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Attachment D

City of Tucson Funding Options

**Mayor and Council
Study Session
January 5, 2016**



Agenda

- Unmet Needs
 - Operational vs. Capital
- Debt Overview
 - Debt Capacity
 - Debt Service Schedules
 - FY 2016 Proposed Financings
- Funding Options



General Fund Operational Projection

Changes year to year (Expenditures exceed Revenues)

	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
Revenues					
City Sales Tax		\$ 3,900,000	\$ 3,975,000	\$ 4,050,000	\$ 4,140,000
State Shared Sales Tax		\$ 2,400,000	\$ 2,500,000	\$ 2,700,000	\$ 2,800,000
State Shared Income Tax		\$ 2,500,000	\$ 2,600,000	\$ 2,000,000	\$ 1,000,000
Auto Lieu (VLT)		\$ 1,100,000	\$ 1,300,000	\$ 1,400,000	\$ 1,500,000
Fines/Forfeitures		\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Sale of Prop		\$ 2,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Other		\$ 1,100,000	\$ 600,000	\$ 500,000	\$ 500,000
Subtotal Revenues		\$ 13,000,000	\$ 13,975,000	\$ 12,650,000	\$ 11,940,000
Expenditures					
PSPRS		\$ 25,000,000	\$ 12,000,000	\$ 7,000,000	\$ 2,000,000
TSRS		\$ -	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Fully Budget All Positions		\$ 6,184,000	\$ -	\$ -	\$ -
Health Insurance		\$ 6,000,000	\$ 2,160,000	\$ 2,322,000	\$ 2,500,000
Fuel		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Transit		\$ 1,670,000	\$ 1,010,000	\$ 5,450,000	\$ -
COPS Hiring		\$ 870,000	\$ -	\$ -	\$ -
SAFER Grant		\$ (1,783,000)	\$ 1,783,000	\$ -	\$ -
Election		\$ 1,200,000	\$ 1,200,000	\$ -	\$ 1,200,000
Debt Service		\$ 1,552,000	\$ 80,000	\$ 277,000	\$ (1,337,000)
Other		\$ 871,000	\$ -	\$ -	\$ -
Capital Investment		\$ -	\$ -	\$ 7,000,000	\$ 8,000,000
Subtotal Expenditures		\$ 42,564,000	\$ 21,233,000	\$ 24,049,000	\$ 14,363,000
Total change per year		\$ (29,564,000)	\$ (7,258,000)	\$ (11,399,000)	\$ (2,423,000)
Cumulative per year	\$ (12,700,000)	\$ (42,264,000)	\$ (49,522,000)	\$ (60,921,000)	\$ (63,344,000)



Unmet Needs

- Roads
- Vehicles Replacement
- Facilities Maintenance & Repair
- Equipment
- Lighting
- Technology



Debt Overview

- Purpose
- Types of City Debt
- Current Bonding Capacity
- Total Outstanding Indebtedness
- Debt Service Budget



Purpose

- Why Issue Debt?
 - Generational equity
 - Current and future tax/rate payers contribute equally
 - Inflationary cost avoidance
 - Historically high in construction projects
 - Improves cash flow
 - Preserve cash for other uses
 - Borrow to build
 - Accelerates project timeline
 - Borrowing costs
 - Low rate environment favors debt issuance



City Debt Types

- Three Major Types of Debt Issuances
 - General Obligation (GO) Debt
 - Revenue Pledged Debt (Water, HURF)
 - Certificates of Participation (COPs, CREBs)



City Debt Types

General Obligation (GO) Debt

- Voter approved
- State limitation
 - Limited to % of Secondary Assessed Valuation
 - Current GO debt capacity totals \$599 million
- City Charter limitations
 - Limited to combined tax rate \leq \$1.75 per \$100 of AV
 - Current primary & secondary tax rate is \$1.596/\$100 of AV
 - Current GO debt capacity totals \$75 - \$100 million
- Debt service paid by secondary property tax
- Typically highest rated debt = lowest interest rates



City Debt Types

- Revenue Pledged Debt (Water, HURF)
 - Voter approval may be required in certain issuances
 - Specific revenue stream pledged for debt service
 - Reserve fund and coverage covenant typically required
- Certificates of Participation (COPs, CREBs)
 - Voter approval not required
 - Debt service pledged from assets of the General Fund
 - Annual appropriation feature
 - No State mandated limitation
 - Limitation of issued debt based on affordability
 - M&C cap of 10% of General Fund revenues
 - Most expensive



