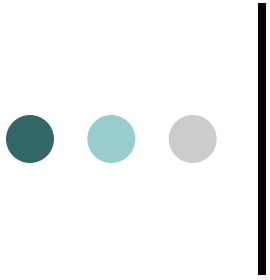




# Travis County Debt Capacity and Affordability for 2011 Bond Election

Planning and Budget Office

Presentation to Citizens Bond Committee –  
March 24, 2011



# Part I: Where we are today



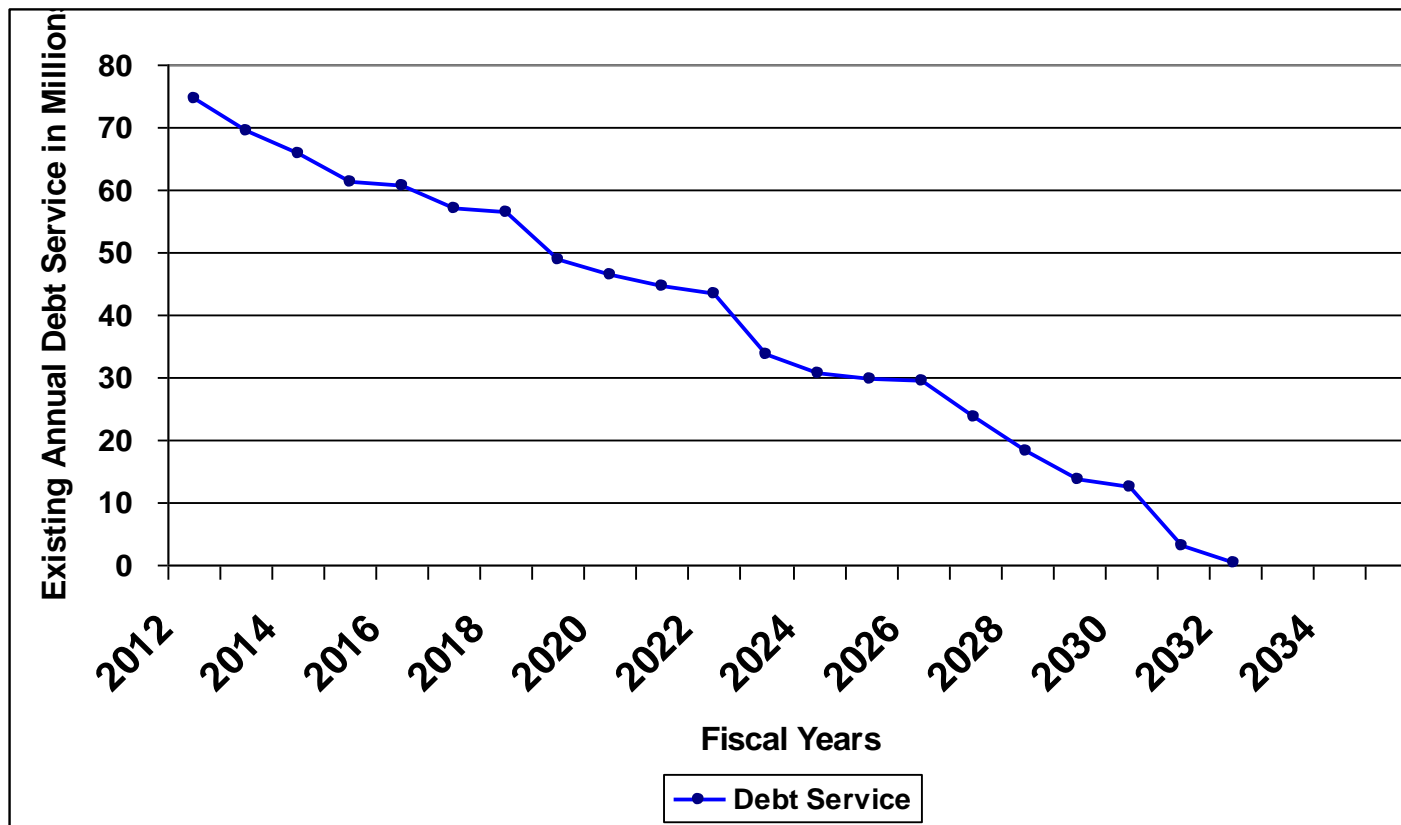
# Review of:

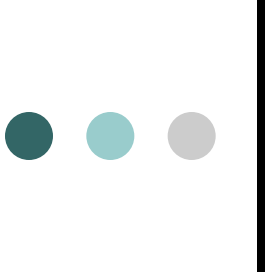
- Current Debt Service
- Debt Service “Gap” - Difference Between FY 11 Debt Service and Debt Service Requirements Assuming No Additional Debt\*
- Brief history of 2005 Debt Capacity Recommendations

\* Please note that \$2 million of remaining 2000 voter approved bonds are slated for issuance in FY 2012.

# Current Debt Service: Existing Annual Debt Service Payments with No Additional Debt\*

\*With exception of \$2 million in 2000 Voter Approved Bonds)





# Current Debt Service: Existing Annual Debt Service Payments (continued)

Fiscal Year (FY)	Falling Annual Debt Service
2012	\$74,715,953
2013	\$69,558,650
2014	\$65,767,773
2015	\$61,396,933
2016	\$60,769,025
2020	\$46,382,624
2025	\$29,858,169
2030	\$12,543,939
2035	\$0



## Debt Service “Gap”:

### Certificates of Obligation (COs):

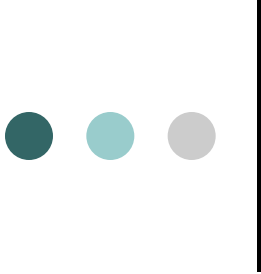
- Each year, the County issues Certificates of Obligation for routine capital items and projects such as vehicles, road safety projects, and various renovation/improvements to County facilities.
- The County has also issued COs for major projects such as the purchase of 700 Lavaca, the BEFIT financial system, and the purchase of land in preparation of a new Civil Courthouse.
- COs are generally short-term debt (5 year) unless certain conditions are met.



# Annual Certificates of Obligation (COs):

- The Debt Model assumes a rolling average of capital needs. This amount is comprised of both available CAR funds (General Fund resources dedicated to capital) and short-term COs\*. This amount, \$20.4 million, has been plugged into the debt model as an annual Travis County CO for FY 12, FY 13, and FY 14. The annual CO then increases to \$21.4 million due to a decrease in projected available CAR funds.
- Debt service, assuming an annual short-term CO, increases and “fills” the gap that was available from paying off debt. Debt service does not begin falling until FY 19 as shown on the following table.

\* Please note that the rolling average does not include COs issued in lieu of Voter Approved Debt or the FY 10 CO issuance (totaled over \$100 million and included the purchase of 700 Lavaca).



# Debt Service Payments including Annual Short Term CO Assumptions:

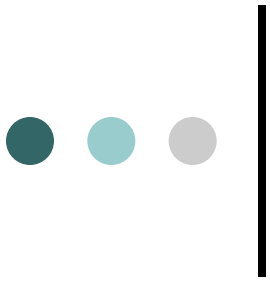
Fiscal Year	CO	Annual Debt Service
2012	\$20,400,000	\$74,715,953
2013	\$20,400,000	\$73,755,744
2014	\$20,400,000	\$74,440,158
2015	\$21,400,000	\$74,636,522
2016	\$21,400,000	\$78,888,115
2017	\$21,400,000	\$80,107,994
2018	\$21,400,000	\$80,052,698
2019	\$21,400,000	\$72,865,794
2020	\$21,400,000	\$70,684,956





# Debt Capacity Recommendation: 2005 Travis County Bond Election

- The Planning & Budget Office's 2005 debt management recommendation was that the Commissioners Court maintain relatively level debt service.
- This recommendation allowed for up to \$159 million over 5 years (less \$40 million for mandatory jail beds). PBO's recommendation translated to \$119 million bond authorization limit.
- The 2005 Bond Election totaled \$151 million:
  - \$65 million for mobility and drainage projects
  - \$62 million for parks and open space
  - \$24 million for jail facility improvements



## Part II:

# Review of the “White Lines” and Debt Model Assumptions



# Review of Travis County's "White Lines" – Primary Measures

- Net Bonded Debt as a Ratio of Taxable Value – Measures debt burden on property values – current policy states that we should keep this figure between 1 and 1.5 %.
- Net Bonded Debt per Capita – Measures debt burden on each person – current policy states that we should keep this figure below \$800.
- Annual Debt Service Payment to Total General Fund and Debt Service Expenditures – measures "affordability" – keep under 20%.
- Short Term Debt Service Ratio – measures short-term debt burden – keep less than 25%.



