



Town of Chapel Hill North Carolina

DEBT MANAGEMENT PLAN

May 7, 2008

Agenda

- **Existing Debt**
- **Benchmarks**
- **Planned Debt**
- **Debt Management Plan**
 - **Dedicated Property Tax for Debt Service**
 - **Funding for Capital Improvement Fund**
- **Questions**

Summary

- **The Town has relatively high, but manageable levels of debt.**
- **Capital needs exceed current capacity to fund using debt.**
- **Primary constraint on issuance of new debt has been the availability of General Fund Resources.**
- **Using a dedicated Debt Service Tax eliminates the competition for General Fund Resources.**

Outstanding Debt

- **The new debt funded energy efficiency improvements; streets, sidewalks, pedestrian and streetscape improvements; planning and design for a major library expansion; open space, trails and greenways; and construction of the Town Operations Center, Aquatics Center and Southern Community Park.**

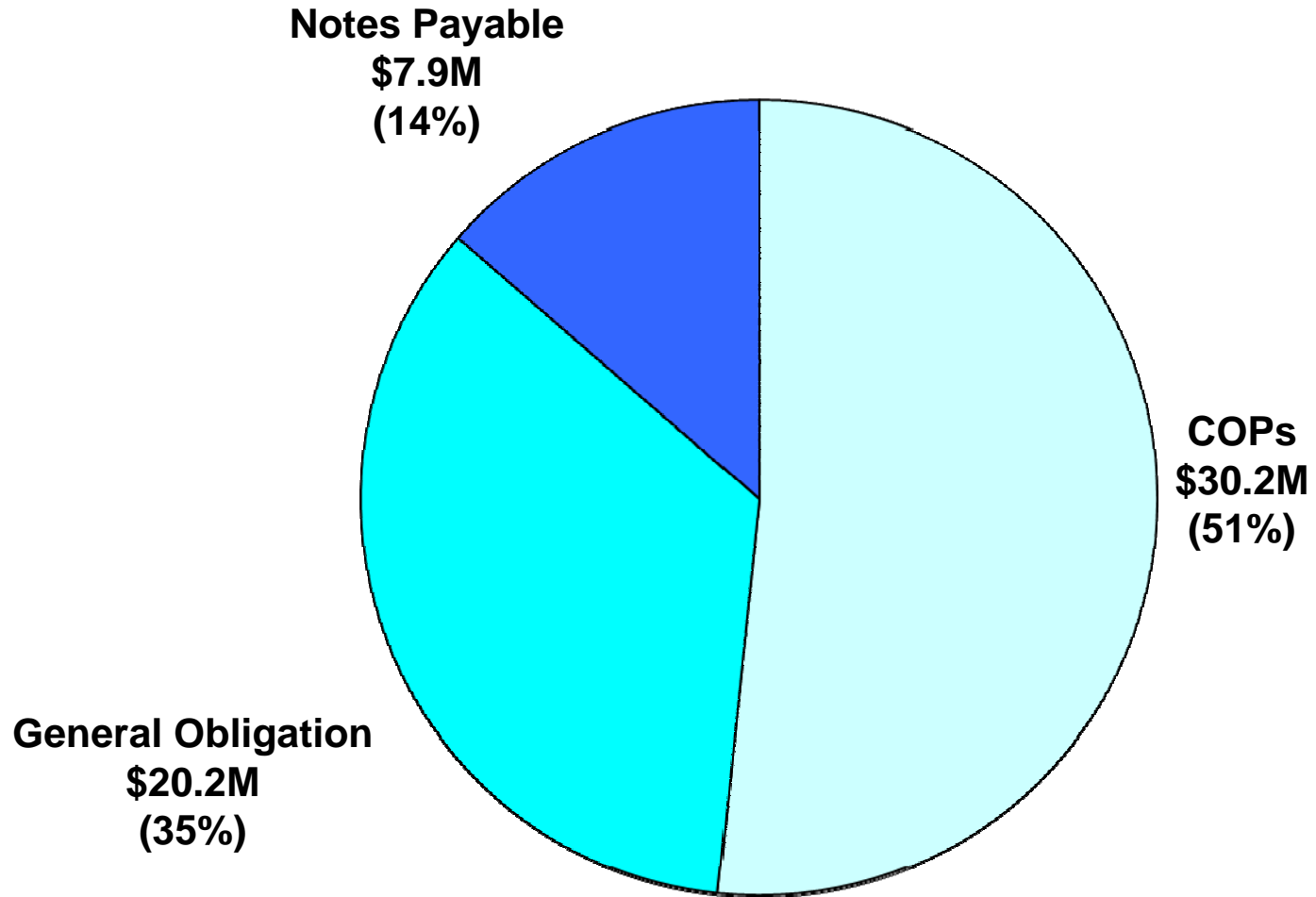
Outstanding Debt

as of 3/31/08

Long Term Debt	Amount Outstanding
General Obligation Bonds	\$ 20,215,000
Installment Notes Payable	7,928,072
Certificates of Participation (TOC)	24,500,000
Certificates of Participation Parking	5,555,000
Total	\$ 58,198,072

