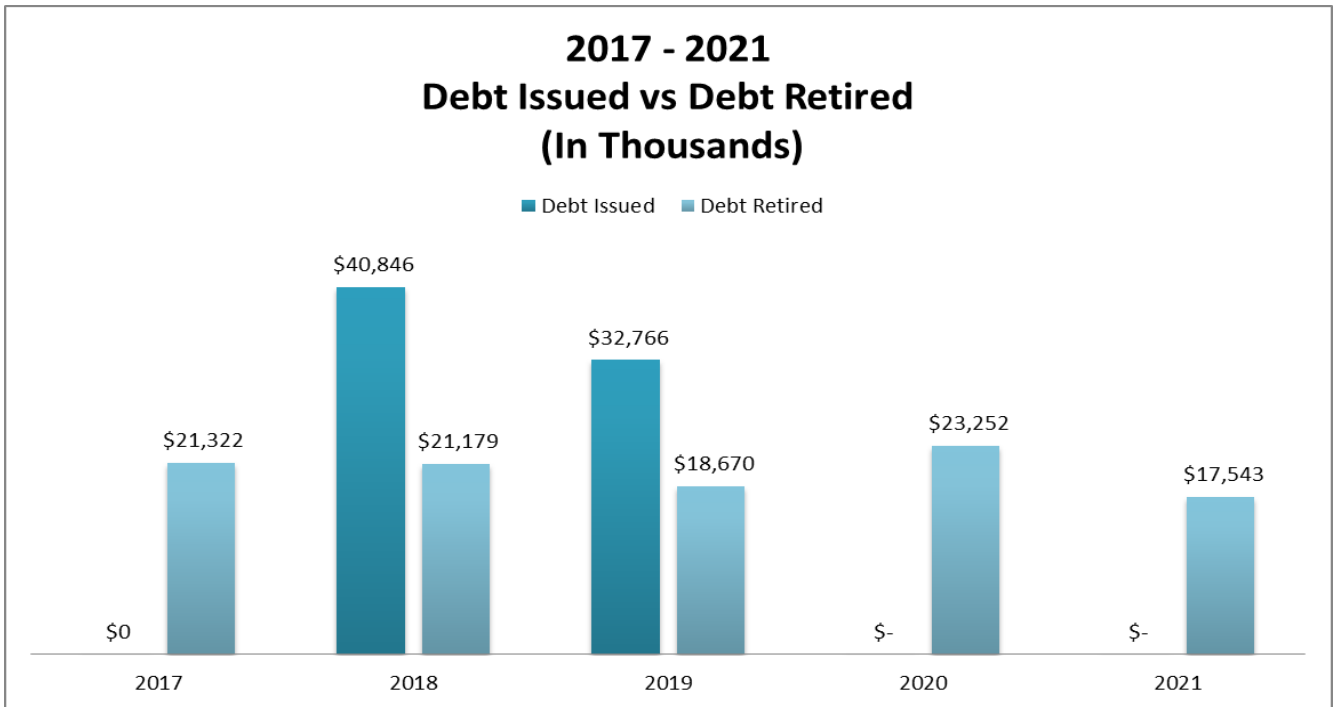
In 2019 the City issued \$26,000,000 in General Obligation Serial Bonds for the purchase of street lights, with a maturity of 15 years. The total interest expense on these bonds will be \$6,765,650.

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 also 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, depending on whether we elect to issue BANs for another year or if we issue bonds.