# Review of Travis County's "White Lines" – Secondary Measures

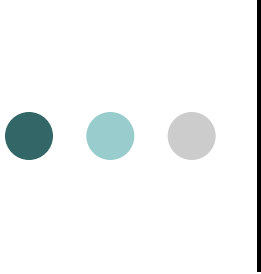
- Overlapping Debt to Taxable Value – Measures overlapping debt burden on property values. Current policy states that this secondary measure should ideally be kept below 5%. This community is already above this debt ratio. The ratio is above 6% and growing even under the assumption of no more Travis County debt after FY 12.
- Overlapping Debt Per Capita – measures overlapping debt burden for each person.

Please note that area school districts represent 39% of the overlapping debt figures; cities represent 26%; and Travis County represents 12% of these figures.



# Debt Model Assumptions

- Remaining 2000 Authorized Bond Issuance: \$2 M prior authorizations to be issued in FY12.
- New Certificates of Obligation (CO) Assumed \$20.4 -21.4 M/Yr: based on historical annual capital needs of \$26.4 between CO's and the General Fund Capital Acquisition Resources Account (CAR). Average was obtained by excluding FY 10 CO given purchase of 700 Lavaca.
- Interest Rate: based on historic review of interest rates for Travis County. These rates have been projected by PBO after consultation with the County's Financial Advisor and are likely to change.



# Debt Model Assumptions (continued)

- Net taxable values and new construction estimates were projected by PBO after consultation with the TCAD Chief Appraiser.
- Population estimates are from the City Demographer, Department of Planning, City of Austin. The actual figures are also found in the Comprehensive Annual Financial Report (CAFR).



# Explanation of future interest rates:

- Long-term rates (applicable to any bonds approved in a possible November 2011 Bond Election):
  - Highest long-term rate from previous 15 years plus 100 basis points was assumed to be the highest rate in next 15 years.
  - Debt Model steps up to this rate of 6.92% in 0.50% increments per year for FY 12, FY 13, and FY14 and then .25% increments annually starting with 4.8% for FY 12.
- Similar approach used on short-term rates, although those rates are lower than long-term (highest rate is assumed to be 5.53%).



# Debt Model Assumptions – 2011 Bond Issuance:

- \$400 million voter approved bonds issued over seven years:
  - Cash flow was derived by considering Travis County’s last two bond election issuance schedules (2001 and 2005).
  - This cash flow is not based on specific projects, but used instead to provide guidance on affordability.
  - All numbers are in millions.

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Cash Flow	\$182	\$88	\$48	\$24	\$28	\$28	\$2
Total Debt Service	\$74.7	\$92.4	\$98.4	\$101.9	\$107.6	\$111.5	\$114.1





# Roads, Parks and Open Space Projects - \$150 Million

- Given an overall affordability limit of \$400 Million, a planning figure totaling \$150 Million should be used for Roads, Parks and Open Space. This reserves \$250 Million for County facilities needs.

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Cash Flow	\$68.3	\$33	\$18	\$9	\$10.5	\$10.5	\$0.7

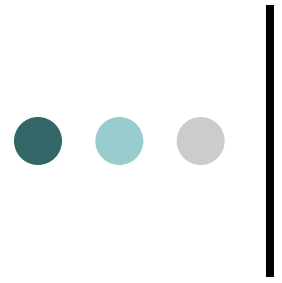
# 2005 Bond Program- Road, Parks & Open Space Issuance Schedule (Total \$124,375,000)

PROPOSTION #1 (Mobility and Drainage)	
Issuance Year	Total
2006	\$ 12,765,000
2007	\$ 15,825,000
2008	\$ 22,280,000
2009	\$ 6,980,000
2010	\$ 3,610,000
2011	\$ 3,765,000
	<b>\$ 65,225,000</b>

