




DEBT MANAGEMENT POLICY

City of Lebanon, NH

PRESENT POLICY-GEN. FUND

The present Council policy was approved in 1999.

- ❖ Complies with statutory restrictions (3% of Assessed Valuation)
- ❖ Per Capita Indebtedness not to exceed \$900 (**\$3,962** in 2021)
- ❖ 25% of principal outstanding retired within five years of issuance
 - ❖ **Not in Compliance**
- ❖ Debt Service = 15% or less of General Fund Operating Budget 

POLICY-ENTERPRISE FUNDS

- **Sewer-No Policy - No Statutory Limits**
- **Water- No Policy- Statutory Limit - 10% of Assessed Valuation**
- **Other Debt without Statutory Limits-Landfill Closure/Clean Up, Broadband, Energy Projects, Parking Garages/Facilities**
- **We do not have any policy related to our Solid Waste or Airport funds**

POST CSO STRATEGY

- Transition from CSO capital spending to the backlog of infrastructure needs
- Implementation of immediate plan to control the level of debt(2020)
- Move to a long-term debt management plan in the General Fund and development of plans for the enterprise funds

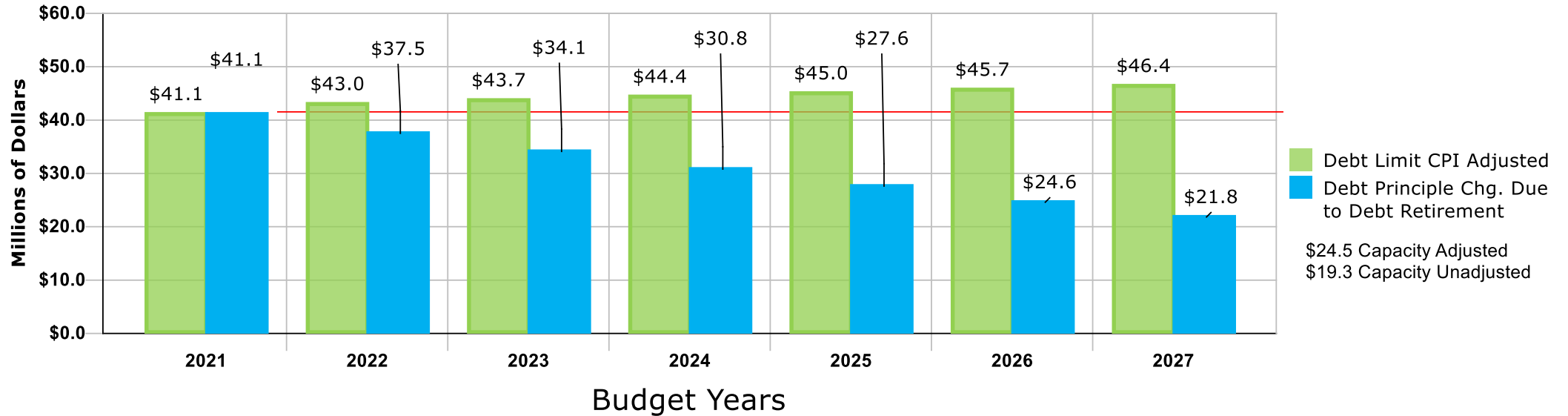
REVISED POLICY-GEN. FUND

- ❑ Base line debt ceiling set at the 2021 amount \$41,159,000

General Fund			
FY	Principle	Interest	Total
2016	\$48,192,630	\$14,634,472	\$62,827,102
2017	\$47,110,673	\$13,672,130	\$60,782,803
2018	\$45,323,622	\$12,676,115	\$57,999,737
2019	\$43,550,175	\$11,694,827	\$55,245,001
2020	\$41,651,172	\$10,698,317	\$52,349,489
2021	\$41,159,000	\$9,959,992	\$51,118,992

- ❑ Adjusted annually by growth in the economy based on the CPI year over year from June to June

General Fund Debt Management Plan



*NOTE: The Debt Limit CPI Adjusted will be adjusted by the actual average CPI ending on June 30th of each year with a 12 month look back. This chart uses a CPI of 4.6% for 2021 and an average CPI of 1.5% for the subsequent years which is the average CPI change from year over year from 2016 to 2020..