All Long Term Debt By Type

\$58,198,072 as of March 31, 2008

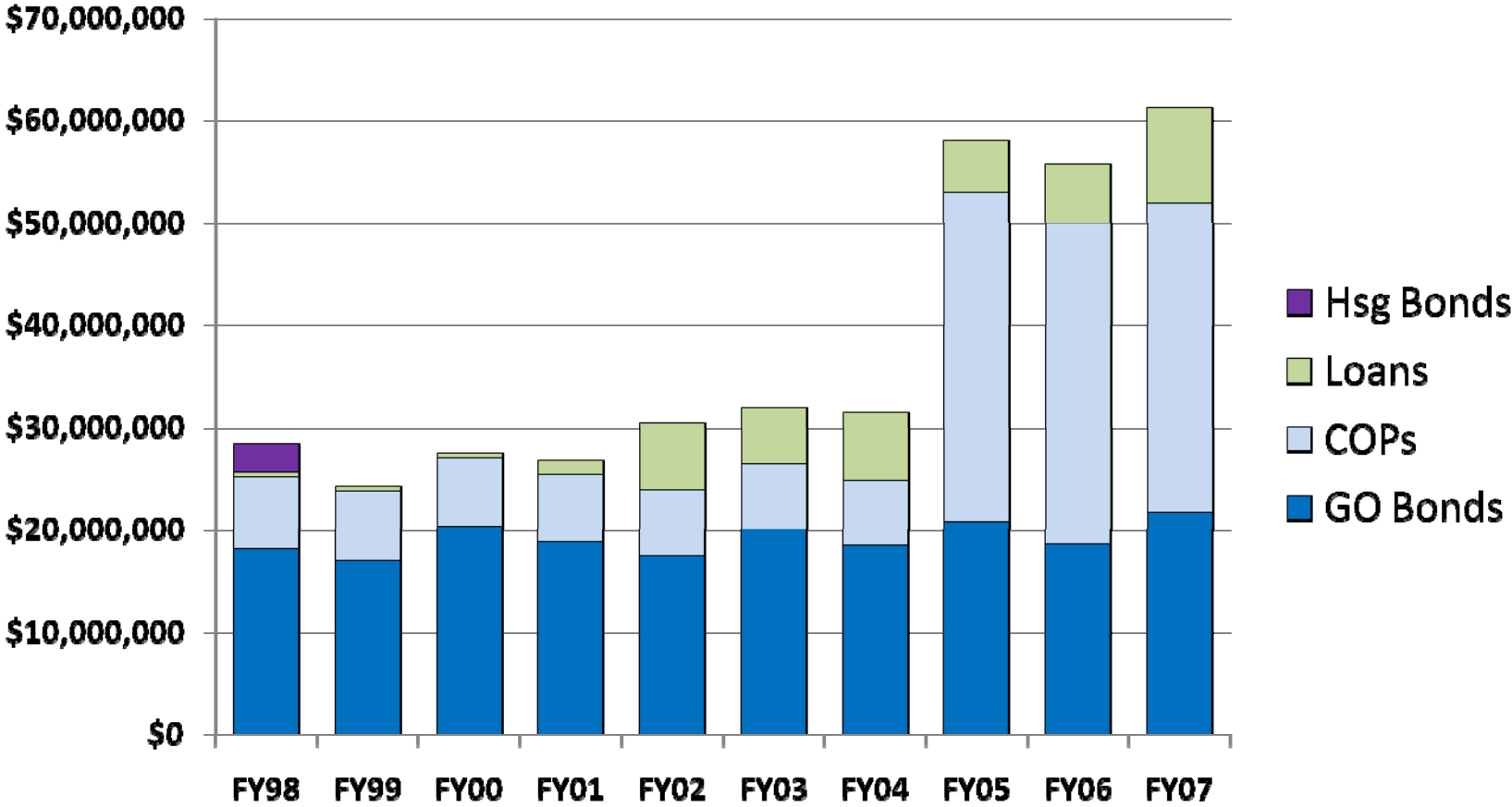


General Obligation Bonds

2003 Authorization

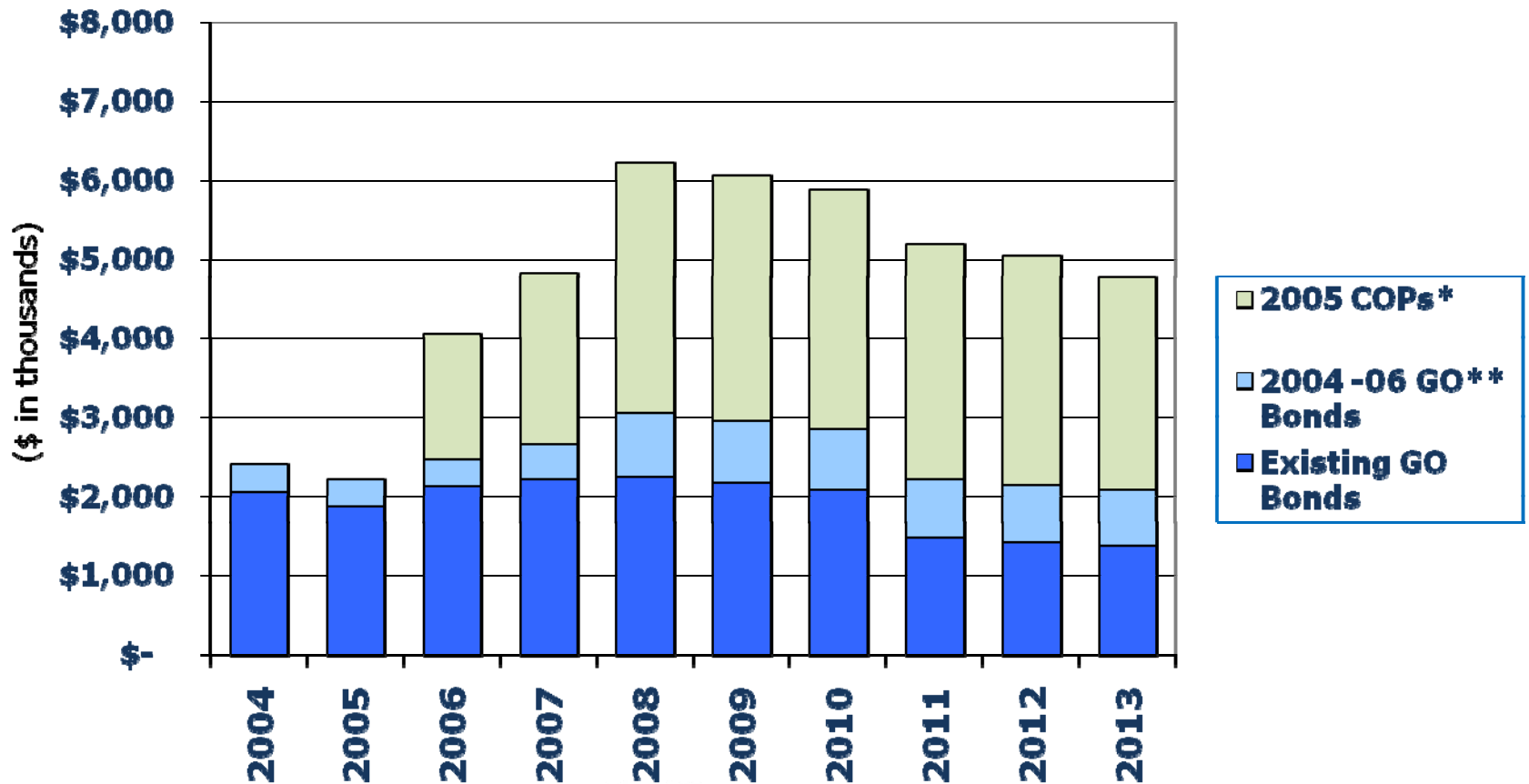
Purpose	Original Authorization	Bonds Issued	Authorized and Unissued
Library	\$ 16,260,000	\$ 2,000,000	\$ 14,260,000
Sidewalk/Street	5,600,000	3,150,000	2,450,000
Parks & Recreation	5,000,000	1,300,000	3,700,000
Open Space	2,000,000	2,000,000	-
Public Buildings	500,000	500,000	-
Total	\$ 29,360,000	\$ 8,950,000	\$ 20,410,000

Outstanding Debt Last 10 Fiscal Years



Existing Debt Service

(GF Only - 2004 through 2013)



