

# Finance Committee Meeting

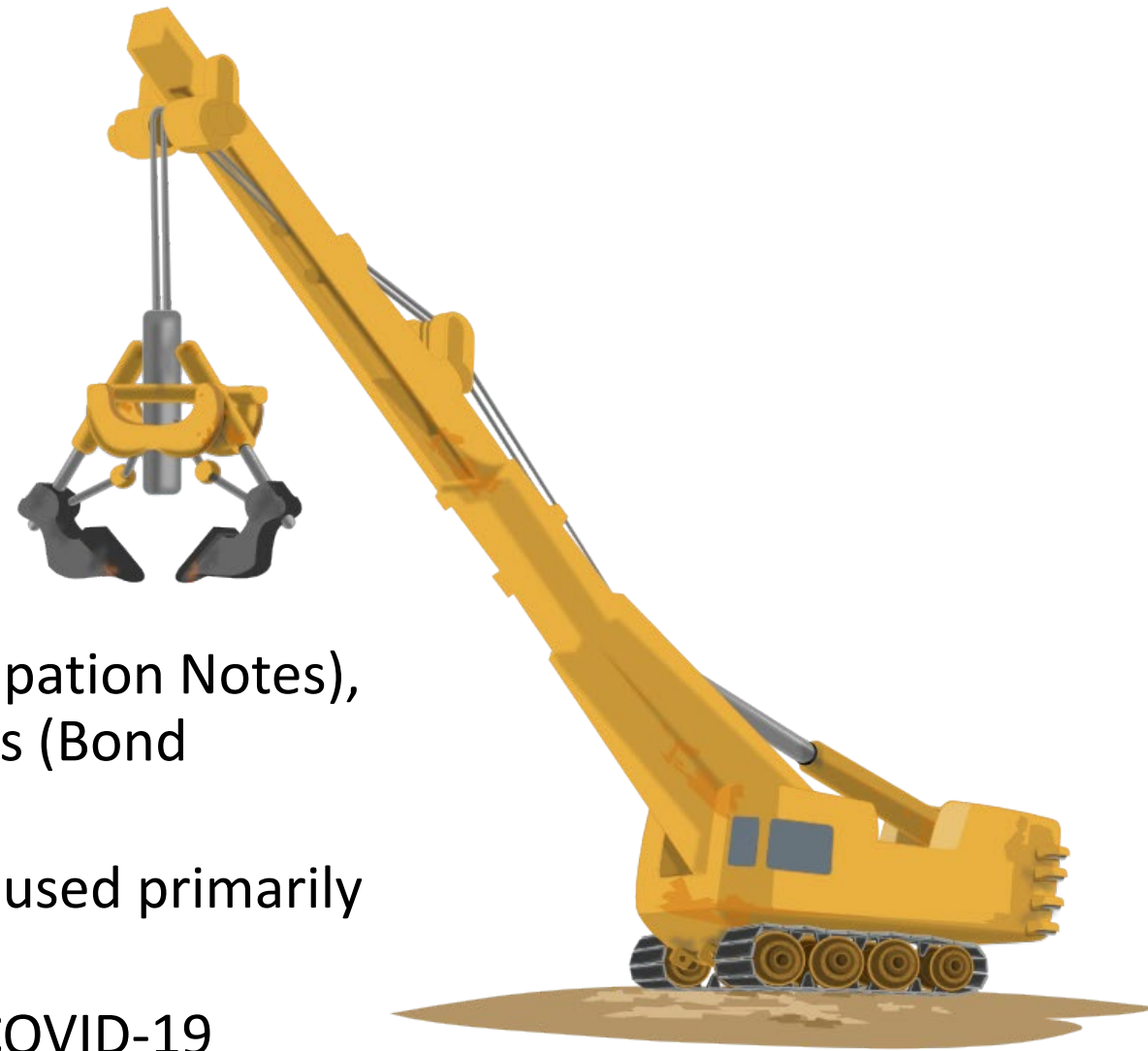
## Topic: Bonds and Debt



City of Lockport, NY  
January 25<sup>th</sup>, 2023

# 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

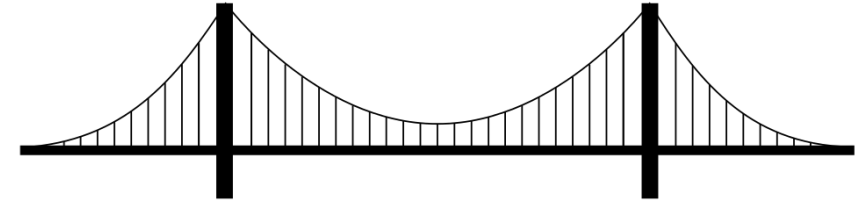
- Let's say we needed \$5 million for a bridge and tunnel replacement.