COST RECOVERY PROJECTS

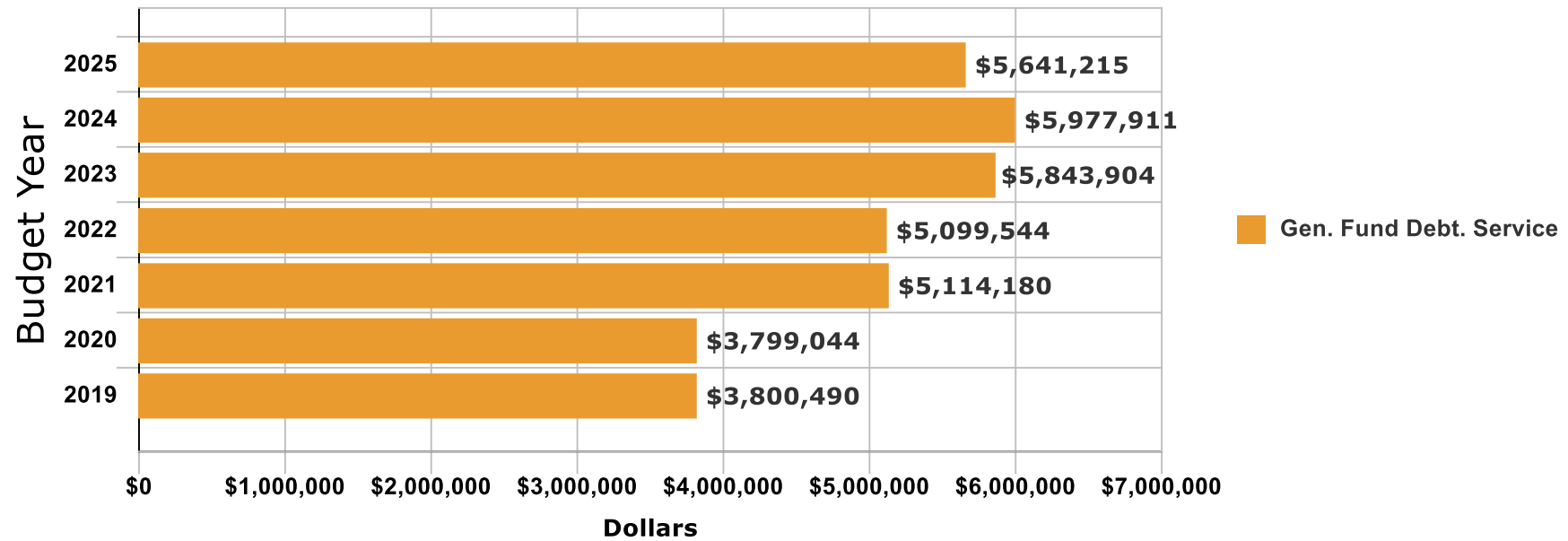
Projects that result in revenues that substantially offset debt service or that substantially offset operating costs to offset debt service are not included in the debt ceiling.

- EXAMPLE: LED Street Light Project**
- Debt principal would be bifurcated as it relates to the Debt Ceiling amounts.**

ROLLING 6 -YEAR PERIOD

- ❖ The debt ceiling is calculated on a rolling six-year period based upon the CIP.
- ❖ Debt attributable and paid by Tax Increment Finance Districts or Special Assessment Districts is not included in the debt ceiling
- ❖ Large projects that cause exceedance of the debt ceiling would freeze incurring debt until the amount owed was below the ceiling.

