

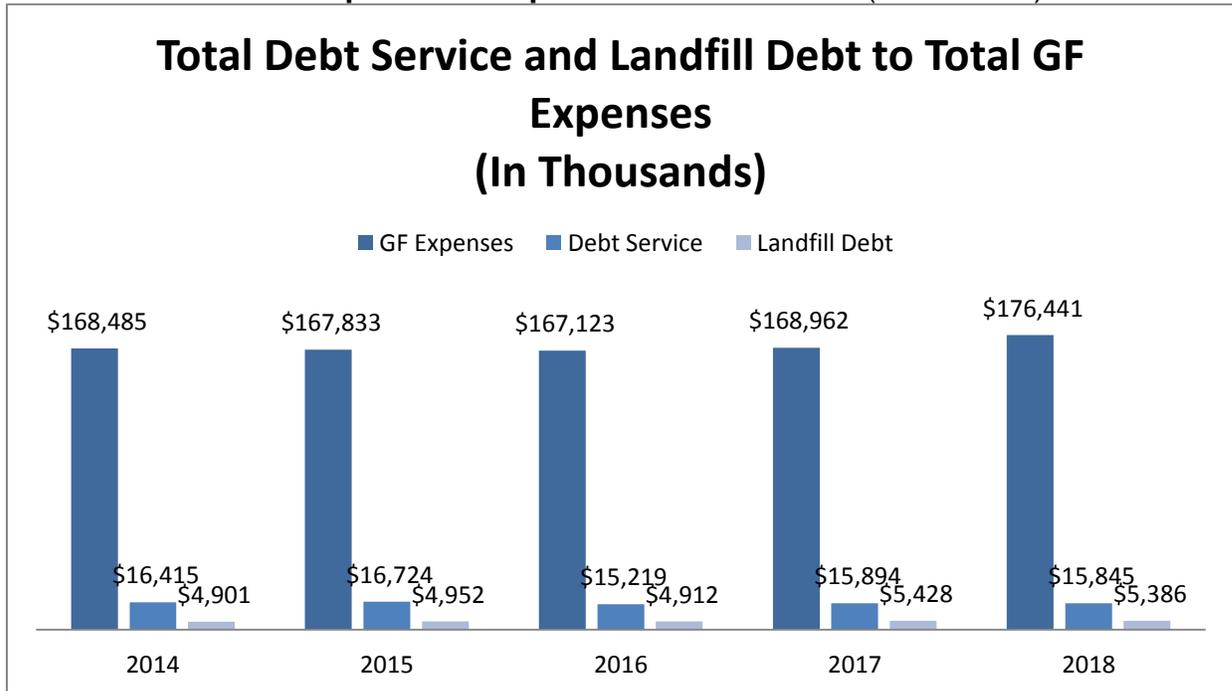
OFFICE OF THE ALBANY CITY TREASURER

DATE: MARCH 1, 2018
TO: MEMBERS OF THE COMMON COUNCIL
FROM: HON. DARIUS SHAHINFAR
RE: 2018 DEBT REPORT

The following provides information on the City's debt service and current outstanding debt. The 2018 information was provided from the 2018 budget and the 2017 information is unaudited. The City audit will not be complete until September of 2018. **Overall debt was reduced by \$12.37m (10%) from 2017 to 2018 and \$33.3m (24%) between 2014 and 2018 (\$140.1m to \$106.8m).**

This report is made up of five sections. The first compares total General Fund expenses to total debt service expenses and landfill debt from 2014 to 2018 and the second shows debt issued and retired from 2014 to 2018. 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 2018 to 2025. 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)

