



DEBT MANAGEMENT  
COMMISSIONER OF FINANCE  
JOHN O'NEILL

TOWN OF BROOKHAVEN  
TOWN BOARD WORK SESSION  
MARCH 18, 2010



# Introduction

- The size of the Town's General Fund indebtedness is an area of fiscal concern.
  - ✓ Debt Service was budgeted at \$29.6 million in the 2010 Adopted Budget; this is exclusive of Recovery Zone Bond projects.
  - ✓ This amount is 19.6% of the 2010 Adopted Budget for the General Fund (A).
  - ✓ General Fund Property Taxes are \$20.9 million, which only pay for 70.6% of the General Fund debt.

# Current Debt Management Policy



- Adopted September 17, 2009; relatively unchanged from the Debt Control Policy adopted in May 2004.
- “The Town of Brookhaven as a matter of policy should set as a goal to have yearly debt service at a level equal to **fifteen** percent of General Fund annual budgeted appropriations and then maintain that level.”

# How are other towns doing?



	Islip	Smithtown	Riverhead	Hempstead	Brookhaven
<i>DS % of Total Exp.</i>	<b>13.7%</b>	<b>7.9%</b>	<b>27.2%</b>	<b>4.2%</b>	<b>19.6%</b>
<i>DS % of Total Rev. excl. Appl. Surplus</i>	<b>15.3%</b>	<b>8.6%</b>	<b>30.5%</b>	<b>4.6%</b>	<b>23.2%</b>
<i>DS per Capita</i>	<b>\$31</b>	<b>\$28</b>	<b>\$337</b>	<b>\$7</b>	<b>\$60</b>
<i>Credit Rating</i>	<b>AA+</b>	<i>Not Available</i>	<b>AA3</b>	<b>AAA</b>	<b>AA+</b>
<i>Outlook</i>	<b>Stable</b>	<i>Not Available</i>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>
<i>Rating Agency</i>	<b>Fitch</b>	<i>Not Available</i>	<b>Moody's</b>	<b>Standard &amp; Poors</b>	<b>Standard &amp; Poors</b>

**NOTES:**

- Debt Service data obtained from the individual Towns' 2010 Adopted Budget posted on their respective websites.
- Credit ratings source is the Town's Adopted Budget or news articles.