**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.

	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenue</b>	\$1.5m	\$2m	\$1.5m
<b>Expenditures</b>	\$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.

	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenue</b>	\$0	\$5m	\$0
<b>Expenditures</b>	\$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

## 2023 Bond Schedule

	<b>General</b>	<b>Refuse</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>2014 Deficit</b>	\$153,382	\$36,492	\$220,611	\$146,265	<b>\$ 556,750</b>
<b>2014</b>	\$ 78,300	\$ -	\$ -	\$ -	<b>\$ 78,300</b>
<b>2015D</b>	\$ -	\$ -	\$ -	\$ 59,224	<b>\$ 59,224</b>
<b>2017</b>	\$221,838	\$ -	\$152,750	\$239,544	<b>\$ 614,131</b>
<b>2020</b>	\$ 81,350	\$ -	\$225,400	\$119,250	<b>\$ 426,000</b>
<b>WQIP Note</b>	\$ -	\$ -	\$ -	\$ 74,835	<b>\$ 74,835</b>
<b>Total</b>	<b>\$534,870</b>	<b>\$36,492</b>	<b>\$598,761</b>	<b>\$639,118</b>	<b>\$1,809,240</b>

# When Will Our Debt End?

- With bonds ending in 2024, we can anticipate \$750k in eliminated payments for debt service.
- Other bonds range from ending in 2029 all the way to 2050.

<b>Current Bond</b>	<b>Year of Last Debt Service</b>
<b>2014 Deficit</b>	2024
<b>2014</b>	2024
<b>2015D</b>	2037
<b>2017</b>	2029
<b>2020</b>	2050

# City of Lockport Bond and Debt History

	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General Fund Debt</b>	\$ 401,193	\$ 1,055,224	\$ 989,450	\$ 928,480	\$ 917,610	\$ 860,820	\$ 921,168	\$ 877,723	\$ 779,702
<b>General Fund Total Expenditures</b>	\$ 22,758,364	\$ 22,678,482	\$ 23,478,854	\$ 24,160,612	\$ 24,681,634	\$ 24,754,462	\$ 25,138,747	\$ 24,217,416	\$ 26,299,796
<i>As a Percent</i>	2%	5%	4%	4%	4%	3%	4%	4%	3%
<b>Refuse Fund Debt</b>	\$ 190,779	\$ 194,779	\$ 232,039	\$ 36,346	\$ 36,427	\$ 36,442	\$ 36,398	\$ 36,282	\$ 36,430
<b>Refuse Fund Total Expenditures</b>	\$ 1,252,612	\$ 1,281,779	\$ 1,357,000	\$ 1,289,000	\$ 1,289,000	\$ 1,307,820	\$ 1,307,820	\$ 1,271,718	\$ 1,428,836
<i>As a Percent</i>	15%	15%	17%	3%	3%	3%	3%	3%	3%
<b>Water Fund Debt</b>	\$ 230,699	\$ 380,718	\$ 674,201	\$ 576,842	\$ 642,337	\$ 514,288	\$ 472,948	\$ 707,255	\$ 685,098
<b>Water Fund Total Expenditures</b>	\$ 3,845,327	\$ 4,423,320	\$ 4,377,000	\$ 4,473,539	\$ 4,304,500	\$ 4,304,100	\$ 4,317,755	\$ 4,311,284	\$ 4,350,469
<i>As a Percent</i>	6%	9%	15%	13%	15%	12%	11%	16%	16%
<b>Sewer Fund Debt</b>	\$ 436,164	\$ 616,886	\$ 855,791	\$ 801,520	\$ 864,680	\$ 806,419	\$ 695,778	\$ 674,939	\$ 676,393
<b>Sewer Fund Total Expenditures</b>	\$ 3,792,830	\$ 4,362,908	\$ 4,046,470	\$ 4,172,600	\$ 4,275,160	\$ 4,182,903	\$ 4,079,604	\$ 4,078,718	\$ 4,141,342
<i>As a Percent</i>	11%	14%	21%	19%	20%	19%	17%	17%	16%
<b>Total Debt Service</b>	\$ 1,258,835	\$ 2,247,607	\$ 2,751,481	\$ 2,343,188	\$ 2,461,054	\$ 2,217,969	\$ 2,126,292	\$ 2,296,199	\$ 2,177,623
<b>Total Budget</b>	\$ 31,649,133	\$ 32,746,489	\$ 33,259,324	\$ 34,095,751	\$ 34,550,294	\$ 34,549,285	\$ 34,843,926	\$ 33,879,136	\$ 36,220,443
<i>As a Percent</i>	4%	7%	8%	7%	7%	6%	6%	7%	6%