Debt Issued and Retired

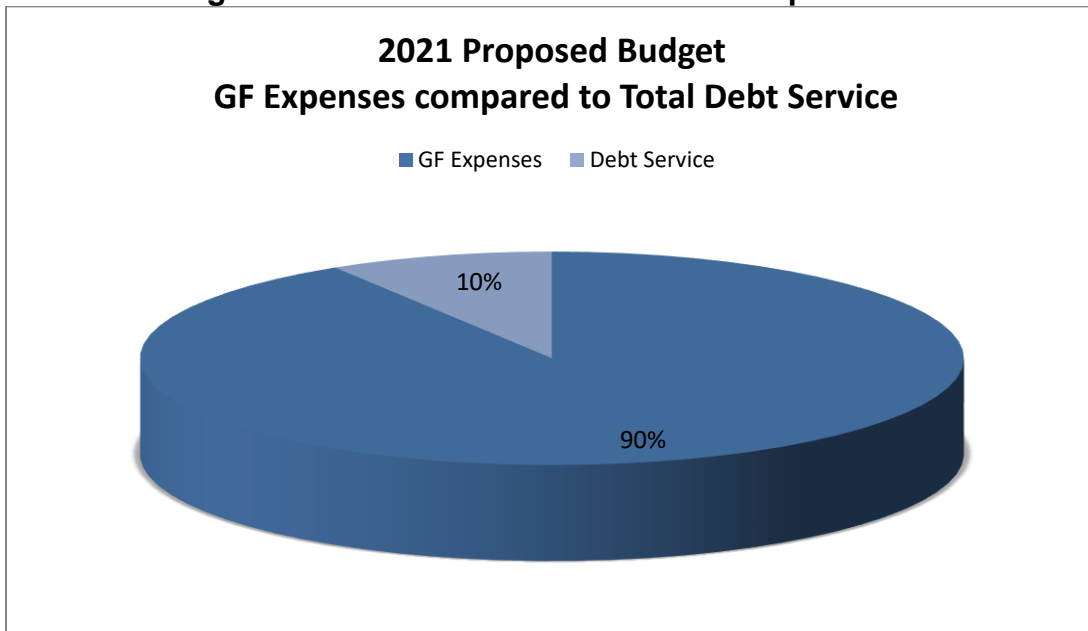


The chart above shows the amount of debt issued on the left side bar and debt retired on the right side bar by year from 2017– 2021. **This chart includes principal and interest expense (including the BAN paydowns and interest). In these 5 years, the City retired, or will retire, \$102M in debt and issued \$73.6M in new bonded debt thus far (or only \$47.6m if the \$26m street light debt, which pays for itself, is excluded). What is not included is the 2021 borrowing which is slated to be in the neighborhood of \$60-\$65m and will likely be mostly bonded, and partially BANNed.**

BANs are generally authorized to be renewed or “rolled over” for up to five years after the original date of issuance. The State due to the pandemic 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

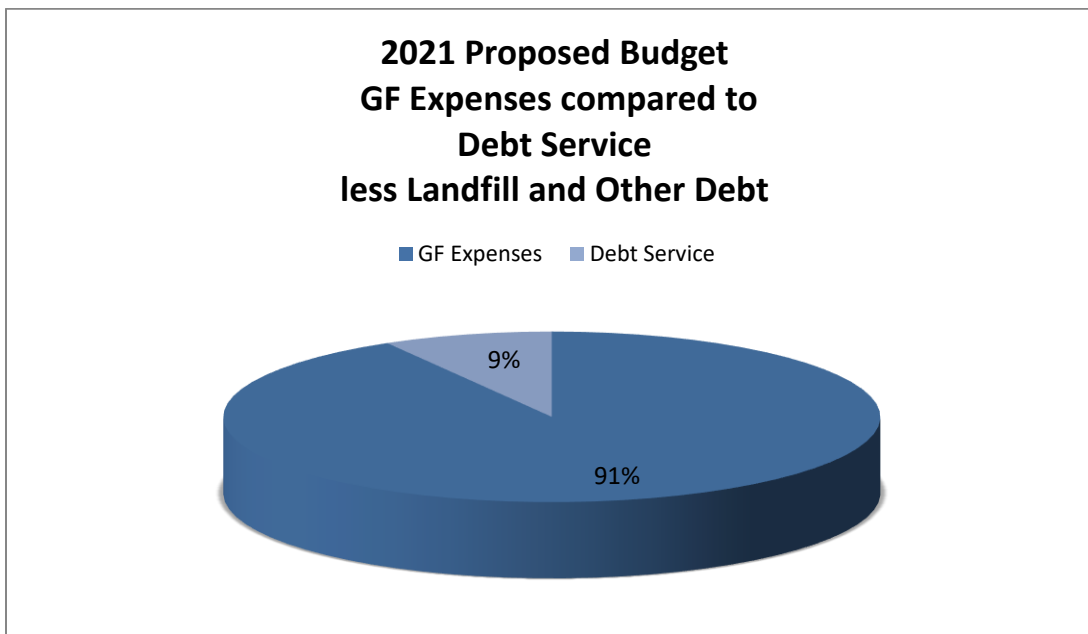
and the flexibility that can be provided for debt issuance if funds become available from debt service or operating revenue to pay some or all of the BANs before bonding.

