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# Debt Forecast & Utility Rate Impacts

City Council Meeting  
February 19, 2024



# Outline

- Review of CIP
- Tax Rate Impact Scenarios
- Baseline Forecast
- Utility Scenario I
- Utility Scenario II
- Other Options



# Capital Improvement Program – Recap

- Identified need of ~\$368 million; \$172M in 5-year CIP
- Critical needs take priority over other projects
- Funding:
  - Projects funded through a variety of sources: cash on hand, impact fees, general revenues, grants, contributions, and debt
  - Rolling debt program and need to issue new debt each year over the next few years
  - Potential impacts to tax and rate payers



# 5-Year Capital Improvement Program

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Police	\$150,000	-	-	-	-
Parks	\$1,794,795	\$650,000	-	-	-
Streets	\$4,695,100	\$4,650,000	\$2,500,000	-	-
Water	\$12,745,100	\$17,725,000	\$12,472,000	\$293,000	\$1,380,000
Wastewater	\$32,155,776	\$21,692,000	\$33,273,081	\$16,636,000	\$8,008,000
Combined Utility	\$692,000	-	-	-	-
Gas	\$820,000	-	-	-	-
Facilities	TBD				
<b>TOTAL</b>	<b>\$53,052,771</b>	<b>\$44,717,000</b>	<b>\$48,245,081</b>	<b>\$16,929,000</b>	<b>\$9,388,000</b>



# High Priority Projects & New Debt

## CO Issuance Schedule

		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<b>Projects</b>	<b>Total Cost</b>	<b>2022 COs</b>	<b>2023 CO</b>	<b>2024 CO</b>	<b>2025 CO</b>	<b>2026 CO</b>
<b>Streets</b>						
North Sycamore St. Parking	\$1,500,000		\$1,500,000			
<b>Water</b>						
Pine Street EST Rehabilitation	\$849,000	\$849,000				
East Water Plant	\$19,541,000	\$3,106,000		\$9,861,000	\$6,574,000	
Baker Drive Water Plant	\$10,179,000	\$5,541,276	\$4,637,724			
Telge Easement Acquisition	\$1,500,000	\$1,500,000				
<b>Wastewater</b>						
FM 2920 Lift Station Consolidation*	\$15,394,100	\$9,009,100	\$4,885,000			
South WWTP Expansion*	\$70,434,457		\$16,977,276	\$20,139,000	\$20,788,081	\$11,965,100
<b>Planned CO Issuance</b>		<b>\$20,005,376</b>	<b>\$28,000,000</b>	<b>\$30,000,000</b>	<b>\$30,000,000</b>	<b>\$30,000,000</b>
<b>Assigned to Projects</b>		<b>\$20,005,376</b>	<b>\$28,000,000</b>	<b>\$30,000,000</b>	<b>\$27,362,081</b>	<b>\$11,965,100</b>

\*Additional funding from another source



# Ways to Mitigate Tax Rate Impacts

- Impact Fees fund Impact Fee eligible projects or contribute to debt service
- Utility rate increases to fund utility system projects
- Contributions from other sources
  - Grants
  - TEDC
- Consider General Obligation bond election for non-critical projects
  - Some facilities may require GO bonds



# Tax Rate Impact Scenarios

- Staff looked at 3 scenarios:
  - Baseline scenario: assumes all future debt is tax-supported debt.
  - Scenario I: Assumes Enterprise Fund supports 100% of utility debt issued in FY 2025, starting with 2023 CO issuance.
  - Scenario II: Assumes Enterprise Fund supports 50% of utility debt issued in FY 2025, starting with 2023 CO issuance.
- For all scenarios:
  - 6% taxable value growth
  - 30-year debt
  - Level debt service
  - ~4.5% interest rate
  - M&O set at voter approval rate
  - No additional contributions from other sources other than Enterprise Fund
  - **Only debt issued for priority water/wastewater projects is included**



