OFFICE OF THE ALBANY CITY TREASURER

DATE: OCTOBER 28, 2019

TO: MEMBERS OF THE COMMON COUNCIL

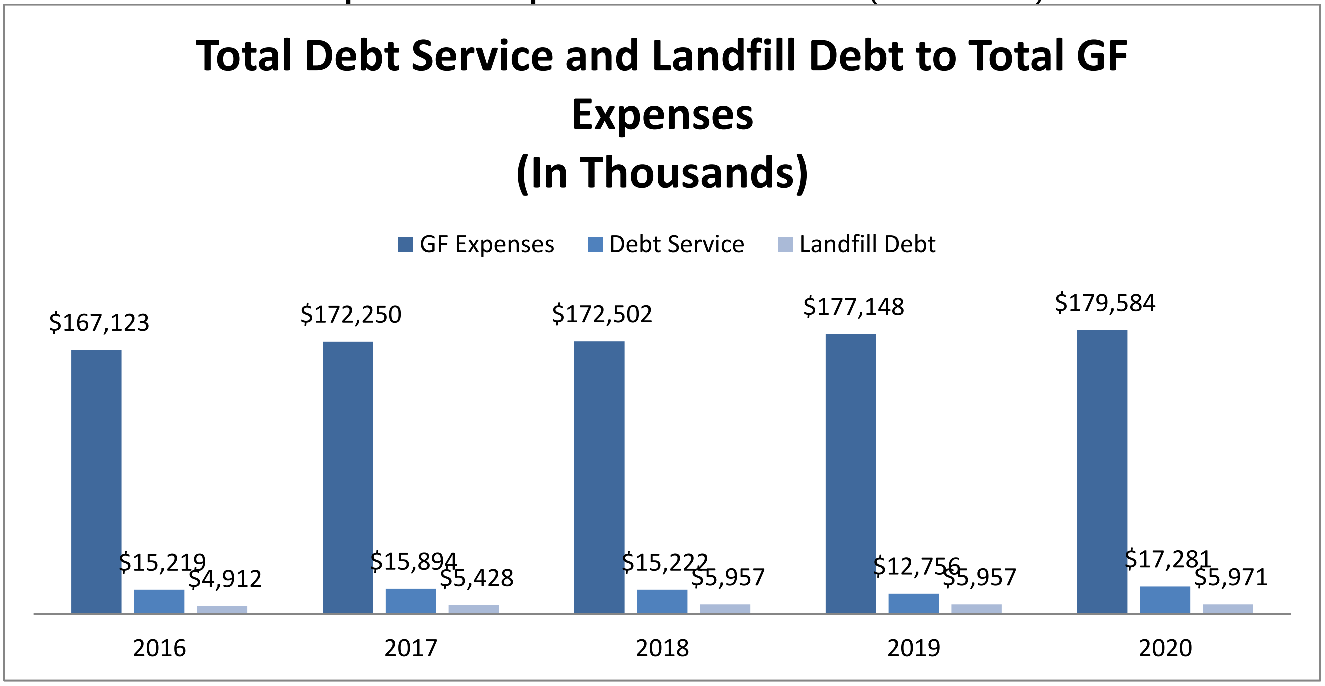
FROM: HON. DARIUS SHAHINFAR

RE: 2019 DEBT REPORT

The following provides information on the City's debt service and current outstanding debt. The 2019 information was provided from the 2019 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 2015 to 2019 and the second shows debt issued and retired from 2015 to 2019. 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 2020 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 2016 to 2020.* *For 2019 and 2020 this report includes the total budgeted General Fund expenses

In 2016 the City issued $13,474,579 in General Obligation Serial Bonds including $2,264,400 for all landfill related projects and equipment with a maturity of 7 years, and $10,834,579 for all equipment and projects not landfill related with a maturity of 9 years (which refunded (refinanced) existing debt at a lower interest cost). The total interest expense on these bonds will be $1,324,963.