# Future Payments on Current Debt

	2024	2025	2026	2027	2028	2029	2030
<b>General Fund Debt</b>	\$ 521,521	\$ 286,175	\$ 112,162	\$ 83,350	\$ 83,850	\$ 83,350	\$ 85,800
<b>General Fund Total Expenditures</b>							
<i>As a Percent</i>							
<b>Refuse Fund Debt</b>	\$ 36,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Refuse Fund Total Expenditures</b>							
<i>As a Percent</i>							
<b>Water Fund Debt</b>	\$ 592,978	\$ 322,118	\$ 238,162	\$ 244,962	\$ 221,900	\$ 224,050	\$ 220,800
<b>Water Fund Total Expenditures</b>							
<i>As a Percent</i>							
<b>Sewer Fund Debt</b>	\$ 535,047	\$ 328,035	\$ 236,996	\$ 238,415	\$ 218,682	\$ 214,563	\$ 190,458
<b>Sewer Fund Total Expenditures</b>							
<i>As a Percent</i>							
<b>Total Debt Service</b>	\$ 1,686,023	\$ 936,328	\$ 587,320	\$ 566,727	\$ 524,432	\$ 521,963	\$ 497,058
<b>Total Budget</b>							
<i>As a Percent</i>							



# NYS OSC Debt Limit

- NYS limits the amount of bonds and debt a municipality has out at any point in time.
- The maximum limit we can bond to is \$62 million. We currently have \$7 million in applicable bonds, meaning we have \$55 million available to use before reaching the maximum.

## Computation of Debt Limit and Calculation of Net Indebtedness (As of September 29, 2022)

Fiscal Year Ended December 31:	Taxable Assessed Valuation	State Equalization Rate	Taxable Full Valuation
2018	\$700,508,192	89.00%	\$787,087,856
2019	700,156,667	87.00%	804,777,778
2020	698,764,513	81.00%	862,672,238
2021	694,776,851	73.00%	951,749,111
2022	695,217,910	67.00%	1,037,638,672
<b>Total</b>	<b>\$3,489,424,133</b>		<b>\$4,443,925,655</b>
Average Five-Year Full Valuation			\$888,785,131
Debt Limit: 7% of Full Valuation			\$62,214,959
Inclusions:			
	Bonds		\$10,956,000
	Bond Anticipation Notes		0
	EFC Grid Notes		2,356,779
	<b>Total Inclusions</b>		<b>\$13,312,779</b>
Exclusions:			
	Water <sup>2</sup>		\$4,970,000
	Budgeted Appropriations <sup>2</sup>		545,000
	Sewer <sup>3</sup>		766,000
	<b>Total Exclusions</b>		<b>\$6,281,000</b>
Total Net Indebtedness <sup>4&amp;5</sup>			\$7,031,779
Net Debt-Contracting Margin			\$55,183,180

# What is Council's Involvement with Bonds?

- The Common Council can approve of projects (either individually or as a package) via a bond ordinance.
- A bond ordinance authorizes the City to incur future debt. It does not mean we immediately receive cash. Rather, we can hold onto this authorization and 'go out to bond' when we need a cash flow.
- Typically, we bond once we have a compiled set of multiple projects.
- Once a bond has been authorized, the Treasurer has the discretion to take out short term financing (a BAN) for up to two years before we formally bond.

# Future Anticipated Bonding Timeline

- With our 2014 deficit bond concluding with last payments in FY 2024, our budgeted requirements for bonding will decrease quite significantly beginning in FY 2025.
- The City can either plan for more capital projects to be bonded (which would ideally keep debt payments flat with minimal impact to the tax rate) or the City can plan for a tax rate reduction (or a combination of both options!).



# ~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 five on-going bond payments with some obligations occurring until 2050.
- Of the current bonds, two will be completed by 2025.
- Council should be aware of the tax rate implication of the projects they authorize to bond for as well as the decision to not bond.