General Fund Debt Service



WATER & SEWER

ENTERPRISE FUNDS

WATER FUND-OPTION 1

- ❖ WATER Fund- Long term Infrastructure improvement plan will cost an estimated \$25 million not including a new water source.
- ❖ Option #1 would involve a 37% increase in rates for year one (2024). This would produce \$1.5 million each year in additional revenue. Subsequent annual rate increases would only address increases in operating costs estimated to be approximately 3% per year. Time to complete plan would be 17 years. This is a pay-as-you-go option.

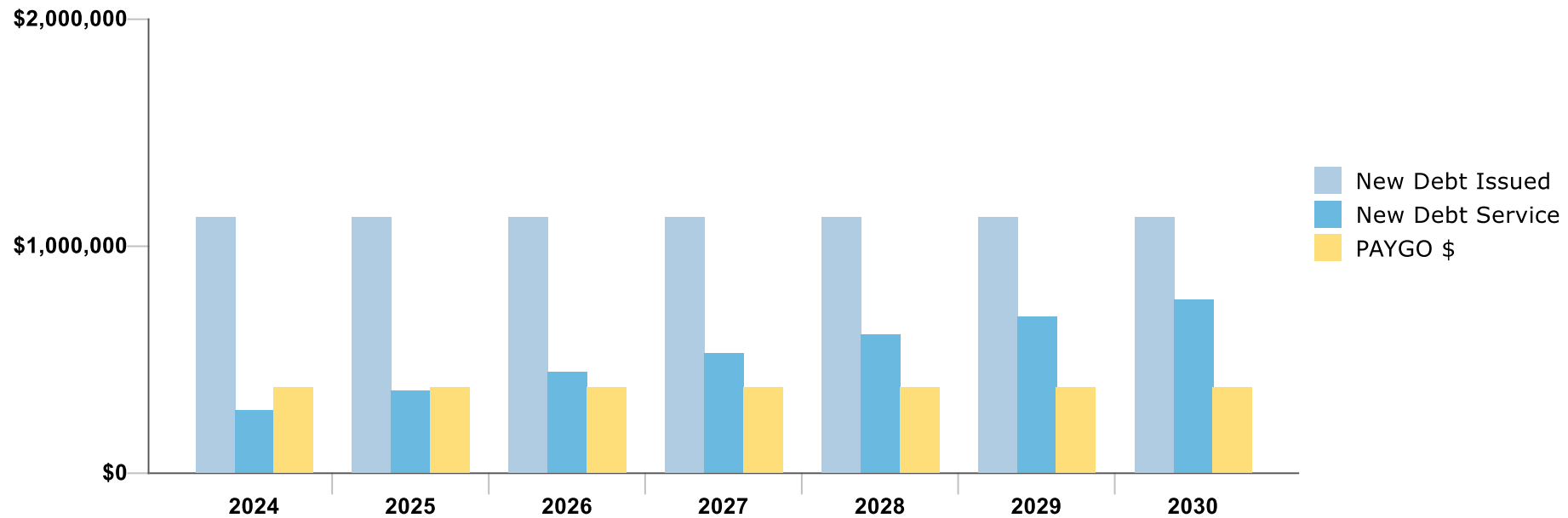
Option 1 -Customer Class Quarterly Water Bills-8% increase in 2022 and 2023, 37% in 2024, 3% in 2025-2030												
	<i>Ccf</i>	<i>Meter</i>	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	<u>Residential</u>											
	0	5/8"	\$18.32	\$19.79	\$21.37	\$29.28	\$30.16	\$31.06	\$31.99	\$32.95	\$33.94	\$34.96
	7	5/8"	\$42.75	\$46.18	\$49.86	\$68.34	\$70.41	\$72.50	\$74.69	\$76.91	\$79.23	\$81.58
	9	5/8"	\$49.73	\$53.72	\$58.00	\$79.50	\$81.91	\$84.34	\$86.89	\$89.47	\$92.17	\$94.90
	12	5/8"	\$60.20	\$65.03	\$70.21	\$96.24	\$99.16	\$102.10	\$105.19	\$108.31	\$111.58	\$114.88
	18	5/8"	\$102.08	\$110.27	\$119.05	\$163.14	\$168.04	\$173.02	\$178.21	\$183.55	\$189.10	\$194.74
	<u>Non-Residential</u>											
	12	5/8"	\$81.20	\$87.71	\$94.69	\$129.72	\$133.60	\$137.62	\$141.79	\$145.99	\$150.94	\$154.84
	25	3/4"	\$189.55	\$204.73	\$221.04	\$302.81	\$311.87	\$321.26	\$330.99	\$340.81	\$350.97	\$361.47
	200	2"	\$1,301.59	\$1,405.66	\$1,517.55	\$2,078.90	\$2,141.05	\$2,205.56	\$2,272.45	\$2,339.72	\$2,409.39	\$2,481.47
	1000	4"	\$7,772.70	\$8,500.29	\$9,177.51	\$12,572.49	\$12,572.49	\$13,338.42	\$13,742.17	\$14,149.94	\$14,571.84	\$15,008.00