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.

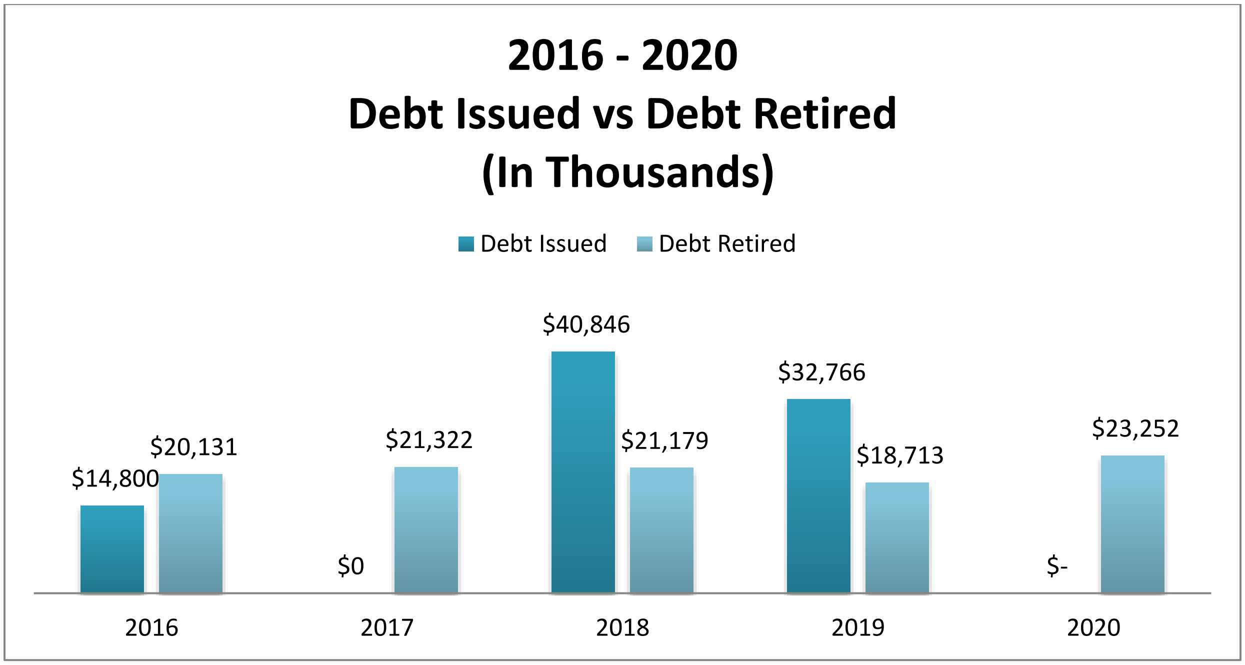
In 2018 the City issued $33,310,417 in General Obligation Serial Bonds with a maturity of 10 years. The total interest expense on these bonds will be $7,535,102.

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 require a paydown of $1.76 to $2.4 million and interest expense of $744,990 when they mature in March 2020, depending on whether we elect to issue BANs for another year or if we issue bonds.