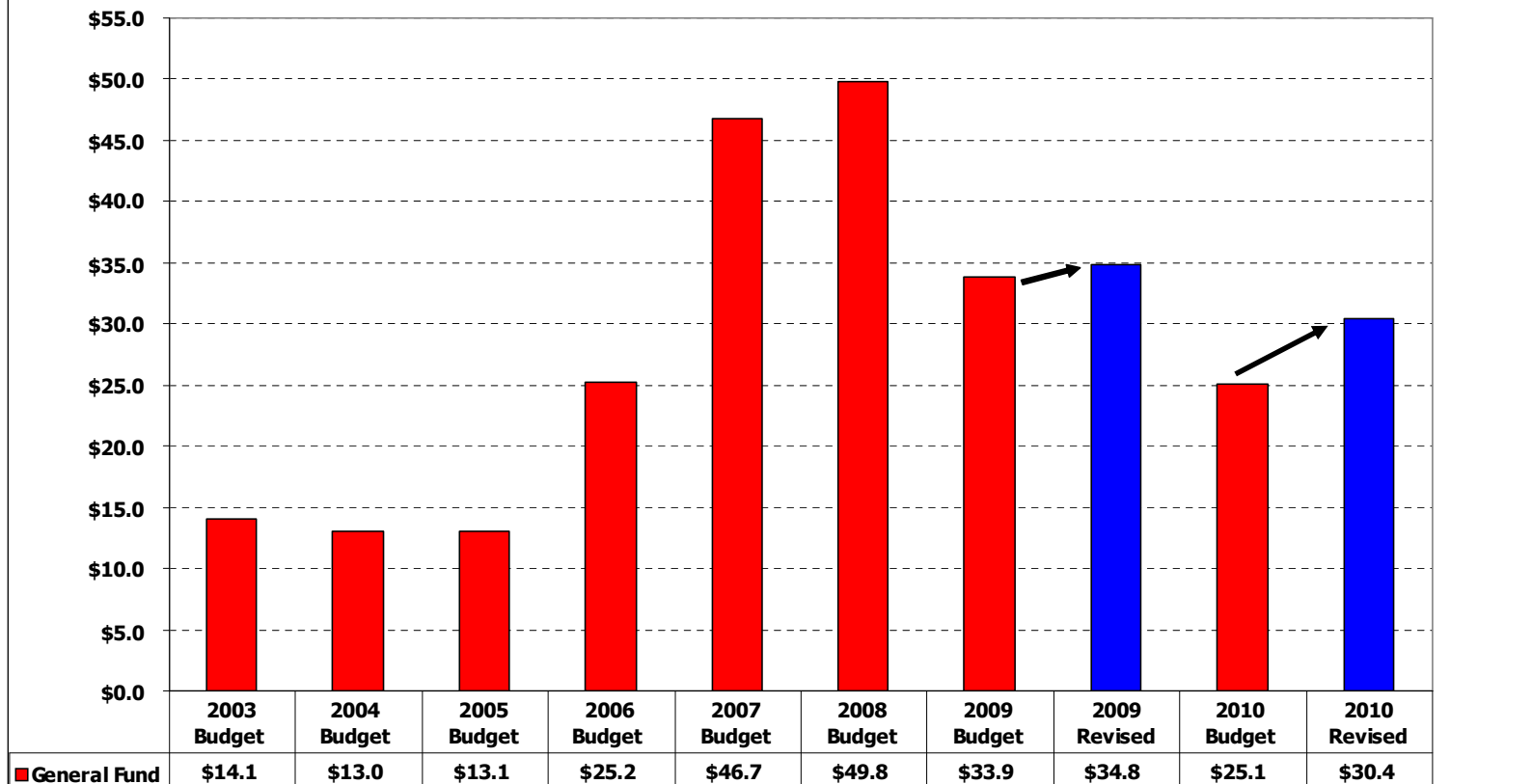
# Capital Budget: Historical Data

**FOR CLARITY - DISCUSSED AT WORK SESSION:**

- Excludes Open Space refers to Bond Issuance of \$100 Million Bond in 2007,
- Includes Open Space purchases of \$20 Million in 2009 Budget and \$10 million in 2010 Budget



