
DEBT MANAGEMENT

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DEBT SERVICE FUND

PROGRAM DESCRIPTIONS

Debt service expenditures include the City's general governmental debt obligations, certificates of participation (COPS), limited obligation bonds (LOBs), general governmental leasing debt payments, and the administrative expenses associated with bond ratings and issuances.

Debt service resources include property tax revenues (7.30 cents on the property tax rate), investment income on unrestricted governmental monies, 80% of the Article 40 one-half cent sales tax distribution, and one-third of the City's municipal ABC revenue collection.

OBJECTIVES AND ACHIEVEMENTS

General Obligation Debt per Capita: A municipality's general obligation debt, when expressed as an amount per capita, is used to measure the reasonableness of its debt. Generally, per capita debt of around \$600 is considered low; \$1,300 is considered high. Winston-Salem's June 30, 2017 net bonded debt per capita was \$535.

Debt Service as Percent of Expenditures: If annual debt service expenditures get too high, the City's expenditure flexibility is reduced. Debt service is a fixed cost, and its increase can indicate excessive debt and produce fiscal strain. The FY 2016-17 annual financial report shows Winston-Salem at 17.1%.

Legal Debt Margin: The City has a legal general obligation debt limitation not to exceed 8% of the total assessed valuation of the taxable property within the city's boundaries. This means that the total amount of bonds, notes, warrants, or any other type of general obligation debt issued or outstanding will not be greater than 8%. The FY 2016-17 annual financial report notes the City's net outstanding general obligation debt is \$128.8 million, which is 0.62% of the City's total assessed valuation of taxable property. This leaves a legal debt margin of approximately \$1.56 billion.

Credit Rating: The City's credit rating is an overall indicator of financial condition, quality of financial management, and local economic factors. Winston-Salem is rated AAA by Fitch, Moody's Investors Service, and Standard and Poor's Corporation.

EXPENDITURES AND REVENUES SUMMARY

EXPENDITURES BY TYPE	Actual FY 16-17	Budget FY 17-18	Adopted FY 18-19	Percent Change
Principal Retirement	\$15,717,221	\$14,690,790	\$18,284,770	24.5%
Interest Payments	10,725,116	11,783,940	12,119,010	2.8%
Fiscal Charges	160,613	246,970	246,970	0%
Administrative Expenses	27,165	55,780	51,810	-7.1%
Property Tax Collection Fee	108,989	99,350	101,750	2.4%
Total Expenditures by Type	\$26,739,104	\$26,876,830	\$30,804,310	14.6%