WATER FUND-OPTION 2

- ❖ Option #2 would set a structure where there would be a fixed component annual increase of 5% and a variable component added to that based upon the % increase of the CPI (starting in January of 2024)
- ❖ After accounting for the increase in operating expenses, the additional revenue generated would pay for increases in debt service which determines the amount that can be borrowed for infrastructure improvement projects

OPTION 2-FIXED 5%+CPI VARIABLE MAX OF 8%

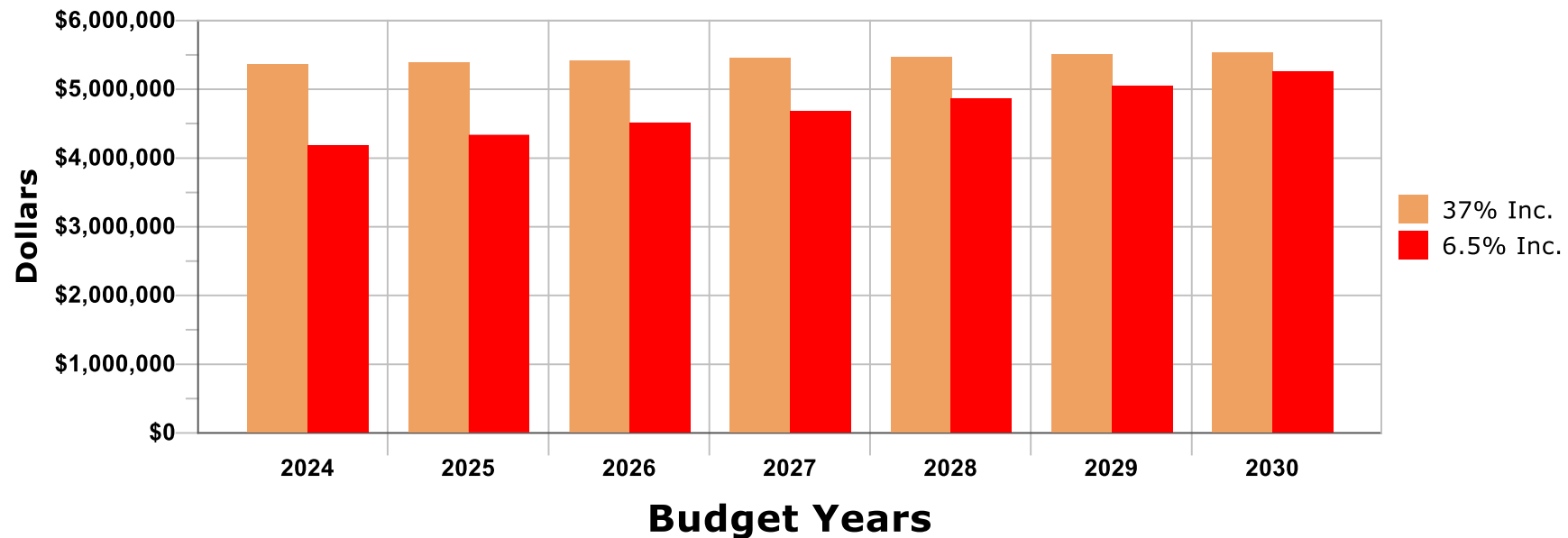
Water Fund Debt/PAYGO Profile



Option 2-Quarterly Customer Class Water Bills												
	<i>Ccf</i>	<i>Meter</i>	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	<u>Residential</u>											
	0	5/8"	\$18.32	\$19.79	\$21.37	\$22.76	\$24.24	\$25.82	\$27.50	\$29.29	\$31.19	\$33.22
	7	5/8"	\$42.75	\$46.18	\$49.86	\$53.07	\$56.51	\$60.19	\$64.11	\$68.28	\$72.70	\$77.46
	9	5/8"	\$49.73	\$53.72	\$58.00	\$61.73	\$65.73	\$70.01	\$74.57	\$79.42	\$84.56	\$90.10
	12	5/8"	\$60.20	\$65.03	\$70.21	\$74.72	\$79.56	\$84.74	\$90.26	\$96.13	\$102.35	\$109.06
	18	5/8"	\$102.08	\$110.27	\$119.05	\$126.74	\$134.94	\$143.72	\$153.08	\$163.03	\$173.57	\$184.90
	<u>Non-Residential</u>											
	12	5/8"	\$81.20	\$87.71	\$94.69	\$100.88	\$107.40	\$114.38	\$121.82	\$129.73	\$138.11	\$147.10
	25	3/4"	\$189.55	\$204.73	\$221.04	\$235.48	\$250.71	\$266.99	\$284.35	\$302.81	\$322.39	\$373.37
	200	2"	\$1,301.59	\$1,405.66	\$1,517.55	\$1,616.76	\$1,721.22	\$1,833.01	\$1,952.22	\$2,078.95	\$2,213.25	\$2,357.28
	1000	4"	\$7,772.70	\$8,500.29	\$9,177.51	\$9,776.90	\$10,409.25	\$11,085.40	\$11,806.25	\$12,572.76	\$13,385.94	\$14,256.88

