

2018 EXCISE TAX BOND ISSUE: A DISCUSSION OF FINANCIAL TERMS

Town Council Meeting

November 1, 2017

PURPOSE OF PRESENTATION

Receive Direction from the Town Council
re. the Financial Terms of a Bond Issue
for Critical Infrastructure



BOND ISSUE CALENDAR



November 1

- Town Council Feedback re. Financial Terms
- Introduce Debt Management Plan

December 6

- Adopt Bond Resolution
- Further Discussion on Debt Management Plan

Week of
February 5

- Bond Sale

February 21

- Present Final Results of Bond Sale



Background

BACKGROUND

- The Town Has Been Building the Needed Transportation Projects Over the Last Several Years
- Town Council and Focus Group Updating Our Transportation Impact Fee



BACKGROUND (CONTINUED)

- Town Council Created a \$6.5M Annual Placeholder for Potential Debt Service Payments
 - Components
 - \$5.5M From Mid-Decade Census (FY 2016-17)
 - \$1.0M From Debt Refinancing (FY 2017-18)
 - Avoids Increasing or Creating Revenue Sources Such As:
 - Sales Tax Rate Increase
 - Voter Property Tax



BACKGROUND (CONTINUED)

- \$63M Reimbursement Resolution Approved in June 2016
 - Preserve Ability to Repay Ourselves
- \$75M Bond Issue Included in FY 2017-18 Adopted Budget



BACKGROUND (CONCLUDED)

- \$12.3M Interfund Loans Approved by Town Council as of June 30, 2017
 - Transitional Solution at Low Interest Rates Until Bonds Issues





