

Tinti, Elisa

From: Tuey, John
Sent: Wednesday, March 31, 2021 2:27 PM
To: Davis, Tony; Hirsch, Michele; Koop, Douglas; Morell, Jeffrey; O'Reilly, Patrick; Schabot, Steven; Tallerman, Donald; Tinti, Elisa; Worthington, Rita
Cc: Tinti, Elisa; Noah Nadelson; Noble, Steve; Scott-Childress, Reynolds; Shaut, Andrea; Tinti, Elisa
Subject: Debt Profile
Attachments: Kingston Debt Profile April 2021.pdf

Follow Up Flag: Follow up
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Good afternoon,

Noah Nadelson from Munistat Services, Inc. will be offering a presentation of the "City of Kingston's Debt Profile" to the Common Council at the April 5th Caucus. Munistat Services, Inc. provides fiscal advisory services for the City on debt issuance matters. The focus of the presentation is to provide an informative overview of the City's debt, where our debt levels stand with regard to market metrics, and how are debt stacks up against our NYS peers. I've attached a copy of the presentation materials so that you may review prior to the meeting. This presentation is for informational purposes only and no action from the Common Council is being requested at this time.

Both Noah (copied above) and myself will need a Zoom invite to the meeting.

Thanks in advance to all.

John

John Tuey, CPA

Comptroller

City of Kingston

420 Broadway

Kingston, NY 12401

Comptroller@kingston-ny.gov

P: 845.334.3941

F: 845.334.3944

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City of Kingston Debt Profile

PRESENTED BY: MUNISTAT SERVICES, INC.



INTRODUCTION

The Debt Profile presentation is a snapshot of the City's current outstanding indebtedness and is the first step towards creating a comprehensive multi-year Capital Improvement Plan (CIP) for the City.

Funding for certain projects might require the issuance of debt. Borrowing makes it possible for Cities to finance multiple, pressing infrastructure needs simultaneously. And by using debt to pay for long-lasting capital assets, Cities can spread the cost of construction to match the useful life of the asset, benefitting taxpayers by distributing costs over multiple years.

75% of infrastructure needs in our Country are done at the local level and the issuance of debt is the most commonly used instrument to help improve the quality of life and drive economic growth.



INTRODUCTION

Where are we now, and how does one determine an appropriate level of debt? We look for guidance from investors and the rating agencies.

It's important to note that debt only makes up approximately 10% of the City's bond rating. And debt service makes up less than 10% of the City's General Fund Operating Budget.

Also, from a rating agency perspective, the focus is more so on property tax supported debt.

Nonetheless, there are metrics that are published by Standard & Poor's that we can target to use as a guideline for debt issuance...



KEY MARKET METRICS

As Viewed by the Rating Agencies and Institutional Investors

- Net Debt as a % of revenues in the range of 30% to 60%
- Debt service as a % of expenditures in the range of 8% to 15%
- Debt amortized at a rate at which 65% of principal is paid off within 10 years.
- Net Debt (property tax supported debt) as a % of market value below 3%



Debt Comparisons FYE 2019 – NY Cities

Town	Estimated Debt in Millions	Estimated Population	Estimated Debt Per Capita	Full Taxable Valuation Billions	Percentage of Full Taxable Valuation (%)
City of Kingston	\$42,794,267	23,893	1,791	\$1,504,905,000	2.8437%
City of Amsterdam	24,908,005	18,620	1,338	444,866,556	5.5990%
City of Auburn	77,981,664	27,687	2,817	1,052,810,588	7.4070%
City of Beacon	39,535,001	15,541	2,544	1,191,982,606	3.3167%
City of Cortland	28,255,904	19,204	1,471	567,403,905	4.9799%
City of Elmira	33,156,570	29,200	1,135	692,884,368	4.7853%
City of Glen Cove	49,035,387	26,964	1,819	4,257,005,429	1.1519%
City of Ithaca	139,531,583	30,014	4,649	2,035,668,800	6.8543%
City of Jamestown	16,614,537	31,146	533	671,710,481	2.4735%
City of Middletown	93,082,230	28,086	3,314	1,421,859,064	6.5465%
City of Newburgh	57,532,450	28,866	1,993	907,883,380	6.3370%



