



DEBT LIMIT PERCENTAGE - A FUND  
LOCAL LAW 12 COMPLIANCE

PRESENTED BY  
COMMISSIONER OF FINANCE JOHN O'NEILL  
*MAY 19, 2011*

# Agenda



- ◆ Overview
- ◆ Debt Service Trend - General Fund (A)
- ◆ Debt Service % Calculation
- ◆ Summary
- ◆ Appendix

# Local Law 12 - Debt Management & Capital Budget Policy



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## Overview:

This local law expands upon the town board resolution passed in 2008 that established a debt service policy to 15% of Total Expenses. To limit debt service, the expense incurred for long term debt (bonds), to 15% of total revenue - excluding the use of surplus or total expenses; whichever is lower. The local law is specific to the town wide general fund (A) only.

## Highlights -

- Effective January 1<sup>st</sup>, 2011
- Requires the Commissioner of Finance:
  - ◆ Annually on June 1<sup>st</sup> , issue a report to determine if the town is in compliance with the debt management policy
  - ◆ If not in compliance, provide an analysis, report, on the steps to be taken to have the Town be in compliance and by a reasonable time frame
  - ◆ Recommend the total amount of the next years capital budget

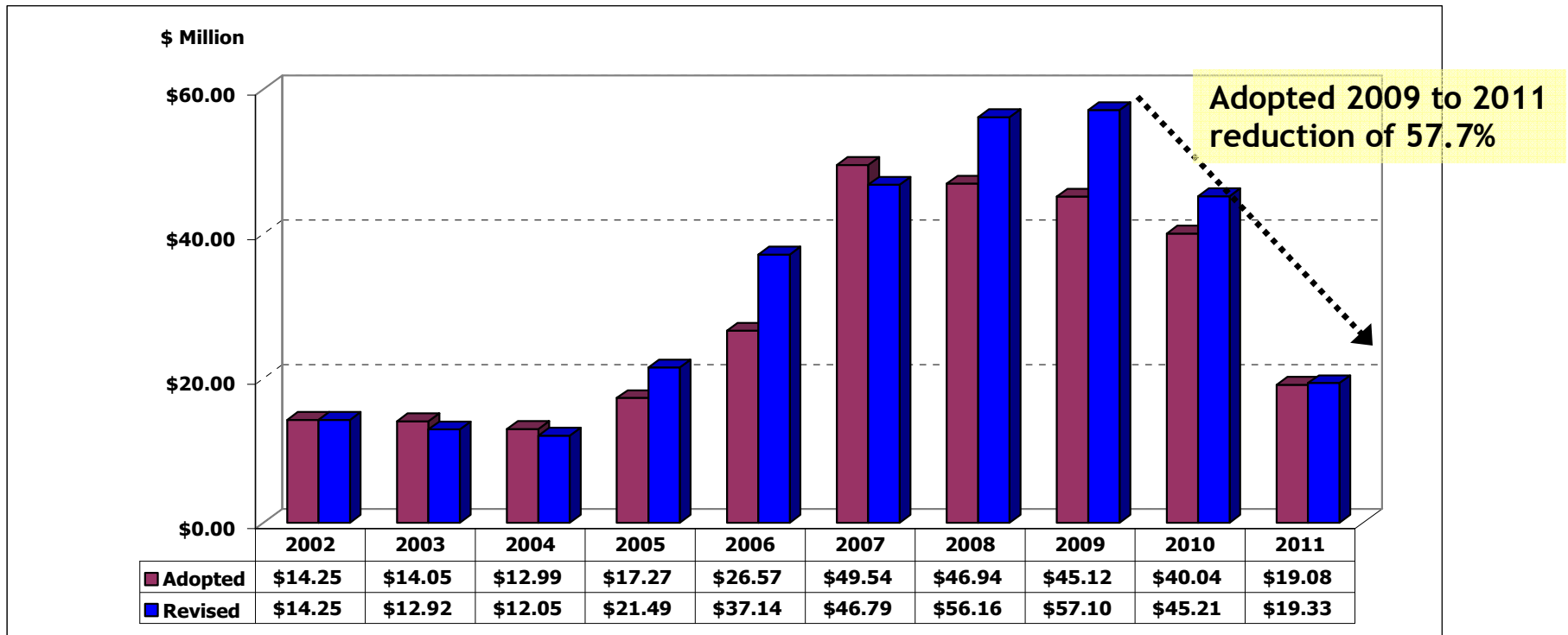
# Local Law 12 - Continued Debt Mgmt. & Capital Budget Policy