PROPOSTION #2 (Parks and Open Space/Flood Plain Buyout)	
Issuance Year	Total
2006	\$ 31,550,000
2007	\$ 6,930,000
2008	\$ 3,795,000
2009	\$ 6,705,000
2010	\$ 11,315,000
2011	\$ 1,855,000
	<b>\$ 62,150,000</b>

# 2001 Bond Program- Roads, Parks & State Highway Issuance Schedule (Total \$184,955,000)

	BOND TYPE/	PROP. #1	PROP. #2	PROP #3	PROP #4	
FY	DESCRIPTION	Roads/Bridges/ Sidewalks	Parks	FM1826 & SH45	SH 130	TOTAL
	<b>TOTAL AUTHORIZATION</b>	<b>57,430,000</b>	<b>28,600,000</b>	<b>32,725,000</b>	<b>66,200,000</b>	<b>184,955,000</b>
2002	Road & Park Bonds	14,000,000	13,000,000	9,130,000	66,200,000	102,330,000
2003	Road & Park Bonds	8,790,000	4,335,000	22,870,000	0	35,995,000
2004	Road & Park Bonds	7,830,000	4,090,000	0	0	11,920,000
2005	Road & Park Bonds	1,150,000	3,940,000	0	0	5,090,000
2006	Road & Park Bonds	3,345,000	3,035,000	0	0	6,380,000
2007	Road & Park Bonds	19,175,000	0	725,000	0	19,900,000
2008	Road & Park Bonds	950,000	0	0	0	950,000
	<b>TOTAL ISSUED</b>	<b>55,240,000</b>	<b>28,400,000</b>	<b>32,725,000</b>	<b>66,200,000</b>	<b>182,565,000</b>
	<b>REMAINING AUTHORIZATION</b>	<b>2,190,000</b>	<b>200,000</b>	<b>0</b>	<b>0</b>	<b>2,390,000</b>
	Projected Savings**	2,190,000	200,000	-	-	2,390,000
	<b>Totals</b>	<b>2,190,000</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>2,390,000</b>




# Part III: Impact on Average Homestead



# Affordability: Tax Impact on Travis County Average Homestead

- This exercise (\$400 million over seven years for all projects) drives projected debt service up to \$114.1 million in FY 18 before it begins to decrease. This is in comparison to FY 11 debt service of \$75.4 (a 51.3% increase).
- Given Travis County's fiscal strength, affordability will be determined by the tax impact on Travis County residents.
- The following tables provide a guide to: (1) calculating the impact of \$100 million in additional debt as a reference, and (2) the impact on a projected issuance of \$182 million in FY 12 (part of the suggested \$400 million total authorization amount).



# Calculating impact of increased debt service on the average Travis County homestead – every \$100 million

Projected FY13 Average Homestead Value (Debt issued in FY 12 will impact FY 13 debt service)	\$274,465
FY13 Taxable Value after 20% Homestead Exemption (\$274,465 x 80%)	\$219,572
Estimated Debt Service per million of debt (Could increase with interest rate volatility)	\$80,000
Estimated Debt Service per \$100 million of debt	\$8,000,000
Estimated tax revenue for one cent on tax rate	\$9,000,000
Additional tax rate to fund additional debt service of \$100 million	0.008889
Additional tax on the average homestead (\$219,572/100 x .00889)	\$19.52



# Potential Capital Projects that the Court may Wish to Consider in the Next Five to Ten Years:

Downtown Campus	\$80 - \$120 million
Additional TNR projects	\$60 - \$100 million
Medical Examiner Facility	\$30 - \$40 million
<b>Total:</b>	<b>\$170 - \$260 million</b>



## Other projects on the horizon:

North Campus	\$70 - \$90 million
Central Booking	\$120 - \$150 million
TCCC Jail Beds	\$30 - \$40 million
HMS Courthouse	\$80 - \$120 million
<b>Total:</b>	<b>\$300 - \$400 million</b>





## Other thoughts:

- The issuance schedule used in these exercises may change.
- The interest rates used in these models provide guidance but are likely to vary and could change drastically depending on the market. Such changes could impact these debt service conclusions dramatically.
- Keep in mind that capital projects all require additional annual funds to maintain and that some also require new staff to run.