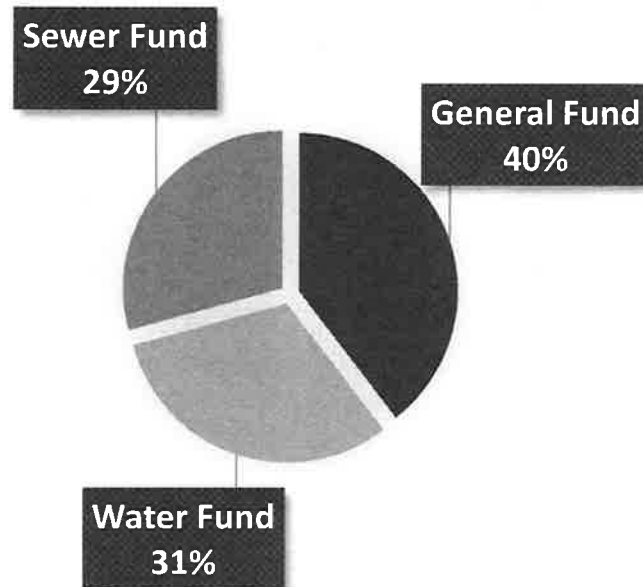
Debt Comparisons FYE 2019 – NY Cities (Cont.)

Town	Estimated Debt in Millions	Estimated Population	Estimated Debt Per Capita	Full Taxable Valuation Billions	Percentage of Full Taxable Valuation (%)
City of Kingston	\$42,794,267	23,893	1,791	\$1,504,905,000	2.8437%
City of Oswego	50,499,953	18,142	2,784	799,758,961	6.3144%
City of Peekskill	52,964,700	23,583	2,246	1,759,217,500	3.0107%
City of Plattsburgh	20,700,000	19,989	1,036	953,142,286	2.1718%
City of Poughkeepsie	56,484,607	32,736	1,725	1,584,656,730	3.5645%
City of Saratoga Springs	68,377,765	26,586	2,572	4,701,684,406	1.4543%
City of Watertown	34,594,632	27,023	1,280	1,133,397,569	3.0523%