DEBT SERVICE FUND

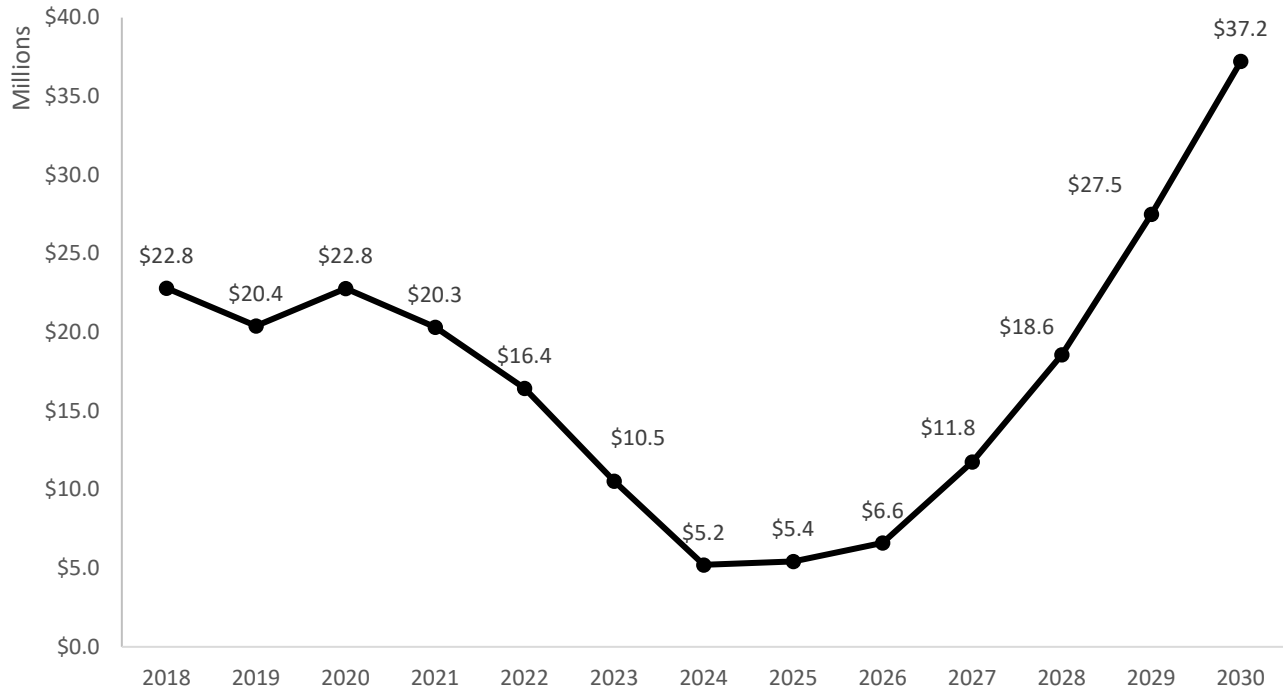
RESOURCES BY TYPE	Actual FY 16-17	Budget FY 17-18	Adopted FY 18-19	Percent Change
Property Taxes	\$15,068,346	\$15,192,030	\$15,294,630	0.7%
Sales Taxes	6,001,869	6,457,200	6,752,410	4.6%
ABC Allocation	762,122	746,530	849,920	13.8%
Interest Income	543,978	200,000	500,000	150.0%
Interest Subsidy on Recovery Zone Bonds	257,022	245,340	232,260	-5.3%
Forsyth County	233,090	234,430	231,310	-1.3%
Other Revenues	2,742,936	600,000	2,663,430	343.9%
Transfers from General Fund				
Debt Service on Dell Project	400,000	400,000	400,000	0%
Lease Payment for Convention Center Capital	200,000	200,000	200,000	0%
City's Share of Debt Service on Wake Forest Innovation Quarter Infrastructure	184,660	184,800	185,120	0.2%
Debt Service on Bryce A. Stuart Municipal Building	1,218,470	1,201,370	1,164,400	-3.1%
Fund Balance Appropriation	0	1,215,130	2,330,830	91.8%
Total Resources by Type	\$27,612,493	\$26,876,830	\$30,804,310	14.6%
Addition to Fund Balance	\$873,389	\$0	\$0	N/A

BUDGET HIGHLIGHTS

- Debt service fund expenditures increased \$3.9 million, or 14.6%, mainly attributable to debt payments for the 2013A Taxable Limited Obligations Bonds (LOBS), which were moved from the Winston-Salem Police Officers' Retirement System (WSPORS) to the Debt Service Fund.
- Projected sales tax revenues in the debt service fund increased \$295,210, or 4.6%, due to current and anticipated growth in retail sales. The debt service fund's share of the Alcoholic Beverage Control (ABC) allocation is increased \$103,390, or 13.8%, mainly attributable to higher than budgeted current year collections. Other revenues are increased by \$2,063,430, due to the reclassification of Limited Obligation Bonds (LOBS) 2013A from the WSPORS Fund to the Debt Service Fund. The revenue covers the payments for these bonds.
- The following graph provides a multi-year outlook for the debt service fund that includes recently approved debt issuances and projected future debt issuances. The projection below assumes the issuance of the \$25.5 M balance of the 2014 general obligation bond referendum and the issue of the \$122 M 2018 bond referendum in FY 2019-20 and FY 2021-22, if approved.

DEBT SERVICE FUND

Projected Debt Service Fund Balance



- Listed below are the outstanding general obligation bonds and outstanding principal and interest requirements, as of June 30, 2018.

PROJECTED OUTSTANDING GENERAL OBLIGATION BONDS AS OF JUNE 30, 2018

<u>Purpose of Bond Issue</u>	<u>Year of Issue</u>	<u>Original Issue Amount</u>	<u>Principal Balance</u>
Recreation, safety and streets	2008	\$5,105,000	\$3,305,000
Refunding	2009	8,435,000	1,630,000
Recreation, safety and streets	2010	4,785,000	3,350,000
Refunding	2010	24,750,000	13,505,000
Development, streets, and housing	2010	8,700,000	7,350,000
Recreation, safety and streets	2012	2,955,000	2,055,000
Refunding	2012	14,255,000	10,020,000
Recreation, safety and streets	2014	3,945,000	3,145,000
Equipment, recreation and streets	2016	3,810,000	3,545,000
Development, recreation, safety, and streets	2016	47,820,000	47,820,000
Housing	2016	6,845,000	3,310,000
Refunding	2016	12,655,000	11,700,000
Recreation, safety and streets	2017	4,775,000	4,775,000
Recreation, safety, streets, and housing	2017	54,690,000	54,690,000
Development	2017	4,340,000	4,340,000
Total		\$207,865,000	\$174,540,000

