

City of Kent Debt Profile

City of Kent Council Workshop

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City of Kent Debt Profile

- Special thanks to:
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 - Angie Fealy, Accountant
 - Cheryl Lopez, Sr. Finance Analyst
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City Bond Rating

Standard and Poor's

- Current rating: AA+ (high investment grade)
- Last increase 2016 from an AA (high investment grade)
- Highest rating: AAA

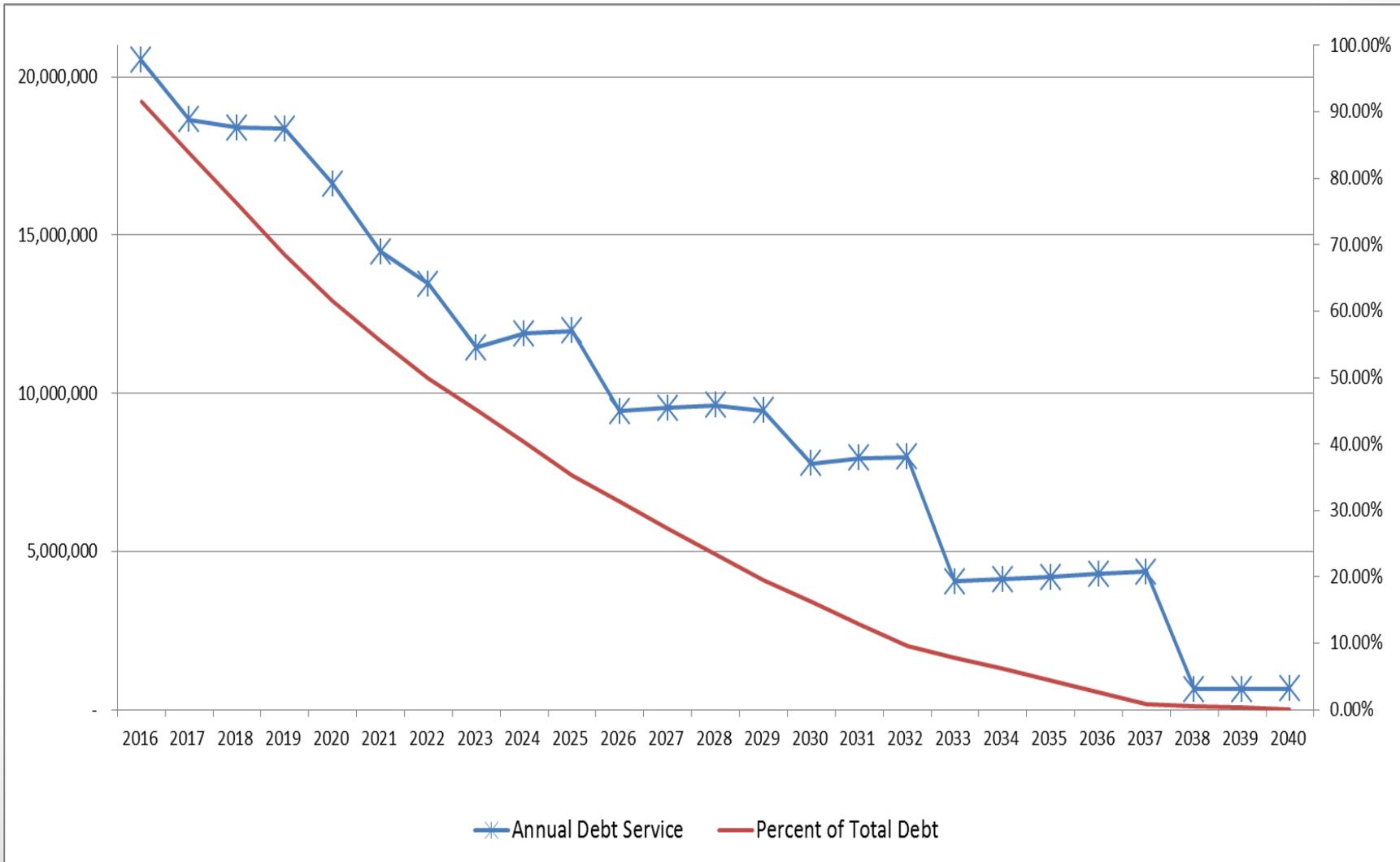
Moody's

- Current rating: A2 (medium investment grade)
- Last increase 2015 from Baa2 (low investment grade)
- Highest rating: Aaa