All Purposes - % of Principal Outstanding – FYE 2020

- General Fund
- Water Fund
- Sewer Fund

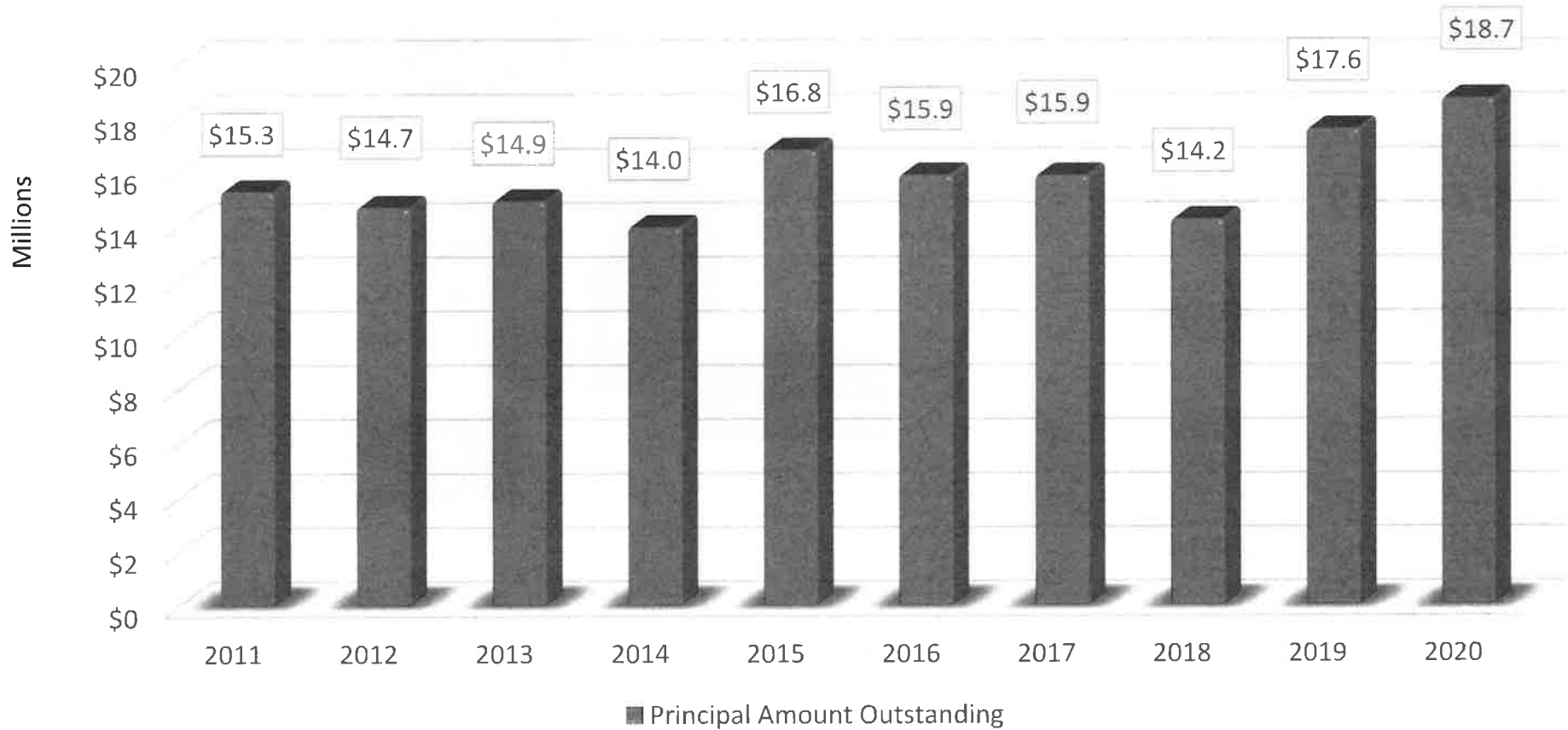


Fund	Principal Outstanding
General	\$18,698,337
Water	\$14,754,869
Sewer	\$13,811,042



