

June 27, 2016

To: Mayor and Members of City Council

From: Harry Black, City Manager

Subject: Report on Debt Policy and Update on Debt Profile

Administrative Regulation No. 66 – Debt Policy (the “Policy”) was established by the City Manager in October 2015. The Policy was created with guidance from the Finance Department, the City’s Financial Advisor, the City’s Bond Counsel and the Law Department and was reviewed with the rating agencies in FY2016. The purpose of the Policy is to establish guidelines on Debt Management and Issuance related to the capital improvement and economic development programs of the City of Cincinnati. The Policy is guided by an overall adherence to prudent debt management procedures, including best practices consistent with highly rated “AA to AAA” municipal credits.

The Policy outlines the legal, credit and policy framework under which the City issues debt obligations. It defines the debt management team as well as the objectives and affordability metrics used in governing debt management. The policy also establishes guidance intended to facilitate the CIP planning process as well as various post bond issue reporting responsibilities including continuing disclosure.

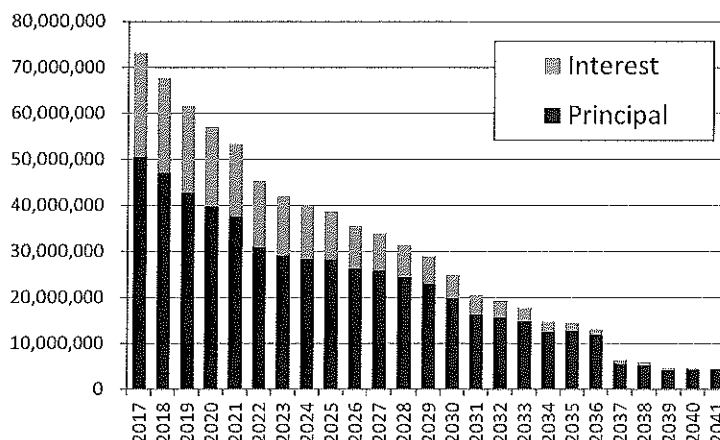
Several council members raised questions at the City Council meeting on June 22, 2016 regarding the City’s debt profile. Below is a breakdown of the debt management policies contained in the debt policy and an overview of the City’s current measurements and projected measurements after the FY2017 bond issuances:

Debt Policy #1: Total Long-term Tax Supported Governmental Debt Service Shall Not Exceed 12.5% of Governmental Revenues.

Currently: 11.1%

Est. FY2017: 12.0%

For purposes of Policy #1, Total Long-term Tax Supported Governmental Debt Service⁽¹⁾ is shown below.



(1) As of June 30, 2016 and comprised of: \$545,760,000 of Property Tax, Income Tax and Self Supporting General Obligation Bonds and \$15,800,000 of Economic Development Revenue Bonds paid by the General Fund. Excludes all short-term internal and CAP notes.

Debt Policy #2: The ratio of total Long-term Tax Supported Governmental Debt to the Full Valuation of Taxable Property shall not exceed 4.50%.

Currently: 3.8%

Est. FY2017: 3.7%

Debt Policy #3: The 10-Year Payout Ratio (i.e. amount of debt retired in 10 years for Long-term Tax Supported Debt shall not be less than 60% in the aggregate.

Currently: 62.8%

Est. FY2017: 64.3%

Debt Policy #4: The ratio of the portion of the City's Tax Supported Debt Service that has a pledge of Income Taxes shall be no more than 75% of projected revenues from the 0.15% Income Tax.

Currently: 51.3%

Est. FY2017: 63.7%

Debt Policy #5: Equity or Cash Funding of the City's Capital Improvement Plan should be no less than 20% over a rolling 5-year CIP Period.

FY2016: 44.7%

Est. FY2017: 48.0%

The total current outstanding debt is \$1,181,255,000 and the detailed chart is provided in Attachment A. The Administration estimates that total outstanding debt will be \$1,207,255,000 after the FY2017 bond issuances.

The Debt Policy can be found in Attachment B and is recommended for City Council approval.

c: Reginald Zeno, Finance Director

Attachments