

Finance Committee Meeting

Topic: Bonds and Debt

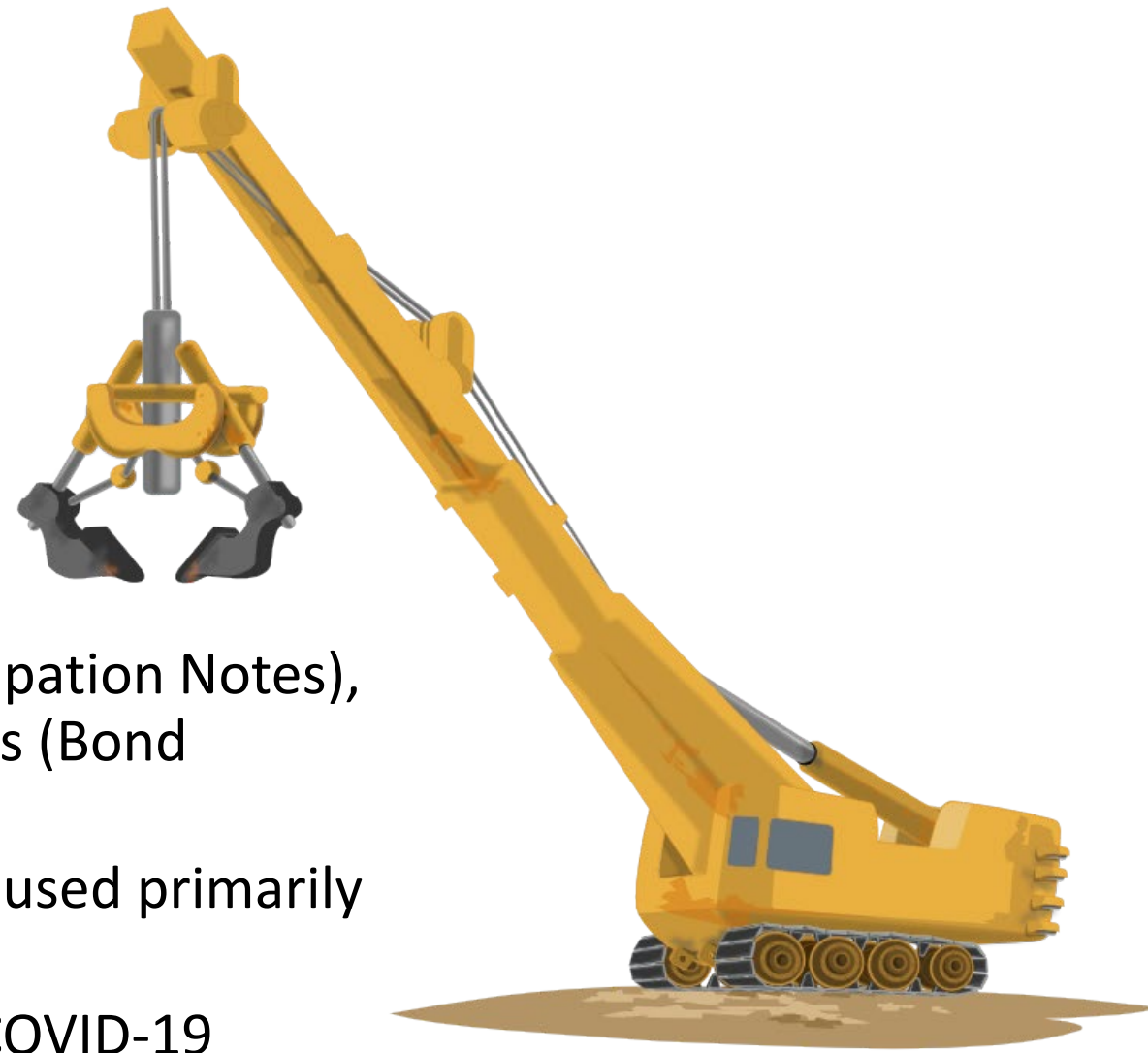


City of Lockport, NY

July 21, 2021

Types of Bonds and Debt

- Long term bonds
 - Typically used for capital expenditures, multi-year projects, etc.
- Short term notes
 - Examples include RANs (Revenue Anticipation Notes), TANs (Tax Anticipation Notes), and BANs (Bond Anticipation Notes)
 - Typically short term (under 1 year) and used primarily for cash flow shortages
 - Local municipalities used TANs during COVID-19 revenue shortfalls in 2020 to pay bills. The tax revenue collected later in the year was used to pay balances.