DEBT SERVICE FUND

BUDGET HIGHLIGHTS - Continued

PROJECTED GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS TO MATURITY AS OF JUNE 30, 2018

<u>Year</u>	<u>General Purpose</u>
2019	\$ 17,035,991
2020	17,438,952
2021	17,043,641
2022	16,503,792
2023	16,520,402
2024-2028	68,602,426
2029-2033	49,731,043
2034-2036	22,474,450
Total	\$225,350,697

LEASING FUND

PROGRAM DESCRIPTION

Accumulates annual payments from City departments to make lease payments to the North Carolina Municipal Leasing Corporation (NCMLC).

Assists the City in acquiring real and personal property through the issuance of limited obligation bonds (LOBs) to fund the purchases. The corporation leases the property to the City, which provides lease payments that cover the interest and principal on the LOBs as follows: governmental funds make equal annual payments over a five-year period and proprietary funds make the same scheduled payments with the addition of an annual interest payment at a rate of 5.5%.

Goals of the City's leasing program are as follows: (1) reduce acquisition costs of real and personal property for the City by providing a low cost leasing program through the periodic issuance of LOBs, (2) increase productivity by making the purchase and budget decision concentrate on 'what is needed to do work?' rather than 'how much equipment can the City afford?', and (3) improve replacement policies and reduce on-going maintenance costs by making optimum replacement affordable.

EXPENDITURES AND REVENUES SUMMARY

EXPENDITURES BY TYPE	Actual FY 16-17	Budget FY 17-18	Adopted FY 18-19	Percent Change
Principal Retirement	\$15,290,000	\$9,620,000	\$12,755,000	32.6%
Interest Payments	1,138,219	675,360	925,010	37.0%
Fiscal Charges	124,829	0	0	N/A
Total Expenditures by Type	\$16,553,048	\$10,295,360	\$13,680,010	32.9%
RESOURCES BY TYPE				
Lease Payments – City	\$9,116,337	\$11,532,770	\$12,636,540	9.6%
Lease Payments – Outside Agencies	413,418	412,890	417,120	1.0%
Investment Income	127,952	0	0	N/A
Transfer from General Fund	52,535	52,540	70,190	33.6%
Fund Balance Appropriation	6,842,806	0	556,160	N/A
Total Resources by Type	\$16,553,048	\$11,998,200	\$13,680,010	14.0%
Addition to Fund Balance	\$0	\$1,702,840	\$0	-100.0%

BUDGET HIGHLIGHTS

- The adopted FY 2018-19 budget includes payments of \$13.68 million to retire previously authorized LOBs. The adopted budget includes a \$556,160 appropriation of fund balance.
- The adopted budget includes a transfer from the general fund to cover the lease payment on the former AC Delco building, which has been renovated into the Downtown Arts Center (\$70,190). FY 2018-19 is the final year for transfers from the general fund for the Downtown Arts Center.

LEASING EQUIPMENT ACQUISITION FUND

PROGRAM DESCRIPTIONS

Accounts for the total cost of capital equipment, including computer hardware, for governmental funds that is financed through the North Carolina Municipal Leasing Corporation. City departments make annual lease payments of one-fifth of the purchase price to pay off the debt. With the exception of computers, the City lease-purchases equipment that costs \$10,000 or more.

EXPENDITURES AND REVENUES SUMMARY

EXPENDITURES BY TYPE	Actual	Budget	Adopted	Percent
Capital Outlay	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FY 18-19</u>	<u>Change</u>
Rolling Stock	\$10,580,837	\$3,999,840	\$3,200,000	-20.0%
Computer Equipment	308,271	75,000	0	-100.0%
General Equipment	1,083,762	265,000	0	-100.0%
Other	1,761,628	408,050	695,090	70.3%
Total Expenditures by Type	\$13,734,498	\$4,747,890	\$3,895,090	-18.0%
RESOURCES BY TYPE				
North Carolina Municipal Leasing Corporation	\$13,734,498	\$4,747,890	\$3,895,090	-18.0%
Total Resources by Type	\$13,734,498	\$4,747,890	\$3,895,090	-18.0%

BUDGET HIGHLIGHTS

- The adopted budget for the leasing equipment acquisition fund is decreased \$852,800, or 18.0%. Vehicle and equipment replacements include fire trucks, police cars, sanitation trucks, and other equipment and rolling stock.
- The complete list of capital outlay to be financed through the North Carolina Municipal Leasing Corporation in FY 2018-19 can be found in the Supplemental Information section of this document.



Winston-Salem