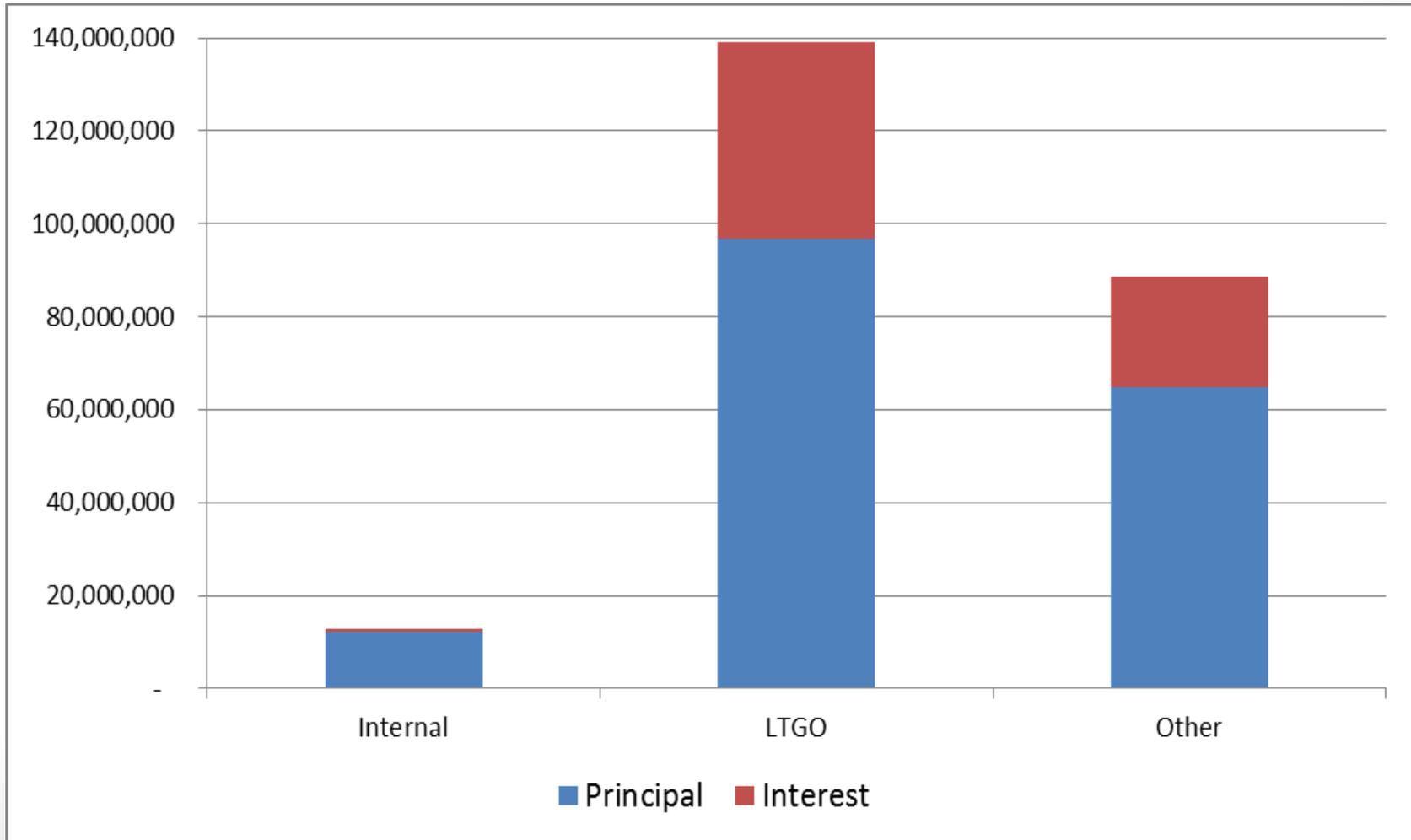
Considerations for Bond Raters

- Key rating area's:
 - Economy: region based, broad and diverse, low unemployment, and development/growth in Kent.
 - Debt: approximately 60% of debt (LTGO) will be repaid in 10 years, low debt service as a % of governmental fund expenses, PFD included in debt profile.
 - Budgetary/Financial Performance: available fund balances/cash reserves, managing to available resources, cash liquidity, forecasting.
 - Management Factors: consistent fiscal reporting, adherence to fiscal policies, realistic (albeit slightly conservative) budgeting of expenses and revenues.

