

BMA STRATEGIC PLANNING SESSION GOVERNMENTAL FUNDS CIP AND DEBT DISCUSSION

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Lisa Winkle/ Chris McCartt

the city of kingsport



Discussion Items

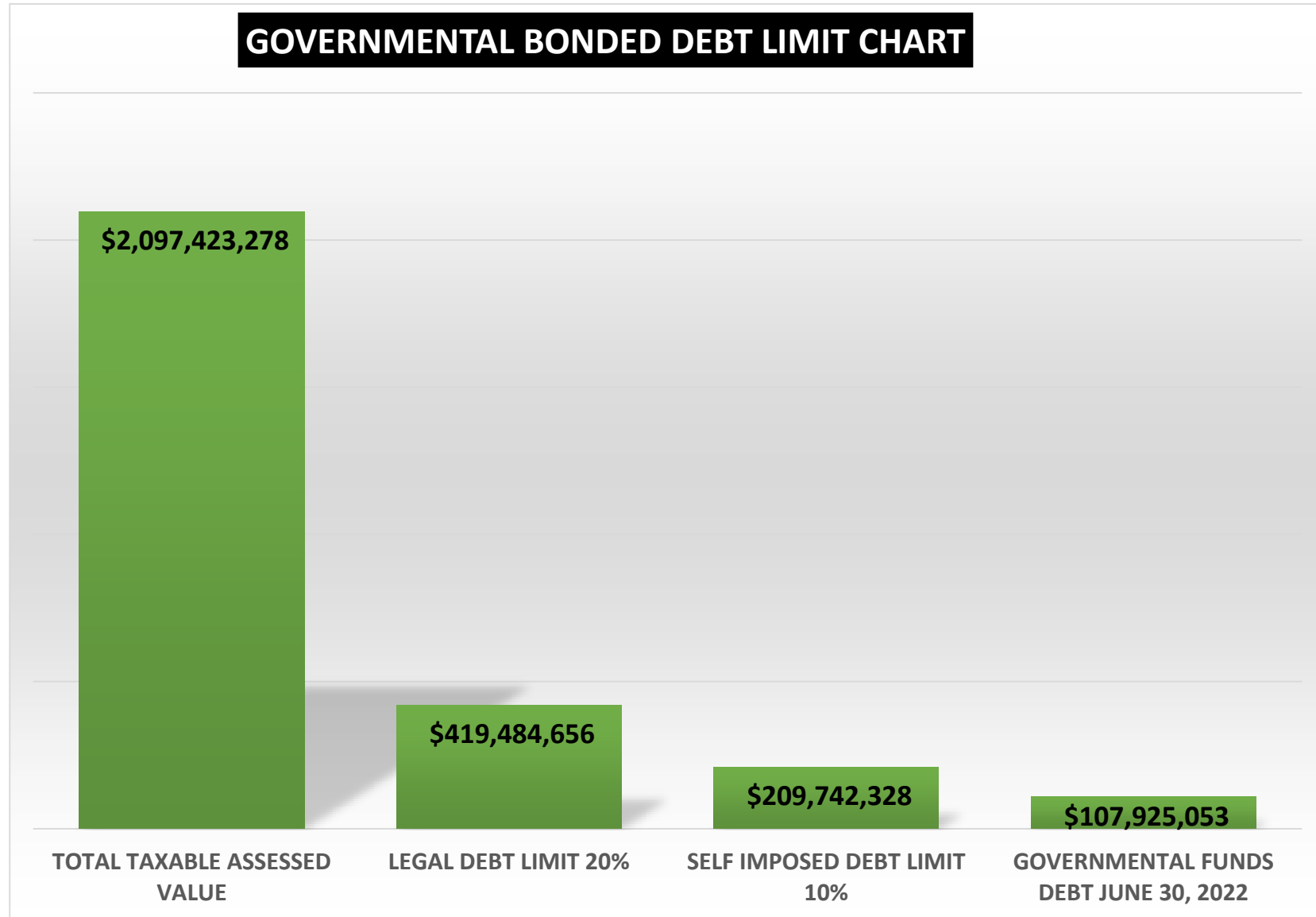
- **Governmental Bonded Debt to Assessed Value**
- **Total Governmental Debt Outstanding**
- **Proposed Capital Projects**
- **Funding Options For Consideration**
- **Future Considerations**

Governmental Bonded Debt to Assessed Value



AT JUNE 30, 2022

- **Total Taxable Assessed Value**
 - **\$2,097,423,278**
- **Legal Debt Limit 20%**
 - **\$419,484,656**
- **Self-Imposed Debt Limit 10%**
 - **\$209,742,328**
- **Governmental Bonded Debt 5.14%**
 - **\$107,925,053**