## Highlights - Continued:

- ◆ Provide a report on all capital projects for continued funding or termination
  - ◆ Close projects that never had debt issued or are inactive for 24 months
  - ◆ Develop written policies that provide guidelines for capital projects
- Cap can be “pierced” by 2/3’s majority including but not limited to
- ◆ Projects with a positive payback total revenue exceeds total debt service cost
  - ◆ Grants
  - ◆ An emergency as declared by the Supervisor

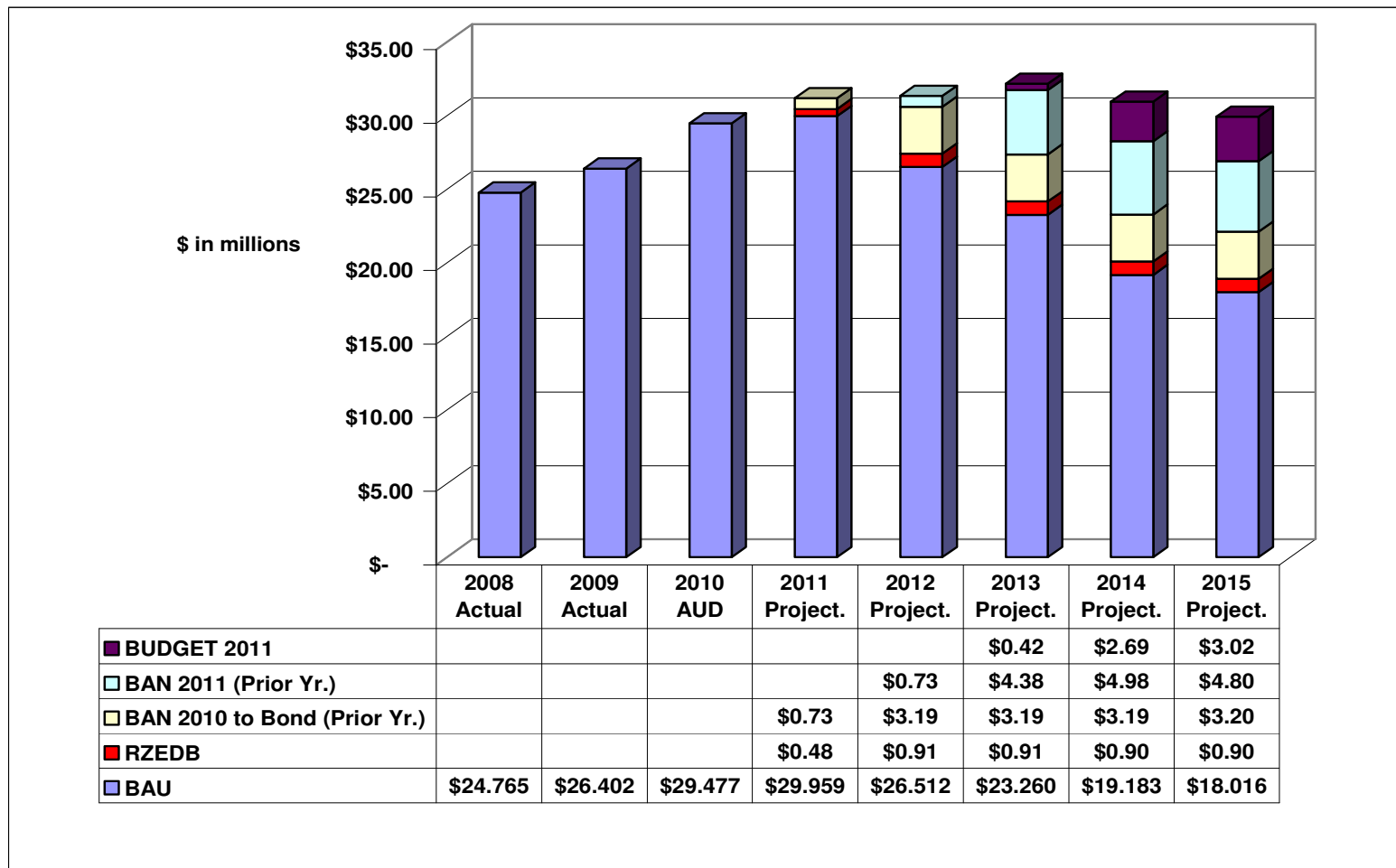
# Capital Budget Trend General Fund (A)