General Obligation Bonding Capacity

2015/16 Net Assessed Limited Property Valuation \$3,123,678,733

6% Bonding Capacity
General Municipal Purpose Bonds

2015/16 - 6% General Obligation Bonding Limitation	\$187,420,723
Less: 6% G.O. Bonds Outstanding	0
Unused 6% Bonding Capacity	<u>\$187,420,723</u>

20% Bonding Capacity
**Water, Sewer, Light, Parks, Open Space
Public Safety, Transportation and Recreational Facility Bonds**

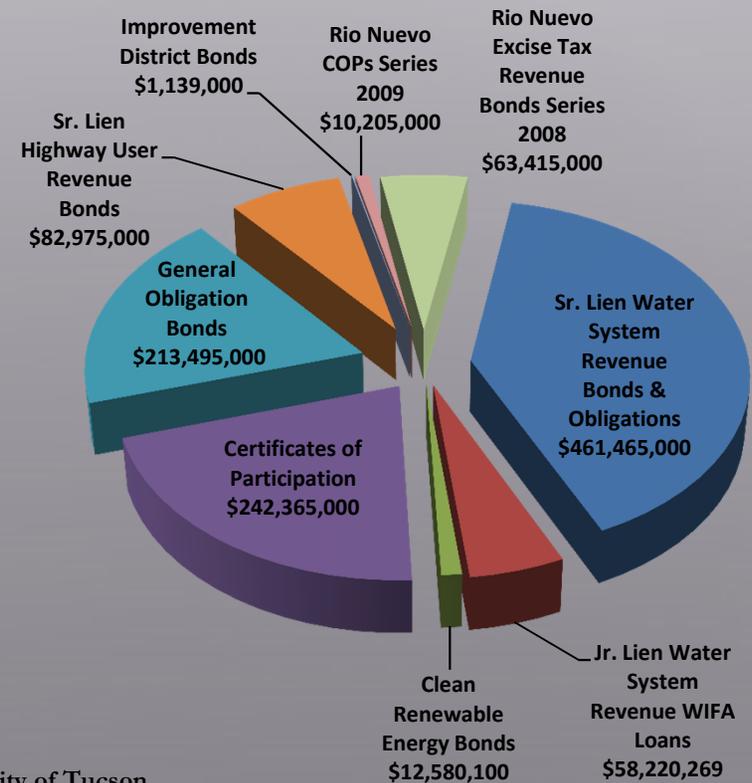
2015/16 - 20% General Obligation Bonding Limitation	\$624,735,746
Less: 20% G.O. Bonds Outstanding	(213,495,000)
Unused 20% Bonding Capacity	<u>\$411,240,746</u>



Outstanding Indebtedness

As of 7/1/2015

Issue Type	Principal Outstanding	% Total
Sr. Lien Water System Revenue Bonds & Obligations	\$461,465,000	40.27%
Jr. Lien Water System Revenue WIFA Loans	58,220,269	5.08%
Clean Renewable Energy Bonds	12,580,100	1.10%
Certificates of Participation	242,365,000	21.15%
General Obligation Bonds	213,495,000	18.63%
Sr. Lien Highway User Revenue Bonds	82,975,000	7.24%
Improvement District Bonds	1,139,000	0.10%
Rio Nuevo COPs, Series 2009	10,205,000	0.89%
Rio Nuevo Excise Tax Revenue Bonds, Series 2008*	63,415,000	5.53%
Total	\$1,145,859,369	100.00%