City-wide Debt Service @ Year-end



City-wide Debt by Category



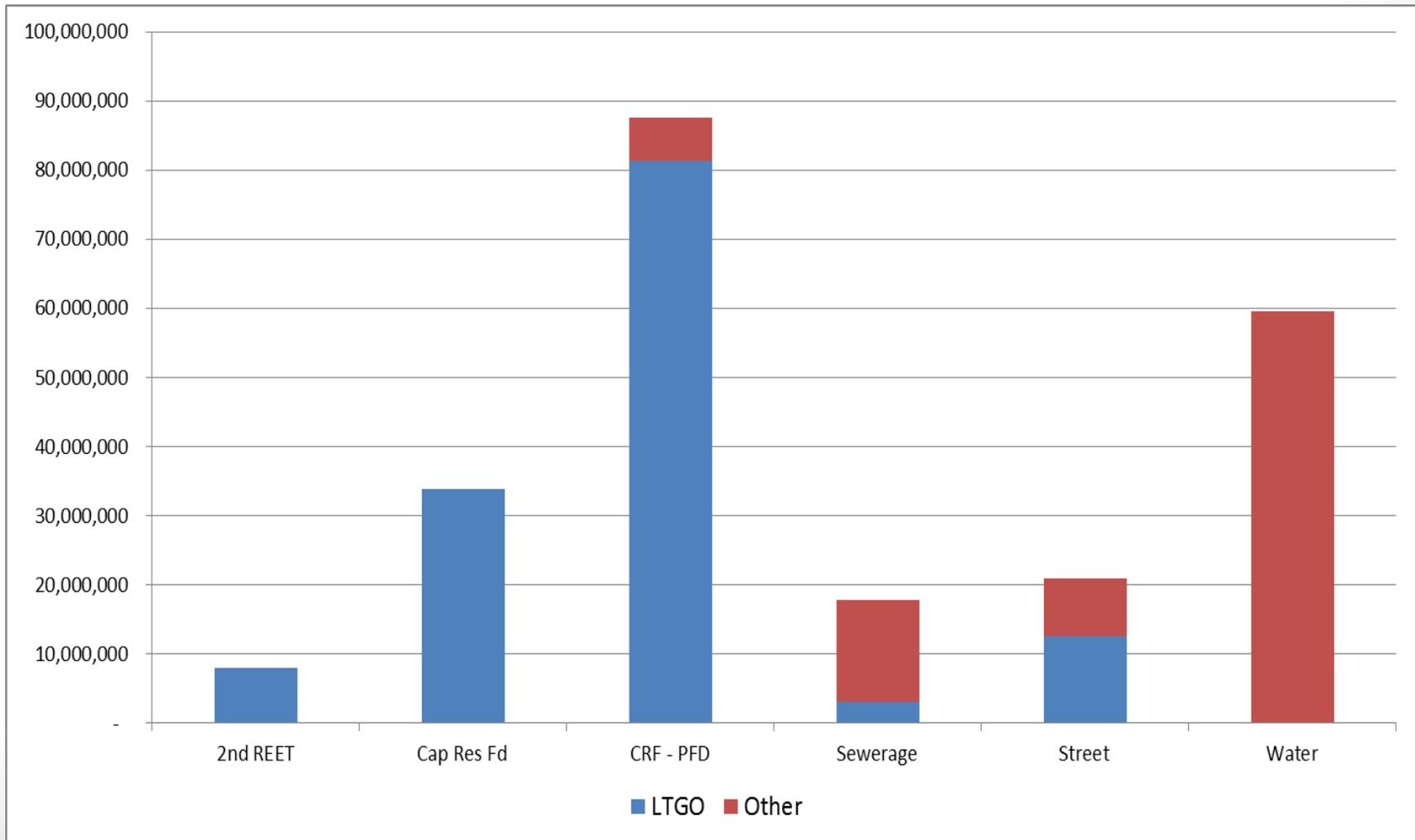
Current City Debt Profile

- Internal Loans: \$12,746,510
- LTGO Debt: \$139,034,925
- “Other” Debt: \$88,805,041