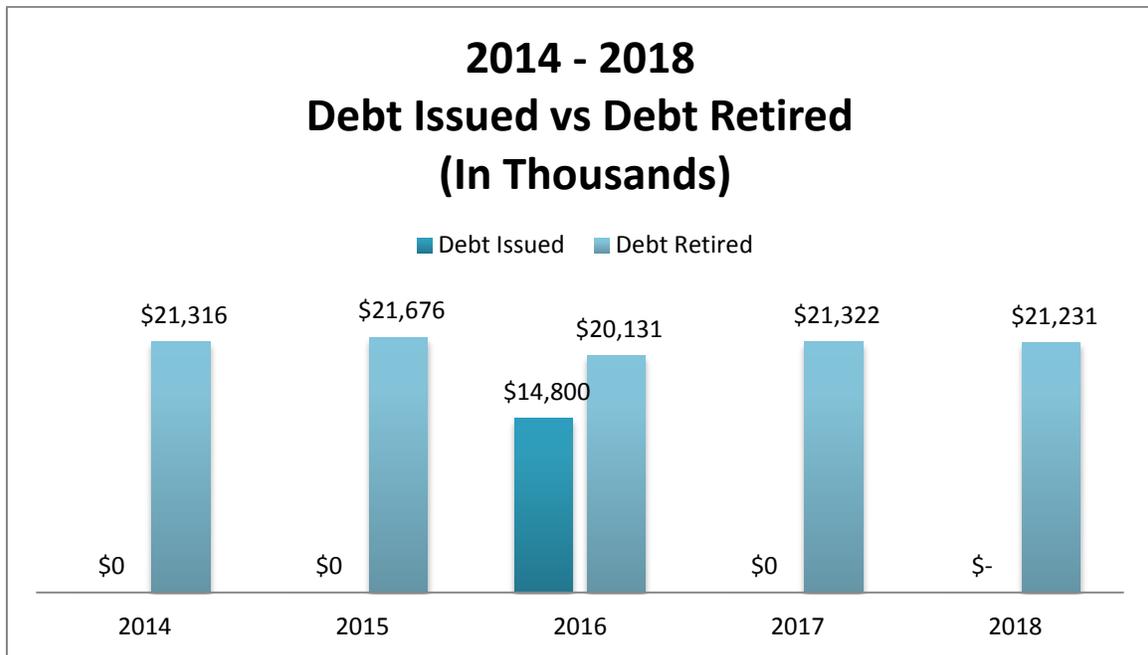


The chart above compares the actual General Fund expenses to actual Debt Service expenses (including paydown on the BANs and the portion of landfill debt) by year from 2014 to 2018.* *2017 the total General Fund expenses were not finalized as of the date of this report. For 2018 this report includes 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 the 2016 GO bonds will be \$1,324,963.

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

Debt Issued and Retired

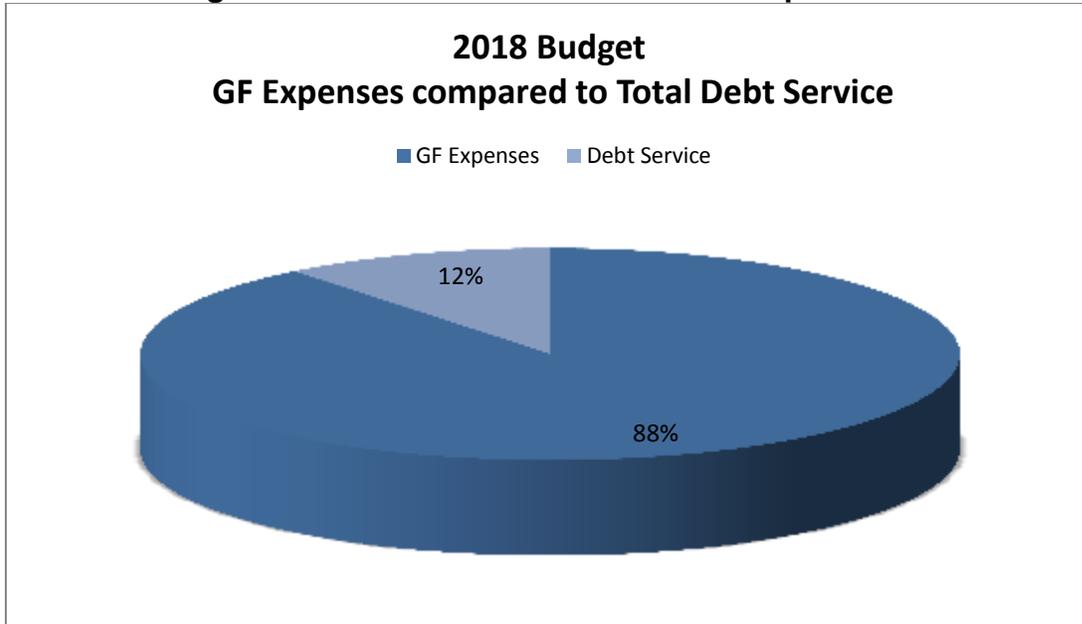


The chart above shows the amount of debt issued on the left side bar and debt retired on the right side bar by year from 2014 – 2017. This chart includes principal and interest expense (including the BANs paydown and interest). 2018 shows only the debt budgeted to be paid for the year.

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. Given the aggressive paydown of bonded debt over