* COPs – Certificates of Participation

** GO – General Obligation Bonds

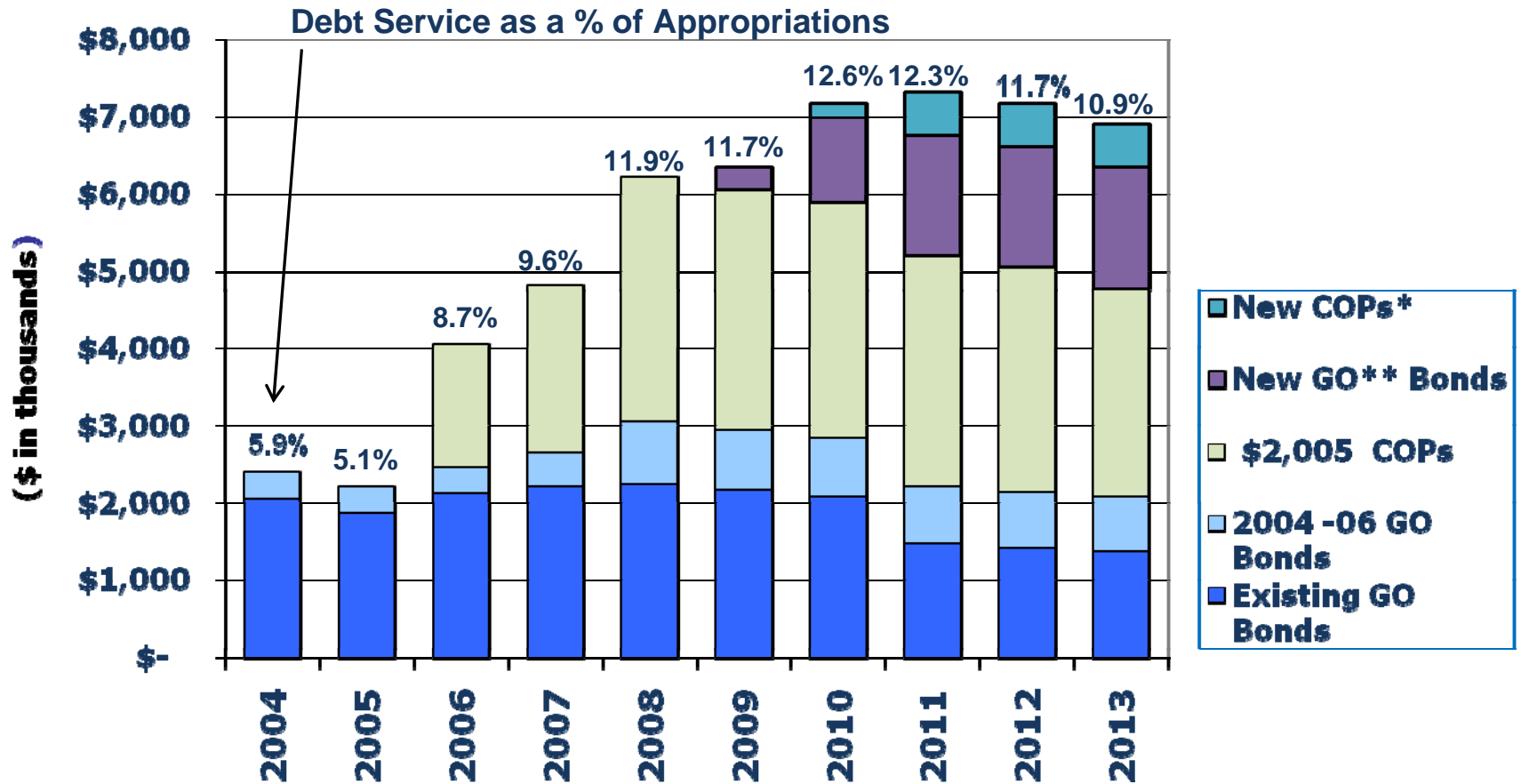
Planned Debt Issuance

Next 5 Years

Planned Date of Issuance	Type of Debt	Purpose	Amount	Total
2 nd Quarter FY09	GO Bonds	Library Expansion Streets & Sidewalks Parks & Recreation	\$ 7,480,000 1,025,000 2,950,000	\$ 11,455,000
3 rd Quarter FY10	GO Bonds	Library Expansion Streets & Sidewalks Parks & Recreation	\$ 6,780,000 1,175,000 750,000	\$ 8,955,000
2 nd Quarter FY10	COPs	Lot 5 Project - Parking		\$ 7,245,000
Annual	Equipment Lease	Vehicles and Computers	\$1-2 million Per Year	

Existing & Planned Debt Service

(GF Only - 2004 though 2013)