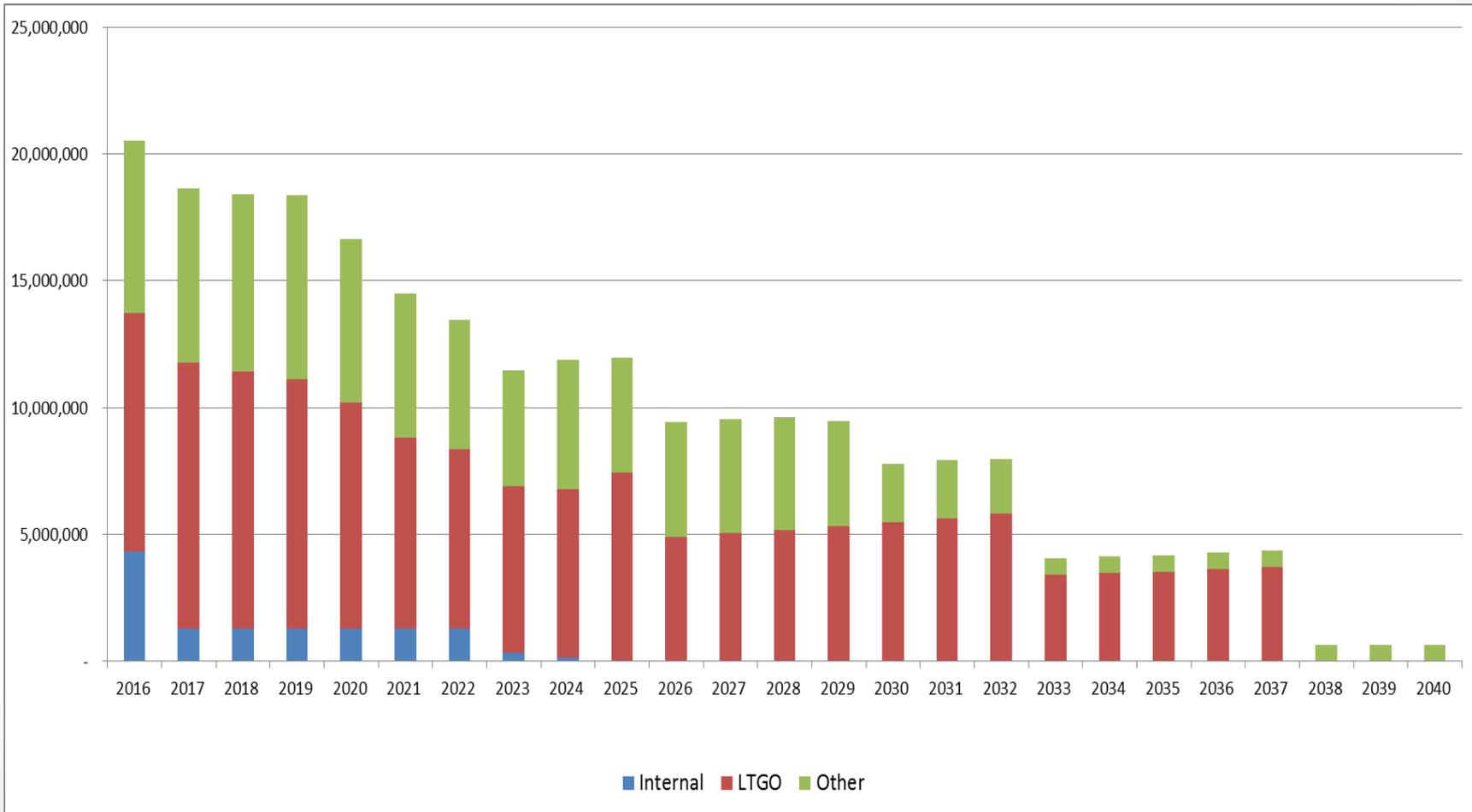
- Total City Debt: \$240,586,449

- All amounts include both principal and interest

Debt by Source (LTGO & Other)



Total City Debt Service (principal + interest)



Internal Debt

- Internal debt is a loan from one city fund to another city fund.
 - All internal debt is structured with a formal payback schedule and source.
 - Debt service on an internal loan includes both principal and interest.
 - An internal loan without an established debt payment structure is considered a permanent diversion of funds.

Current Internal Loans

Loan Payoff Year	Project	Sewerage (Drainage)	Water	Insurance	Est. Total Balance w/ Interest	Payback Source:
2024	LED Lighting	\$1,056,560		\$ 845,250	\$ 1,901,810	Paid through electricity savings (\$230K/year)
2024	72nd Street	\$1,062,690			\$ 1,062,690	Paid \$120K/year from RFA
2022	Event Center	\$2,336,530	\$ 2,336,530	\$ 2,093,950	\$ 6,767,010	2% Internal Utility Tax
2016	Golf Course			\$ 3,015,000	\$ 3,015,000	1 Year operating loan / Sale of par 3
GRAND TOTAL		\$4,455,780	\$ 2,336,530	\$ 5,954,200	\$12,746,510	

Notes:

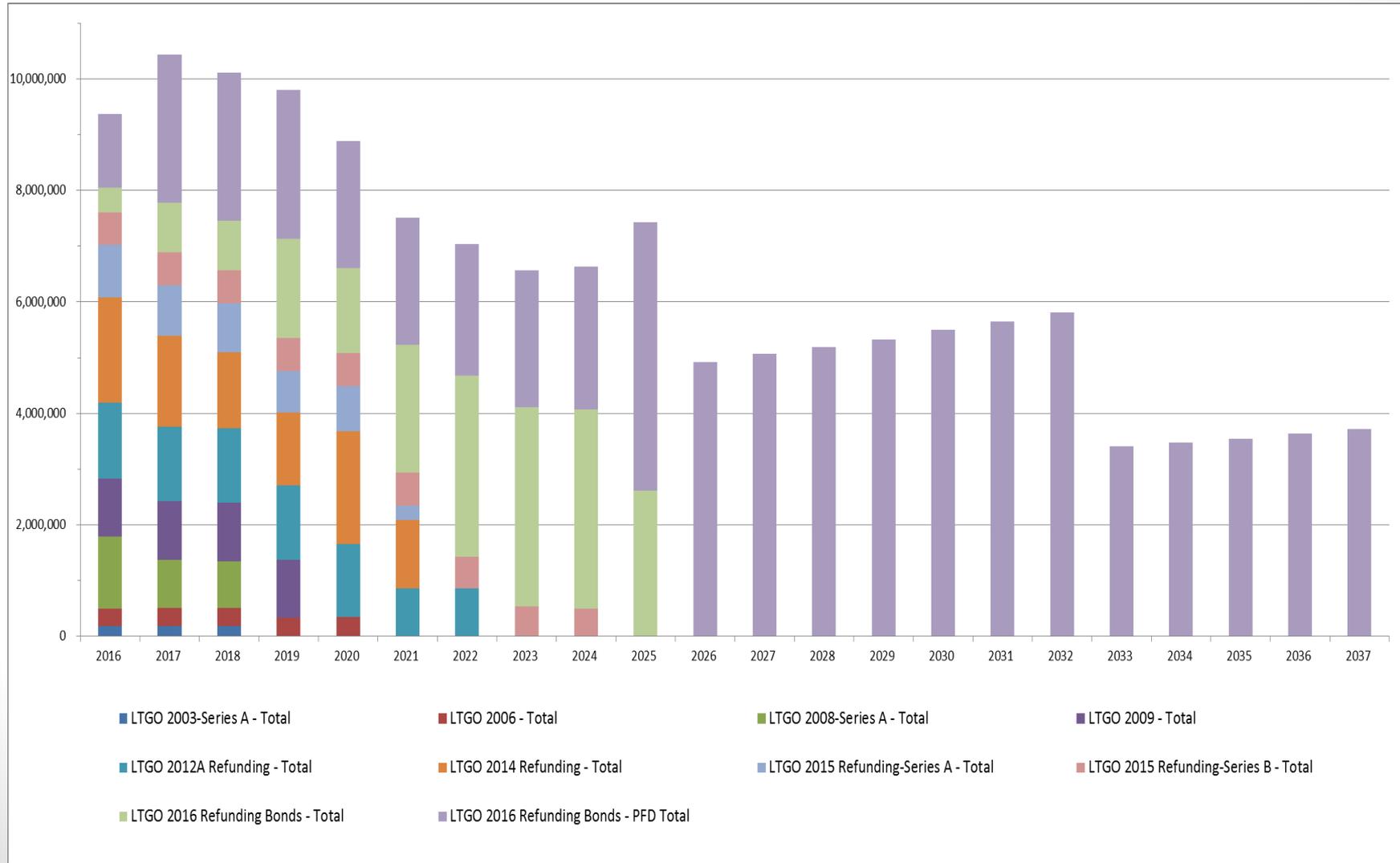
Event Center loan on schedule to be paid off prior to 2022.

Internal loans are paid principal plus interest, same as if these monies were invested in the Local Government Investment Pool or agency investment.

Limited Tax General Obligation Bond (LTGO Debt)

- A non-voted municipal bond secured by some limited taxing power of the issuer (i.e. ad valorem taxes).
 - The debt is guaranteed by the City's pledge to use all resources (legal), including the levying of property tax, up to the legal statutory rate.
 - If the City's property tax were insufficient to pay debt service, other revenue sources would be required to pay the debt.

Current LTGO Debt Schedule (principal and interest)



Current year LTGO debt

Outstanding LTGO Debt (\$)

LTGO 2003-Series A	559,917
LTGO 2006	1,611,252
LTGO 2008-Series A	3,000,063
LTGO 2009	4,187,400
LTGO 2012A Refunding	8,394,150
LTGO 2014 Refunding	9,443,550
LTGO 2015 Refunding-Series A	4,546,358
LTGO 2015 Refunding-Series B	5,144,182
LTGO 2016 Refunding Bonds	20,824,002
LTGO 2016 Refunding Bonds - PFD	81,324,053
Total LTGO (Principal + Interest)	139,034,925

Percent of Outstanding LTGO

LTGO 2003-Series A	0.40%
LTGO 2006	1.16%
LTGO 2008-Series A	2.16%
LTGO 2009	3.01%
LTGO 2012A Refunding	6.04%
LTGO 2014 Refunding	6.79%
LTGO 2015 Refunding-Series A	3.27%
LTGO 2015 Refunding-Series B	3.70%
LTGO 2016 Refunding Bonds	14.98%
LTGO 2016 Refunding Bonds - PFD	58.49%
Total LTGO (Principal + Interest)	100.00%