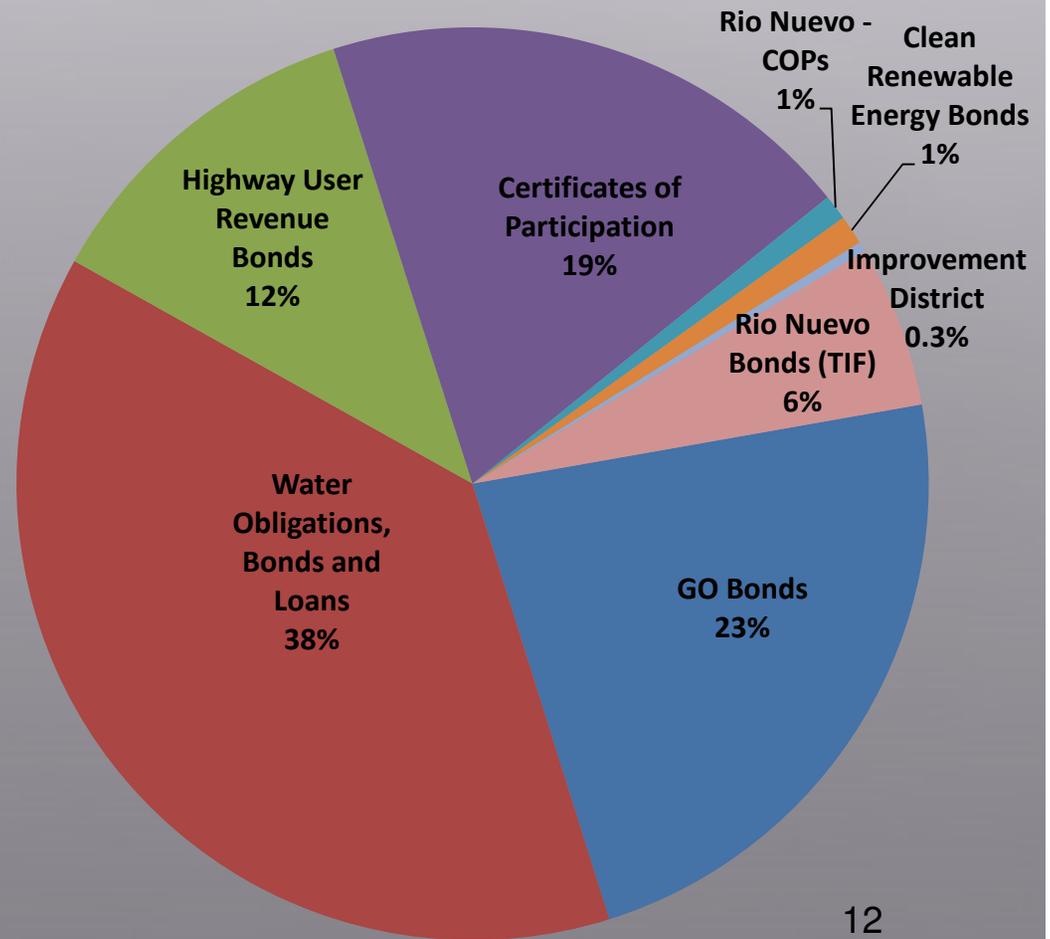


* The Rio Nuevo Excise Tax Revenue Bonds, Series 2008 are not a direct debt obligation of the City of Tucson. The City has committed to consider an annual appropriation only in the event that TIF revenue is insufficient to make annual debt service payments.