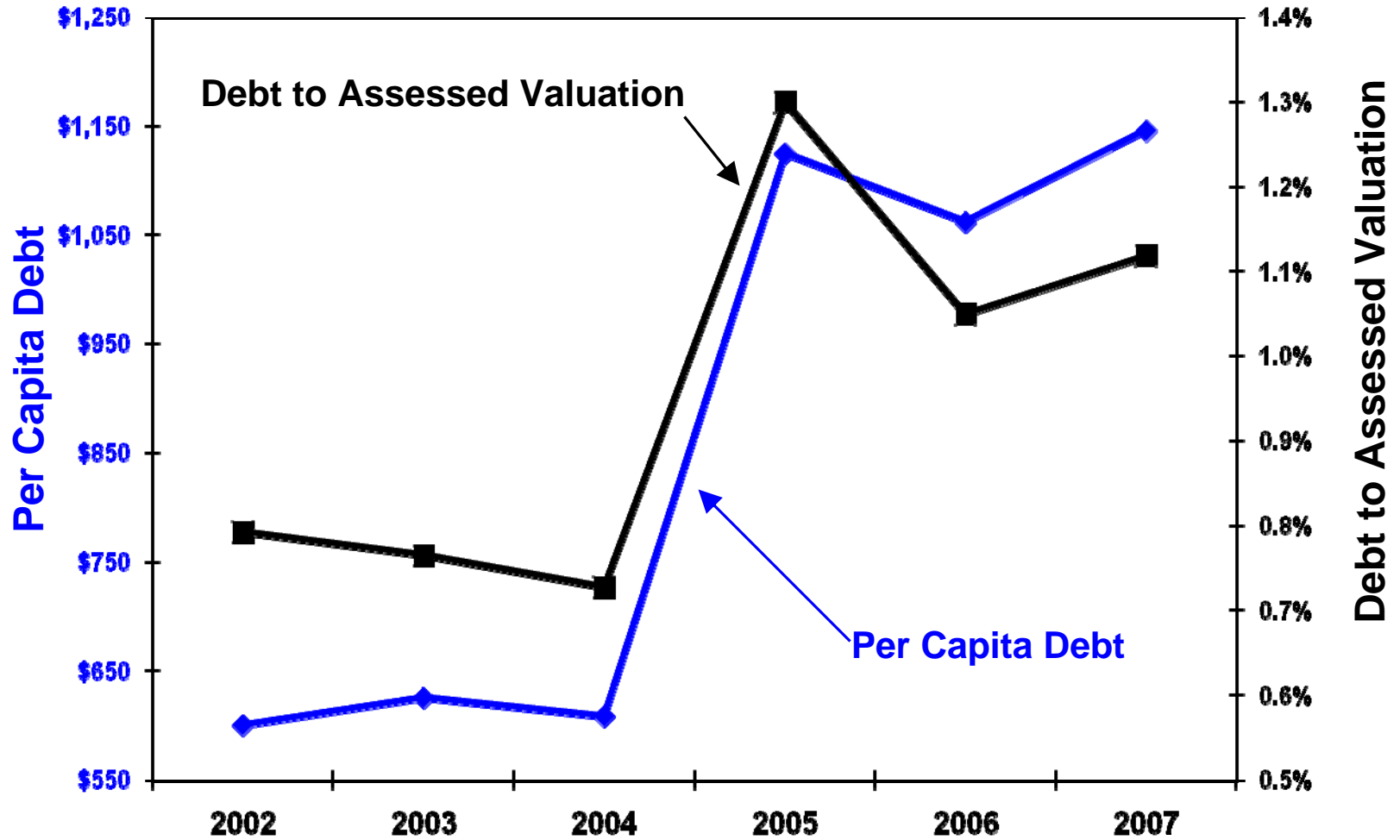


* COPs – Certificates of Participation

** GO – General Obligation Bonds

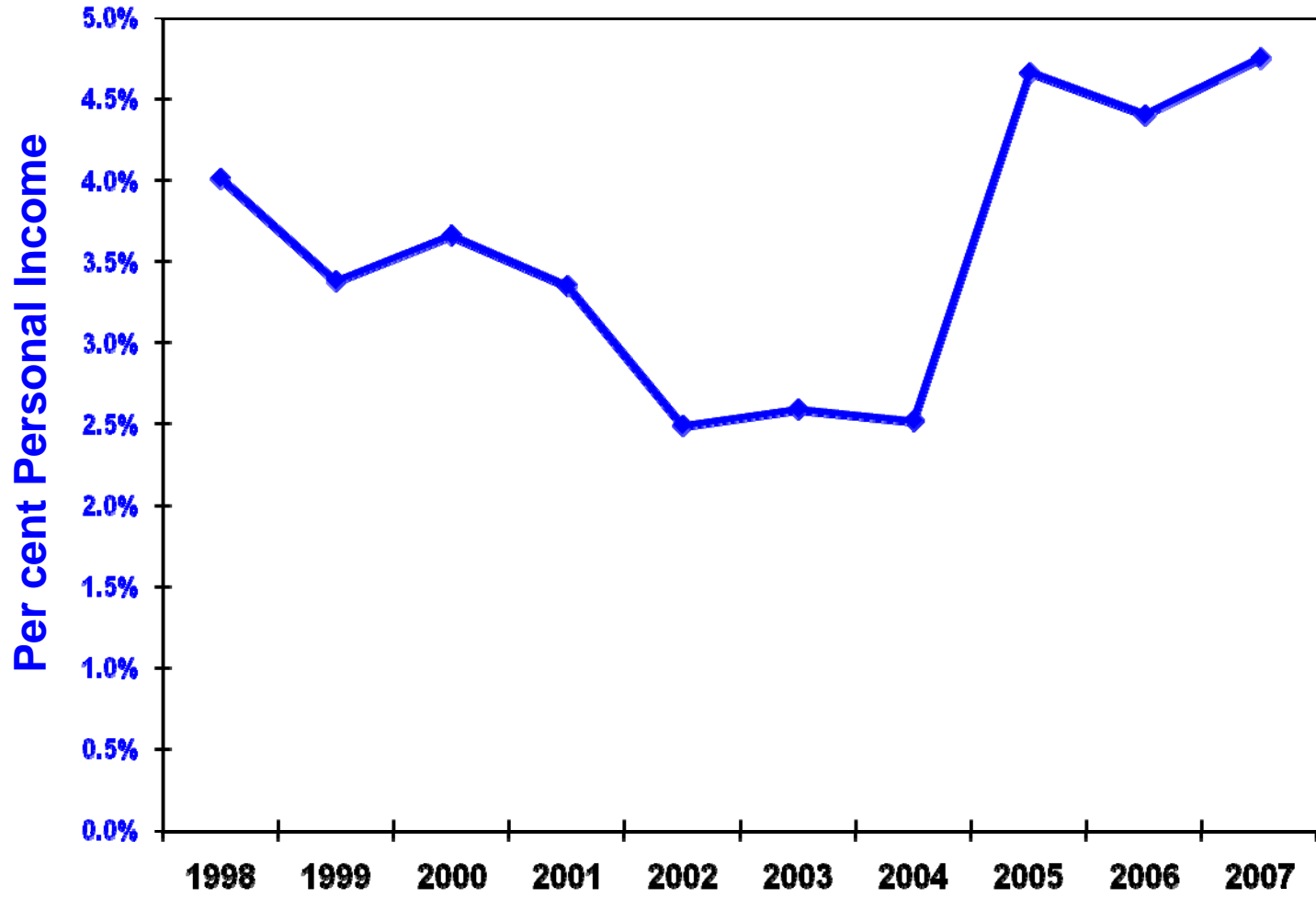
Per Capita Debt and Debt to Assessed Valuation

Last Six Fiscal Years (all LT-Debt)