**Capital Budget Trend**  
General Fund A - Townwide - Excludes Open Space



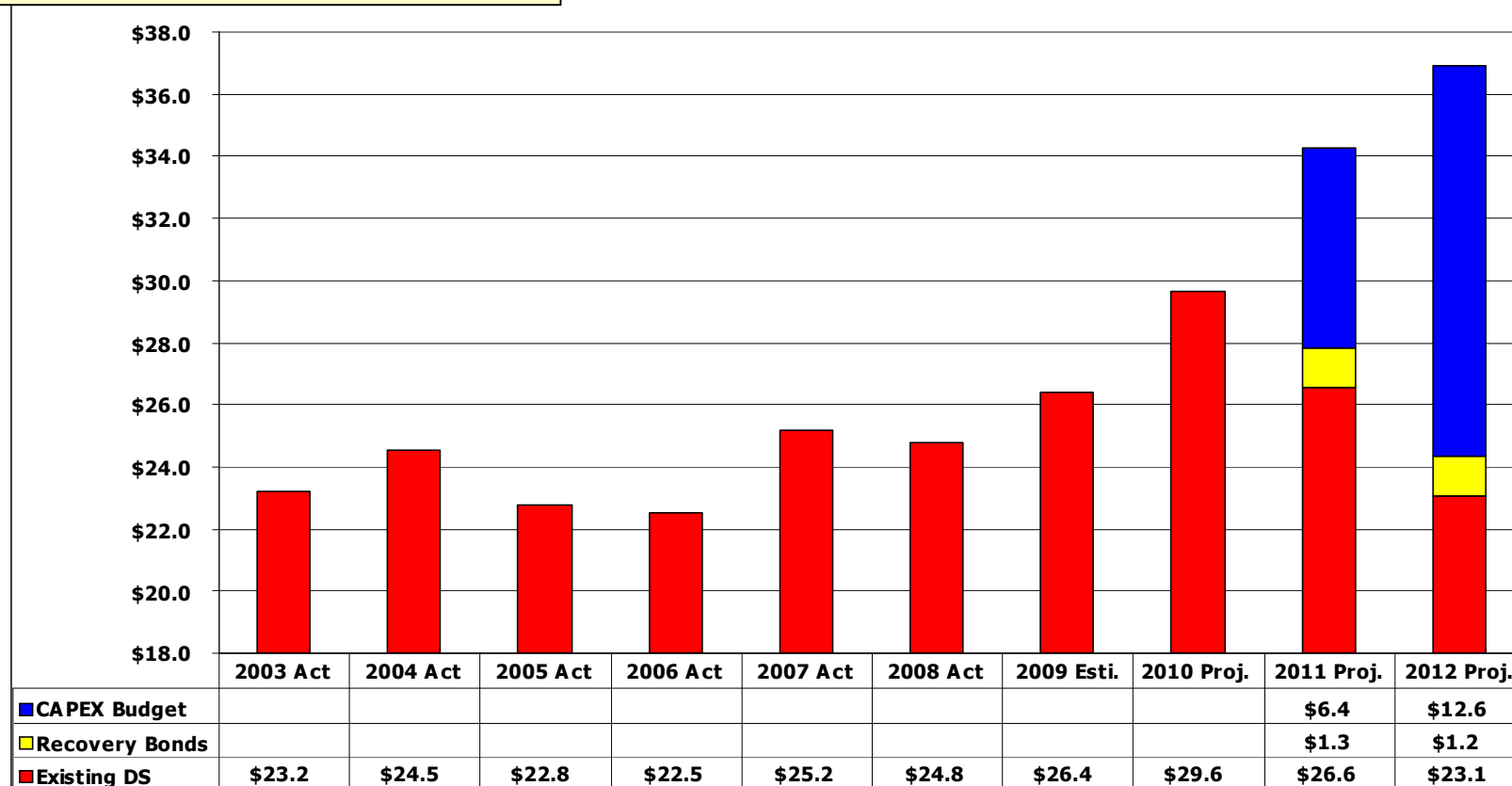
# General Fund Debt Service



•Source Data from Multi-Year Plan prepared by Munistat.

•Recovery Bond assumes all funds authorized and issued by end of year 2010.