# Baseline Scenario

	FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028
Tax Supported Debt Service Payment	4,957,595	6,425,969	8,206,090	10,016,836	11,602,732
Utility Supported Debt Service Payment	0	0	0	0	0
<b>Total Debt Service Payment</b>	<b>\$4,957,595</b>	<b>\$6,425,969</b>	<b>\$8,206,090</b>	<b>\$10,016,836</b>	<b>\$11,602,732</b>
Projected M&O Tax Rate	0.186777	0.182372	0.178071	0.173871	0.169770
Projected I&S Tax Rate	0.106544	0.166853	0.206915	0.242732	0.268282
<b>Projected Total Tax Rate</b>	<b>0.293321</b>	<b>0.349225</b>	<b>0.384986</b>	<b>0.416603</b>	<b>0.438052</b>
<b>Average COT Tax Bill (\$300,000 value)</b>	<b>\$880</b>	<b>\$1,048</b>	<b>\$1,155</b>	<b>\$1,250</b>	<b>\$1,314</b>
Projected Utility Rate Increase (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Average COT W/WW Utility Bill (10,000 gal)*					
Monthly	\$106	\$106	\$106	\$106	\$106
Yearly	\$1,270	\$1,270	\$1,270	\$1,270	\$1,270
<b>Total Tax Bill + W/WW Utility Bill</b>	<b>\$2,150</b>	<b>\$2,318</b>	<b>\$2,425</b>	<b>\$2,520</b>	<b>\$2,584</b>

\*Includes projected NHCRA fee; does not include solid waste service or gas service charges





# Scenario I

	FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028
Tax Supported Debt Service Payment	4,957,595	4,215,696	4,155,964	4,123,189	4,091,748
Utility Supported Debt Service Payment	0	2,210,273	4,050,126	5,893,646	7,510,984
<b>Total Debt Service Payment</b>	<b>\$4,957,595</b>	<b>\$6,425,969</b>	<b>\$8,206,090</b>	<b>\$10,016,836</b>	<b>\$11,602,732</b>
Projected M&O Tax Rate	0.186777	0.182372	0.178071	0.173871	0.169770
Projected I&S Tax Rate	0.106544	0.101655	0.094208	0.088006	0.082257
<b>Projected Total Tax Rate</b>	<b>0.293321</b>	<b>0.284026</b>	<b>0.272278</b>	<b>0.261877</b>	<b>0.252028</b>
<b>Average COT Tax Bill (\$300,000 value)</b>	<b>\$880</b>	<b>\$852</b>	<b>\$817</b>	<b>\$786</b>	<b>\$756</b>
Projected Utility Rate Increase (%)	0.00%	12.30%	12.50%	13.30%	11.20%
Average COT W/WW Utility Bill (10,000 gal)					
Monthly	\$106	\$119	\$134	\$152	\$168
Yearly	\$1,270	\$1,427	\$1,605	\$1,818	\$2,021
<b>Total Tax Bill + W/WW Utility Bill</b>	<b>\$2,150</b>	<b>\$2,279</b>	<b>\$2,421</b>	<b>\$2,604</b>	<b>\$2,777</b>

\*Includes projected NHCRA fee; does not include solid waste service or gas service charges



