# Travis County Commissioners Court Agenda Request

**Meeting Date:** November 25, 2014
**Prepared By/Phone Number:** Travis R. Gatlin, 512-854-9065
**Elected/Appointed Official/Dept. Head:** Leroy Nellis, Acting County Executive, Planning and Budget — A/E for Leroy Nellis

**Commissioners Court Sponsor:** Judge Samuel T. Biscoe

**AGENDA LANGUAGE: RECEIVE DEBT MODEL PRESENTATION**

**BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:**

The Planning and Budget Office (PBO) annually presents the Travis County debt model to the Commissioners Court. PBO has updated the model to include all approved projects, related future cash flow assumptions and projected routine capital needs. The modeling scenario also includes the proposed Civil and Family Court House based on preliminary costing as presented on November 18, 2014.

**STAFF RECOMMENDATIONS:**

See attached backup.

**ISSUES AND OPPORTUNITIES:**

The debt model will be updated and presented again in early 2015 to include any revisions to the costing of the Civil and Family Court House. At that time, the Planning and Budget Office will also present the Fiscal Year 2015 Debt Issuance Project List that will include any revisions since the adoption of the FY 2015 Budget.

**FISCAL IMPACT AND SOURCE OF FUNDING:**

See attached backup.

**REQUIRED AUTHORIZATIONS:**

**Leroy Nellis, Planning and Budget Office (512) 854-9106**
**Jessica Rio, Planning and Budget Office, (512) 854-4455**
**David Salazar, County Judge's Office, (512) 854-9555**

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials should be submitted as a pdf to the County Judge's office, agenda@co.travis.tx.us **by Tuesdays at 5:00 p.m.** for the next week's meeting.

# FY 2015 DEBT MODEL UPDATE

Planning and Budget Office
Presentation to Commissioners Court
November 25, 2014

# Presentation Outline

- Introduction
- Efforts to Reduce Debt Service Requirements
- Capital Funding Sources
- Capital Improvement Projects
  - Near Term - Fiscal years 2015 to 2018.
  - Long-Term Outlook - Fiscal years 2019 to 2023.
- Debt Modeling Scenario
  - Debt Model will be updated in early 2015 to reflect any revisions to costing for New Civil and Family Court House.

# 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 $25 million in interest payments from the use of refunding bonds over the last 20 years.

- Latest refunding will result in just under $6 million in future interest payment savings.
- Fiscal Year 2013 refunding yielded over $4 million in future interest payment savings.

# General Fund Capital

- General Fund Capital Acquisition Resources (CAR) account is used to fund capital equipment and facilities with current resources.
  - Includes a reserve each year to help fund unexpected capital related needs and issues.
  - Reflects projects that are "re-budgeted" each year to account for timing of expenditures.
- 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 2010 to a high of $35.3 million in 2013.
  - FY 2015 CAR is $30.2 million, including a reserve of $2.6 million.

# Certificates of Obligation (COs)

- 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.
  - 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 and land for the proposed Civil and Family Court House.
  - Current modeling assumes average funding levels of $24.3 million annually in CO funding and $16.3 million in the CAR account (cash).

# 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 as park and land conservation projects.

- Model assumes current cash flow assumptions approved by Commissioners Court.
  - Amount issued through 2014 is $137,505,000.
  - Remaining authorization is $77,439,000.

# State Highway Bonds

- State Highway Bonds issued as long-term debt (20-year maturity).

- The Commissioners Court entered into an agreement with the State of Texas in January 2012 for the FM 1626 and FM 969 Phase I & II Projects totaling $30.4 million.
  - FY 2015 project need is $7.9 million (spring issuance).

- The Commissioners Court entered into an agreement with the Central Texas Regional Mobility Authority (CTRMA) and Hays County in March 2014 for the completion of State Highway 45 Southwest between Loop 1 (MOPAC) and FM 1626.
  - FY 2015 project need is $15.1 million.
  - Bonds closed November 2014.

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

| | Ronald Earle Building | New Medical Examiner Facility | New Civil and Family Court House |
|---|---|---|---|
| 2015 | 29.7 | 2.0 | -0- |
| 2016 | 7.0 | 25.0 | 128.0 |
| 2017 | -0- | -0- | 166.0 |
| 2018 | -0- | -0- | -0 |
| Total | $36.7 | $27.0 | $294.0 |

- Ronald Earle Building and New Medical Examiner Facility cash flows based on information presented as a part of FY 2015 Budget Process.
- Cash flow shown for the Civil and Family Court House is based on the preliminary project total as presented November 18, 2014 and cash flow information from URS.

# Civil and Family Court House

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

November 18, 2014 preliminary costing information presented to Commissioners Court totaled $294 million.

Based on 2025 build out.