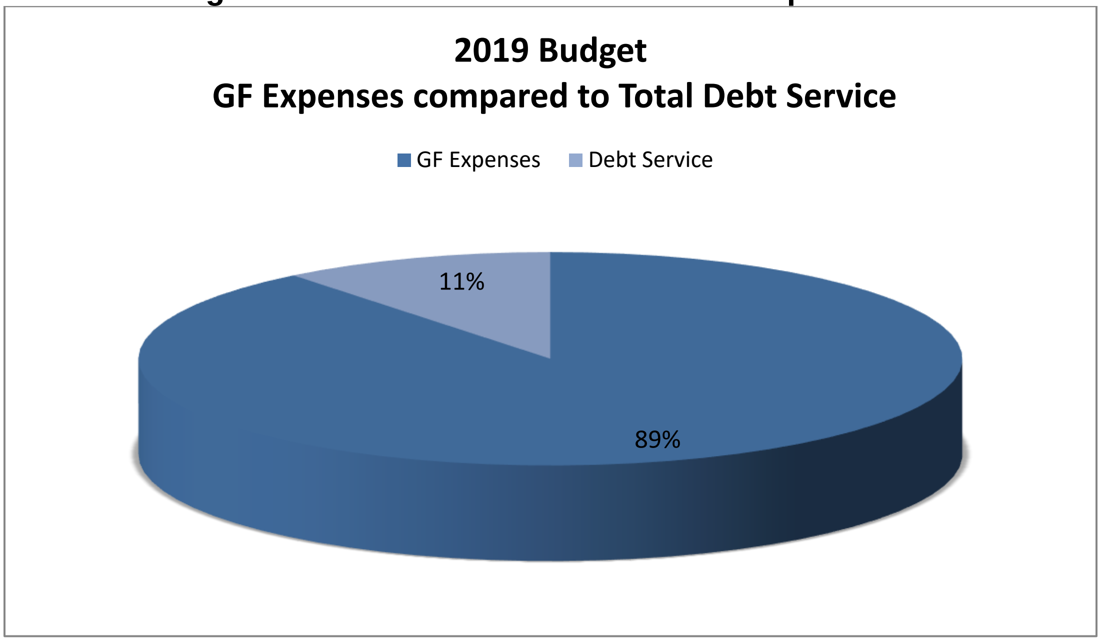
Debt Issued and Retired



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 2016 – 2020. This chart includes principal and interest expense (including the BAN paydowns and interest). 2019 shows the actual amount of the bonds issued and the debt budgeted to be paid for the year. In these 5 years, the City retired (or is scheduled to retire) $104.6M in debt and issued only $88.4M in new bonded debt (or only $55.6m if the $32.8m street light debt, which pays for itself, is excluded), along with the current $30M BAN. This does not include bonding for 2020, which is speculative at this point in time.

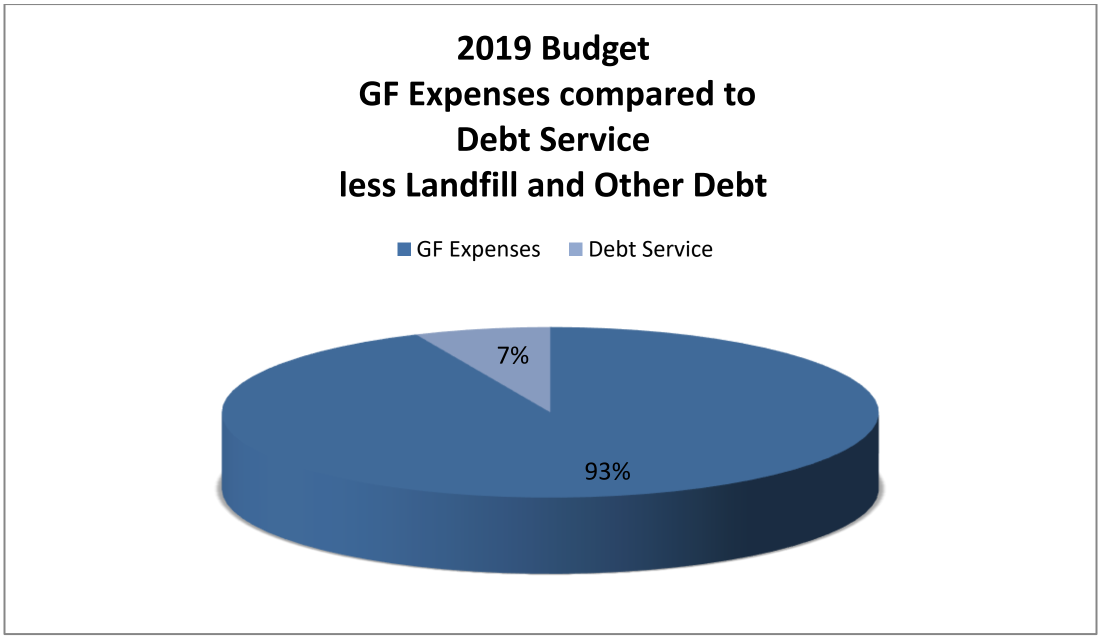
BANs may be reissued for a 5 year period, after which projects must be bonded or paid from operating expenses. The advantage of utilizing BANs rather than bonds is the extremely low applicable interest rates and the flexibility that can be provided for debt issuance if funds become available from debt 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 ($18.7M including the BAN pay down and interest) to total budgeted General Fund expenses ($177.1M) for 2019.