**Annual Debt Service Trend  
General Fund A - Townwide**

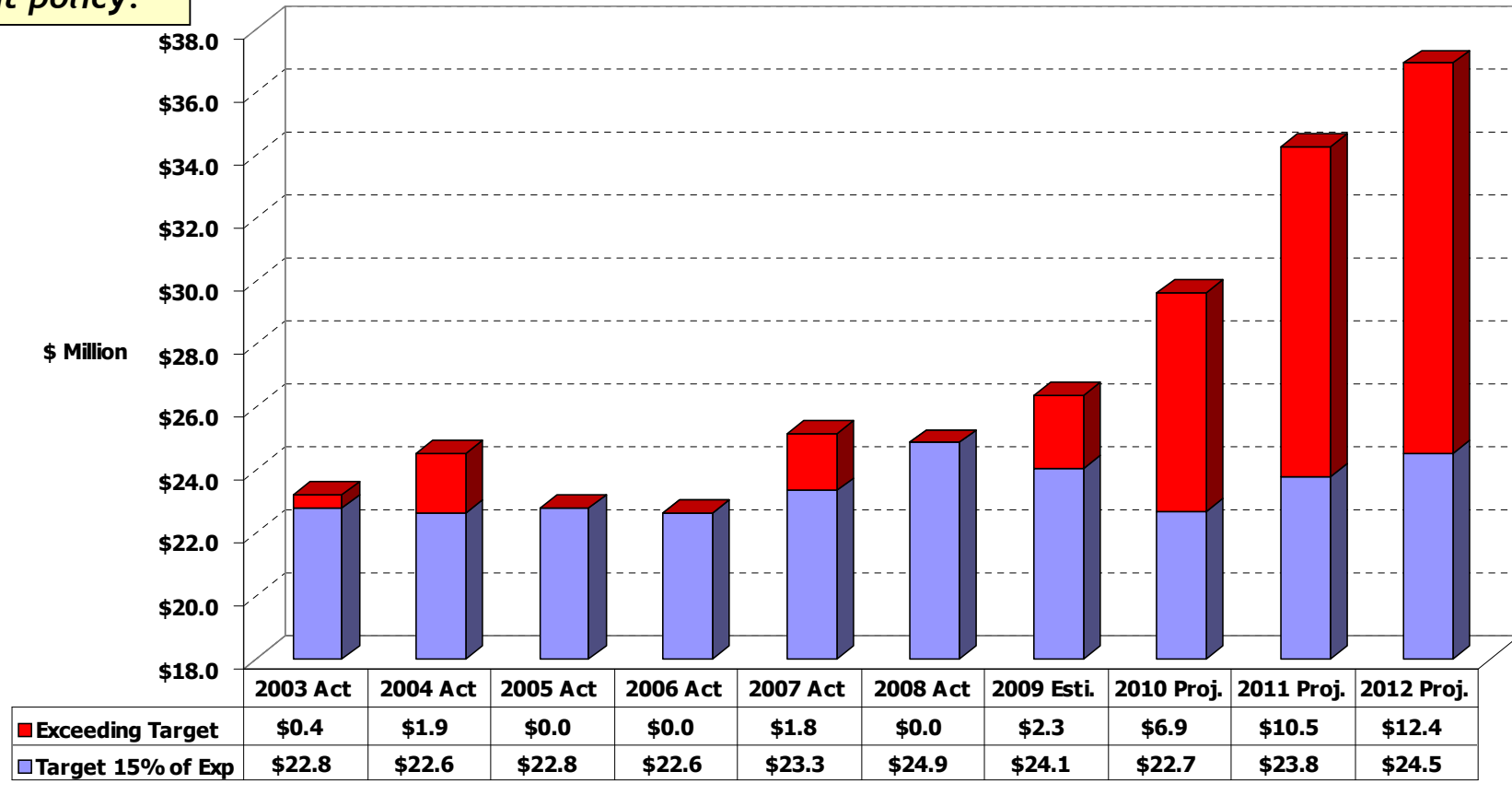


# Debt Service: Compared to Current Policy



*Town is in violation of the current policy.*

**Annual Debt Service Trend with