OPTIONS-REVENUE GENERATION

Rate Increase Options-Revenue Generated

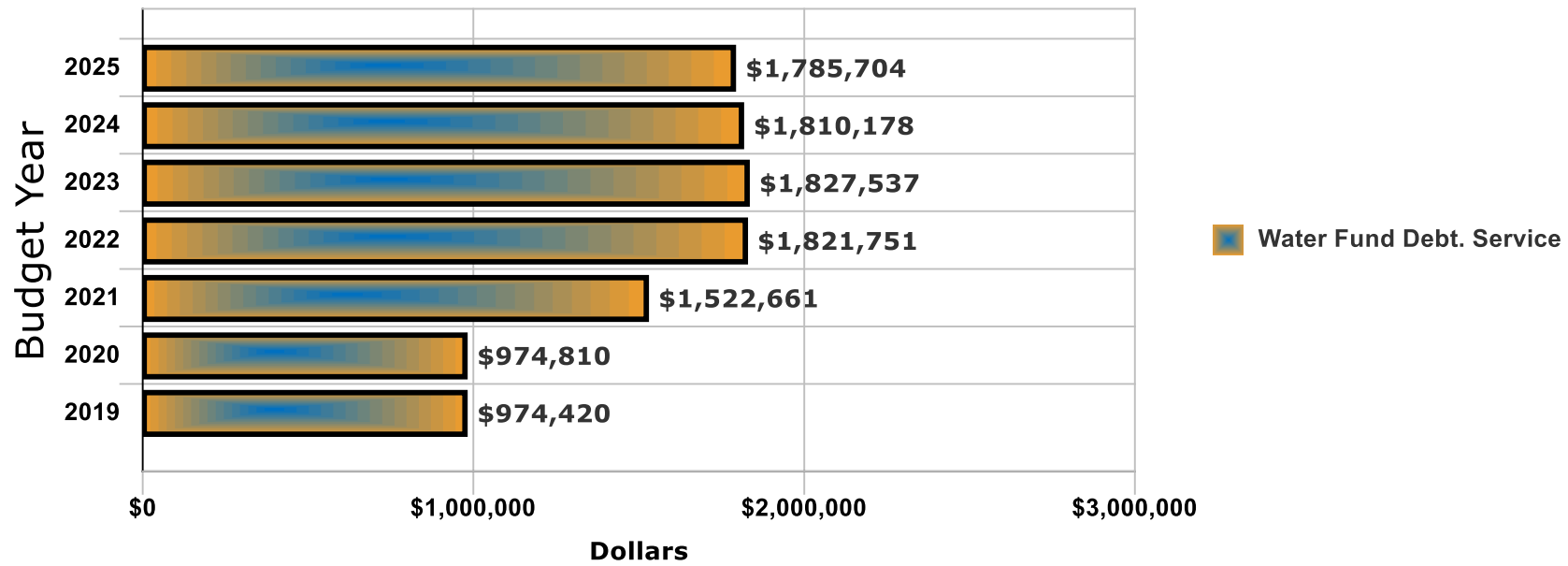


OPTIONS-REVENUE GENERATION

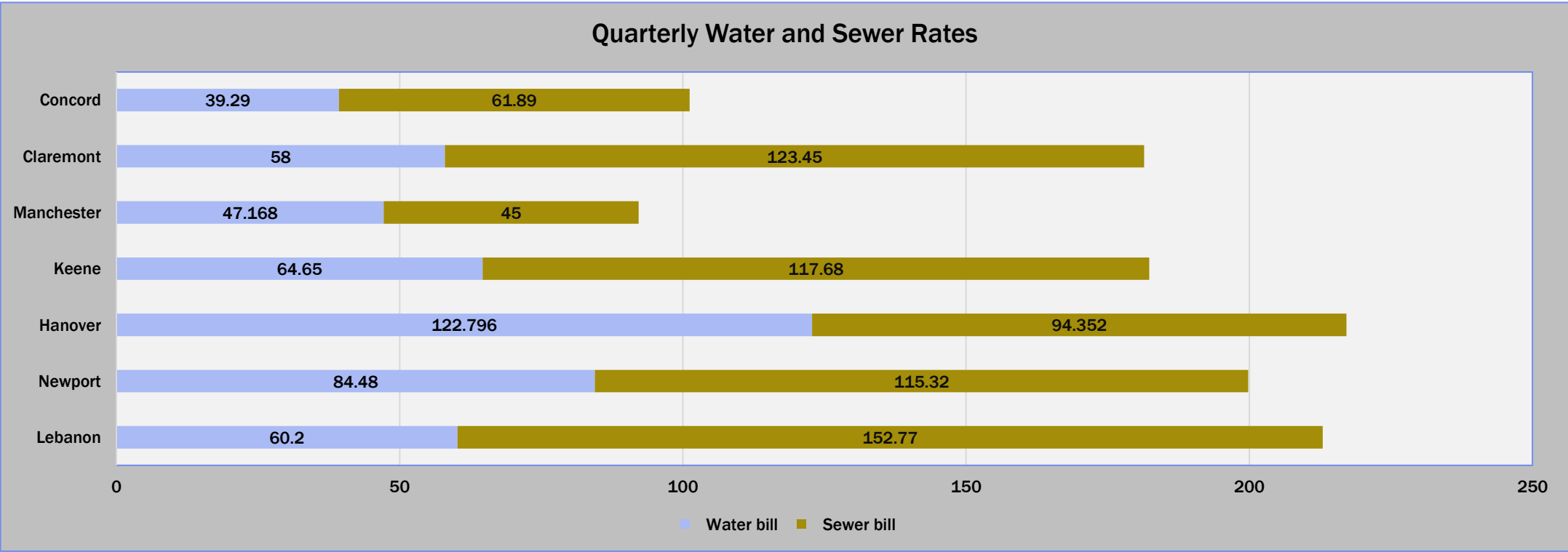
Option 1- 37% & 3%	\$38,063,811
Option 2- 5%+CPI Variable (6.5% est.)	\$32,801,584

These numbers represent the total revenue generated from 2024-2030.