- Construction Costs of $276.75 million.
- Owner's FF&E and Miscellaneous Expenses of $17.48 million.
  - Funding source will be determined once costing is refined.
  - Staff exploring options of cash funding versus debt financing of appropriate items.
- Cost revisions will be presented in late January 2015.

# Other Potential Capital Projects Longer-Term Outlook (2019-2023)

| | |
|---|---|
| Other Downtown Non-Court Projects could include:<br>San Antonio Garage Demolition<br>New Central Booking Facility | $130 – $160 million |
| Transportation and Natural Resources Projects: Future Bond Election (Local Roads and Parks) | $100 – $200 million |
| **Total:** | **$230 - $360 million** |

In addition, a potential grant match may be considered during this time to leverage County resources with grants funds for the rehabilitation and restoration of the Heman Marion Sweatt Courthouse.

# Debt Model Scenario: Cash Flow Assumptions

- Remaining cash flow requirements for 2011 Voter Approved Bonds and approved State Highway Projects.
- Annual COs for routine capital needs and cash flow requirements for Ronald Earle Building and New Medical Examiner Facility.
- Cash flows for the Civil and Family Court House based on preliminary project needs as presented on November 18, 2014.
    - Numbers for the Civil and Family Court House will continued to be refined.

# Debt Model Scenario: Summary Information

Table below shows required debt service from 2015 to 2020, in millions of dollars. Ratios are in absolute dollars.

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| COs for routine needs + approved projects | $44 | $57 | $24 | $24 | $24 | $24 |
| 2011 Bonds | 36 | 33 | 5 | 3 | 0 | 0 |
| State Highway Bonds | 23 | 14 | 0 | 0 | 0 | 0 |
| Civil and Family Court House | 0 | 128 | 166 | 0 | 0 | 0 |
| **Total Issued** | **$103** | **$232** | **$195** | **$27** | **$24** | **$24** |
| | | | | | | |
| **Debt Service** | **$87** | **$95** | **$113** | **$123** | **$115** | **$113** |
| | | | | | | |
| **Primary Debt Ratios** | | | | | | |
| Net Bonded Debt/Tax Value | 0.6% | 0.7% | 0.7% | 0.7% | 0.6% | 0.5% |
| Net Bonded Debt/Capita | $613 | $740 | $816 | $744 | $676 | $612 |
| Debt Service/Expenditures | 13.0% | 13.3% | 14.7% | 15.1% | 13.5% | 12.7% |
| ST Debt Service/Total DS | 24.7% | 22.4% | 20.9% | 18.4% | 20.5% | 21.4% |

# Increase to Debt Service with the Civil and Family Court House

Table below shows annual debt service requirements.

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Debt Service without Civil and Family Court House | $87m | $95m | $103m | $99m | $93m | $91m |
| | | | | | | |
| Debt Service with Civil and Family Court House | $87m | $95m | $113m | $123m | $115m | $113m |
| | | | | | | |
| **Incremental Increase with Civil and Family Court House** | **-** | **-** | **$10m** | **$24m** | **$22m** | **$22m** |

# FY 2015 Estimated Impact of Additional Debt Service on Annual Tax Bill

| | |
|---|---|
| Annual Debt Service per $1 Million of Additional Debt | $70,000 |
| Annual Debt Service per $100 Million of Additional Debt | $7,000,000 |
| FY 2015 Average Taxable Homestead Value | $240,026 |
| Approximate Increase in Annual Tax Bill on Average Taxable Homestead per $100 million in New Debt Issued | $14 |
| FY 2015 Median Taxable Homestead Value | $180,760 |
| Approximate Increase in Annual Tax Bill on Median Taxable Homestead per $100 million in New Debt Issued | $11 |

# 2015 Tentative Debt Issuance Schedule

(Dates estimated based on 2014 schedule)

- January/February – Final 2015 COs and Bond Issuance list submitted to the Commissioners Court for approval.
- March – Approval of Notice of Intent to Issue Certificates of Obligation.
- April – Sale of Bonds/COs.
- May – 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.
- Debt service has increased over time to fund critical project needs.
  - FY 2015 Increase $5.8 million
  - FY 2016 Increase $8.3 million (projected)
  - Ultimately dependent on size and scope of projects approved for funding.
  - Planning and Budget Office to continue monitoring debt service requirements and projected debt service tax rate relative to overall tax rate parameters established by Commissioners Court.
- Debt scenarios are within debt policy ratios or exceeded only for short time.
  - Cash flows could be adjusted to accommodate debt policy.
- New capital projects often require additional annual funds for maintenance and operations, including staffing.

# 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, 2013, overlapping debt as percentage of net taxable property values = 5.21%.
    - Travis County represented 12% of overlapping debt.
    - Area school districts represented 31% of overlapping debt.
    - Cities represented 29% of overlapping debt.
    - Special Districts, County Line Schools & Community College represent remaining 28%.