<u>Average</u>	<u>Adopted</u>
2002 - 2005	\$14.64
2006 - 2009	\$42.04
Increase	187%

# Debt Composition

## Excludes Any New Debt 2012 - 2015



# Debt Service Trend

## Excludes any New Debt 2012-2015



Tranches	2008 Actual	2009 Actual	2010 AUD	2011 Project.	2012 Project.	2013 Project.	2014 Project.	2015 Project.
BAU - Debt Issued on/or before 7/2010	\$ 24.77	\$ 26.40	\$ 29.48	\$ 29.96	\$ 26.51	\$ 23.26	\$ 19.18	\$ 18.02
RZEDB (Recovery Zone Bonds)				\$ 0.48	\$ 0.91	\$ 0.91	\$ 0.90	\$ 0.90
BAN 2010 to Bond 2011 Older Projects				\$ 0.73	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.20
BAN 2011 for 2010 Older Projects					\$ 0.73	\$ 4.38	\$ 4.98	\$ 4.80
2011 Adopted Capital Budget @ \$19.0 M						\$ 0.42	\$ 2.69	\$ 3.02
<b>Total Debt Service-Gross</b>	<b>\$ 24.77</b>	<b>\$ 26.40</b>	<b>\$ 29.48</b>	<b>\$ 31.17</b>	<b>\$ 31.34</b>	<b>\$ 32.16</b>	<b>\$ 30.95</b>	<b>\$ 29.93</b>
Less: Project E&R and Capital Closeouts				\$ (0.78)	\$ (0.47)	\$ (0.41)	\$ (0.31)	\$ (0.18)
Less: Refundng				\$ (0.00)	\$ (0.47)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Less: Debt Service Not Subject to Policy				\$ (0.11)	\$ (1.22)	\$ (2.02)	\$ (3.41)	\$ (4.85)
<b>(a) Debt Service Subject to Policy</b>	<b>\$ 24.77</b>	<b>\$ 26.40</b>	<b>\$ 29.48</b>	<b>\$ 30.28</b>	<b>\$ 29.18</b>	<b>\$ 29.72</b>	<b>\$ 27.22</b>	<b>\$ 24.89</b>

# Debt Limit Calculation Excludes any New Debt



	2008 Actual	2009 Actual	2010 AUD	2011 Project.	2012 Project.	2013 Project.	2014 Project.	2015 Project.
(a) Debt Service Subject to Policy	\$ 24.77	\$ 26.40	\$ 29.48	\$ 30.28	\$ 29.18	\$ 29.72	\$ 27.22	\$ 24.89
(b) Total Revenue	\$ 153.72	\$ 145.65	\$ 145.68	\$ 110.22	\$ 110.06	\$ 113.40	\$ 117.87	\$ 122.36
Debt % Calculation [ (a) / (b) ]	16.1%	18.1%	20.2%	27.5%	26.5%	26.2%	23.1%	20.3%
Target %	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Better / (Worse) than Target	-1.1%	-3.1%	-5.2%	-12.5%	-11.5%	-11.2%	-8.1%	-5.3%

Currently not in compliance

**Note:**

For 2011, SR \$20 million pass thru of interfund revenue & expense removed from A Fund

# Future Debt Service Mitigation



- Continue to close out old capital projects
- Re-Trend existing authorized and approved projects
- Reduce the 2011 Capital Budget
  - ◆ Defer un-authorized 2011 projects
  - ◆ Eliminate 2011 projects as needed

# 2012 Capital Budget



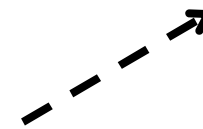
- Establish a 2012 Capital Budget of \$8 million subject to debt policy (excludes revenue generating projects and grants)
  - ◆ At least \$3 million already committed to an open space acquisition - payment 2 of 3
  - ◆ Remaining funds, \$5 million, to be used for critical infrastructure purposes only i.e. safety and compliance related projects