Recommended 2018 Excise Tax Bond Issue

NEW ISSUE OVERVIEW

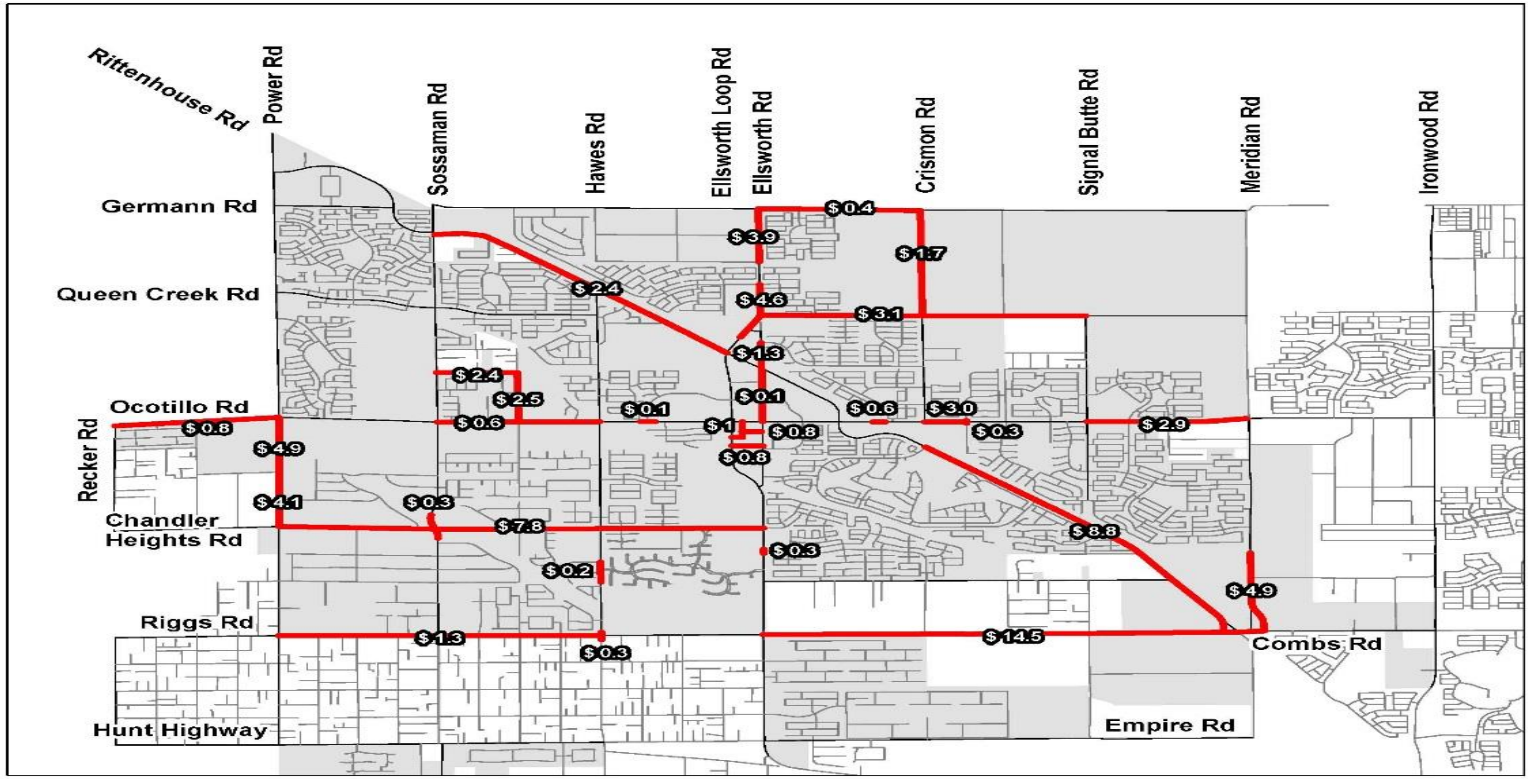


Purpose	Amount
1.Transportation (27 Projects)	\$82.3M
2.Fire Stations (2)	Pending
3.Public Safety Building	<u>Pending</u>
TOTAL	\$82.3M

TRANSPORTATION SPECIFICS: \$82.3M

Purpose		
1.Past and Current Projects (9 Projects)		\$15.6M
Future Projects (Next 3 Years)		
FY 2017-18 (12 New Projects)	\$29.8M	
FY 2018-19 (3 New Projects)	\$14.7M	
FY 2019-20 (3 New Projects)	<u>\$22.2M</u>	
2.Total Future Projects (18 New Projects)		<u>\$66.7M</u>
TOTAL BOND ISSUE		\$82.3M

TRANSPORTATION PROJECTS: \$82.3M



Transportation Projects Included in 2018 Bond

- \$ = Millions
- CIP Projects
- Town Limits

Total \$82.3 M*
* Includes \$1.7 M project management costs



Map Date: 10/30/17

NEW ISSUE OVERVIEW

- Town's Largest, Single Issue
- Excise Taxes are the Repayment Revenue Pledge
 - Excise Taxes are All Revenues Except Property Taxes
 - **AA** Bond Rating
 - Our Lowest Possible Interest Rate



NEW ISSUE OVERVIEW

(CONTINUED)

- **Transportation Bonds**
 - New Amount: \$82.3M
 - Current Amount: \$20.1M
- **Transportation Annual Payment**
 - New Payment: \$5.0M
 - Current Payment: \$1.9M



NEW ISSUE OVERVIEW

(CONCLUDED)

■ Repayment Sources

1. Impact Fees

- New Amount: \$1.5M
- Current Amount: \$0.3M

2. \$3.5M of Transportation Placeholder

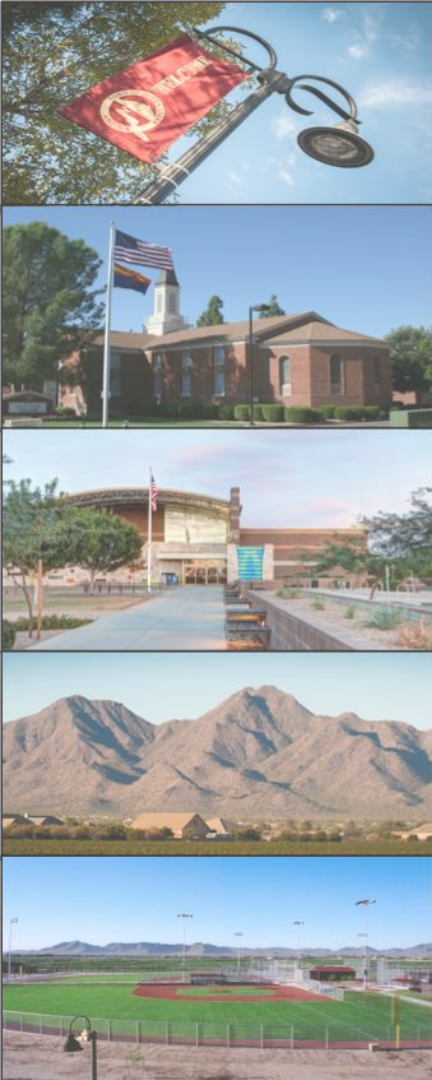
- Remaining Placeholder: \$3.0M



INTERFUND LOANS

- Temporary Financing for Projects
- Done in Anticipation of Bond Issue

Purpose	Amount
Transportation	\$3.4 M
Two Fire Stations	\$7.5 M
Public Safety Building	<u>\$1.4 M</u>
TOTAL	\$12.3 M