Bonds as a Form of Tax Equity

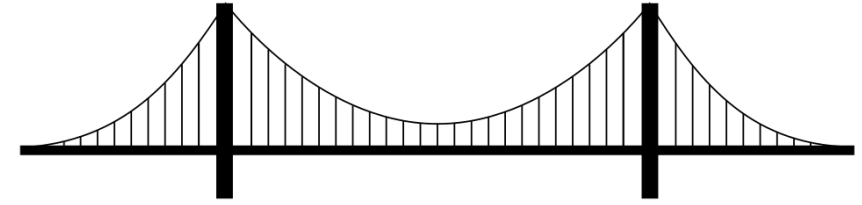
- Let's say we needed \$5 million for a bridge and tunnel replacement.

Option #1 (no bonds): increase property tax rate over three years to collect money. Expenditures cannot start until cash flow for the project are adequate.

	2023	2024	2025
Revenue	\$1.5m	\$2m	\$1.5m
Expenditures	\$0	\$0	\$5m

Residents in 2023 and 2024 are paying for a project that is not benefiting them. Residents from 2026 and onwards will not be paying for the project, but the bridge and tunnel will be benefiting them.

Bonds as a Form of Tax Equity



- Let's say we needed \$5 million for a bridge and tunnel replacement.

Option #2 (bonds): utilize bonds for the bridge and tunnel project. Debt costs will be \$255k each year for 20 years.

	2023	2024	2025
Revenue	\$0	\$5m	\$0
Expenditures	\$0	\$5m	\$0

Residents in 2023 are not paying increased taxes for a project that is not benefiting them. Residents from 2025 from 2045 will be paying taxes that have debt service built in. The payments coincide with the life of the project.

Current City Bonds and Debts

2022 Bond Schedule					
	A	CL	FX	G	Total
2008	\$ -	\$ -	\$ 35,787.50	\$ 15,337.50	\$ 51,125.00
2012	\$ 15,360.00	\$ -	\$ -	\$ 51,200.00	\$ 66,560.00
2014 Deficit	\$153,109.00	\$36,430.25	\$220,210.50	\$146,000.25	\$ 555,750.00
2014	\$ 75,295.00	\$ -	\$ -	\$ -	\$ 75,295.00
2015D	\$ -	\$ -	\$ -	\$ 58,261.72	\$ 58,261.72
2017	\$458,337.50	\$ -	\$206,150.00	\$284,443.75	\$ 948,931.25
2020	\$ 77,600.00	\$ -	\$222,950.00	\$121,150.00	\$ 421,700.00
	\$779,701.50	\$36,430.25	\$685,098.00	\$676,393.22	\$ 2,177,622.97

City of Lockport Bond and Debt History

	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund Debt	\$ 506,234	\$ 401,193	\$ 1,055,224	\$ 989,450	\$ 928,480	\$ 917,610	\$ 860,820	\$ 921,168	\$ 877,723
General Fund Total Expenditures	\$ 23,460,564	\$ 22,758,364	\$ 22,678,482	\$ 23,478,854	\$ 24,160,612	\$ 24,681,634	\$ 24,754,462	\$ 25,138,747	\$ 24,217,416
<i>As a Percent</i>	2%	2%	5%	4%	4%	4%	3%	4%	4%
Refuse Fund Debt	\$ 166,860	\$ 190,779	\$ 194,779	\$ 232,039	\$ 36,346	\$ 36,427	\$ 36,442	\$ 36,398	\$ 36,282
Refuse Fund Total Expenditures	\$ 1,259,301	\$ 1,252,612	\$ 1,281,779	\$ 1,357,000	\$ 1,289,000	\$ 1,289,000	\$ 1,307,820	\$ 1,307,820	\$ 1,271,718
<i>As a Percent</i>	13%	15%	15%	17%	3%	3%	3%	3%	3%
Water Fund Debt	\$ 256,128	\$ 230,699	\$ 380,718	\$ 674,201	\$ 576,842	\$ 642,337	\$ 514,288	\$ 472,948	\$ 707,255
Water Fund Total Expenditures	\$ 3,651,232	\$ 3,845,327	\$ 4,423,320	\$ 4,377,000	\$ 4,473,539	\$ 4,304,500	\$ 4,304,100	\$ 4,317,755	\$ 4,311,284
<i>As a Percent</i>	7%	6%	9%	15%	13%	15%	12%	11%	16%
Sewer Fund Debt	\$ 496,228	\$ 436,164	\$ 616,886	\$ 855,791	\$ 801,520	\$ 864,680	\$ 806,419	\$ 695,778	\$ 674,939
Sewer Fund Total Expenditures	\$ 5,064,430	\$ 3,792,830	\$ 4,362,908	\$ 4,046,470	\$ 4,172,600	\$ 4,275,160	\$ 4,182,903	\$ 4,079,604	\$ 4,078,718
<i>As a Percent</i>	10%	11%	14%	21%	19%	20%	19%	17%	17%
Total Debt Service	\$ 1,425,450	\$ 1,258,835	\$ 2,247,607	\$ 2,751,481	\$ 2,343,188	\$ 2,461,054	\$ 2,217,969	\$ 2,126,292	\$ 2,296,199
Total Budget	\$ 33,435,527	\$ 31,649,133	\$ 32,746,489	\$ 33,259,324	\$ 34,095,751	\$ 34,550,294	\$ 34,549,285	\$ 34,843,926	\$ 33,879,136
<i>As a Percent</i>	4%	4%	7%	8%	7%	7%	6%	6%	7%