Fiscal Year 2016 Debt Service

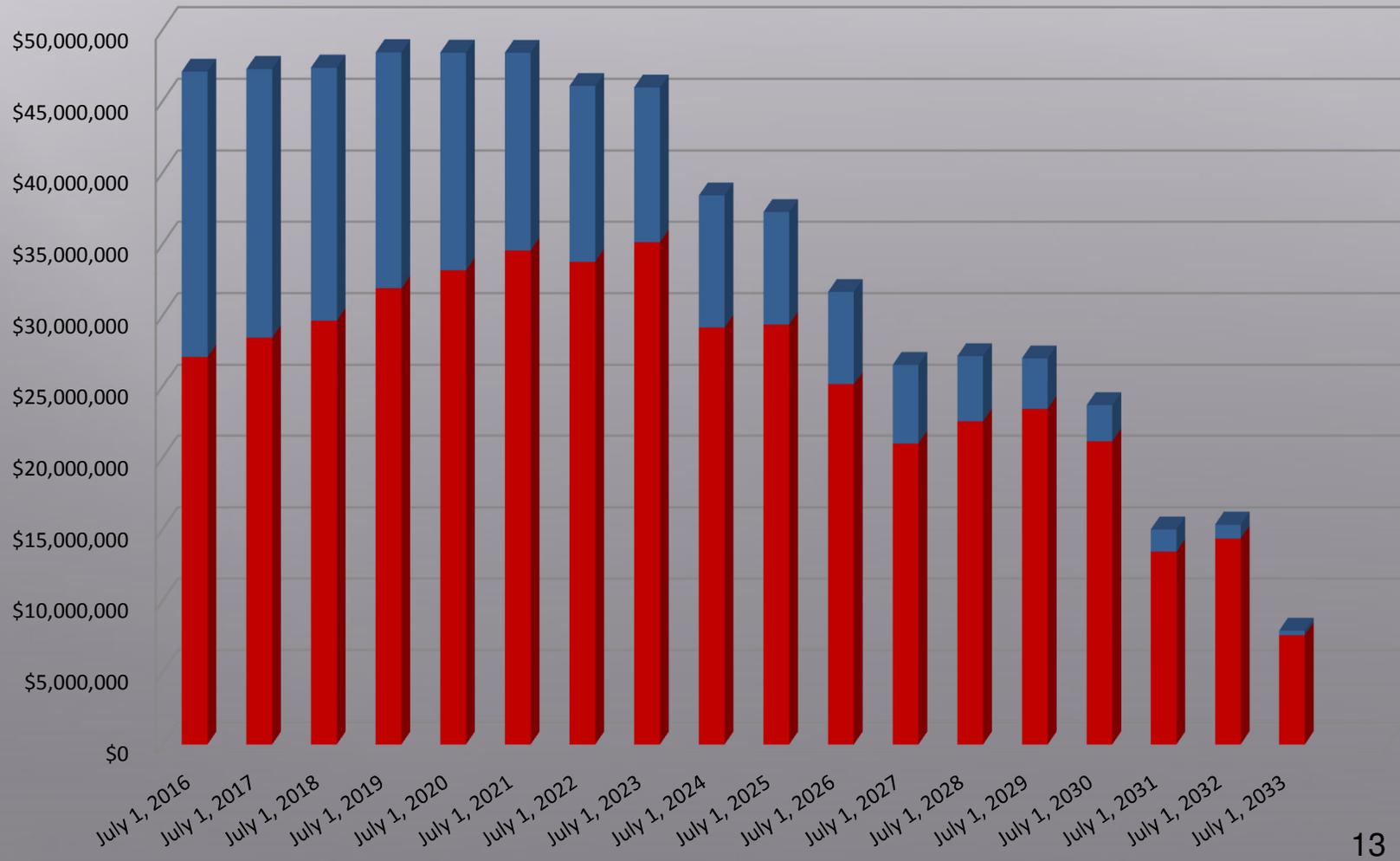
Issue Type	FY 2016 Debt Service	% Total
GO Bonds	\$32,671,481	23%
Water Obligations, Bonds and Loans	54,075,525	38%
Highway User Revenue Bonds	17,040,618	12%
Certificates of Participation	27,257,955	19%
Rio Nuevo - COPs	1,283,725	1%
Clean Renewable Energy Bonds	1,482,958	1%
Improvement District	494,072	0.3%
Rio Nuevo Bonds (TIF)	8,165,969	6%
Total	\$142,472,303	100%