Total Outstanding Debt - Governmental Funds

	<u>GO BONDS</u>	<u>NOTES</u>	<u>TOTAL</u>
JUNE 30, 2021 - GOVERNMENTAL OUTSTANDING PRINCIPAL	\$ 107,032,790	\$ 4,268,486	\$ 111,301,276
LESS: PRINCIPAL ROLL-OFF	(8,312,737)	(717,415)	(9,030,152)
ADD: G. O. PUBLIC IMPROVEMENT BONDS, SERIES 2021	9,205,000		9,205,000
ADD: SCHOOL ENERGY EFFICIENCY NOTE 2021		2,637,159	2,637,159
JUNE 30, 2022 - GOVERNMENTAL OUTSTANDING PRINCIPAL	107,925,053	6,188,230	114,113,283
LESS: PRINCIPAL ROLL-OFF	(9,282,345)	(720,657)	(10,003,002)
ADD: SCHOOL ENERGY EFFICIENCY NOTE 2021		218,574	218,574
ESTIMATED JUNE 30, 2023 - GOVERNMENTAL OUTSTANDING PRINCIPAL	\$ 98,642,708	\$ 5,686,147	\$ 104,328,855

FUNDS NEEDED FOR LARGE CAPITAL PROJECTS

• DB DOME	\$21,000,000
• JUSTICE CENTER	\$ 9,000,000
• FIRE STATION #2	\$ 7,000,000
• LIBRARY ADDITIONAL FUNDING	<u>\$ 1,000,000</u>
TOTAL	<u>\$38,000,000</u>

ISSUE 30 YEAR BONDS?

- **Rarely would all of our projects qualify for 30 year bonds, since these do it is worth consideration.**
- **With 30 year bonds the debt pay back would be better matched to the life of the asset.**
- **Advantage of 30 year bonds is reduced debt service requirements allowing more flexibility within the budget.**
- **Disadvantage of 30 year bonds is more interest paid over the longer life.**

FUND TOTAL PROJECT WITH BONDS

- Funding the total cost of the DB Dome would allow schools to use their fund balance cash to fund smaller needed repair projects such as HVAC.
- Funding the total cost of the Justice Center would allow the County Contribution toward the project to be reallocated to road or bridge projects and get the Justice Center started faster.
- Funding Fire Station #2 in this bond issue as well as funding the total cost of the Dome and Justice Center would help delay the timing of the next bond issue.
- Current investment interest rates would allow us to offset a substantial portion of interest expense during construction.

Option 1 – Issue \$38,000,000 Bonds

• DB DOME	\$21,000,000
• JUSTICE CENTER	\$ 9,000,000
• FIRE STATION #2	\$ 7,000,000
• LIBRARY ADDITIONAL FUNDING	<u>\$ 1,000,000</u>
TOTAL	<u><u>\$38,000,000</u></u>

Option 2 – Issue \$30,000,000 Bonds

• DB DOME	\$21,000,000
• JUSTICE CENTER	\$ 6,400,000
• ROADS/BRIDGES/MATCHING	\$ 1,600,000
• LIBRARY ADDITIONAL FUNDING	<u>\$ 1,000,000</u>
TOTAL	<u><u>\$30,000,000</u></u>

This option delays start of Fire Station #2 and depends more on the timing of the funds from Sullivan County for the Justice Center.

Option 3 – Issue \$23,000,000 Bonds

• DB DOME	\$16,000,000
• JUSTICE CENTER	\$ 6,400,000
• ROADS/BRIDGES/MATCHING	<u>\$ 600,000</u>
• TOTAL	<u><u>\$23,000,000</u></u>

This option delays start of Fire Station #2, depends more on the timing of the funds from Sullivan County for the Justice Center, uses \$5,000,000 school fund balance taking away their ability to fund smaller projects, and limits library to only the current ARPA funds. It would also likely mean we would need to issue additional bonds in Spring/Summer 2024.