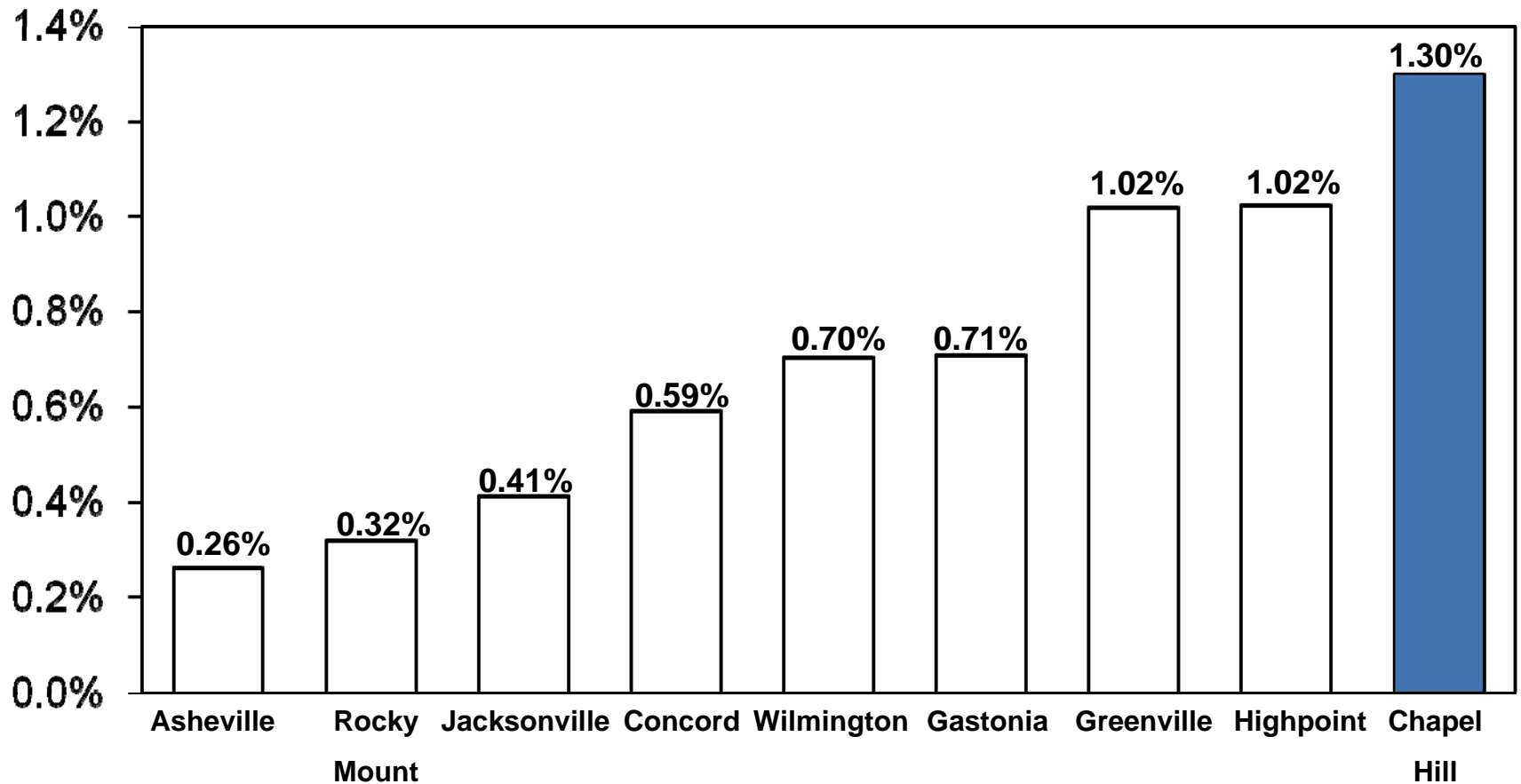


Total Debt as a Percent of Personal Income

Last 10 Fiscal Years



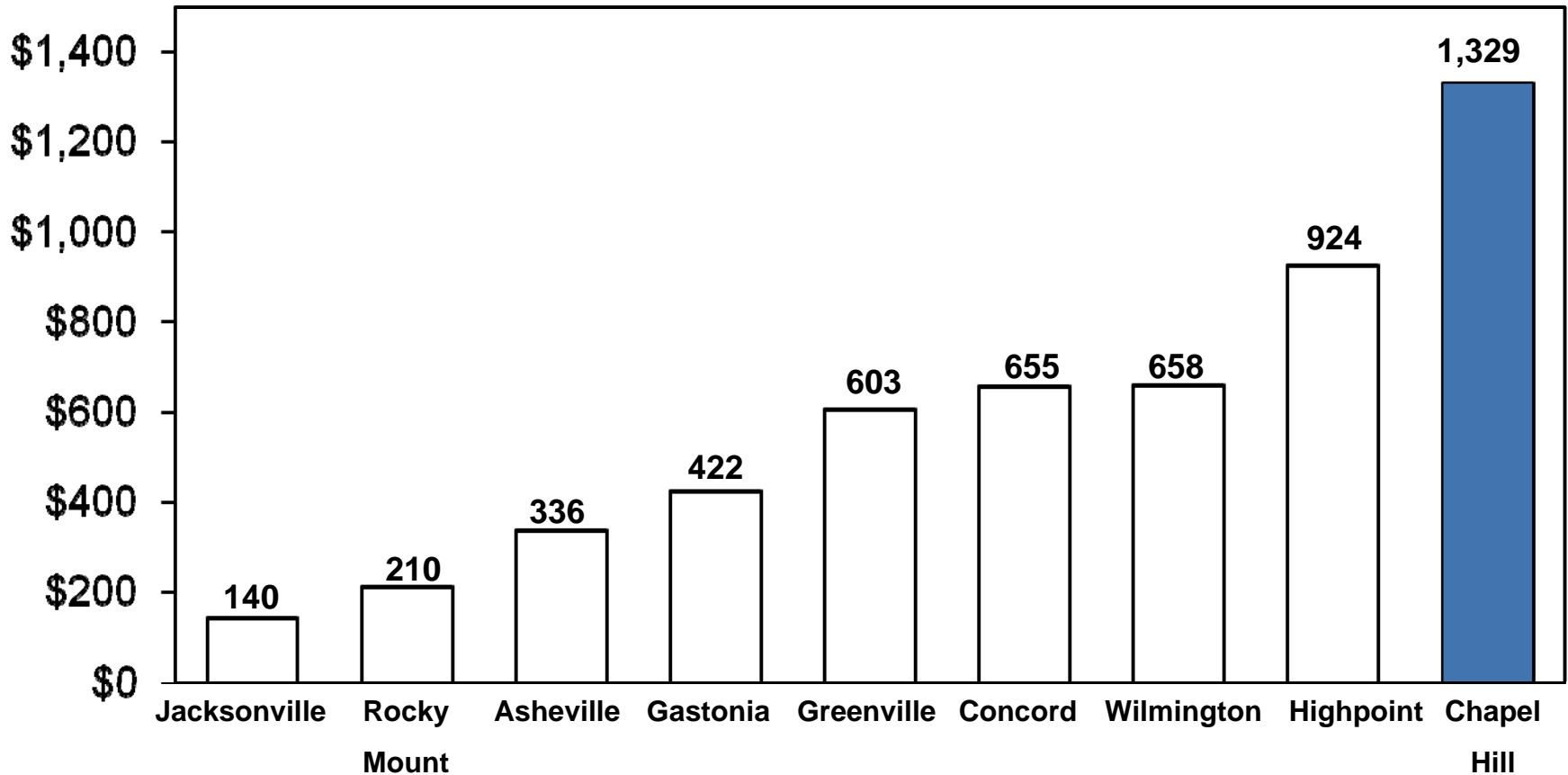
Total* Outstanding & Authorized Debt/ Appraised Property Value



Source: Department of State Treasurer, Division of State and Local Government Finance; as of 6/30/2007.

Does not include Enterprise Debt

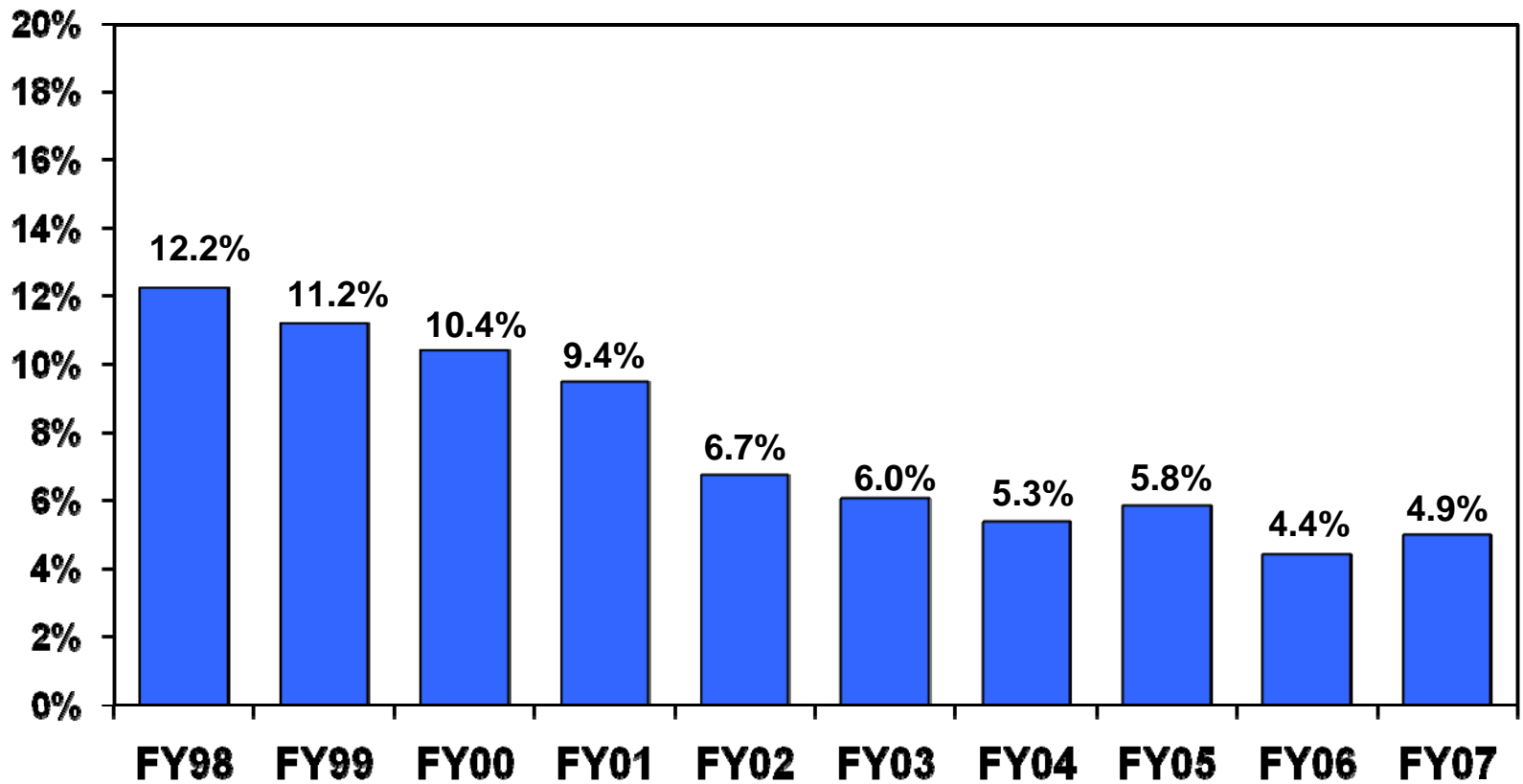
Total* Outstanding & Authorized Debt/ Per Capita