Target  
General Fund A - Town Wide Only**

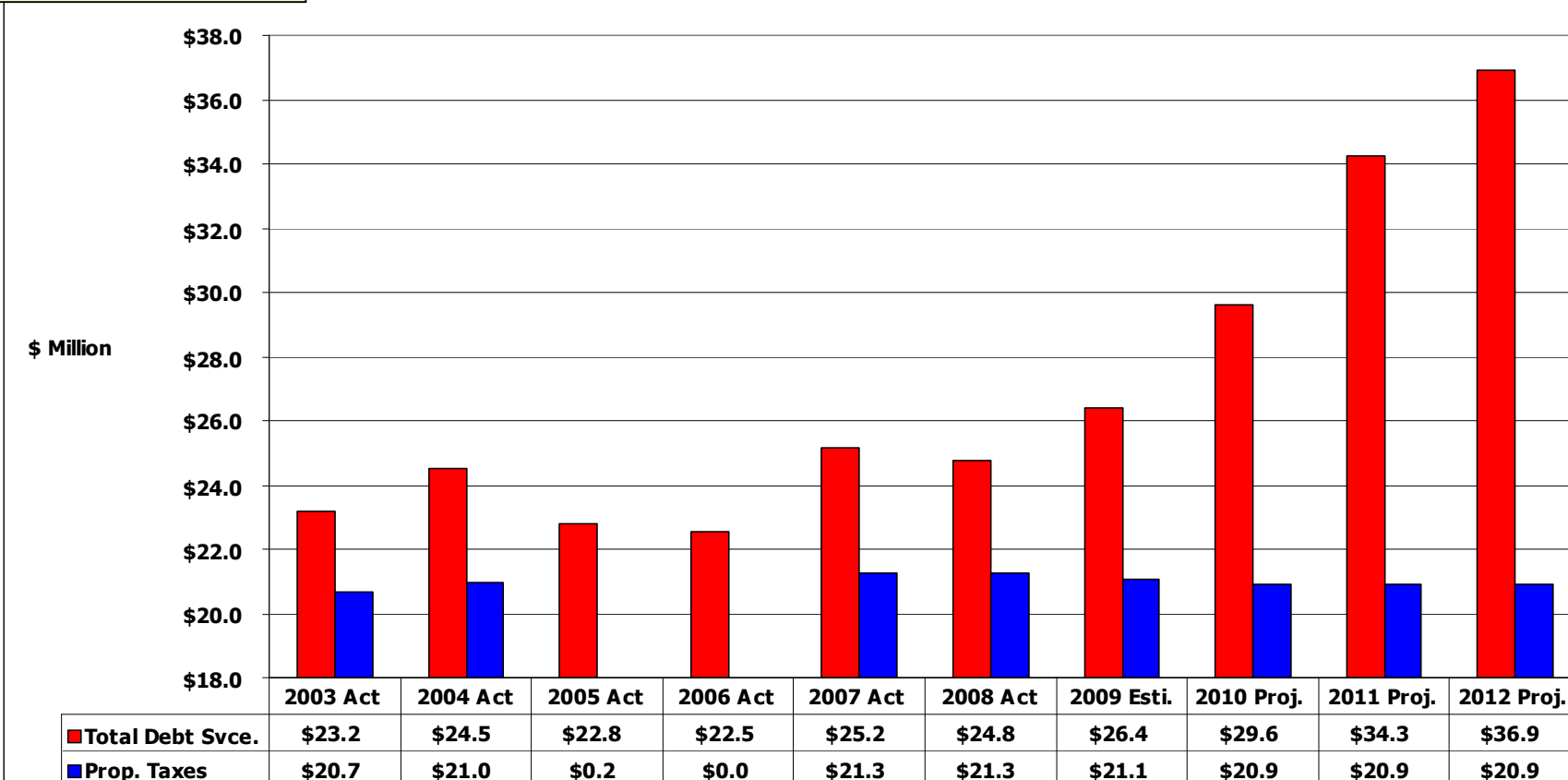


# Debt Service: Compared to Property Taxes

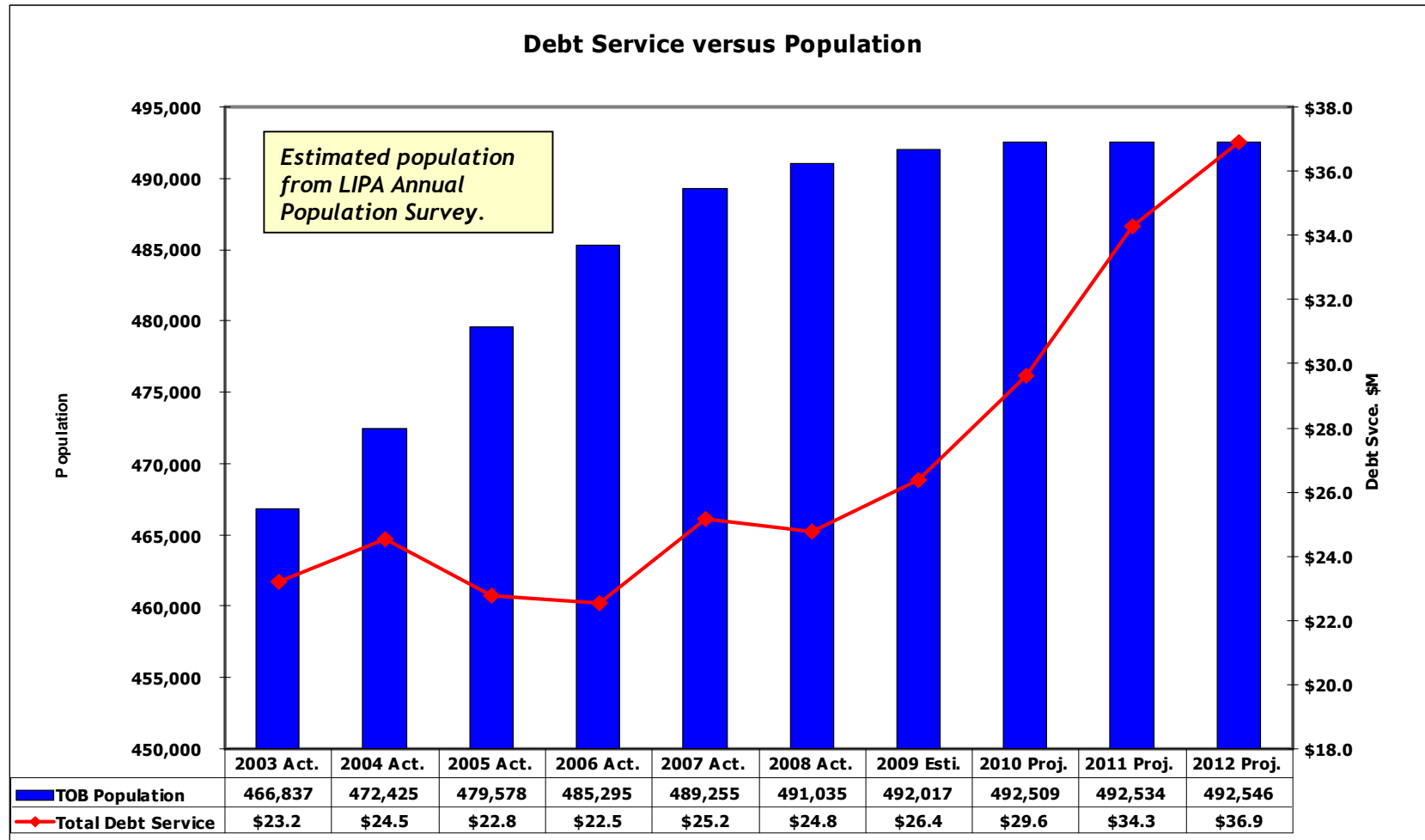


Source Data from  
Multi-Year Plan  
prepared by Munistat.