# Commissioner of Finance Report Debt Limit Calculation - A Fund



Tranches	2008 Actual	2009 Actual	2010 AUD	2011 Project.	2012 Project.	2013 Project.	2014 Project.	2015 Project.
BAU - Debt Issued on/or before 7/2010	\$ 24.77	\$ 26.40	\$ 29.48	\$ 29.96	\$ 26.51	\$ 23.26	\$ 19.18	\$ 18.02
RZEDB (Recovery Zone Bonds)				\$ 0.48	\$ 0.91	\$ 0.91	\$ 0.90	\$ 0.90
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<b>(b) Total Revenue</b>	<b>\$ 153.72</b>	<b>\$ 145.65</b>	<b>\$ 145.68</b>	<b>\$ 110.22</b>	<b>\$ 110.06</b>	<b>\$ 113.40</b>	<b>\$ 117.87</b>	<b>\$ 122.36</b>
Debt % Calculation [ (a) / (b) ]	16.1%	18.1%	20.2%	27.5%	26.5%	26.2%	23.1%	20.3%
Target %	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Better / (Worse) than Target</b>	<b>-1.1%</b>	<b>-3.1%</b>	<b>-5.2%</b>	<b>-12.5%</b>	<b>-11.5%</b>	<b>-11.2%</b>	<b>-8.1%</b>	<b>-5.3%</b>

Currently not in compliance



# Summary



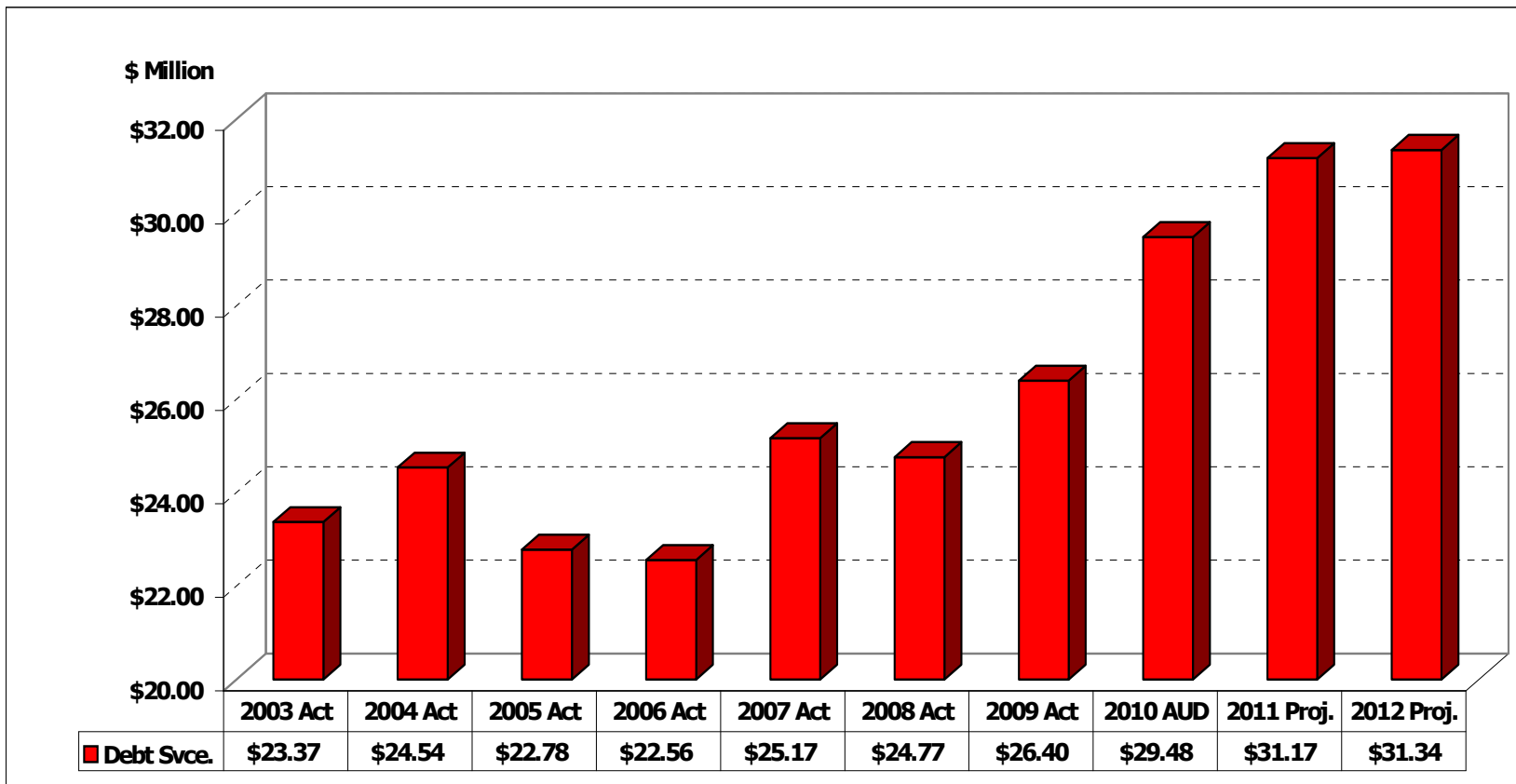
- The Town is currently not in compliance.
- The cost of not taking immediate corrective action:
  - ◆ Legal issue
  - ◆ A reduction in the Town's outlook to negative from the credit rating agencies, S&P and Moody's, similar to Suffolk County
  - ◆ A reduction in our credit rating, making it more expensive to borrow or re-finance, similar to other municipalities on Long Island; Nassau County, Riverhead, Southampton, East Hampton and Greenport
  - ◆ The A fund will be insolvent by 2014