INTERFUND LOANS

(CONCLUDED)

- Operating Fund Reserves Are the “Bank”
- Operating Budget Will be “Cash Poor” If Interfund Loan Remains

Operating Fund	6/30/17 Balance (Unaudited)
Fund Balance	\$28.0M
Cash	\$5.1M*

*Reduced by \$20.1M for Interfund Loans (\$12.3M for Projects and \$7.8M for Development Agreement Payoffs)

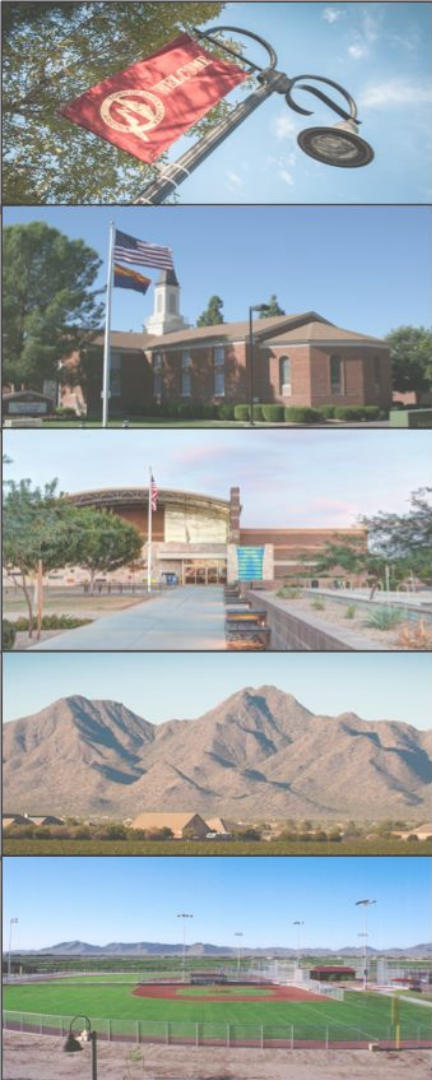
TERM / EARLY PAYOFF PROVISION

- Transportation
 - 30-Year Term with a 5-Year Early Payoff Provision
 - Different From Existing Debt
 - 20-Year Term with 10-Year Call Provision



WHY A 5-YEAR EARLY PAYOFF PROVISION?

- Only Relates to Debt Paid From Impact Fees (\$15M)
- Greater Flexibility If Impact Fee Revenues (Restricted Revenues) Exceed Expectations
- Potential Interest Savings
- Impact Fees Reduced if Bonds Paid Off Early
- Interest Rate is Slightly Higher but Recovered Through Reduced / Eliminated Interest Payments



INTEREST RATES

- Estimated Interest Rates (**AA** Bond Rating)
 - 5-Year Payoff Provision (\$15M): 4.1%
 - 10-Year Payoff Provision (\$67.3M): 3.6%