Source: Department of State Treasurer, Division of State and Local Government Finance; as of 6/30/2007.

***Does not include Enterprise Debt**

Net Bonded Debt as a Percentage of Legal Debt Capacity as of June 30th



Legal Debt Capacity is measured against GO Debt Only

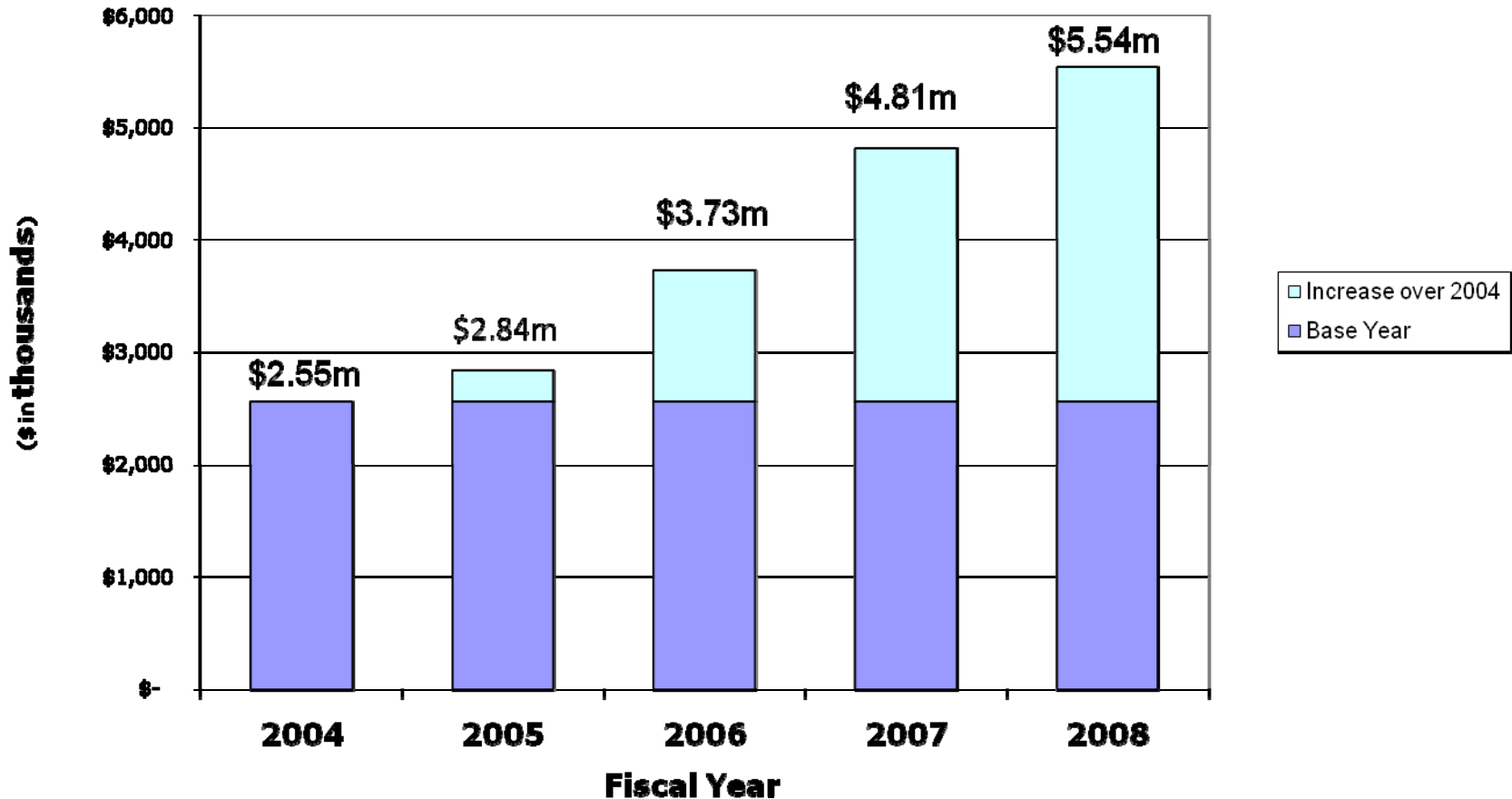
Debt Management Plan

- **Debt Service obligations take priority over other Town payables.**
- **The use of a Transfer from the GF for debt service creates pressure on Town Operations funded in the General Fund.**
- **The Town has grown to the level that it now needs to prepare a debt management plan to sustain the significant increase in annual debt service and meet demands for major capital improvements and new facilities.**