# APPENDIX

*MAY 19, 2011*

# Debt Service Trend General Fund (A)



# Credit Agency Trend



## S&P Credit Ratings - Trend

Year	Agency	Rating	Outlook	Comment
2011	S&P	AA+	Stable	April 2011 - Refunding - Affirmed
2010	S&P	AA+	Stable	June 2010 & Dec. 2010 - Affirmed
2009	S&P	AA+	Stable	Affirmed
2008	S&P	AA+	Stable	Upgrade April 2008 - Town reversed trend of using one-time revenues to support ongoing expenses. The new management reinstated the property tax levy for operations
2007	S&P	AA	Stable	Affirmed

## Moody's Credit Ratings - Trend

Year	Agency	Rating	Outlook	Comment
2010	Moodys	Aa2		June 2010, Moody's removed Positive Outlook - 2 consecutive operating deficits and continued reliance of fund balance draw down. Dec. 2010 Affirmed Aa2 No Outlook
2010	Moodys	Aa2	Positive	Upgrade April 2010, Moody's recalibrated all municipalities
2009	Moodys	Aa3	Positive	Affirmed
2008	Moodys	Aa3	Positive	Affirmed
2007	Moodys	Aa3	Positive	Reinstated Positive Outlook based on reinstatement of the General Fund property tax levy in the 2007 budget
2006	Moodys	Aa3		Removed Positive Outlook based on failure to restore the General Fund property tax levy
2005.3	Moodys	Aa3	Positive	Added Positive Outlook and re-affirmed rating
2003.6	Moodys	Aa3		Upgrade July 2004 from A1
2002.8	Moodys	A1		