Debt Management Plan

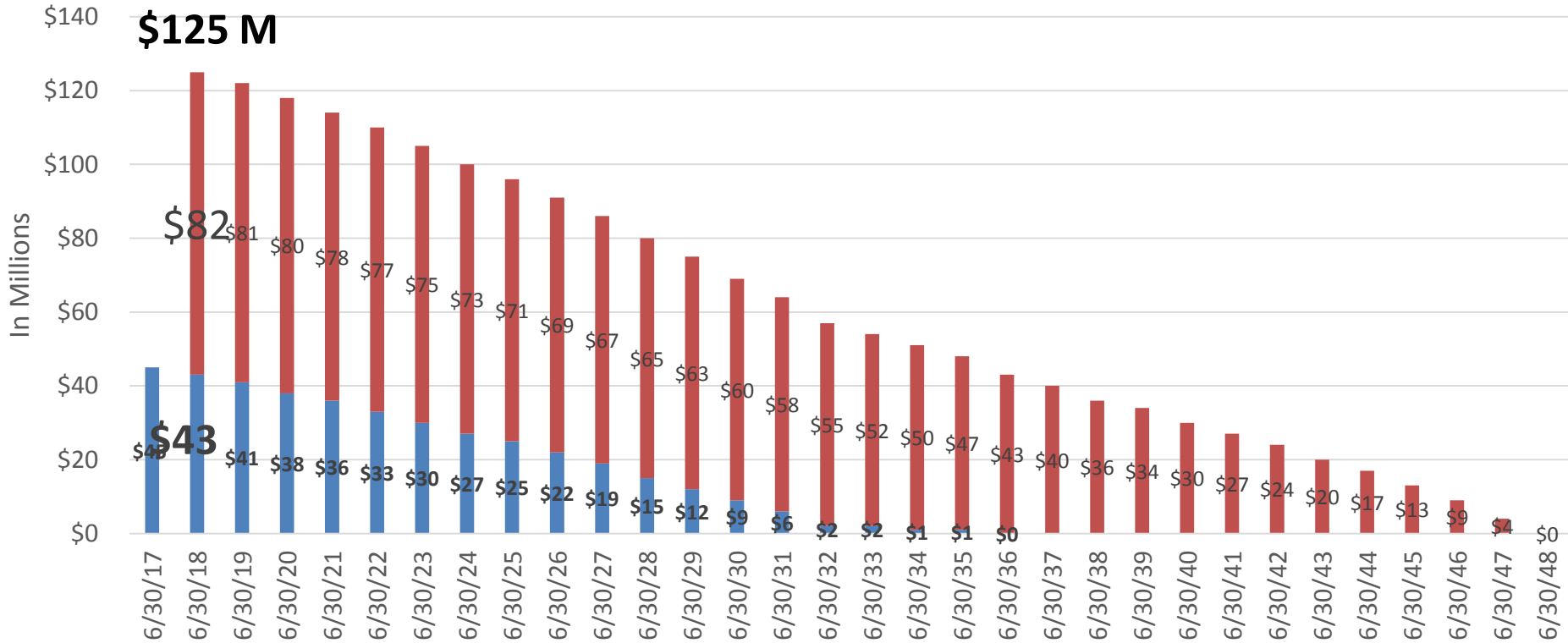
DEBT MANAGEMENT PLAN

Addresses Important Questions

1. How Much Debt Should the Town Have?
2. Who Pays?
 - Intergenerational Equity (Build Now, Pay Over Time)
 - Current Residents / Businesses
 - Future Residents / Businesses
 - Visitors

