



# The City of Raleigh Debt Program—a representative look at North Carolina local government debt policies and procedures

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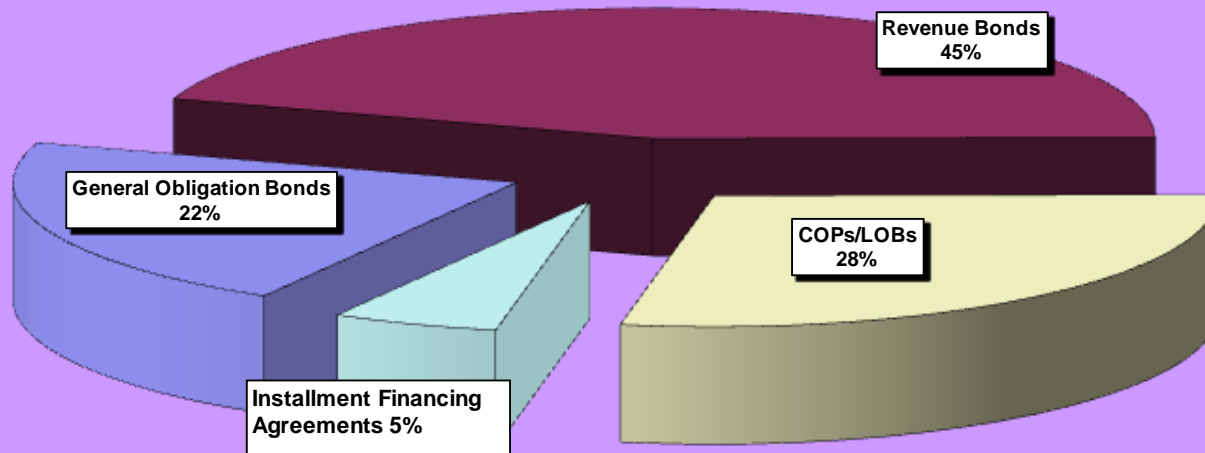
# Objectives

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- Provide overview of City of Raleigh's current debt composition and management of key debt measures
- Describe criteria for financing projects and how the nature of the projects is matched up with debt instruments
- Identify the review processes that debt issuance decisions go through
- Comment on the special role of the Local Government Commission in North Carolina
- Summarize major points

# City of Raleigh Debt Portfolio

## 06-30-13





# Key Debt Program Objectives

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## **#1 Debt Should Be Moderate in Both the Amounts and the Annual Impact on Budget**

- Only 10% of General Fund's budget is for debt service
- City has issued only 21% of the debt that state statute allows
- 70% of City's debt is paid for by Other than general government resources
  - Water/sewer bills
  - Parking fees
  - Occupancy and Prepared Food Taxes

## **#2 Debt Process Must Include Significant Public Exposure and Approvals**

- Over 73% of general governmental debt was voter approved
- All issues involve broad review and/or approval by City management, City Council, the Local Government Commission and national rating agencies and often involve media reporting and required public hearings

## **#3 Debt Should Be Highly Rated To Provide Lowest Costs**

- General debt is rated Aaa/AAA/AAA
- Water and sewer debt is rated AA1/AAA/AAA
- Parking debt: AA category
- Convention Center debt: AA2/AA+/AA



# How do we select projects for debt issuance?

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- Debt plans are linked to the adoption of the 10-year Capital Improvement Program (CIP) and are only for capital needs
- CIP includes capital facility projects of at least \$25,000 lasting over 10 years
- City's 5-year CIP funding plan requires only 43% debt financing with rest funded as Pay-Go resources and miscellaneous income



# How do projects match up with type of debt instruments used?

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- **4 types of debt:**

- General Obligation (GO)
  - Utility Revenue Bonds
  - COP's/LOB's
  - Installment Financing Agreements
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- **GO issues** used for broad general government types of projects where the City's full faith and credit guarantee is appropriate to support the debt

- Parks and Recreation
- Streets
- Housing

- **Utility Revenue bonds** used for water and sewer capital needs and allow for responsible compliance with complex laws and regulations

- Revenue bond issue often includes 80 or more separate projects

(cont.)



# Match of projects to debt types

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- **COP's/LOB's** are used for financing facilities like parking decks, the convention center with its regional needs or general infrastructure investments that have a direct collateralization nature for the debt issued
  - Often part of Enterprise operations such as convention center and parking
  - Often involve more complex financings and debt structures
- **Installment Financing Agreements (IFA's)** are used for financing budgeted items like a land acquisition which can be time sensitive, or for other miscellaneous items with non-traditional terms



# What is our review process for debt issuances?

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## **Processes vary by type of debt but generally have common components:**

- Administrative review of projects and City's debt model impacts
- Budgetary processes related to the CIP
- Multiple City Council approval actions
- Certain statutorily required public hearings
- Application to and Review by Local Government Commission
- Frequent media press releases
- Extensive deliberations involving financing team, including City's bond counsel and financial advisor, underwriter and counsel, and LGC staff
- Review by all 3 national credit rating firms





# How is the Public Involved?

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- Very transparent steps in the review process
- Council input from citizens
- Formal public hearings
- Press releases and media coverage
- Posting on City's website of proposed capital plans
- Documentation of all stages of consideration in public documents
- Detailed debt information published in City's Comprehensive Annual Financial Report
- New document: Citizen's Financial Report



# What is the Value of the LGC to North Carolina Local Governments and Oversight Bodies?

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- Is a fundamental and valuable part of the financial integrity that North Carolina debt issues have
- The review by LGC staff ensures necessary compliance with law and meeting of “necessary” and “reasonableness” criteria
- Commission approvals provide proof to the market that NC issues are solid and will be paid back
- Rating agencies factor in strength of the LGC oversight role in their reviews



# Summary Points

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- Local Government Bond Issues in North Carolina are Characterized By:
  - Moderate Amounts, Extensively Reviewed/Approved Processes and Effective Results
  - Strong professional management that matches up the capital needs to the most effective debt option
  - Very competent financial teams participate
  - Extremely transparent processes with high levels of public knowledge and representation
  - Valuable oversight and approvals by the LGC
- National Markets Give Us the Feedback on How Strong They Consider North Carolina Debt Programs by:
  - Lowest interest rates
  - High credit ratings
  - Best access to financial markets