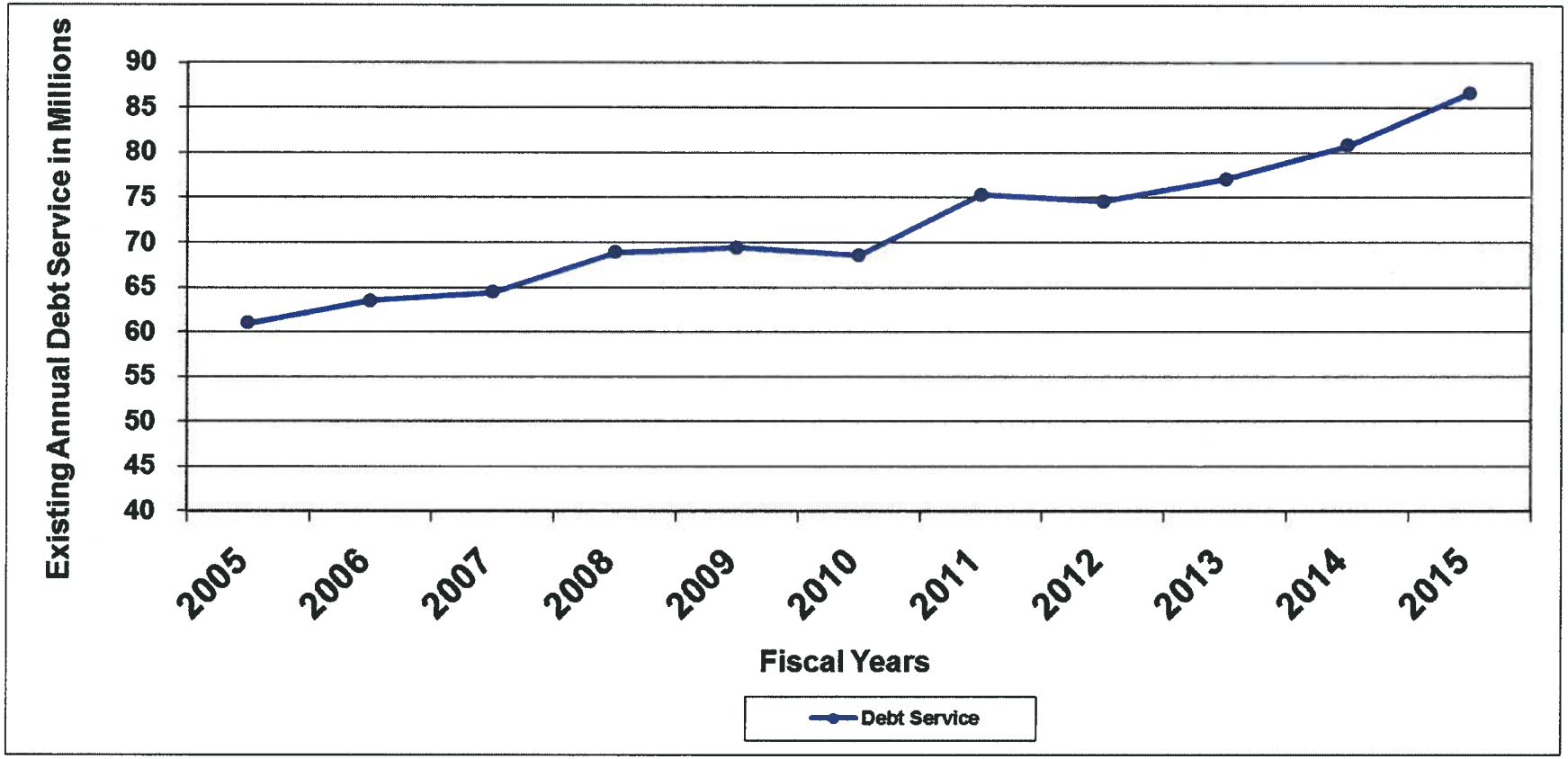
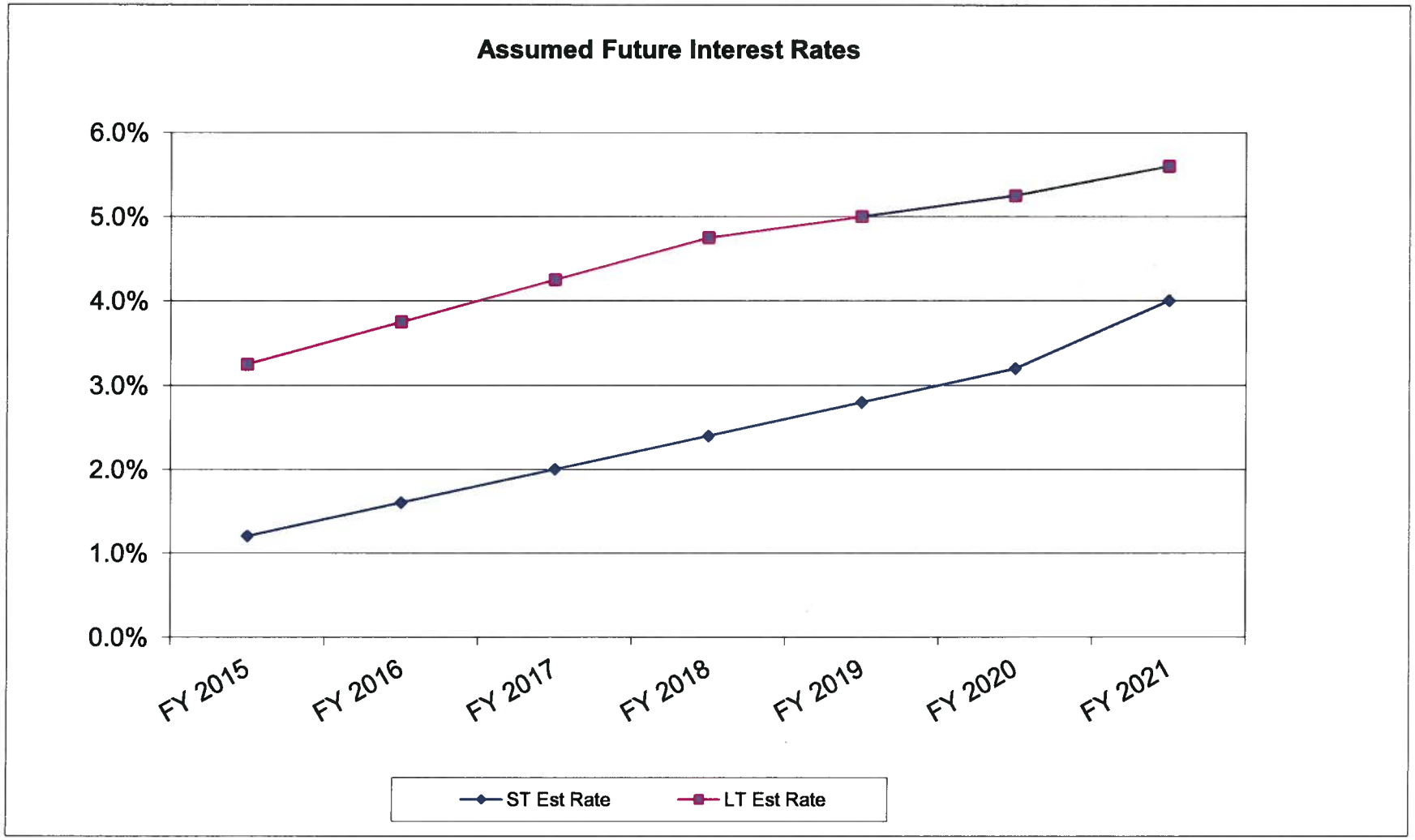
# Debt Modeling – Assumptions