Trend of Principal Amount Outstanding – General Fund

General Fund Principal Amount Outstanding



Current Debt Service Requirements – General Fund*

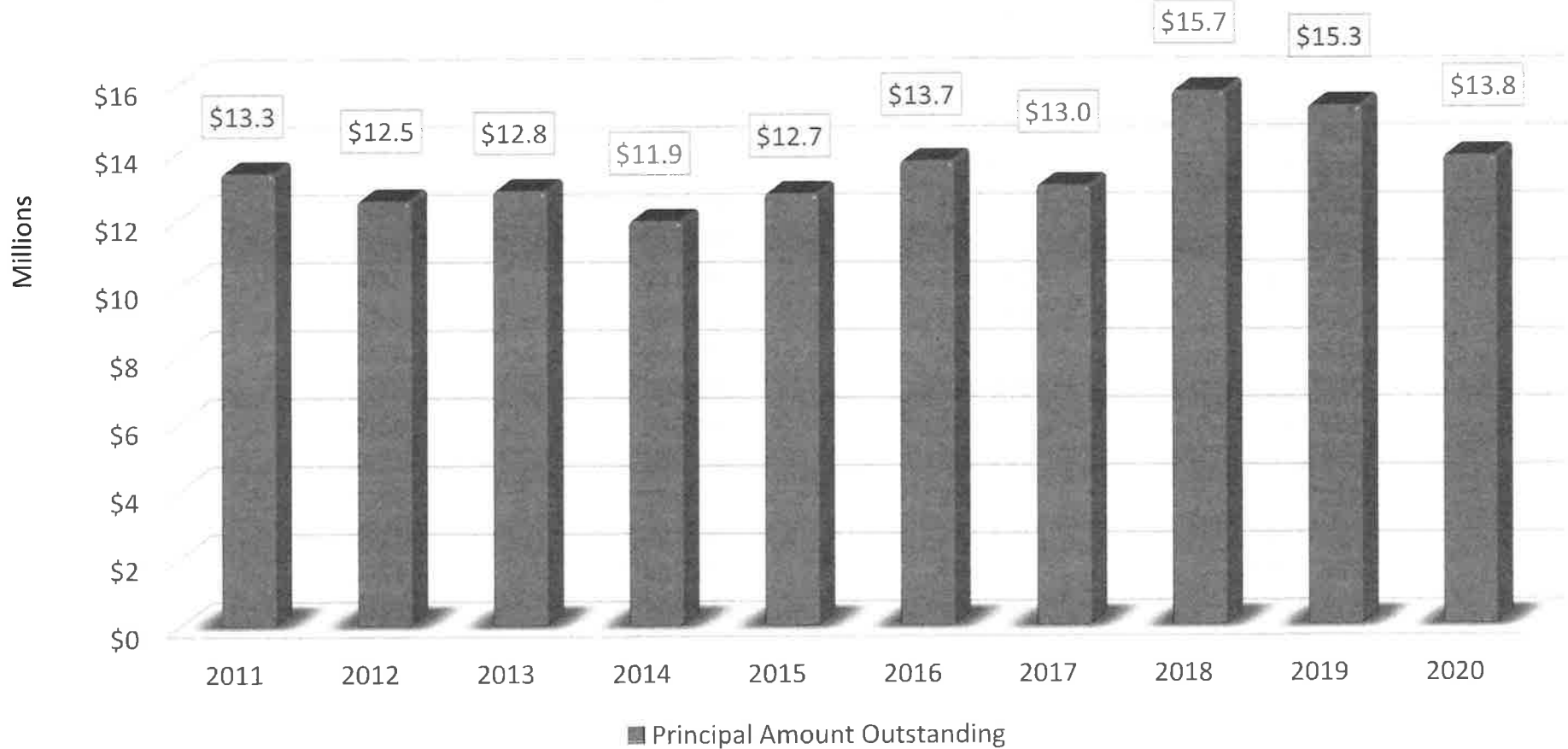
FYE 12/31:	Principal	Interest	Total
2021	\$1,749,643	\$330,803	\$2,080,446
2022	1,784,257	499,495	2,283,752
2023	1,566,229	450,289	2,016,518
2024	1,436,571	404,817	1,841,388
2025	1,253,364	361,217	1,614,581
2026	1,164,273	322,405	1,486,678
2027	1,092,000	286,841	1,378,841
2028	930,000	255,851	1,185,851
2029	903,000	228,266	1,131,266
2030	897,000	201,236	1,098,236
2031	835,000	175,331	1,010,331
2032	811,000	150,558	961,558
2033	797,000	126,186	923,186
2034	761,000	101,398	862,398
2035	714,000	77,633	791,633
2036	482,000	57,888	539,888
2037	482,000	42,965	524,965
2038	423,000	28,746	451,746
2039	235,000	18,510	253,510
2040	191,000	11,460	202,460
2041	191,000	5,730	196,730
Totals	\$18,698,337	\$4,137,627	\$22,835,964

*Assumes outstanding BANs & EFC short-term financing will be converted to bonds in 2021.