# Multi-Year Financial Plan Updated as of May 2, 2011



## Town of Brookhaven Multi-Year Plan - With 2011 Adopted Budget General Fund (A) - Townwide

Revenues	2009	2010	2011	2012	2010	2011	2012
	Actual	AUD	Projected	MYP			
Franchise Taxes	6,728,476	14,636,884	7,531,995	7,795,615	117.5%	-48.5%	3.5%
Mortgage Tax	10,921,348	13,001,423	10,300,000	11,072,500	19.0%	-20.8%	7.5%
Landfill Fee (Only)	82,180,060	69,254,914	47,447,587	46,473,000	-15.7%	-31.5%	-2.1%
Interfund Revenues	2,203,279	6,824,725	2,451,595	2,451,595	209.8%	-64.1%	0.0%
Use of Money & Property	5,594,648	2,706,357	2,657,664	2,870,277	-51.6%	-1.8%	8.0%
Sale of Property	1,353,502	840,140	1,017,000	1,769,216	-37.9%	21.1%	74.0%
Other Revenues	15,601,898	17,492,140	16,615,347	16,865,347	12.1%	-5.0%	1.5%
Real Property Taxes	21,070,000	20,925,000	20,757,600	20,757,600	-0.7%	-0.8%	0.0%
Rev. (Risks) / Opps.			1,438,807				
<b>Total Revenues</b>	<b>\$145,653,211</b>	<b>\$145,681,583</b>	<b>110,217,595</b>	<b>110,055,150</b>	<b>0.0%</b>	<b>-24.3%</b>	<b>-0.1%</b>
<b>Expenses</b>							
Staffing	48,018,094	46,738,849	44,220,714	44,662,921	-2.7%	-5.4%	1.0%
Benefits	22,871,037	23,359,337	22,127,050	23,233,403	2.1%	-5.3%	5.0%
Debt Service	26,402,239	29,477,427	30,597,671	30,555,117	11.6%	3.8%	-0.1%
Government Ops./Contractual/Human Svces	21,633,176	20,150,810	17,277,711	17,450,488	-6.9%	-14.3%	1.0%
Landfill	35,088,476	22,937,516	5,561,350	5,071,235	-34.6%	-75.8%	-8.8%
Gas/Energy/Utilities	4,701,673	5,320,202	5,357,970	5,411,550	13.2%	0.7%	1.0%
Exp. Risks / (Opps)	-	490,000	(761,193)	(461,193)			
<b>Total Expenses</b>	<b>\$158,714,695</b>	<b>\$148,474,141</b>	<b>\$124,381,273</b>	<b>\$125,923,520</b>	<b>-6.5%</b>	<b>-16.2%</b>	<b>1.2%</b>
<b>Surplus / (Deficit)</b>							
Structural Gap	(13,061,484)	(2,792,558)	(14,163,679)	(15,868,370)	-78.6%	407.2%	12.0%
Fund Balance Beginning of year (prior year end)	72,129,937	59,068,453	56,275,895	42,112,217	-18.1%	-4.7%	-25.2%
Appropriation of surplus	(13,061,484)	(2,792,558)	(14,163,679)	(15,868,370)			
<b>Fund Balance End of Year</b>	<b>\$59,068,453</b>	<b>\$56,275,895</b>	<b>\$42,112,217</b>	<b>\$26,243,847</b>	<b>-4.7%</b>	<b>-25.2%</b>	<b>-37.7%</b>
<b>Fund Balance Policy (20% of Expenditures)</b>	<b>\$ 31,742,939</b>	<b>\$ 29,694,828</b>	<b>\$ 24,876,255</b>	<b>\$ 25,184,704</b>	<b>-6.5%</b>	<b>-16.2%</b>	<b>1.2%</b>
<b>Fav. / (Unfav.) to Fund Balance Policy</b>	<b>\$27,325,514</b>	<b>\$26,581,067</b>	<b>\$17,235,962</b>	<b>\$1,059,143</b>			

# Multi-Year Financial Plan

## Updated as of June 3, 2010



The Town has updated its Multi-Year Plan (MYP) for the Town-wide General Fund. The MYP will continue to be updated on at least a monthly basis.