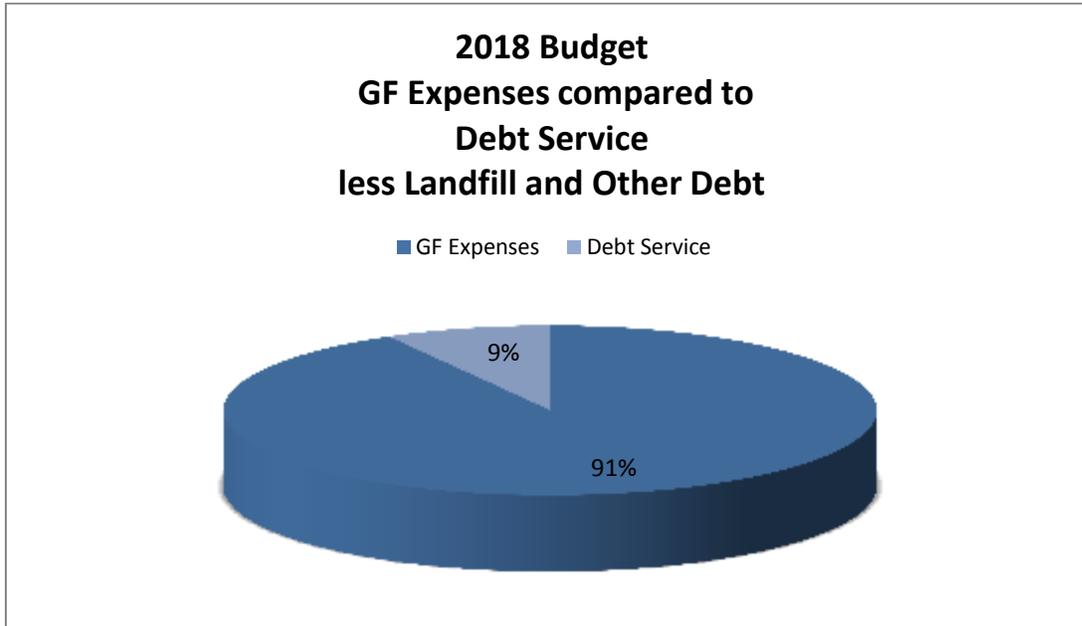
the next few years, it may be possible for the City to retire a large portion of the BAN debt without the necessity of bonding it, even taking into account the 2018 - 2022 Capital Plan. If the City is able to do this, it could be a potential savings of millions to City taxpayers.

The Percentage of Debt Service to General Fund Expenses



The chart above demonstrates the percentage of Debt Service expense (\$21.2m including the BAN pay down and interest) to total budgeted General Fund expenses (\$176.4m) for 2018.

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



The chart above demonstrates the percentage of Debt Service less landfill debt (\$15.8m) to total budgeted General Fund expenses (\$176.4m) for 2018. From 2014 to 2017 the percentage of debt service has remained consistent at between 10% to 12.5% of total general fund expenses. When landfill debt is deducted the percentage is closer to 7% to 9%.

OUTSTANDING DEBT SCHEDULE

	Schedule of Principal and Interest Payments				
	Serial Bond Indebtedness as of January 2018				
	(Including Bond Anticipation Note)				
	Principal	(Landfill)	Interest	(Landfill)	Total
2018	15,360,000	4,955,000	1,646,290	431,150	17,006,290
2019	12,370,000	5,055,000	1,169,832	295,500	13,539,832
2020	12,715,000	5,215,000	815,301	156,175	13,530,301
2021	6,545,000	395,000	455,169	11,950	7,000,169
2022	3,905,000	400,000	255,168	4,000	4,160,168
2023	3,700,000		155,250		3,855,250
2024	1,500,000		61,050		1,561,050
2025	1,535,000		24,350		1,559,350
Bonds	\$57,630,000		\$4,582,410		\$62,212,410
BAN	\$3,694,000		\$530,698		\$44,596,417
Totals	\$61,324,000		\$5,113,108		\$106,808,827

The total outstanding debt including Bond Anticipation Notes for 2018 totals \$106,808,827. The General Obligation Bonds including Landfill total \$62,212,410 with the last maturity in the year 2025. The total outstanding bonds by the end of the year will be \$45.2m if no additional debt is added to this total in 2018. This is the \$62.2m 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.

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 2015 fiscal year 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	5/4/17	\$ 281,482,943	\$ 23,516,853 ⁽²⁾	\$ 257,966,090	19.20%	\$ 49,529,489
School District:						
Albany	5/25/2017	140,424,353	119,781,973 ⁽³⁾	20,642,380	100.00%	<u>20,642,380</u>
Total:						<u><u>\$ 70,171,869</u></u>

⁽¹⁾ Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

⁽²⁾ Sewer and water exclusions and budgeted appropriations.

⁽³⁾ Estimated State Building aid.

Source: New York State Comptroller's Special Report on Municipal Affairs for fiscal years ending 2015.

Debt Ratios

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

Debt Ratios As of June 14, 2017

	<u>Amount Indebtedness</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Valuation</u> ^(b)
Net Indebtedness	\$ 96,476,812	\$ 983.34	1.99%
Net Indebtedness Plus Net Overlapping Indebtedness ^(c)	166,648,681	1,698.57	3.45%

^(a) The 2016 Census population of the City is 98,111.

^(b) The City's 2017 full value of taxable real estate is \$4,837,259,196.

^(c) Estimated net overlapping indebtedness is \$70,171,869.

*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 \$7m). Best practice is that it should be at 10% of our expenses, or roughly \$18m.