Comparison Debt Service versus Property Taxes



# Debt Service: Compared to Town Population





# Impact of Current Debt

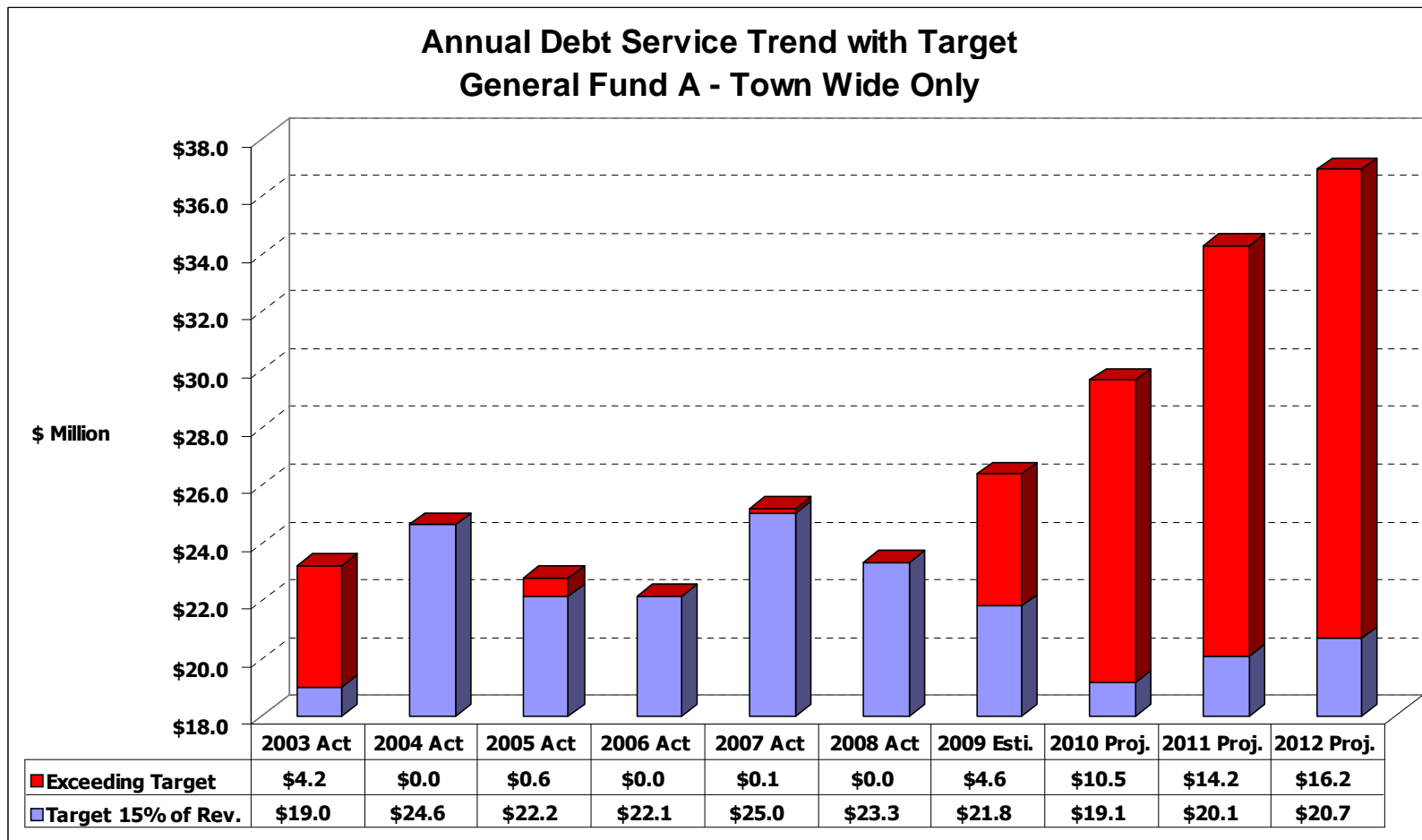
- Every \$10 million of capital expenditures results in an average of almost \$1.0 million (\$963,000) in annual debt service, assuming a 15 year bond at 5.0%.
- Debt Capacity - 2010 debt service of \$29.6 million as:
  - ✓ % of 2010 Revenue: 23%
  - ✓ % of 2010 Property Taxes: 142%
  - ✓ \$ Per capita: \$60
  - ✓ \$ Per Household \$184.5
  - ✓ % of Total Assessed Valuation: 6.3%

# Proposed Debt Control & Capital Budget Policies



- General Fund Debt Service should be no more than 15% of the lesser of:
  - ✓ revenues (excluding any application of surplus), or
  - ✓ expenditures.
- The Capital Budget is fixed in terms of overall dollars. If any new projects are added during the fiscal year, other project(s) must be deferred to maintain the fixed dollar capital budget limit.
- Conduct a needs assessment of the Town's capital assets and infrastructure to identify the most critical construction and reconstruction needs. This would be the basis for the Town's 5-year capital plan and allow the Town Board to prioritize capital project investments, identify critical infrastructure needs and ensure that the Town's limited debt capacity is used effectively.