**The 2008 transfer to the Debt Service Fund
from the General Fund is**

\$5,536,000

Increase in Transfer for Debt Service

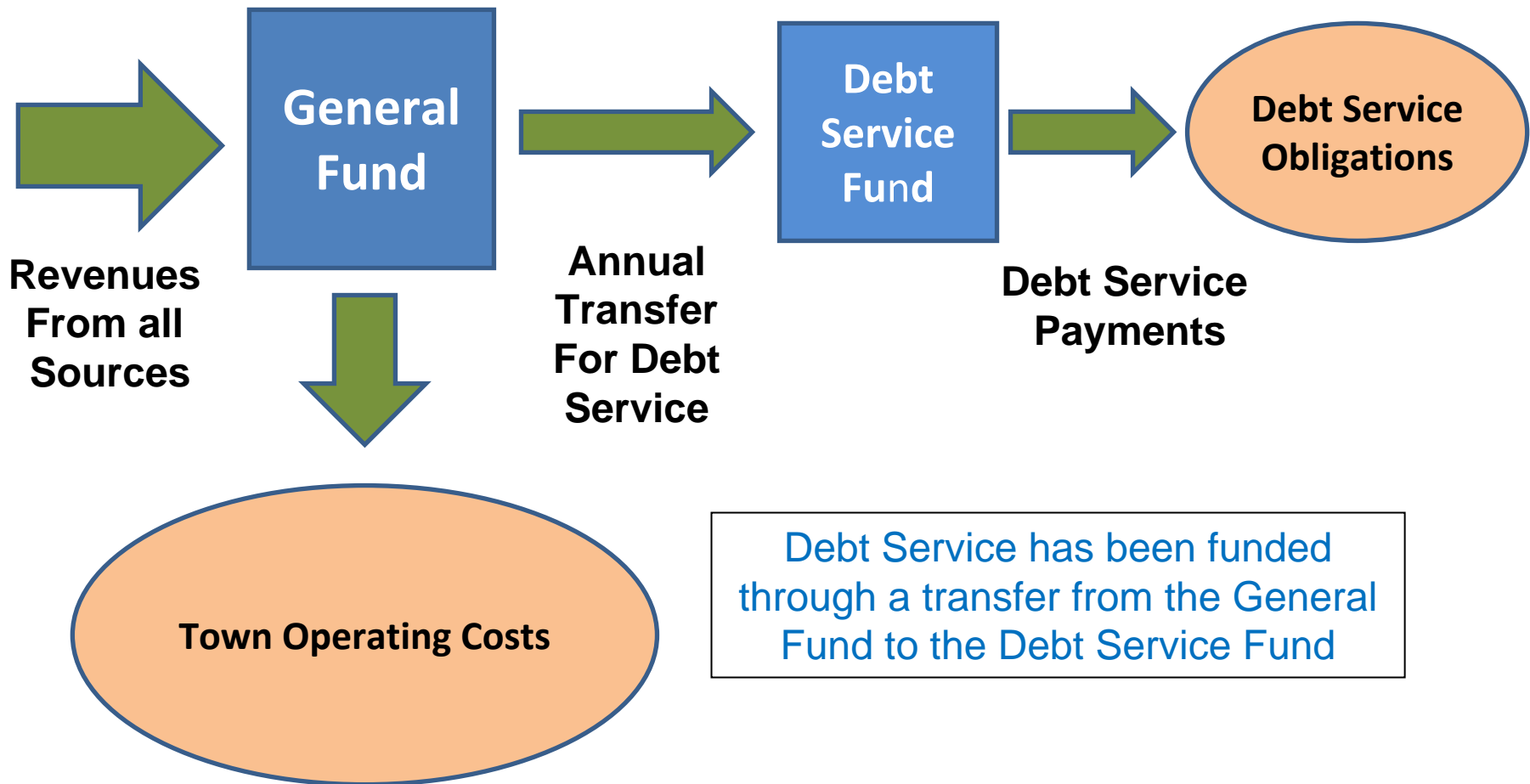


The Transfers from GF for Debt Service are Depleting Fund Balance

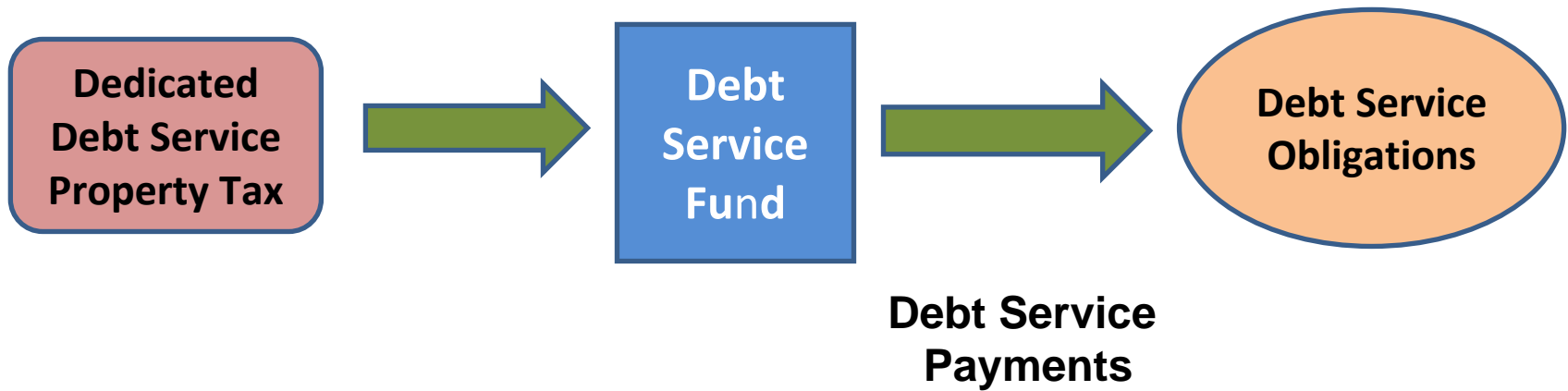
Debt Management Plan – Part 1

- **Use a dedicated portion of the property tax to fund the debt service currently being paid through a transfer from the General Fund.**
- **Adjust the dedicated property tax to match changes in debt service levels.**
- **Use the Debt Service Fund as a debt management tool that helps the Town pay annual debt service and plan for current and future capital needs.**

Current Debt Service Funding



Proposed Debt Service Funding



Debt Service funded through a dedicated portion of the property tax and does not flow through General Fund

Debt Management Plan

Dedicating a Portion of the Property Tax for General Fund Debt Service

	General Fund	Debt Service Fund	Transit Fund	Total
Current Tax Rates	47.4	-	4.8	52.2
FY09 Recommended	53.3	-	4.8	58.1
FY09 Debt Plan	43.5	9.8	4.8	58.1