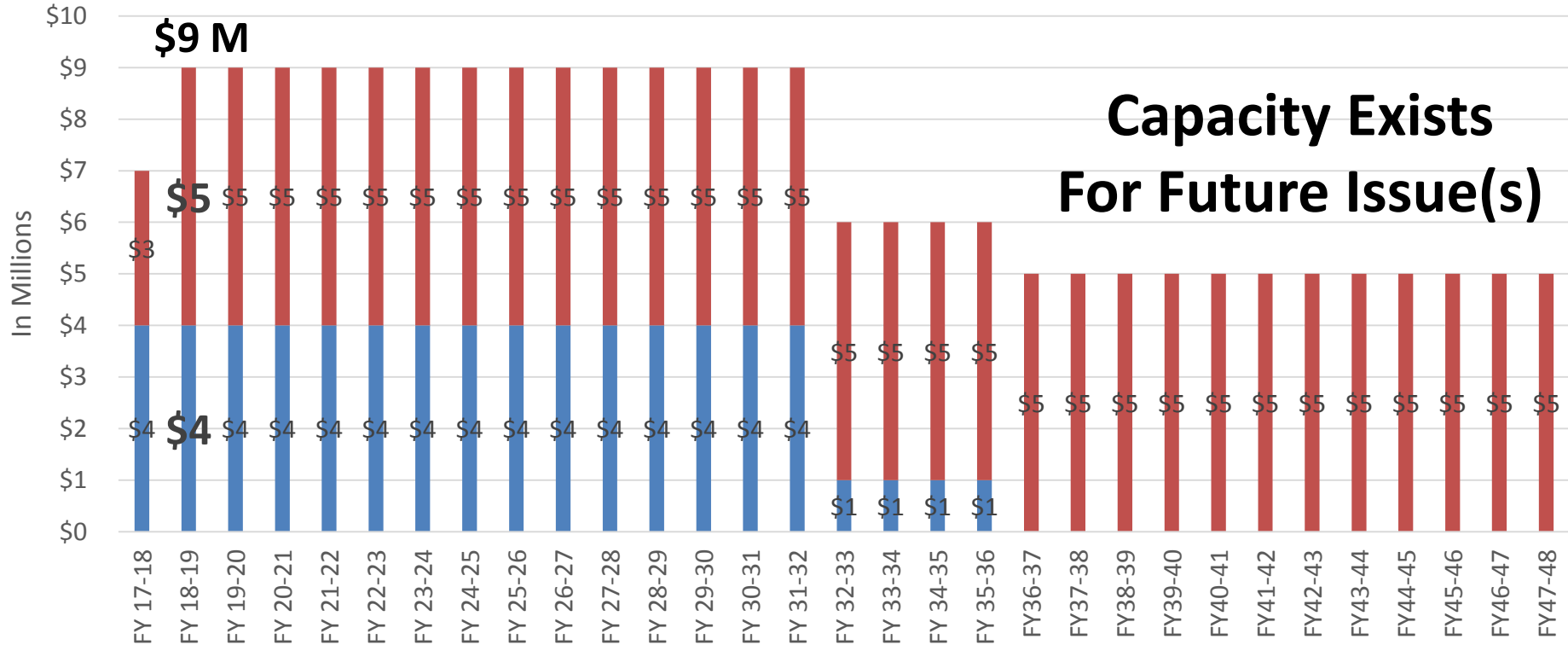


REMAINING BONDED DEBT* PLUS NEW ISSUE



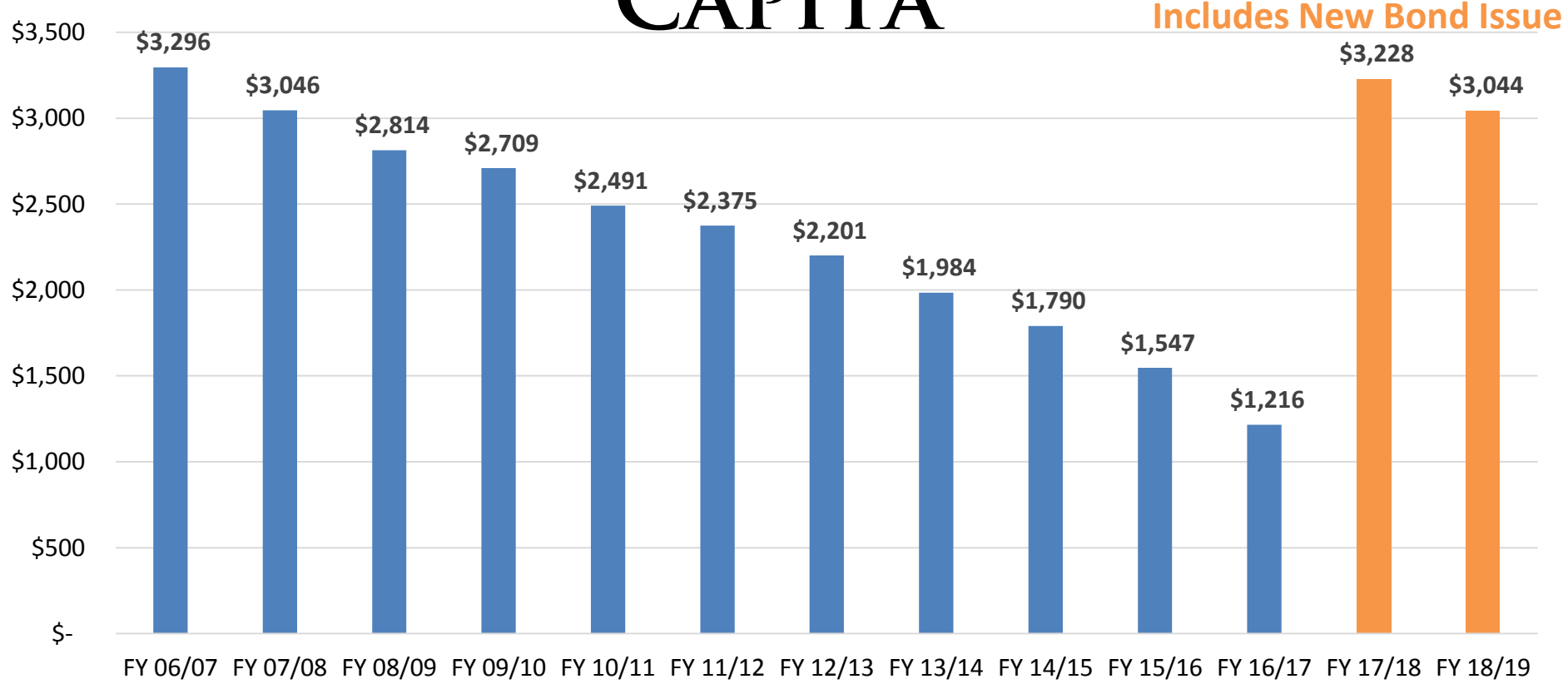
*Excludes Water, Wastewater, and Non-Town Improvement District Debt.

