FY 2017 DEBT MODEL UPDATE

Planning and Budget Office

Presentation to Commissioners Court

February 21, 2017

Presentation Outline

- Introduction
- Efforts to Reduce Debt Service Requirements
- Capital Funding Sources
- Capital Improvement Projects
  - Near Term - Fiscal Years 2017 to 2021
  - Long Term - Fiscal Years 2021 to 2025
- Debt Modeling Scenario

Efforts to Reduce Debt Service Requirements

Travis County continuously explores refunding opportunities to minimize debt requirements on County taxpayers.

- Much like refinancing a home mortgage, refundings allow Travis County to issue outstanding debt at a lower interest rate.

Travis County has saved approximately $42.1 million in gross savings from the use of refunding bonds since 1992.

- Latest refunding in 2016 resulted in $12.7 million in gross savings that will be realized over time.
- No refunding opportunities expected in the short-term
  - 2016 refunding captured all applicable outstanding bonds.
  - Current interest rate environment will limit additional near-term refundings.

General Fund Capital

- General Fund Capital Acquisition Resources (CAR) account is used to fund capital equipment and facilities with current resources.
  - Includes a reserve and “re-budgeted” projects.
- Fund balance is the primary source of funding for CAR capital and large one-time projects, including those ineligible for CO funding.
- CAR account funding varies over the years, driven primarily by economic conditions and capital needs.
  - Over last 10 years, cash funding has ranged from a low of $8.2 million in FY 2010 to a high of $35.6 million for FY 2016.
  - FY 2017 CAR of $31.7 million, includes a reserve of $4.5 million.

Certificates of Obligation (COs)

- Routine COs are generally issued as short-term debt (5-year debt maturity).
- COs can be used to fund longer term capital projects with Commissioners Court approval, but debt maturity cannot exceed 20 years per debt policy.
- The County forecasts debt annually to monitor financial impact of capital improvements program.
  - Current modeling continues average funding levels of $24.3 million annually in CO funding plus estimated $15 million annually for approved safety projects and road capacity preparation costs for future bond elections.
  - Debt modeling assumes a 10-yr rolling average of capital needs for annual routine equipment and projects.
  - Routine needs do not include significant acquisitions or capital investments, such as the purchase of 700 Lavaca in 2010 or new Medical Examiner's facility.

Voter Approved Bonds

- Issued as long-term debt (20-year debt maturity).

- November 2011 - Voters approved $214,945,000 for road, drainage, bridge and bike/pedestrian projects, as well for as park and land conservation projects.

- Model assumes current cash flow assumptions approved by Commissioners Court.
  - Amount issued through 2016 is $207.5 million.
  - Amount to be issued in 2017 is $7.5 million.
  - No remaining authorization after spring 2017 issuance.

Major Capital Projects on Near-Term Horizon Projected Cash Flow Needs (Dollars in Millions)

	Federal Courthouse	Female Facility at TCCC	Proposed Nov 2017 Bond Election	Proposed 2019 Bond Election	New Civil and Family Courts Complex
2017	$3.2	$-0-	$-0-	$-0-	TBD
2018	18.8	28.7	25.0	-0-	
2019	9.1	28.7	25.0	-0-	
2020	-0-	28.7	-0-	25.0	
2021	-0-	-0-	-0-	25.0	
Total	**$31.1**	**$86.1**	**$50.0**	**$50.0**	

- Cash flows for the Federal Courthouse based on estimate from the Facilities Management Department. Project requirements for FY 2018 will be reviewed as part of the FY 2018 budget process. Amount for FY 2019 excludes $874,000 for move, ITS costs and FFE likely funded from CAR.
- Debt model will be updated this summer in conjunction with a potential November 2017 bond election.

Civil and Family Courthouse

Project needed to augment the Heman Marion Sweatt Courthouse that was built in 1930.

- Bond package presented to voters on November 3, 2015.
- Referendum did not pass by a small margin.
- Need for additional civil and family courts space still exists.
- County is exploring all options to address this need.
  - Community Advisory Committee & Staff Recommendations on Site Analysis scheduled for February 21, 2017.
  - Acquired Federal Courthouse to provide short-term relief at HMS and provides expansion space for long-term Probate Court needs.
  - Long term plans for HMS include restoration and preservation of historic courthouse.
- An update to the debt model will occur once options are presented and refined.

Other Potential Capital Projects Longer-Term Outlook (2021-2025)

Transportation and Natural Resources Projects: Future Bond Election (Local Roads and Parks)	$50 million per election (Planning Figure)
Safety projects and road capacity design	$15 million per year (Planning Figure)
Juvenile System Master Plan: Needs Analysis presented in April 2016. Potential Costs for needed facility improvements to be presented spring 2017.	$50 million (Initial Estimate)

Other Potential Capital Projects Longer-Term Outlook (2021-2025) Continued

Adult System Master Plan (Multiple Phases)	
• Phase I - Future Bond Election • Includes new Justice Annex, Training Academy and select renovations of Travis County Correctional Complex (TCCC) facilities. • PBO will continue to refine which costs should be funded with CAR (cash on hand), certificates of obligations or voter approved bonds.	Project Total for Phase I - $135-150 million
• Beyond 2025 • Criminal Justice Complex – Jail demolished and emptied for redevelopment • TCCC – redeveloped	Project Total for Later Phases - $200+ million

FY 2017 Issuance Summary

Certificates of Obligation	
South Community Center, ME Scanner, TNR Safety Projects, HMC, Replacement Vehicles and Equipment	$22,245,000
Completion of 2011 Road Bond Authorization – COs issued in lieu of Road Bonds	$1,115,000
Completion of 2011 Parks and Open Space Bond Authorization – COs issued in lieu of Permanent Improvement Bonds	$6,335,000
Final Requirements for Medical Examiner Facility & Ronald Earle Building, Improvements to Federal Courthouse, Flood Plain Buyouts, Southwest Sportsplex Phase I	$18,765,000
Total	**$48,460,000**

Debt Model Scenario: Summary Information

The table below shows required debt service from 2017 to 2021, in millions of dollars. Ratios are in absolute dollars.