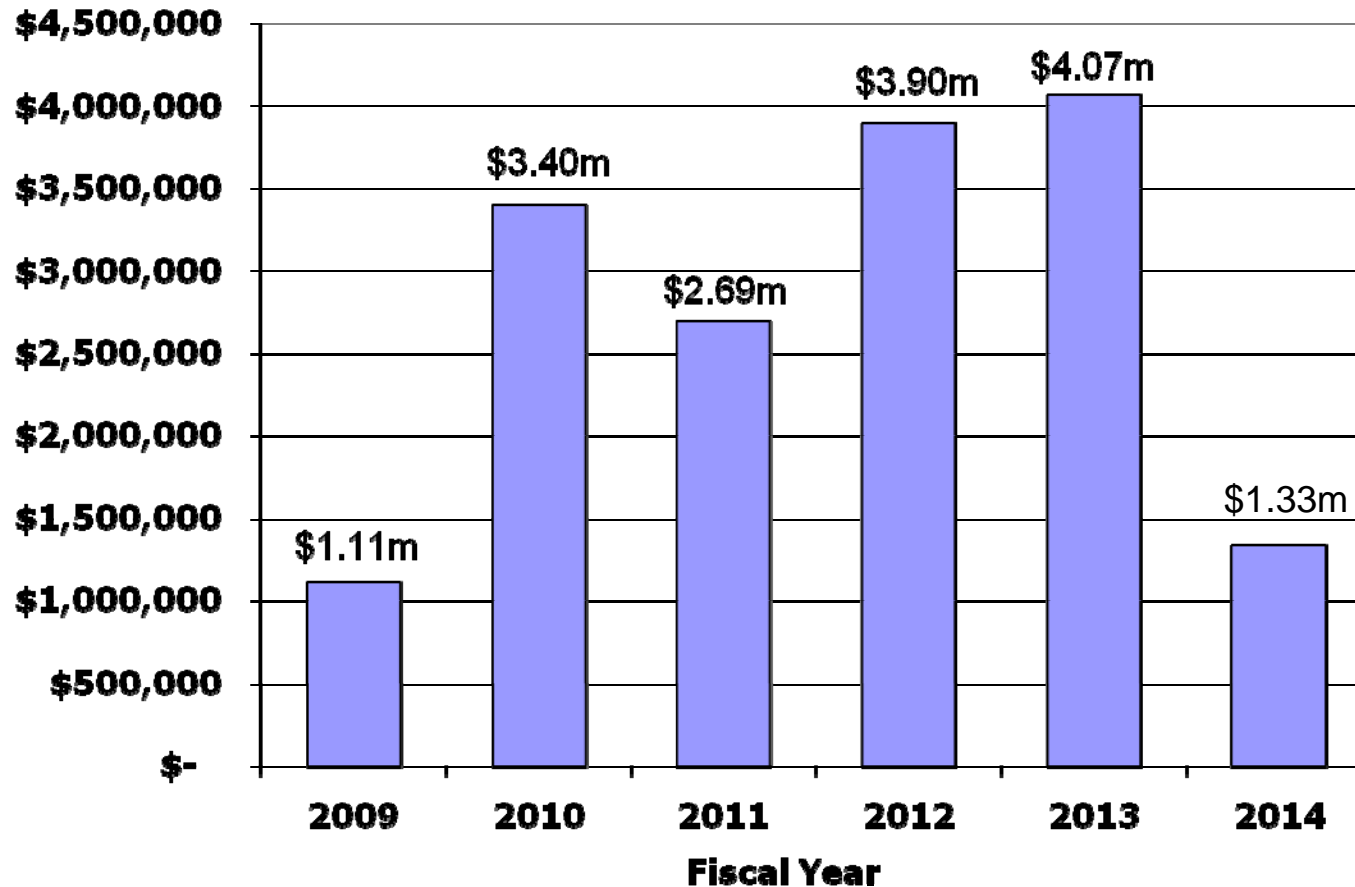
Debt Service FY09	\$ 5,670,830
1 cent equals	\$ 582,000
Dedicated Tax needed to fund Debt Service	9.8 cents

Net Increase in Tax Rate 5.9 cents

Debt Service in the CIP Fund

- CIP Fund commitment to maintain facilities and fund new projects is inadequate.**
- The Capital Improvement Projects budget has a long list of unfunded needs.**
- CIP funding tends to be an afterthought in the General Fund Budget.**
- \$673 thousand of the \$1.8 million CIP Fund budget for FY09 is for debt service on previous CIP project financings.**

Capital Improvement Fund Projects

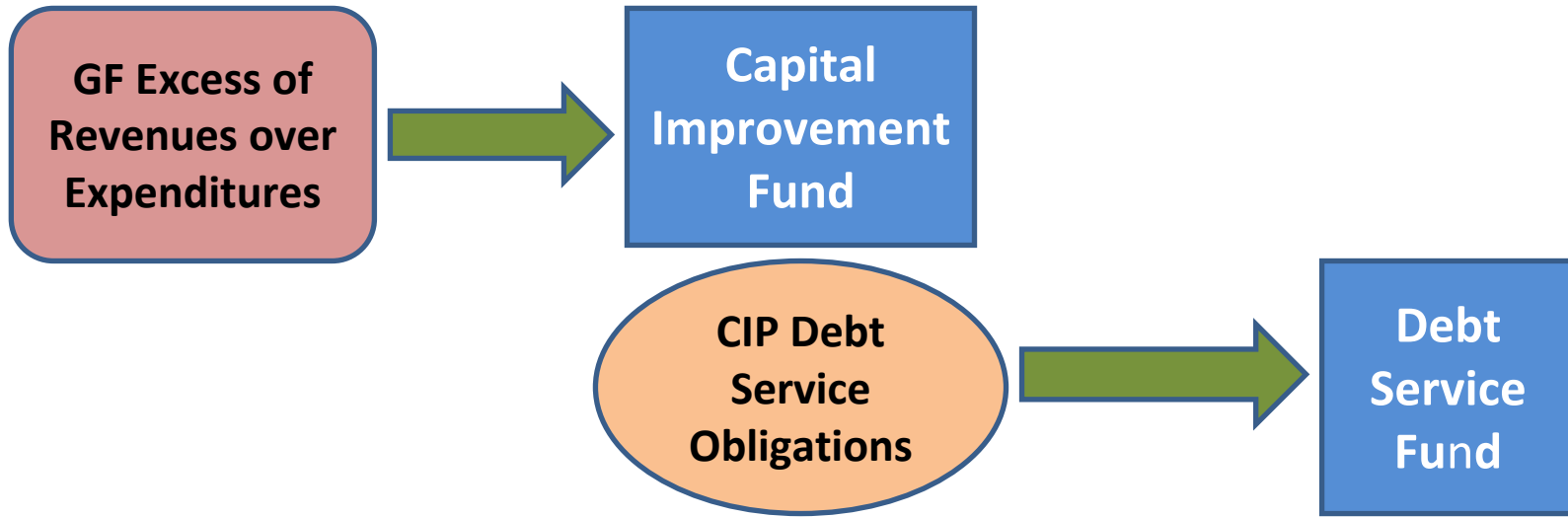


Capital Improvement Projects are being delayed due to lack of funding

Debt Management Plan – Part 2

- **Move Capital Improvement Fund Debt Service to the Debt Service Fund.**
- **Fund Capital Improvement Projects with the excess of Revenues over Expenditures in the General Fund from the previous year (funds previously used to balance next years budget).**
- **The imbalance between budgeted revenues and expenditures must be addressed first.**

Proposed CIP Funding



CIP Funded by GF Excess of Revenues over Expenditures. Debt Service moved to Debt Service Fund

Debt Management Plan – Part 2

- **Fund Balance is considered “one time” revenues and should not be used for regular operating costs.**
- **Capital expenditures have greater flexibility in scheduling and funding and are a more appropriate use of “one-time” revenues.**
- **Moving the CIP Debt Service to the Debt Service Fund will allow the “pay-go” capital projects to be managed through the CIP Fund and Financed Capital projects to be managed in the Debt Service Fund.**

Debt Management Plan

Recommended Next Steps

- **Adopt a Debt Policy:**
 - **Debt Service Fund will be used to accumulate resources to build capacity for payment of annual debt service and new debt needs.**
- **Dedicate a portion of the property tax to the Debt Service Fund to cover debt costs previously satisfied through a transfer from the General Fund.**

Debt Management Plan

Recommended Future Steps

- **Move Capital Improvement Fund Debt Service to the Debt Service Fund.**
- **Fund Capital Improvement Projects with the excess of Revenues over Expenditures in the General Fund from the prior year (funds previously used to balance next years budget).**