



TO: Mayor and Council Members
FROM: Greg Canally, Deputy Chief Financial Officer
DATE: June 22, 2016
SUBJECT: Update on Debt Capacity Analysis

gdc

As a follow-up to this week's worksession discussion regarding a mobility bond election, I wanted to provide an update to the debt capacity analysis that was presented to City Council on June 1st.

As we discussed at that briefing, assuming the debt service portion of the tax rate remains constant beginning in FY17, the City could issue \$500 million in new bonds over the next eight years. On Tuesday, Council discussed allocating this \$500 million in the following manner: \$250 million to be used in a potential 2016 mobility bond election, and \$250 million to be preserved for a potential 2018 comprehensive bond election. With this new allocation, below is an update to the 2016 debt capacity scenarios:

Debt Service Tax Rate Impact	2016 Election: New Capacity
Constant	\$250 million
¼ -cent	\$300 million
1 ¼ - cents	\$500 million
2 ¼ -cents	\$720 million

Again, the above scenarios would preserve \$250 million for a potential 2018 comprehensive bond election, with no tax rate increase.

In terms of the tax bill, if, for example, a 2 ¼ cent tax increase occurred all in the current year for a \$250,000 house, the impact would be \$56 per year, or \$4.67 per month. Attached are the pertinent updated slides from the June 1st presentation.

Finally, as City Council considers a bond package, as general rule of thumb, each \$10 million change in the bond package has about a 1/20th of a cent impact on the tax rate, which equates to approximately \$1.25 per year, or \$0.10 per month, on the typical \$250,000 household.

xc: Marc A. Ott, City Manager
Robert Goode, Assistant City Manager
Elaine Hart, Chief Financial Officer
Ed Van Eenoo, Deputy Chief Financial Officer
Art Alfaro, Treasurer
Mike Trimble, Capital Planning Officer
Georgia Sanchez, Assistant Treasurer

DEBT CAPACITY: *SCENARIOS*

Debt Service Tax Rate Impact	2016 Election: New Capacity
Constant	\$250 million
1/4 -cent	\$300 million
1 1/4 - cents	\$500 million
2 1/4 -cents	\$720 million

- Preserves \$250 million for a 2018 bond election at the constant debt-service tax rate
 - Additional tax rate increases would be needed for a 2018 bond election larger than \$250 million
- Debt sold over 8 years
- Tax rate increases spread out multiple years beginning in FY18:
 - 2016 Election
 - 1 1/4 - cents fully implemented by FY19
 - 2 1/4 - cents fully implemented by FY21

DEBT CAPACITY: *TAX BILL IMPACT*

- If a 2 ¼ -cent increase all occurred in current year for a \$250,000 house, current year impact is \$56/yr or \$4.67 / month
- Actual tax rate increases would occur over multiple years, as value of that \$250,000 increases over those years:

Tax Rate Scenario	FY21 Tax Bill vs Current Tax Bill <i>Annual Increase</i>	FY21 Tax Bill vs Current Tax Bill <i>Monthly Increase</i>
Constant	\$40	\$3.33
¼ -cent	\$48	\$4.00
1 ¼ - cents	\$78	\$6.50
2 ¼ - cents	\$108	\$9.00

- *Debt service portion of current FY 16 property tax bill for a \$250,000 home is \$265*