Water System Revenue Bonds Annual Debt Service Requirements

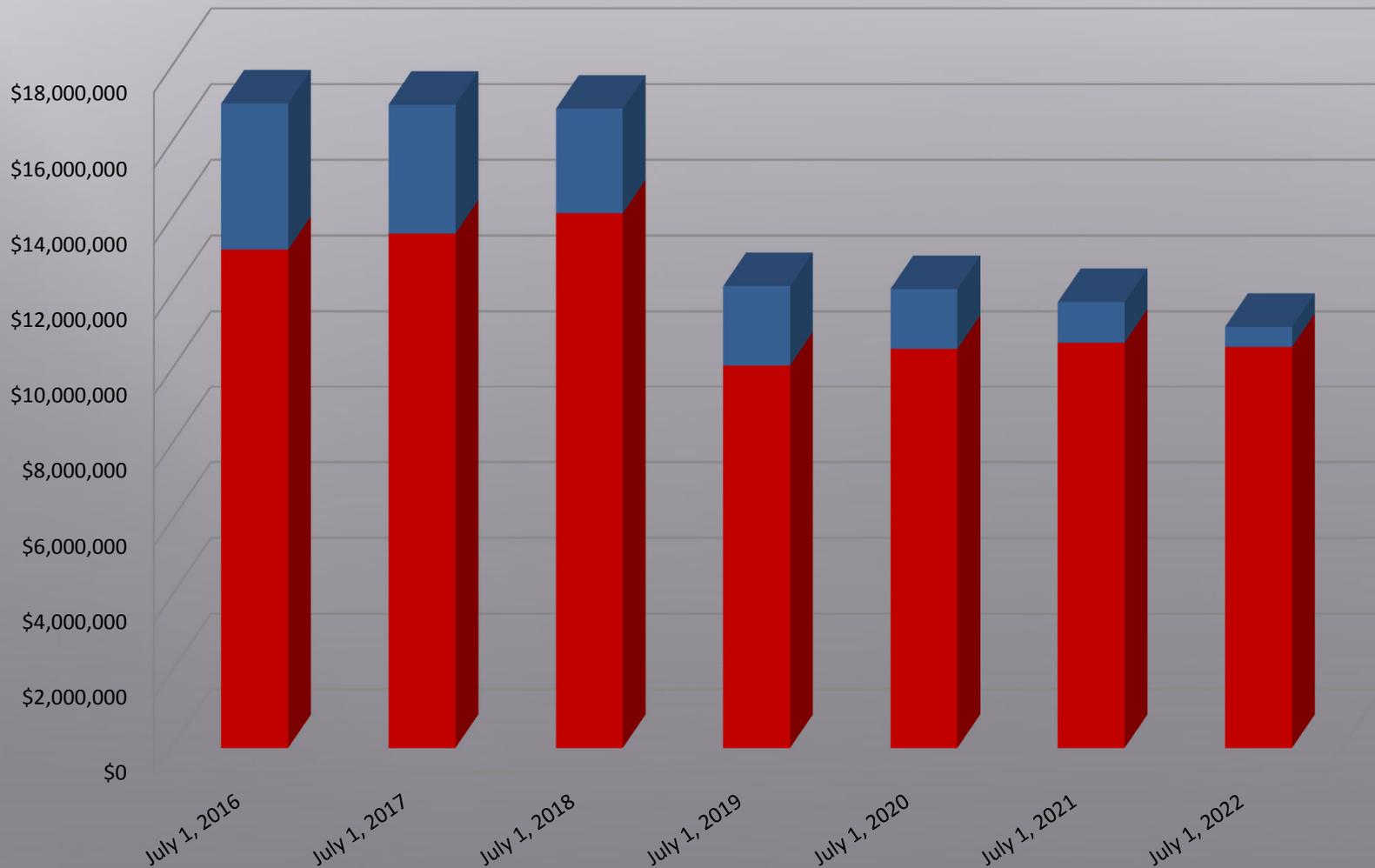
Principal Interest





Street & Highway User Revenue Bonds Annual Debt Service Requirements

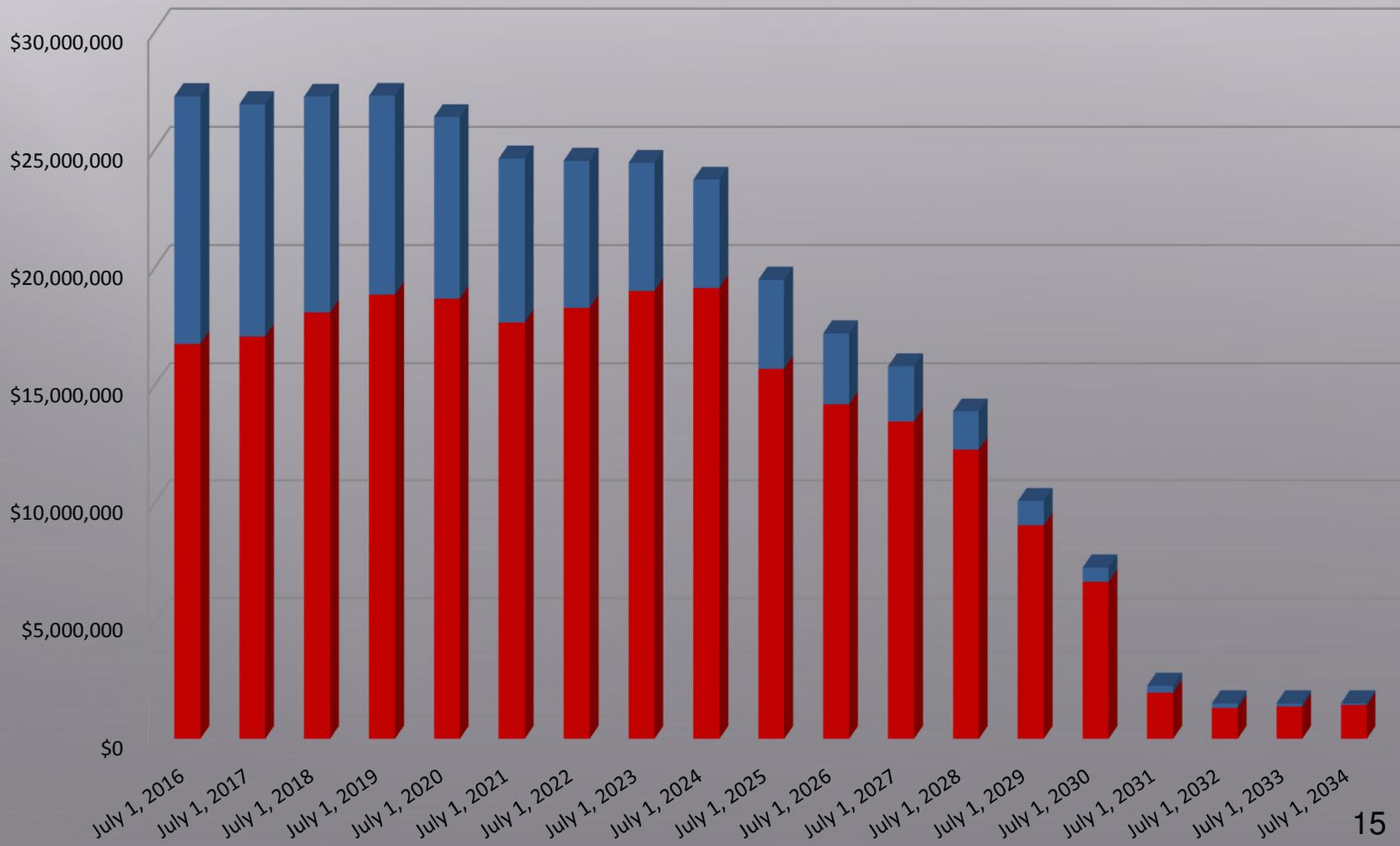
■ Principal ■ Interest





Certificates of Participation Annual Debt Service Requirements

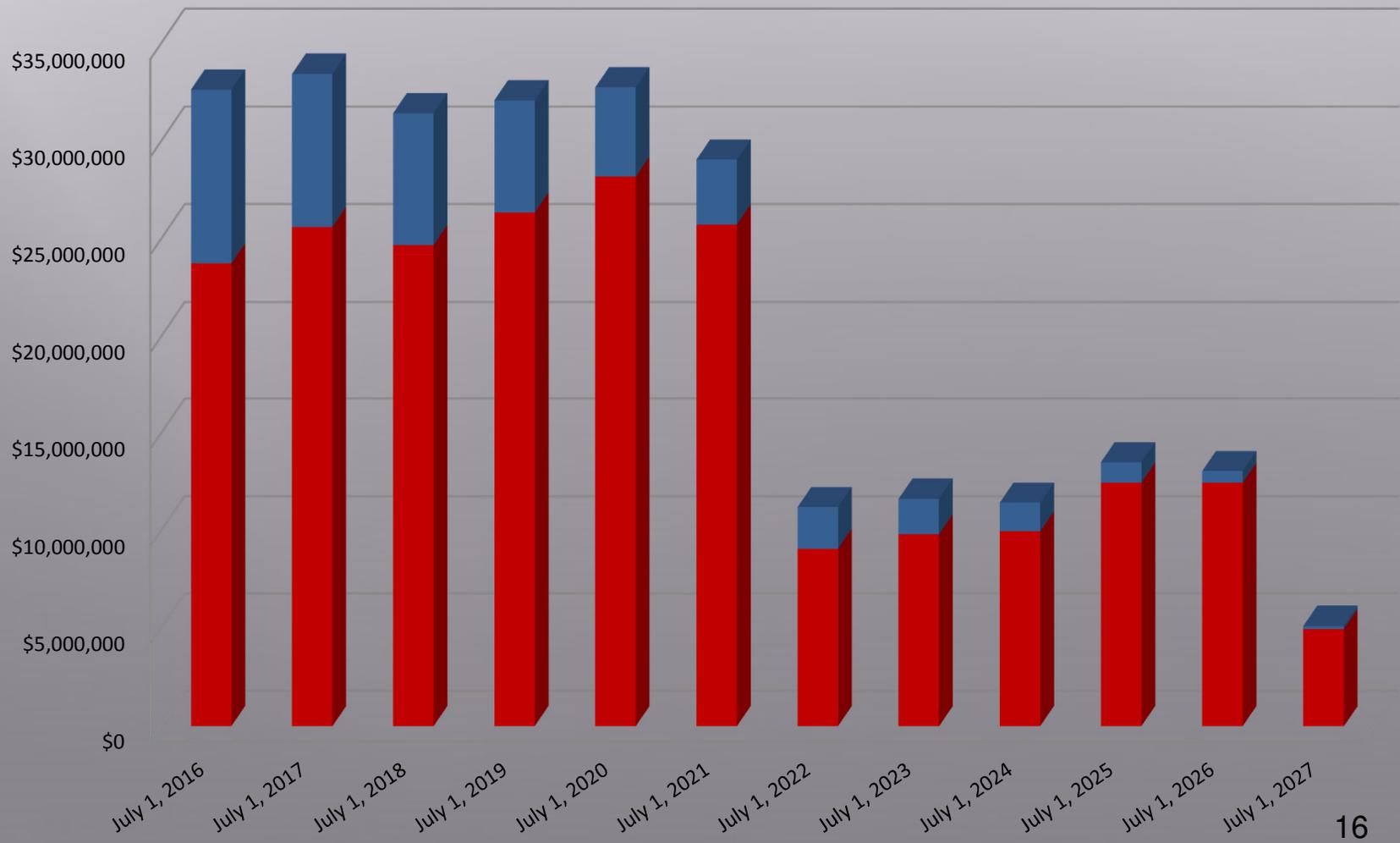
■ Principal ■ Interest





General Obligation Bonds Annual Debt Service Requirements

Principal Interest





Proposed FY 2016 Financings

- Water Refunding Bonds (Feb/March)
 - Refunding select maturities – interest savings
 - Estimated present value savings of \$6-7M as a result of refunding
- Water Obligations
 - New money issuance – Per 5 Year CIP
- General Obligation Bonds
 - 4th \$20M issuance of Proposition 409



Funding Options



Funding Options