ANNUAL PAYMENTS* PLUS NEW ISSUE



*Excludes Water, Wastewater, and Non-Town Improvement District Debt.

OUTSTANDING DEBT PER CAPITA

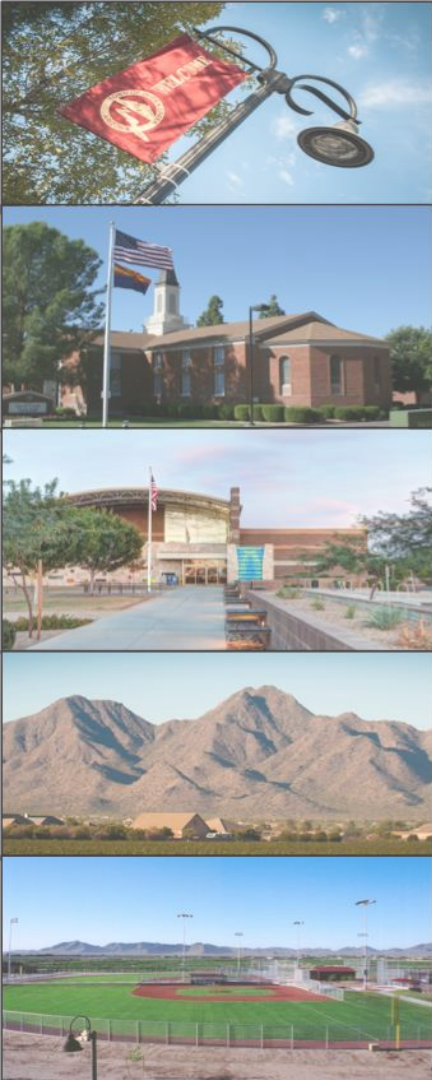


Includes New Bond Issue

Source: Arizona Department of Administration Population FY 06/07-FY16/17; MAG Projections FY 17/18 – FY 18/19



Remaining Calendar



REMAINING CALENDAR

December 6th Council Meeting

- Resolution Sets Parameters Regarding:
 1. Amount
 2. Length Outstanding / Early Payoff
 3. Interest Rate Cap
- Gives Authority to Finance Director to Execute Terms Within Town Council's Defined Parameters



REMAINING CALENDAR

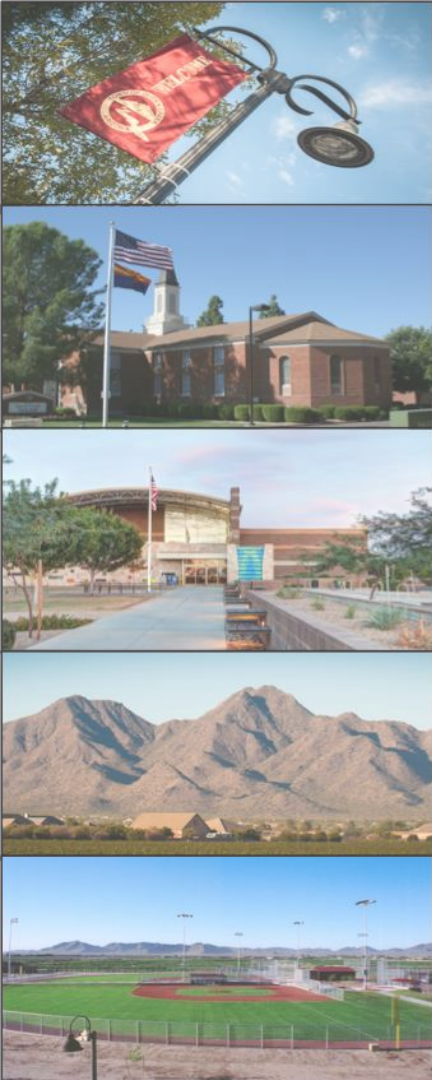
(CONCLUDED)

Week of February 5th

- Bond Sale

February 21st Council Meeting

- Present Final Results of Bond Sale



REMAINING TO DO

- Determine Early Payoff Amount
- Decide How Much to Include in the Bond Issue for the Two Fire Stations and Public Safety Building
 - Growth / Non-Growth Allocations



Questions and Comments