Trend of Principal Amount Outstanding – Sewer Fund

Sewer Fund Principal Amount Outstanding



Current Debt Service Requirements – Sewer*

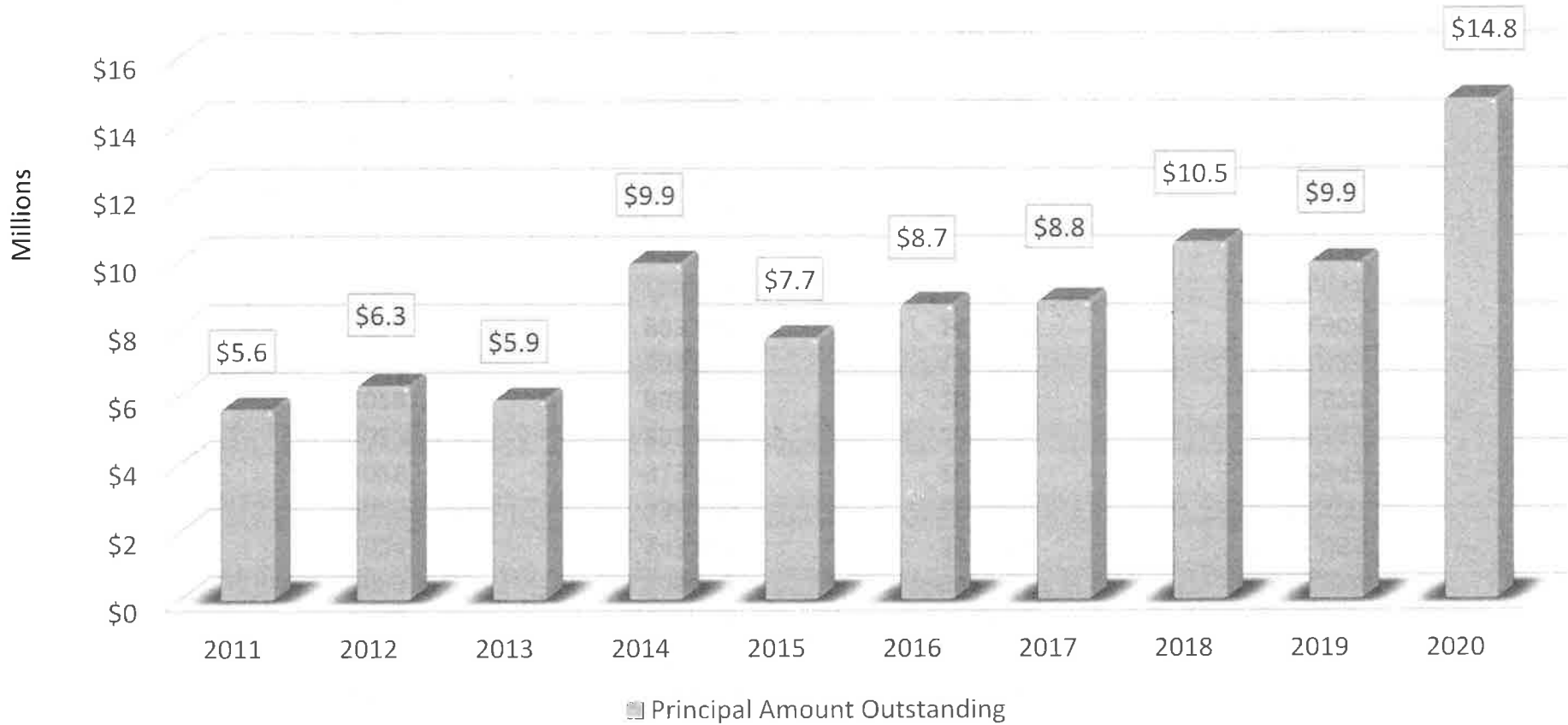
FYE 12/31:	Principal	Interest	Total
2021	\$1,127,595	\$340,592	\$1,468,187
2022	1,156,884	408,401	1,565,285
2023	1,143,771	371,853	1,515,624
2024	1,143,429	337,659	1,481,088
2025	936,636	296,470	1,233,106
2026	919,727	262,916	1,182,643
2027	802,000	232,515	1,034,515
2028	808,000	204,578	1,012,578
2029	809,000	176,323	985,323
2030	803,000	147,908	950,908
2031	789,000	120,059	909,059
2032	480,000	99,256	579,256
2033	473,000	84,785	557,785
2034	427,000	70,243	497,243
2035	441,000	56,591	497,591
2036	350,000	44,258	394,258
2037	350,000	33,411	383,411
2038	344,000	22,418	366,418
2039	169,000	14,310	183,310
2040	169,000	9,240	178,240
2041	169,000	4,170	173,170
Totals	\$13,811,042	\$3,337,955	\$17,148,997

*Assumes outstanding BANs & EFC short-term financing will be converted to bonds in 2021.