- **County Population** – Information comes from City of Austin's demographer and is lagged one year.
- **Total Taxable Property Values** – Values prior to 2014 are reported in the Comprehensive Annual Financial Report (CAFR). Values in 2015 are based on the certified tax roll. All other figures are estimates made after consultation with the Travis Central Appraisal District.
- **Travis County Gross Bonded Debt** – Amounts in 2013 are reported in the 2013 CAFR. Amounts in 2014 and 2015 were calculated from the prior year plus new debt issued less debt paid off in that year.
- **Debt Service Reserve Balance** - Years before 2014 are reported in the CAFR. Amounts in 2014 and 2015 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** – Total 2015 General Fund and Road and Bridge Fund expenditures.
  - Later years in the analysis reflect increased expenditures constrained by the following assumptions:
    - Growth in assessed property values and new construction (in consultation with TCAD).
    - For planning purposes, model assumes General Fund growth based on historical trends.
    - Unallocated reserves at 12%.
- **Debt Service Expenditures (Short and Long Term Debt Service)** – These figures are estimated by the Planning and Budget Office.
- **Interest Rates** – 1.2% in 2015 for 5-year maturities; 3.25% for 20-year maturities. Subsequent years step up interest rates moderately. Starting in 2021, debt modeling assumes 4.0% for 5-year debt maturities and 5.60% for 20-year maturities.
  - Interest rate assumptions were developed in consultation with the County's Financial Advisor.

# Historical Debt Service



# Interest Rate Assumptions