Future Payments on Current Debt

	2023		2024		2025		2026		2027		2028		2029		2030	
General Fund Debt	\$	534,369	\$	521,521	\$	286,175	\$	112,162	\$	83,350	\$	83,850	\$	83,350	\$	85,800
Refuse Fund Debt	\$	36,492	\$	36,477	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Water Fund Debt	\$	598,760	\$	592,978	\$	322,118	\$	238,162	\$	244,962	\$	221,900	\$	224,050	\$	220,800
Sewer Fund Debt	\$	562,476	\$	535,047	\$	328,035	\$	236,996	\$	238,415	\$	218,682	\$	214,563	\$	190,458
Total Debt Service	\$	1,732,097	\$	1,686,023	\$	936,328	\$	587,320	\$	566,727	\$	524,432	\$	521,963	\$	497,058

When Will Our Debt End?

- With bonds ending in 2022, we can anticipate \$445k in eliminated payments for debt service.
- With bonds ending in 2024, we can anticipate \$750k in eliminated payments for debt service.

Current Bond	Year of Last Debt Service
2008	2022
2012	2022
2014 Deficit	2024
2014	2024
2015D	2037
2017	2029
2020	2050

How Much Debt is Too Much?

- While it may appear advantageous to both the City and taxpayers to assume new debt to pay overdue projects, equipment, and community needs, we must also be cautious of assuming too much debt.
- NYS OSC provides a 'debt limit' that any municipality must abide by. Their maximum is 7% of total assessed City value at full valuation.

NYS OSC Debt Limit

- For the City, this maximum is \$55 million. We currently have \$8 million in applicable bonds, meaning we have \$47 million available to use before reaching the maximum.

Computation of Debt Limit and Calculation of Net Indebtedness (As of August 21, 2020)			
Fiscal Year Ended December 31:	Taxable Assessed Valuation	State Equalization Rate	Taxable Full Valuation
2016	\$701,588,943	99.00%	\$708,675,700
2017	698,867,555	92.00%	759,638,647
2018	700,508,192	89.00%	787,087,856
2019	700,156,667	87.00%	804,777,778
2020 ¹	698,764,513	81.00%	862,672,238
Total	\$3,499,885,870		\$3,922,852,219
Average Five-Year Full Valuation			\$784,570,444
Debt Limit: 7% of Full Valuation			\$54,919,931
Inclusions:			
Bonds			\$7,537,000
Bond Anticipation Notes			2,585,400
EFC Grid Notes			3,500,000
Total Inclusions			\$13,622,400
Exclusions:			
Water ²			\$4,395,000
Budgeted Appropriations ²			670,400
Sewer ³			882,000
Total Exclusions			\$5,947,400
Total Net Indebtedness Before Giving Effect to This Issue			\$7,675,000
New Monies			\$1,300,000
New Monies Excluded			1,300,000
Total Net Indebtedness After to This Issue ^{4 & 5}			\$7,675,000
Net Debt-Contracting Margin			\$47,244,931

How Much Debt is Too Much?



- In addition to legal requirements, we must also keep debt payments within our budgetary constraints, as we are obligated to pay a certain amount each year with revenues from property taxes and charges for water and sewer. Assuming more debt may incur additional increases in property taxes and various City rates for services.

~Bond and Debt Takeaways~

- Municipalities assume both short and long term debt depending on the current financial need.
- The City of Lockport currently contributes annual appropriations to pay for seven on-going bond payments with some obligations occurring until 2050.
- Of the seven current bonds, four will be completed by 2025.
- While we may be under the legal limit imposed by NYS, we must still be cautious of incurring more debt as costs will have to fit within budgetary constraints.