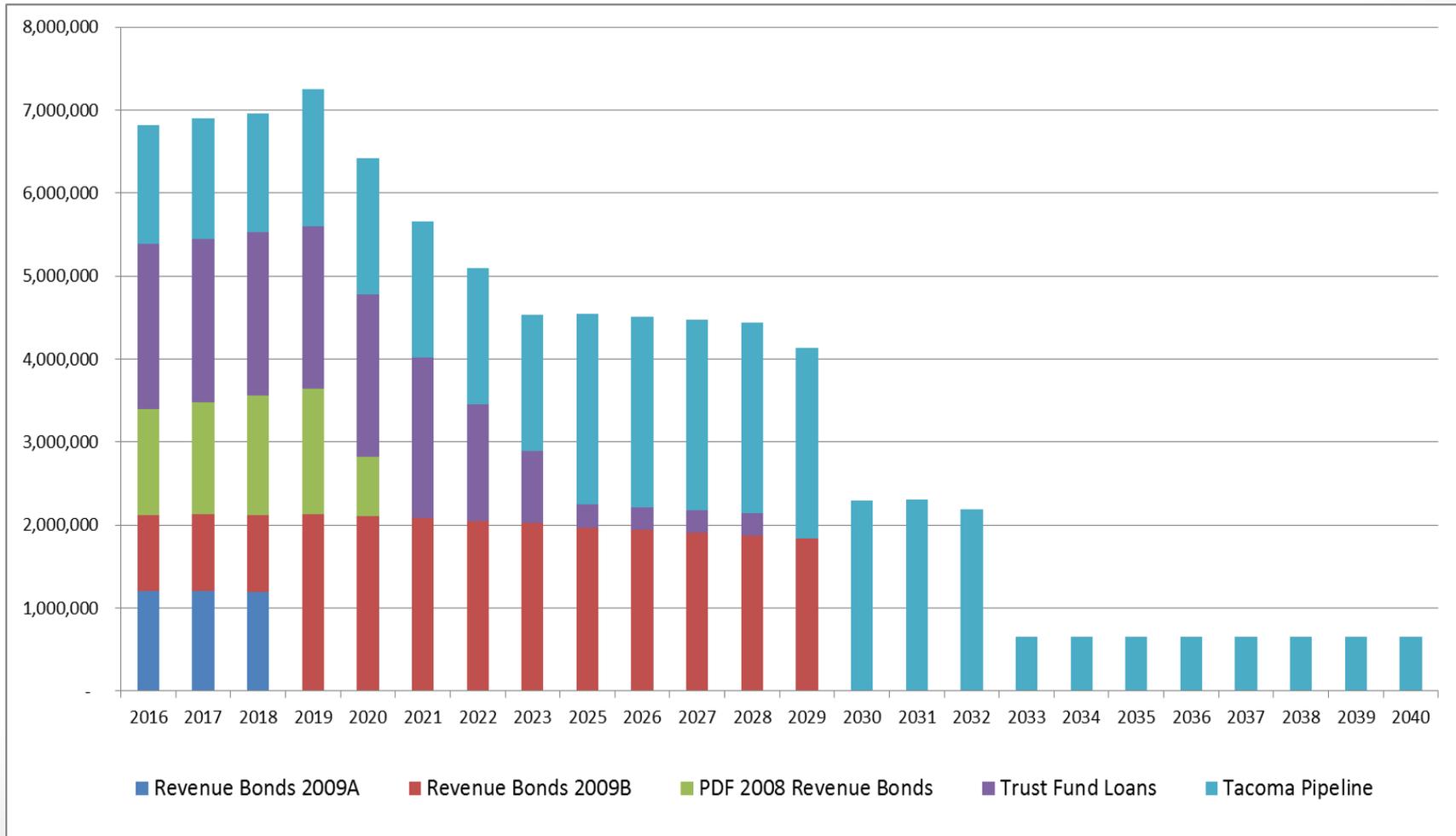
LTGO Repayment by Source (P+I)