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



The chart above demonstrates the percentage of Debt Service less landfill debt ($12.7M) to total budgeted General Fund expenses ($177.1M) for 2019. From 2015 to 2019 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 2020				
	(Including Bond Anticipation Note)				
	Principal	(Landfill)	Interest	(Landfill)	Total
2020	17,005,000	5,750,000	3,102,426	221,375	20,107,426
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	$86,660,000		$14,167,538		$100,827,538
	BAN Paydown				
BAN	$2,400,000		$744,990		$3,144,990
RANs est.	$10,000,000		$25,000		$10,025,000
Totals	$99,060,000		$14,937,528		$113,997,528

The total outstanding debt including Bond Anticipation Notes for 2020 totals $114M. (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.) The General Obligation Bonds including Landfill total $100,827,538 with the last maturity in the year 2034. The total outstanding bonds by the end of the year will be $80.7M if no additional bonded debt is added to this total in 2020. This is the $100.8M less the current year debt expense of $20.1M.

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. It should also be noted that the City will either have to bond or reissue $28M in BAN debt in 2020 along with the sum total of the Capital Plan being considered for 2020 and any outstanding authorizations to be borrowed upon.

As can be seen in the above chart, the debt service numbers drop precipitously after 2020 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, including the ability to incur additional debt above and beyond the Capital Plan presented in the 2020 and outyear budgets.

Under current market conditions, depending on the length of borrowing, each $1M of bonded debt in 2020 would be expected to result in $80K-$120K in additional annual debt payments over a 10-15 year time frame.

Were the City to issue bonds for all $47M in the current capital plans ($15M for 2020, $28M 2020 BAN, and $4M in existing net bond authorizations), the City can expect annual debt service payments of approximately $4-6M in addition to the schedule above.

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.

Municipality	Status of Debt as of	Gross Indebtedness[1]	Estimated Exclusions	Net Indebtedness	City Share	Applicable Indebtedness
County of:						
Albany	5/14/2019	$ 276,475,000	$ 21,019,563[2]	$ 255,455,437	18.52%	$ 47,310,347
School District:						
Albany	3/12/2019	226,189,773	192,487,497[3]	33,702,276	100.00%	33,702,276
					Total:	$ 81,012,623

[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 May 23, 2019.
School District Official Statement dated March 19, 2019.

Debt Ratios

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

Debt Ratios
As of June 4, 2019

	Indebtedness	Capita [a]	PercentageAmount Valuation [b]
Net Indebtedness	$ 105,309,100	$1,082.55	2.17%
Net Indebtedness Plus Net Overlapping Indebtedness [c]	186,321,723	1,915.33	3.83%

[a] The 2018 Census population of the City is 97,279.
[b] The City's 2019 full value of taxable real estate is $4,859,959,051.
[c] Estimated net overlapping indebtedness is $81,012,623.

*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 (currently about $17.6M total, with $9.1M unassigned). 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 and the fiscal stress score from the NYS Comptroller's office was reduced for the 2nd year in a row from "Moderate Fiscal Stress" to "Susceptible" to fiscal stress. While this is move in the right direction, more work on rebuilding the fund balance is 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.