Comparison of Governmental Debt Outstanding

	<u>GO BONDS</u>	<u>NOTES</u>	<u>TOTAL</u>
ESTIMATED JUNE 30, 2023 - GOVERNMENTAL OUTSTANDING PRINCIPAL	\$ 98,642,708	\$ 5,686,147	\$ 104,328,855
LESS: PRINCIPAL ROLL-OFF	(9,620,667)	(902,954)	(10,523,621)
ADD: NEW PRINCIPAL OPTION 1	38,000,000		38,000,000
ESTIMATED JUNE 30, 2024 - GOVERNMENTAL OUTSTANDING PRINCIPAL	\$ 127,022,041	\$ 4,783,193	\$ 131,805,234
PERCENTAGE OF DEBT TO ASSESSED VALUE	6.06%	0.23%	6.28%
ESTIMATED JUNE 30, 2023 - GOVERNMENTAL OUTSTANDING PRINCIPAL	\$ 98,642,708	\$ 5,686,147	\$ 104,328,855
LESS: PRINCIPAL ROLL-OFF	(9,620,667)	(902,954)	(10,523,621)
ADD: NEW PRINCIPAL OPTION 2	30,000,000		30,000,000
ESTIMATED JUNE 30, 2024 - GOVERNMENTAL OUTSTANDING PRINCIPAL	\$ 119,022,041	\$ 4,783,193	\$ 123,805,234
PERCENTAGE OF DEBT TO ASSESSED VALUE	5.67%	0.23%	5.90%
ESTIMATED JUNE 30, 2023 - GOVERNMENTAL OUTSTANDING PRINCIPAL	\$ 98,642,708	\$ 5,806,537	\$ 104,449,245
LESS: PRINCIPAL ROLL-OFF	(9,620,667)	(902,954)	(10,523,621)
ADD: NEW PRINCIPAL OPTION 3	23,000,000		23,000,000
ESTIMATED JUNE 30, 2024 - GOVERNMENTAL OUTSTANDING PRINCIPAL	\$ 112,022,041	\$ 4,903,583	\$ 116,925,624
PERCENTAGE OF DEBT TO ASSESSED VALUE	5.34%	0.23%	5.57%

Comparison of Funding Options

	<u>20 YEAR BONDS</u>	<u>25 YEAR BONDS</u>	<u>30 YEAR BONDS</u>
ESTIMATED INTEREST RATE	<u>4.36%</u>	<u>4.62%</u>	<u>4.80%</u>
<u>FOR OPTION 1 - \$38,000,000</u>			
ESTIMATED ANNUAL DEBT SERVICE	\$ 2,899,400	\$ 2,618,200	\$ 2,432,000
ESTIMATED TOTAL PAY BACK	\$ 57,988,000	\$ 65,455,000	\$ 72,960,000
<u>FOR OPTION 2 - \$30,000,000</u>			
ESTIMATED ANNUAL DEBT SERVICE	\$ 2,289,000	\$ 2,067,000	\$ 1,920,000
ESTIMATED TOTAL PAY BACK	\$ 45,780,000	\$ 51,675,000	\$ 57,600,000
<u>FOR OPTION 3 - \$23,000,000</u>			
ESTIMATED ANNUAL DEBT SERVICE	\$ 1,754,900	\$ 1,584,700	\$ 1,472,000
ESTIMATED TOTAL PAY BACK	\$ 35,098,000	\$ 39,617,500	\$ 44,160,000

Final Thoughts for Consideration

- Issuing the whole \$38,000,000 only raises the bonded debt to assessed value percentage from 5.14% to 6.06% - still well below the self imposed 10% limit.
- Bond issue was delayed from Spring 2023 to Summer 2023 – this means the new debt will be in FY2024 with no bond issue in FY2023. First principal payment will not be due until FY2025.
- Issuing the whole \$38,000,000 could delay the need for additional bonds until FY2026. That's 3 years of debt roll off to offset new bonds.
- Current investment interest rates would allow us to offset substantial interest costs during construction period.

Planning for Future Debt Issues

- **Sullivan County Property Tax Reappraisals will be done Tax Year 2025 for Fiscal Year 2026. Assessments will likely increase. This gives the opportunity to hold the tax rate the same and generate additional revenue to fund new debt service.**
- **This additional revenue could be used to fund debt service for new elementary schools.**
- **Current debt service requirements drop approximately \$2,500,000 in FY2028 and another approximately \$1,500,000 in FY2029.**

Debt Service Requirements FY23 and Next 10 Years For Governmental Bonds and Notes

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	\$ 10,003,002	\$ 3,780,077	\$ 13,783,079
2024	\$ 10,344,510	\$ 3,401,670	\$ 13,746,180
2025	\$ 10,347,422	\$ 2,999,259	\$ 13,346,681
2026	\$ 10,576,528	\$ 2,597,388	\$ 13,173,916
2027	\$ 10,903,891	\$ 2,186,754	\$ 13,090,645
2028	\$ 8,809,558	\$ 1,821,178	\$ 10,630,736
2029	\$ 7,635,099	\$ 1,533,992	\$ 9,169,091
2030	\$ 6,879,470	\$ 1,280,809	\$ 8,160,279
2031	\$ 5,663,023	\$ 1,049,370	\$ 6,712,393
2032	\$ 5,791,385	\$ 877,173	\$ 6,668,558
2033	\$ 4,944,206	\$ 708,080	\$ 5,652,286

Questions?