Trend of Principal Amount Outstanding – Water Fund

Water Fund Principal Amount Outstanding



Current Debt Service Requirements – Water*

FYE 12/31:	Principal	Interest	Total
2021	\$696,788	\$214,170	\$910,958
2022	814,774	367,734	1,182,508
2023	821,234	343,709	1,164,943
2024	845,088	318,684	1,163,772
2025	863,927	291,975	1,155,902
2026	688,796	268,856	957,652
2027	704,650	249,709	954,359
2028	725,503	229,740	955,243
2029	746,357	209,496	955,853
2030	727,211	189,482	916,693
2031	739,065	169,359	908,424
2032	763,919	148,428	912,347
2033	545,773	130,470	676,243
2034	560,627	115,956	676,583
2035	577,481	100,944	678,425
2036	555,335	85,986	641,321
2037	571,188	71,233	642,421
2038	582,042	55,911	637,953
2039	524,896	41,453	566,349
2040	535,750	27,756	563,506
2041-2050	1,164,465	13,800	1,178,265
Totals	\$14,754,869	\$3,644,852	\$18,399,721

*Assumes outstanding BANs & EFC short-term financing will be converted to bonds in 2021.



KEY MARKET METRICS

As Determined by the Rating Agencies and Institutional Investors

- Net Debt as a % of budgeted revenues should be in the range of 30% to 60%.
 - 2021 General Fund Budget - \$43.1 million
 - 2021 Outstanding General Fund Debt - \$18.7 million
 - General Fund Debt as a % of Revenues = 43.4%



KEY MARKET METRICS

As Determined by the Rating Agencies and Institutional Investors

- Debt service as a % of expenditures should be in the range of 8% to 15%
 - 2021 General Fund Budget - \$43.1 million
 - 2021 General Fund Debt Service - \$2.1 million
 - General Fund Debt Service as a % of Expenditures = 4.9%



KEY MARKET METRICS

- Net Debt amortized at a rate at which 65% of principal is paid off within 10 years.
- Net Debt excludes debt issued for water and most sewer purposes as it is often supported by other revenues other than property taxes.
 - General – 68.3% amortization rate
 - Sewer – 69.9% amortization rate
 - Water – 51.74% amortization rate
- It should be noted that water and sewer projects generally carry a useful life of 30 or more years and are often subsidized through the NYS Environmental Facilities Corporation.



EXECUTIVE SUMMARY

The City has come a long way since the days of issuing Revenue Anticipation Notes for cash flow purposes and amortizing the retirement contributions! The preceding slides represent third party metrics, and by such criteria, **the City's current debt profile is considered "strong"**. It has also been demonstrated that the City's debt profile compares favorably in relation to its peers.

There has been a consistent, steady investment in equipment, building improvements, roads, public safety, health, water and sewer upgrades. That approach has not changed over the last decade. **The City has also been able to maintain a level debt profile in spite of significant increases in the costs of doing business.** This has been achieved in most years by issuing debt for approximately the same amount or less of principal paid in any given year.



GOING FORWARD

The Common Council should consider adopting a multi-year Capital Improvement Plan in conjunction with the adoption of the Operating Budget. The Plan should take into account all projects that can reasonably be expected to be achieved in the ensuing years, the amounts, and the source of funds. **It is not a commitment to fund requested projects, but rather a schedule of necessary and/or desired public improvements.**



GOING FORWARD

Ultimately, such decision is up to the Common Council in establishing priorities for capital project selection to ensure these projects are necessary to meet the long-term goals and objectives of the City: to offer its residents and businesses the most desirable community facilities and reliable infrastructure to maintain their quality of life.