# Scenario II

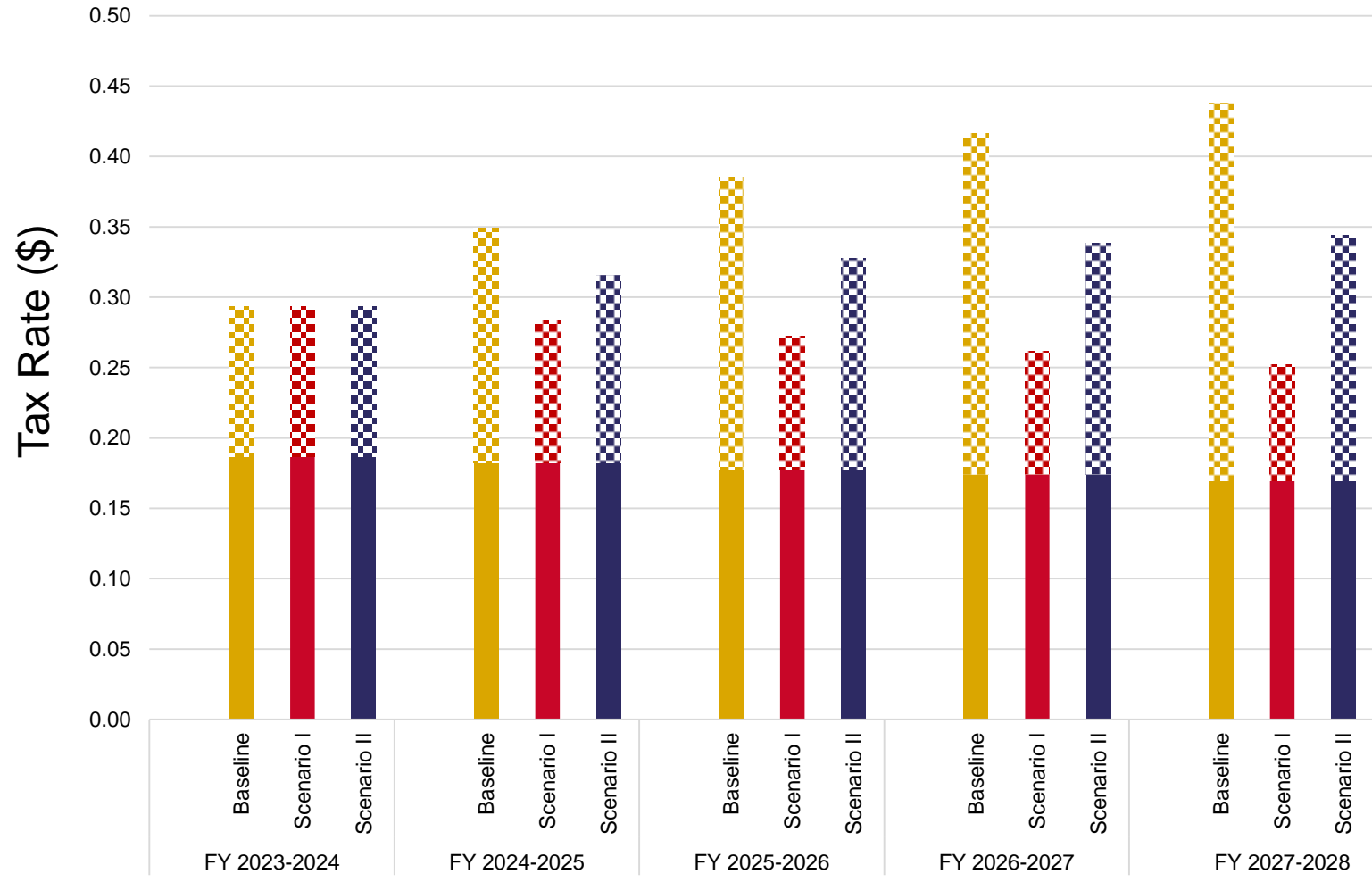
	FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028
Tax Supported Debt Service Payment	4,957,595	5,277,381	6,137,629	7,026,565	7,803,775
Utility Supported Debt Service Payment	0	1,148,588	2,068,461	2,990,271	3,798,957
<b>Total Debt Service Payment</b>	<b>\$4,957,595</b>	<b>\$6,425,969</b>	<b>\$8,206,090</b>	<b>\$10,016,836</b>	<b>\$11,602,732</b>
Projected M&O Tax Rate	0.186777	0.182372	0.178071	0.173871	0.169770
Projected I&S Tax Rate	0.106544	0.132972	0.149354	0.164229	0.174193
<b>Projected Total Tax Rate</b>	<b>0.293321</b>	<b>0.315344</b>	<b>0.327425</b>	<b>0.338099</b>	<b>0.343963</b>
<b>Average COT Tax Bill (\$300,000 value)</b>	<b>\$880</b>	<b>\$946</b>	<b>\$982</b>	<b>\$1,014</b>	<b>\$1,032</b>
Projected Utility Rate Increase (%)	0.00%	9.00%	8.80%	9.20%	6.10%
Average COT W/WW Utility Bill (10,000 gal)					
Monthly	\$106	\$115	\$125	\$137	\$145
Yearly	\$1,270	\$1,384	\$1,506	\$1,644	\$1,743
<b>Total Tax Bill + W/WW Utility Bill</b>	<b>\$2,150</b>	<b>\$2,330</b>	<b>\$2,488</b>	<b>\$2,658</b>	<b>\$2,775</b>