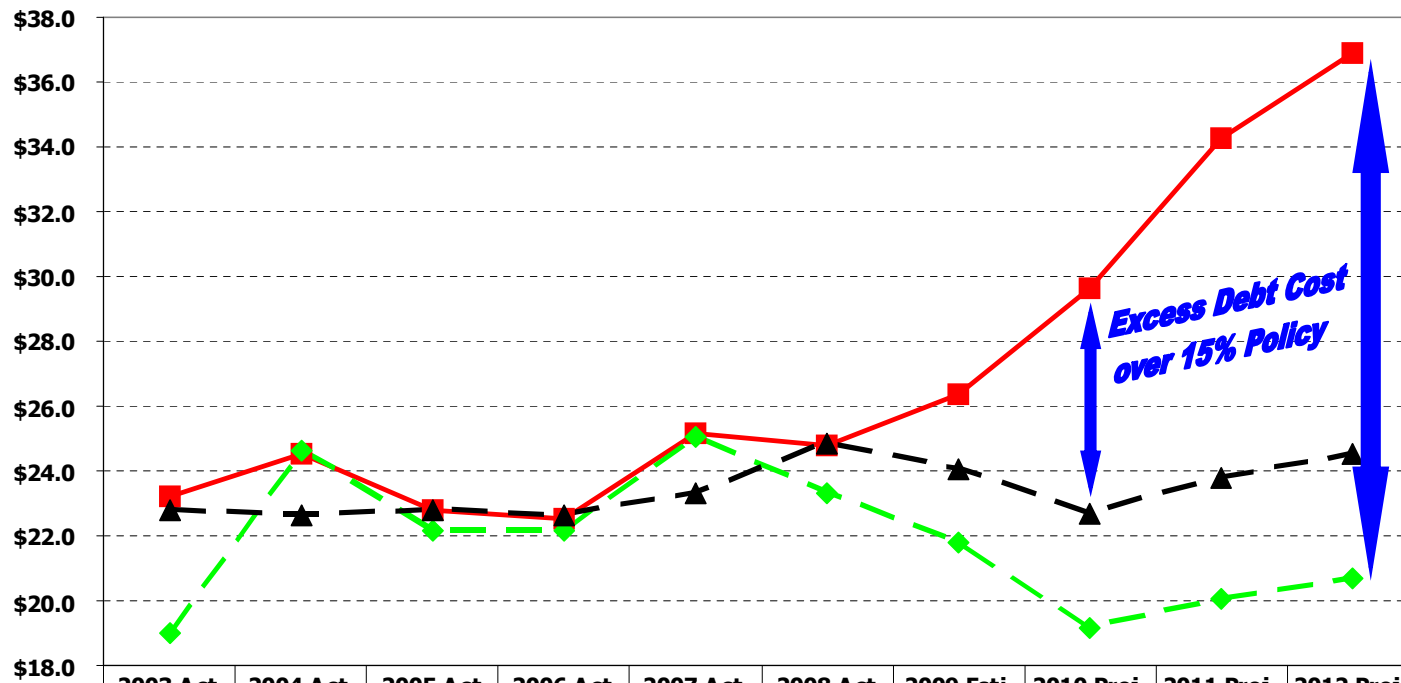
# Debt Service: Compared to Proposed Policy



# Debt Service: Current vs. Proposed Policy



**Annual Debt Service Trend with Target  
General Fund A - Town Wide Only**



	2003 Act	2004 Act	2005 Act	2006 Act	2007 Act	2008 Act	2009 Esti.	2010 Proj.	2011 Proj.	2012 Proj.
■ Total Debt Svce.	\$23.2	\$24.5	\$22.8	\$22.5	\$25.2	\$24.8	\$26.4	\$29.6	\$34.3	\$36.9
◆ Target 15% of Rev.	\$19.0	\$24.6	\$22.2	\$22.1	\$25.0	\$23.3	\$21.8	\$19.1	\$20.1	\$20.7
▲ Target 15% of Exp	\$22.8	\$22.6	\$22.8	\$22.6	\$23.3	\$24.9	\$24.1	\$22.7	\$23.8	\$24.5

# Debt Management Strategy



1. Review & implement ER Team recommendations and effectively use Recovery Zone Bonds for 2010 capital projects.
2. Delay non-essential capital projects in 2010.
3. Re-evaluate existing projects from 2009 and earlier.
4. Go on a capital diet:
  - Cold Turkey in 2011 for discretionary projects.
  - Limited discretionary projects in 2012 through 2014 other than those prioritized for safety and revenue-generating justifications.