	2017	2018	2019	2020	2021
COs for routine needs + approved projects	$48.5	$86.8	$77.1	$68.0	$39.3
2011 Bonds	0	0	0	0	0
2017 Bonds*	0	25.0	25.0	0	0
2019 Bonds*	0	0	0	25.0	25.0
Total Issued	**$48.5**	**$111.8**	**$102.1**	**$93.0**	**$64.3**
Debt Service	**$95.9**	**$93.8**	**$94.5**	**$99.8**	**$107.1**
Primary Debt Ratios					
Net Bonded Debt/Tax Value	0.5%	0.4%	0.4%	0.4%	0.4%
Net Bonded Debt/Capita	$574	$588	$593	$590	$565
Debt Service/Expenditures	12.9%	12.2%	11.9%	12.0%	12.4%
ST Debt Service/Total DS	20.6%	19.6%	20.5%	20.3%	21.7%

*Actual amounts TBD

FY 2017 Estimated Impact of Additional Debt Service on Annual Tax Bill

Annual Debt Service per $1 Million of LT Additional Debt	$70,000
Annual Debt Service per $100 Million of LT Additional Debt	$7,000,000
FY 2017 Average Taxable Homestead Value	$285,152
Approximate Increase in Annual Tax Bill on Average Taxable Homestead per $100 million in New Debt Issued	≈ $13
FY 2017 Median Taxable Homestead Value	$219,192
Approximate Increase in Annual Tax Bill on Median Taxable Homestead per $100 million in New Debt Issued	≈ $10

FY 2017 Tentative Debt Issuance Schedule Key Dates

- February 28th – Approval of Notice of Intent to Issue Certificates of Obligation.
- April 18th – Sale of COs by competitive bid.
- May 17th – Closing and receipt of proceeds.

Concluding Thoughts

- Timing of debt issuance and projects assumed in modeling may change.

- Assumptions, such as interest rates, provide guidance, but could vary depending on market conditions or other factors.

- New capital projects often require additional annual funds for maintenance and operations, including staffing.

- The ongoing work regarding the need for additional space for civil and family court facilities will also need to consider the phasing of future bond programs.

SUPPLEMENTAL INFORMATION

Debt Policy – Primary Debt Ratios

- Net Bonded Debt as a Ratio of Taxable Value – Measures debt burden on County's tax base
  - Current policy goal between 1% and 1.5%

- Net Bonded Debt per Capita – Measures average debt burden per County resident
  - Current policy goal of $800 or less

- Annual Debt Service Payment to Total General Fund and Debt Service Expenditures – Also measures debt burden
  - Current policy goal of 20% or less

- Short-Term Debt Service Ratio – Measures short-term debt relative to total debt service
  - Current policy goal of less than 25%

Debt Policy – Secondary Debt Ratios

- Overlapping Debt to Taxable Value – Measures overlapping debt burden on community's property values.
    - Current policy goal to keep measure below 5%.
- Overlapping Debt Per Capita – Measures average overlapping debt burden per resident.
- Travis County has no control over level of overlapping debt, other than its own.
    - As of September 30, 2016, overlapping debt as percentage of net taxable property values = 4.5%.
        - Travis County represented 12.5% of overlapping debt.
        - Area school districts represented 28.2% of overlapping debt.
        - Cities represented 27.4% of overlapping debt.
        - Special Districts, County Line Schools, Community College and Central Health represent remaining 27.4%.

Debt Modeling – Assumptions

- **County Population** – Information comes from City of Austin's demographer and is lagged one year.
- **Total Taxable Property Values** – Values prior to 2016 are reported in the Comprehensive Annual Financial Report (CAFR). Values in 2016 and FY 2017 are based on the certified tax roll. All other figures are estimates made after consultation with the Travis Central Appraisal District (TCAD).
- **Travis County Gross Bonded Debt** – Amounts in 2015 are reported in the 2015 CAFR. Amounts in 2016 and 2017 were calculated from the prior year plus new debt issued less debt paid off in that year.
- **Debt Service Reserve Balance** - Years before 2016 are reported in the CAFR. Amounts in 2016 and 2017 can be found in the respective Adopted Budgets.

Debt Modeling – Assumptions

- **Travis County Net Bonded Debt** – Gross Bonded Debt minus Debt Service Reserve Balance.
- **General Fund Expenditures** – FY 2017 based on Adopted General Fund and Road and Bridge Fund expenditures.
  - Later years reflect increased expenditures constrained by the following assumptions:
    - Growth in assessed property values and new construction based on historical trends and consultation with TCAD.
    - For planning purposes, model assumes General Fund growth for the near term based on five year forecast included in FY 2018 Budget Guidelines.
    - Unallocated Reserve at 11%.

Debt Modeling – Assumptions

- **Debt Service Expenditures (Short and Long Term Debt Service)** – These figures are estimated by the Planning and Budget Office.
- **Interest Rates** – 2.0% in 2017 for 5-year maturities; 3.5% for 20-year maturities. Subsequent years step up interest rates moderately. Starting in 2023, debt modeling assumes 4.25% for 5-year debt maturities and 5.75% for 20-year maturities.
  - Interest rate assumptions were developed in consultation with the County's Financial Advisor.