<u>Debt Series</u>	<u>Parks (2nd REET)</u>	<u>CRF</u>	<u>CRF - PFD</u>	<u>Sewerage</u>	<u>Street</u>	<u>Water</u>	<u>Total</u>
LTGO 2003-Series A	-	559,917	-	-	-	-	559,917
LTGO 2005	-	1,007,801	-	-	603,451	-	1,611,252
LTGO 2006	-	-	-	-	-	-	-
LTGO 2008-Series A	58,563	2,442,767	-	-	498,733	-	3,000,063
LTGO 2009	-	2,881,534	-	290,906	827,409	187,551	4,187,400
LTGO 2012A Refunding	877,232	3,110,165	-	-	4,406,753	-	8,394,150
LTGO 2014 Refunding	-	6,119,420	-	2,748,073	576,057	-	9,443,550
LTGO 2015 Refunding-Series A	-	4,546,358	-	-	-	-	4,546,358
LTGO 2015 Refunding-Series B	5,144,182	-	-	-	-	-	5,144,182
LTGO 2016 Refunding Bonds	1,882,049	13,195,070	81,324,053	-	5,746,883	-	102,148,055
Grand Total	7,962,025	33,863,032	81,324,053	3,038,979	12,659,285	187,551	139,034,925

Other Debt

- Revenue Bonds are bonds that are payable from a specific revenue source. Typically used for issuing debt to an enterprise fund (i.e. utilities).
- PW Trust Fund Loans provide financial assistance to local governments for infrastructure projects such as drinking water, storm water, sewer, and streets.
- Tacoma Pipeline is the City's portion of Tacoma bond payments.
- PFD 2008 Revenue Bonds which are not refundable

Current Debt Schedule – Other (principal + interest)



Current year other debt

Outstanding Other Debt (\$)

Revenue Bonds 2009A	3,596,200
Revenue Bonds 2009B	24,691,339
PDF 2008 Revenue Bonds	6,297,937
Trust Fund Loans	15,942,717
Tacoma Pipeline	38,276,848
Total (Principal + Interest)	88,805,041

Percentage of Outstanding Other Debt

Revenue Bonds 2009A	4.05%
Revenue Bonds 2009B	27.80%
PDF 2008 Revenue Bonds	7.09%
Trust Fund Loans	17.95%
Tacoma Pipeline	43.10%
Total (Principal + Interest)	100.00%

Other Debt Payment by Source (Principal + Interest)

Debt Series	CRF - PFD	Sewerage	Street	Water	Total
PDF 2008 Revenue Bonds	6,297,937	-	-	-	6,297,937
Revenue Bonds 2009A	-	1,798,100	-	1,798,100	3,596,200
Revenue Bonds 2009B	-	12,345,670	-	12,345,670	24,691,339
Tacoma Pipeline 2010	-	-	-	16,297,898	16,297,898
Tacoma Pipeline 2013	-	-	-	21,978,950	21,978,950
Trust Fund Loan 2001	-	-	-	3,222,083	3,222,083
Trust Fund Loan 2002	-	-	-	3,793,125	3,793,125
Trust Fund Loan 2003	-	-	436,506	-	436,506
Trust Fund Loan 2004	-	692,868	4,190,956	-	4,883,824
Trust Fund Loan 2008	-	-	3,607,179	-	3,607,179
Grand Total	6,297,937	14,836,637	8,234,641	59,435,826	88,805,041

Next Steps & Questions

- Finance has plans to create a formal debt manual which will detail out the particular's of each debt:
 - Year
 - Principal and Interest
 - Debt Schedule/Repayment Period
 - Use
 - Repayment Source
- Other Questions?