# Results

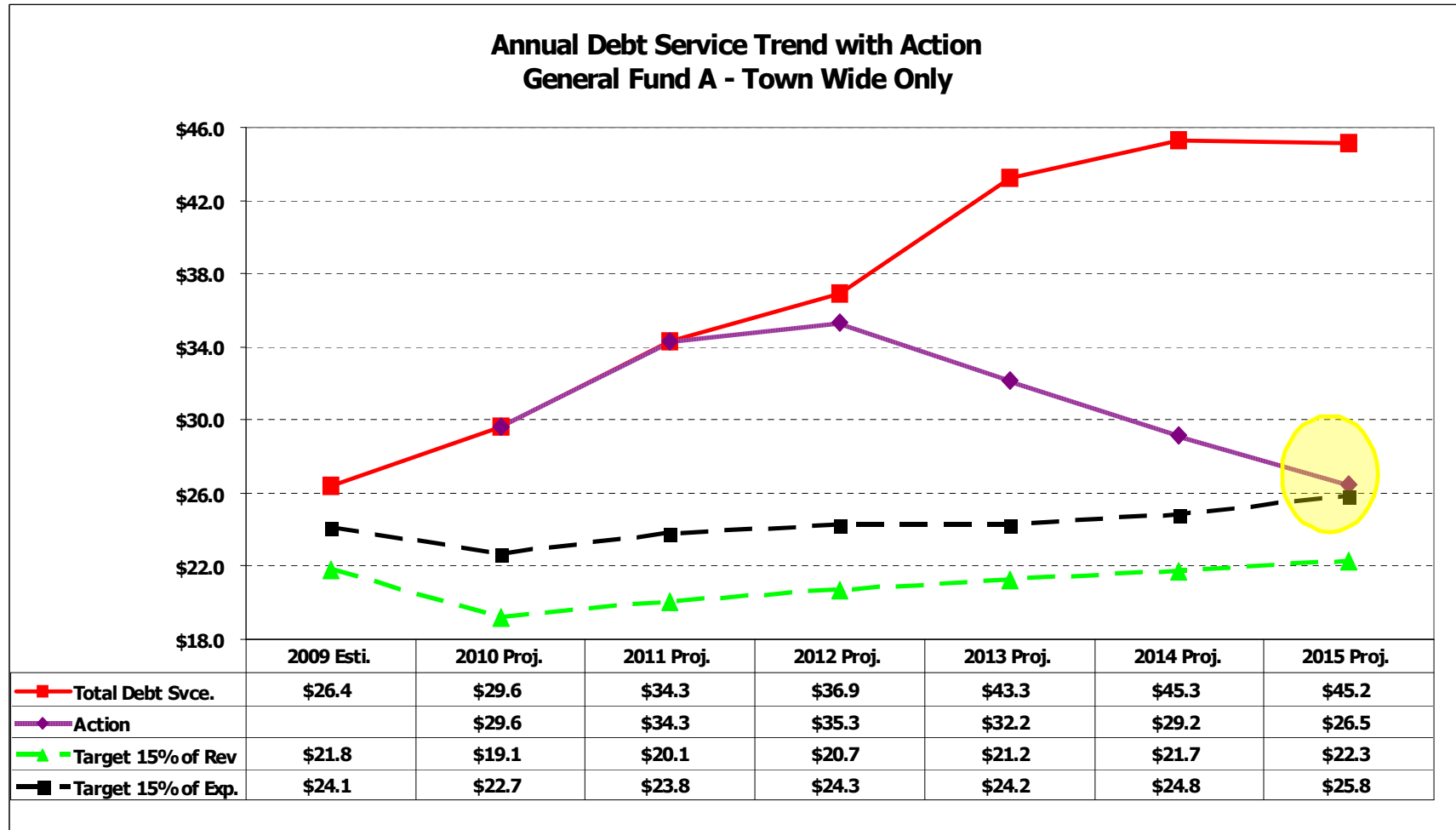


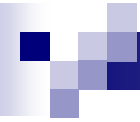
- Implementation of the Debt Management Strategy should allow the Town to come into compliance with the current policy within 5 years.

# Results



**Annual Debt Service Trend with Action  
General Fund A - Town Wide Only**





# Next Steps



- 
1. Implement ER Team recommendations for 2010.
  2. Adopt proposed debt control and capital budget policies.
  3. Implement debt management strategy resulting in the Town coming into compliance with the current debt control policy in 2015.