\*Includes projected NHCRA fee; does not include solid waste service or gas service charges

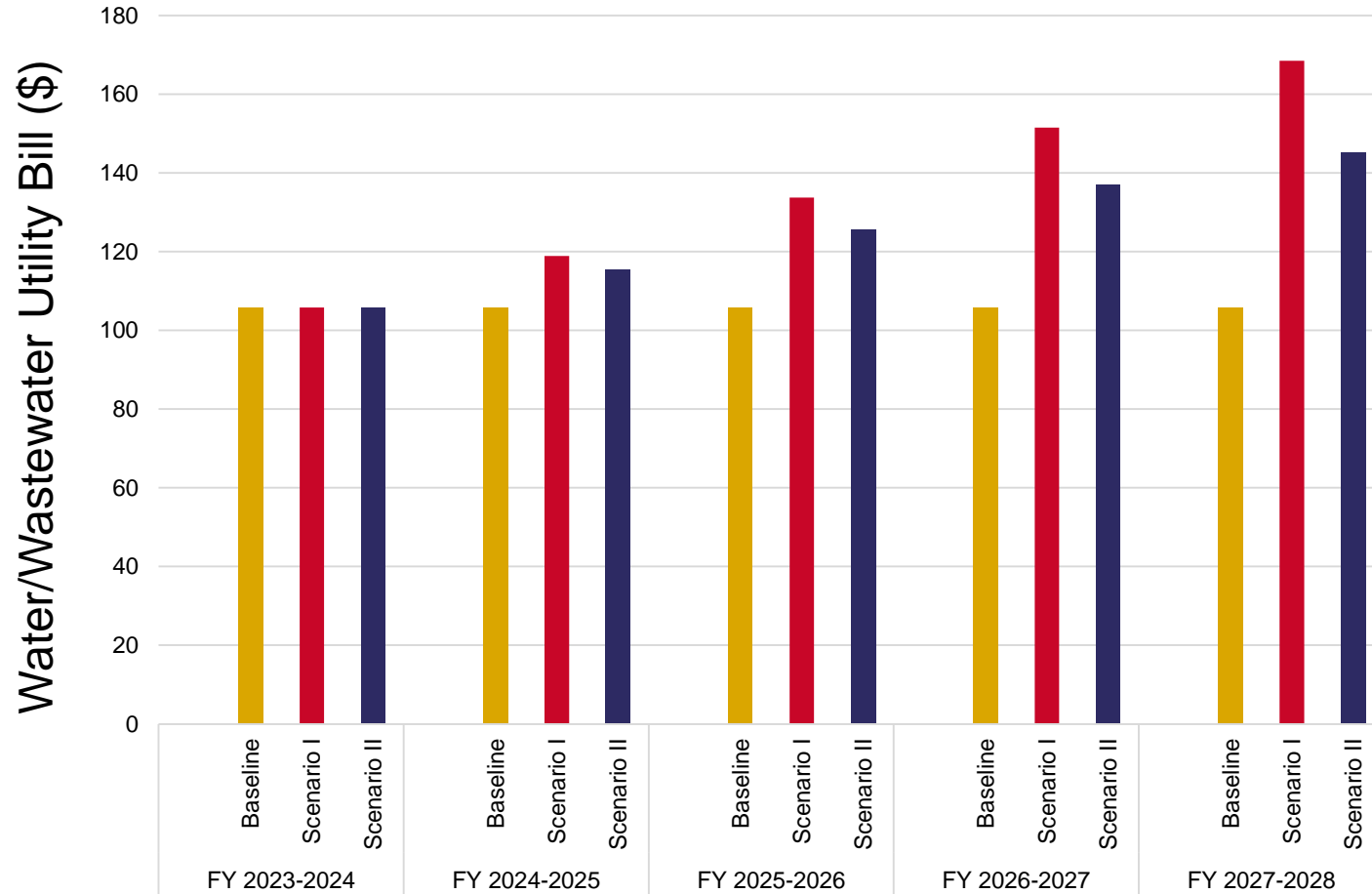


# Tax Rate Impacts


 M&O  
 I&S

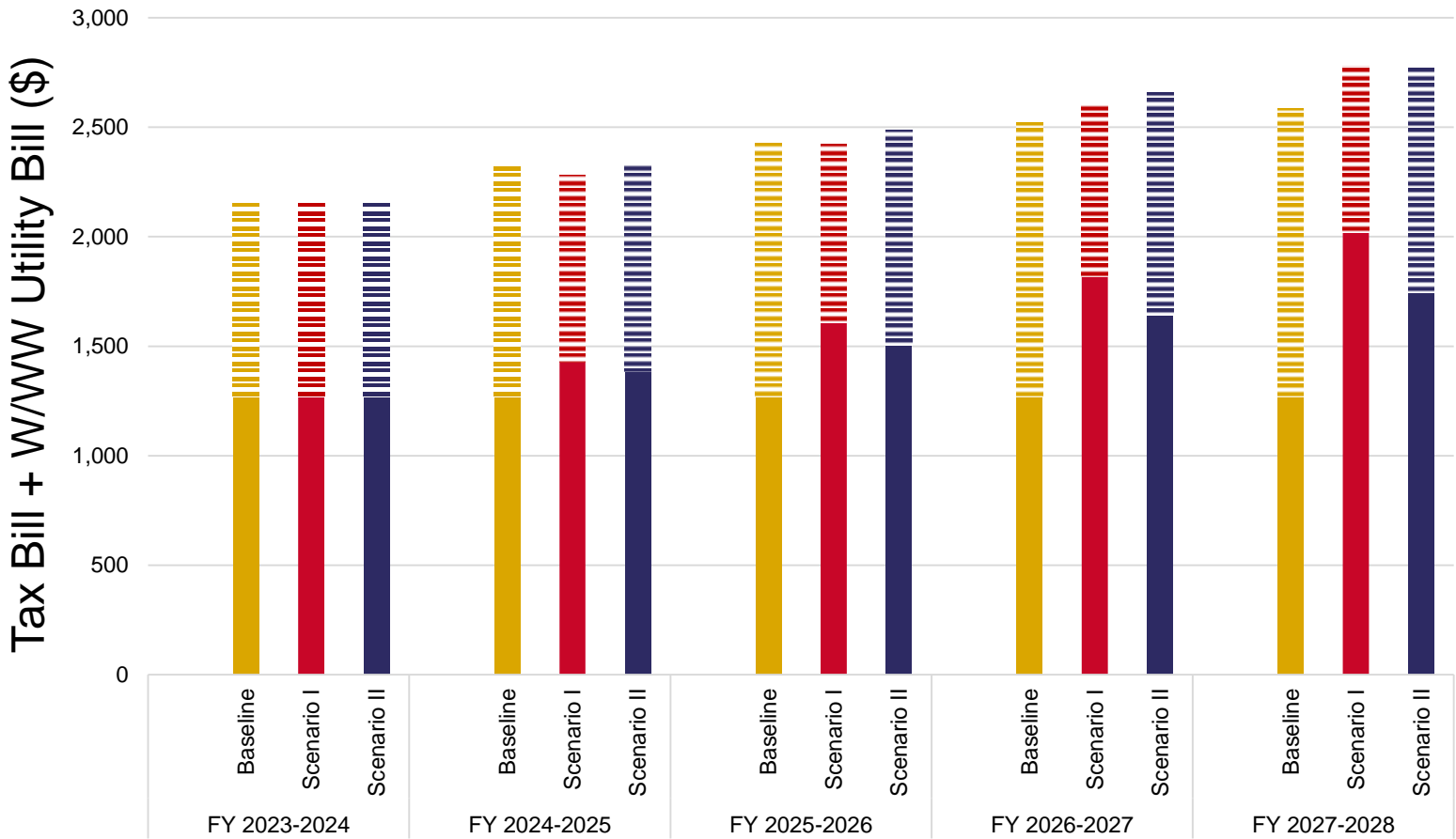


# Monthly Utility Bill



# Total Estimated Annual Cost to Resident

 Utility Bill  
 Property Taxes



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# Questions?