Water Fund Debt Service



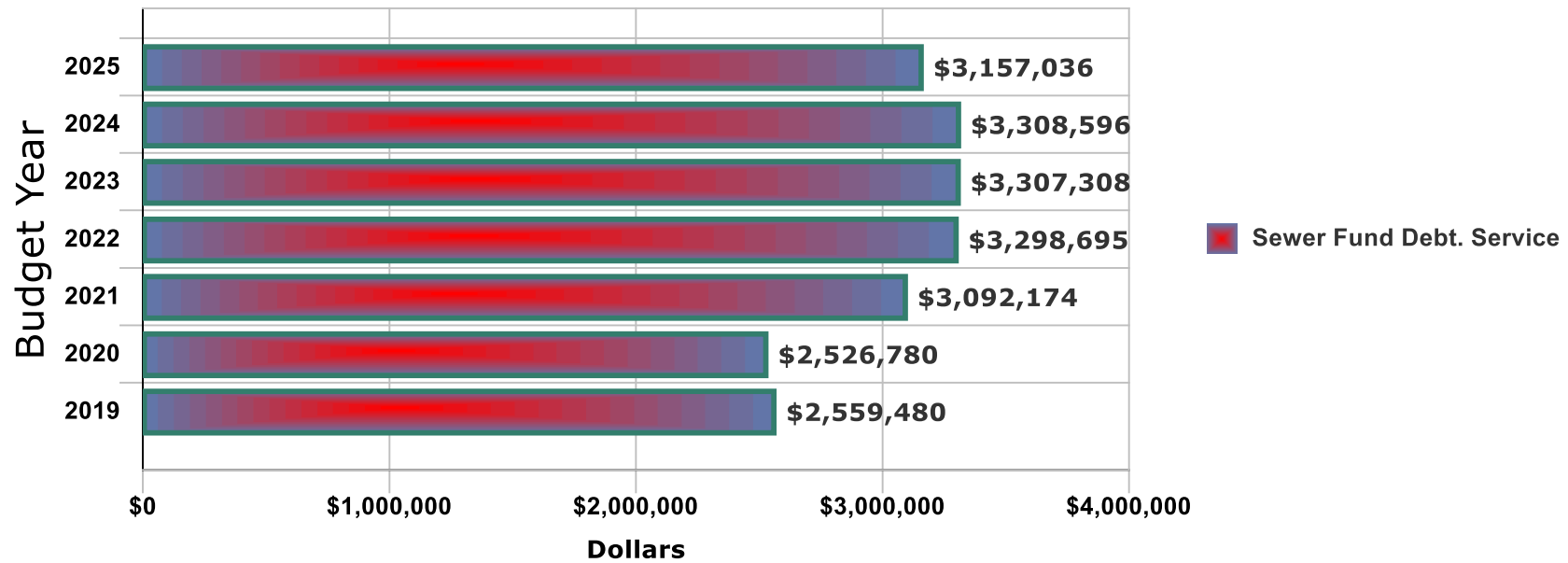
WATER & SEWER RATES-OTHER COMMUNITIES



SEWER FUND-OPTIONS

- The options for the sewer fund follow the same structure.
- Unlike the water system project analysis that was recently completed the long-term sewer system infrastructure plan is under development and will not be ready until later in 2022.
- The Council would need to revise the policy to include the rates of increase next year which would begin 2024.

Sewer Fund Debt Service



SOLID WASTE FUND

1. Debt limits are based upon the present and future capacity of the Solid Waste Facility to accept waste and generate the revenue from that waste to pay for operating expenses and debt service payments for the ensuing year and beyond.
2. The period by which indebtedness may occur for any given project is limited to the useful life of the infrastructure asset.
3. Situations where the state or federal government mandate by administrative or court order that action must be taken by the City that requires long term debt may require borrowing funds for periods beyond the useful life of the asset.

Solid Waste Fund Debt Service