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

Schedule of Principal and Interest Payments					
Serial Bond Indebtedness as of January 2021					
(Including Bond Anticipation Note)					
	Principal	(Landfill)	Interest	(Landfill)	Total
2021	11,405,000	960,000	2,213,994	55,000	13,618,994
2022	8,950,000	990,000	1,830,468	23,850	10,780,468
2023	8,315,000	400,000	1,552,400	4,000	9,867,400
2024	6,295,000		1,285,550		7,580,550
2025	6,515,000		1,069,400		7,584,400
2026	5,165,000		858,725		6,023,725
2027	5,370,000		665,150		6,035,150
2028	5,525,000		464,950		5,989,950
2029	1,860,000		335,550		2,195,550
2030	1,920,000		278,850		2,198,850
2031	1,985,000		220,275		2,205,275
2032	2,050,000		159,750		2,209,750
2033	2,115,000		97,275		2,212,275
2034	2,185,000		32,775		2,217,775
Bonds	\$69,655,000		\$11,065,112		\$80,720,112
	<u>BAN Paydown</u>				
BAN	\$3,000,000		\$923,537		\$3,923,537
RANs est.	\$15,000,000		\$60,000		\$15,060,000
Totals	\$87,655,000		\$12,048,649		\$99,703,649

The total outstanding debt including Bond Anticipation Notes for 2021 totals \$99.7M. (This figure presumes the issuance of a \$15M 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 \$84.7M.) The General Obligation Bonds including Landfill total \$80,720,112 with the last maturity in the year 2034. The total outstanding bonds by the end of the year will be \$67.1M if no additional bonded debt is added to this total in 2021. This is the \$80.7M less the current year debt expense of \$13.6M.

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 \$44.7M in BAN debt in 2021 along with the sum total of the Capital Plan being considered for 2021 (\$16.1M) and any outstanding authorizations to be borrowed upon (up to \$4M).

As a guide for your consideration, under current market conditions, depending on the length of borrowing, each \$1M of bonded debt in 2021 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 \$65M in the current capital plans (\$16M for 2020, \$45M 2020 BAN, and \$4M in existing net bond authorizations), the City can expect annual debt service payments in the range of approximately \$4.8-7.2M in addition to the schedule above, beginning in 2022.

As can be seen in the above chart, the debt service numbers drop precipitously after 2021 due to a decade 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 2021 and outyear budgets if necessary.

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 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> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>City Share</u>	<u>Applicable Indebtedness</u>
County of:						
Albany	8/20/2019	\$ 311,663,690	\$ 18,819,563 ⁽²⁾	\$ 292,844,127	18.65%	\$ 54,615,430
School District:						
Albany	12/26/2019	20,211,899	171,231,326 ⁽³⁾	29,980,573	100.00%	<u>29,980,573</u>
					Total:	<u>\$ 84,596,003</u>

⁽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: County Official Statement dated September 10, 2019.

School District Official Statement dated December 26, 2019.

Debt Ratios

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

**Debt Ratios
As of March 2, 2020**

	Amount Indebtedness	Percentage(b) Per of Full Capita ^(a) Valuation	
Net Indebtedness	\$ 96,945,660	\$ 996.57	1.94%
Net Indebtedness Plus Net Overlapping Indebtedness ^(c)	181,541,663	1,866.20	3.63%

- (a) The 2018 Census population of the City is 97,279.
- (b) The City's 2020 full value of taxable real estate is \$4,998,573,856.
- (c) Estimated net overlapping indebtedness is \$84,596,003.

*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 fund balance (about \$14.4M in unassigned Fund Balance at the end of 2019). 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 because of this increase in our fund balance, as well as the continued NYS commitment to Albany with Capital City Funding, the City's bond rating has remained stable. Additionally, the fiscal stress score from the NYS Comptroller's office, after being reduced for the previous 2 years from "Moderate Fiscal Stress" to "Susceptible" to fiscal stress was reduced further to "No Designation" placing the City out of "Fiscal Stress". Our enthusiasm for this change will no doubt be short lived as the City manages around the pandemic for 2020 and beyond. So while this is a move in the right direction, more work on rebuilding the fund balance is still 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.