- Grants
- Debt Financing
 - General Obligation Bonds
 - Revenue Bonds
 - Certificates of Participation
 - Improvement Districts/Special Assessment
 - Community Facilities Districts
- Impact Fees
- RTA reauthorization



Funding Options

Opportunities Requiring a Code Change by Mayor and Council		
Revenue Option	Potential Action	Potential Financial Impact
Public Utility Tax	4% to 4.5%	\$1.7 M
Telecom, right-of-way	50% increase	\$1.6 M
Zoo Entrance Fee	Increase by \$3	\$1 M
Bed Tax	Increase by \$1	\$1 M
Advertising Tax	Set at 2%	\$1 M
Business License Fee	Increase by \$5	\$200,000
Increase existing fees	Parks and Recreation Planning & Development Fire Courts Parking Police	TBD
Establish a Storm Water Fee	\$0.10 per month per Water Acct	\$270,000
Bus Fares	Increase \$0.25	\$2.5 M
Graffiti Cleanup	Move to Environmental Services	\$1.7 M
Code Enforcement	Move to Environmental Services	\$2.3 M



Funding Options

Opportunities Requiring Charter Change or Voter Approval		
Revenue Option	Potential Action	Potential Financial Impact
Food Tax	Set at 0.5%	\$10 M
Construction Tax	Set at 4%	TBD
Restaurant	Increase by 0.5%	\$1.4 M
Sales Tax	2% to 2.5%	\$48-50 M
Rental Tax	Increase 0.5%	\$3 M



Funding Options

Charter Amendments

- Sales Tax
- 1/2¢ ~ \$50M/yr for 5 years
- 3-1/5¢ ~ \$20M/yr for 5 years
 - \$20M – transit
 - \$20M – capital replacement programs
 - \$5M Vehicles
 - \$5M Equipment
 - \$5M Facilities
 - \$5M Parks
 - \$20M – roads
 - Maintenance vs. capacity
- Property tax
 - Additional \$70 - \$100M in capacity (e.g. roads)



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Next Steps

Polling/Community Conversation