### Town of Brookhaven Multi-Year Plan - Update General Fund (A) - Townwide

Revenues	2009	2010	2011	2012	2010	2011	2012
	Estimate	Projection	Projection	Projection	Growth Y-O-Y		
Franchise Taxes	6,728,476	12,573,385	7,181,995	7,325,635	86.9%	-42.9%	2.0%
Mortgage Tax	12,054,438	10,974,982	11,523,731	12,042,299	-9.0%	5.0%	4.5%
Landfill Revenues	82,385,380	71,765,399	74,221,614	76,051,422	-12.9%	3.4%	2.5%
Interfund Revenues	2,120,221	2,502,096	2,187,983	1,484,800	18.0%	-12.6%	-32.1%
Use of Money & Property	5,672,965	3,227,626	3,356,731	3,524,568	-43.1%	4.0%	5.0%
Sale of Property	1,352,487	713,000	563,580	569,216	-47.3%	-21.0%	1.0%
Other Revenues	14,728,223	15,491,584	15,646,500	15,802,965	5.2%	1.0%	1.0%
Real Property Taxes	21,070,000	20,925,000	20,925,000	20,925,000	-0.7%	0.0%	0.0%
<b>Total Revenues</b>	<b>\$ 146,112,190</b>	<b>\$ 138,173,072</b>	<b>\$ 135,607,134</b>	<b>\$ 137,725,906</b>	<b>-5.4%</b>	<b>-1.9%</b>	<b>1.6%</b>
<b>Expenses</b>							
Staffing	47,914,751	46,494,203	47,270,587	47,734,653	-3.0%	1.7%	1.0%
Government Operations/Contractual/Human Services	22,626,420	22,136,519	22,208,577	22,317,189	-2.2%	0.3%	0.5%
Benefits	22,785,332	24,696,156	26,012,427	27,400,303	8.4%	5.3%	5.3%
Landfill	35,084,837	22,993,994	22,866,336	22,511,195	-34.5%	-0.6%	-1.6%
Gas/Energy/Utilities	4,701,673	4,833,386	5,024,570	5,173,266	2.8%	4.0%	3.0%
Debt Service - Actual	26,402,239	29,624,207	26,558,831	23,080,172	12.2%	-10.3%	-13.1%
Debt Service - Projected	-	-	4,189,084	7,588,463			
Misc./Unallocated Expenditures	-	-	-	-			
<b>Total Expenses</b>	<b>\$ 159,515,252</b>	<b>\$ 150,778,465</b>	<b>\$ 154,130,411</b>	<b>\$ 155,805,240</b>	<b>-5.5%</b>	<b>2.2%</b>	<b>1.1%</b>
<b>Surplus / (Deficit)</b>							
Structural Gap	(13,403,062)	(12,605,392)	(18,523,277)	(18,079,335)	-6.0%	46.9%	-2.4%
Fund Balance Beginning of year (prior year end)	72,129,937	58,726,875	46,121,483	27,598,206	-18.6%	-21.5%	-40.2%
Appropriation of surplus	(13,403,062)	(12,605,392)	(18,523,277)	(18,079,335)			
<b>Fund Balance End of Year</b>	<b>\$ 58,726,875</b>	<b>\$ 46,121,483</b>	<b>\$ 27,598,206</b>	<b>\$ 9,518,871</b>	<b>-21.5%</b>	<b>-40.2%</b>	<b>-65.5%</b>
<b>Fund Balance Policy (20% of Expenditures)</b>							
	<b>\$ 31,903,050</b>	<b>\$ 30,155,693</b>	<b>\$ 30,826,082</b>	<b>\$ 31,161,048</b>	<b>-5.5%</b>	<b>2.2%</b>	<b>1.1%</b>
Favorable / (Unfavorable) to Fund Balance Policy	\$26,823,825	\$15,965,790	(\$3,227,876)	(\$21,642,177)			

#### Notes:

2009 Estimate is based on AUD filed with NYS Comptroller

# Revenue Growth General Fund - A



## A Fund - 2011 to 2015 Revenue Growth

<u>Revenues</u>	<u>2011</u>	<u>2015</u>	<u>Increase</u>
Landfill Fee (Only)	\$ 47,447,587	\$ 50,535,786	\$ 3,088,200
Real Property Taxes	\$ 20,757,600	\$ 22,462,173	\$ 1,704,573
Mortgage Tax	\$ 10,300,000	\$ 14,737,498	\$ 4,437,498
Franchise Taxes	\$ 7,531,995	\$ 8,518,278	\$ 986,283
Other Revenues	\$ 16,615,347	\$ 17,632,230	\$ 1,016,883
Interfund Revenues	\$ 2,451,595	\$ 2,525,881	\$ 74,286
Use of Money & Property	\$ 2,657,664	\$ 4,735,957	\$ 2,078,293
Sale of Property	\$ 1,017,000	\$ 1,216,452	\$ 199,452
Town Board Actions - Gap Closing F	\$ 1,438,807	\$ -	\$ (1,438,807)
<b>Total Revenues</b>	<b>\$ 110,217,595</b>	<b>\$ 122,364,255</b>	<b>\$ 12,146,661</b>

### Notes:

Property tax increase due to higher Assessed Values; not rate increase