



City of Dallas

Budget Workshop: FY 2023-24 General Obligation Debt Overview and Financial Capacity

**City Council Briefing
August 16, 2023**

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Capacity Analysis



- Considerations for determining financial capacity for amount of General Obligation (GO) debt that can be issued:
 - 1) Property tax base value and future growth
 - 2) Property tax rate allocated to debt service
 - 3) Current outstanding GO debt
 - 4) Voter-authorized but unissued GO debt
 - 5) Planned debt
 - 6) Other debt considerations



Property Tax Base Values



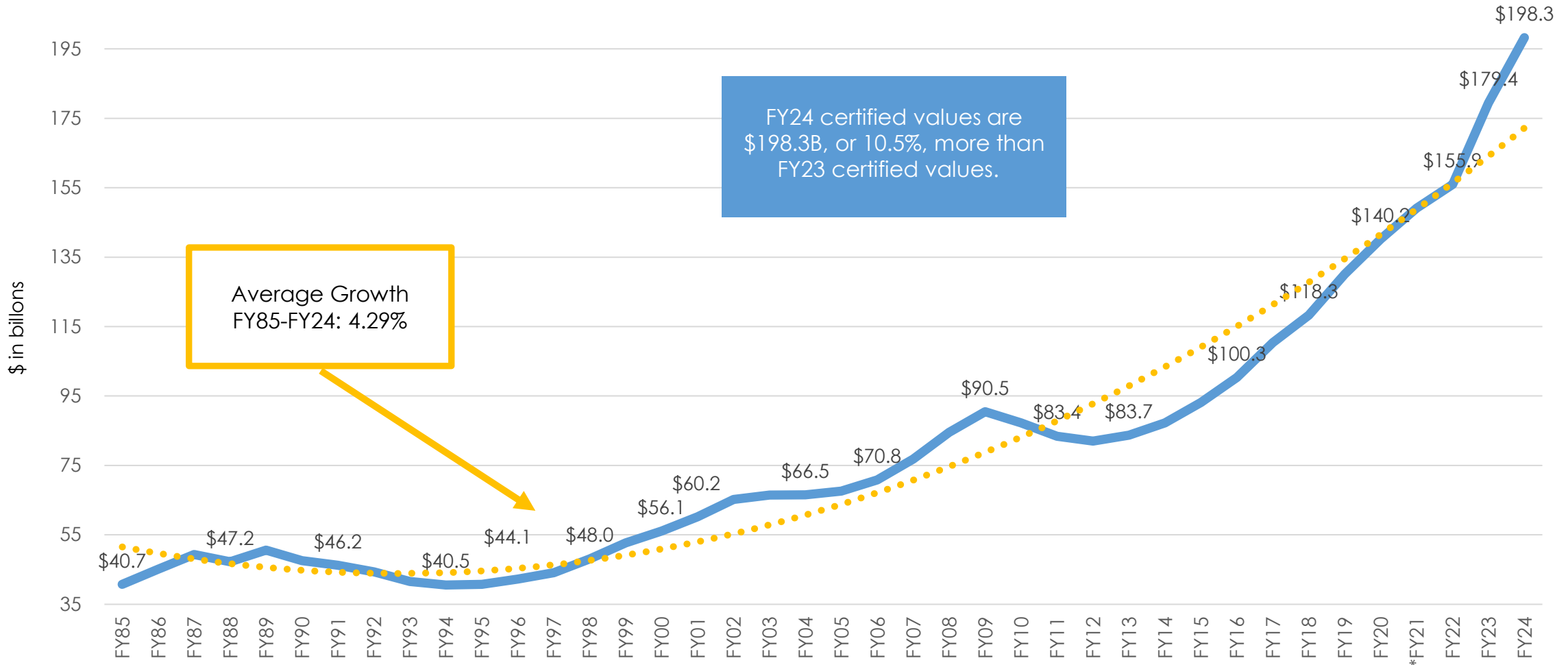
- GO bonds are repaid with property tax revenue
 - Tax base value multiplied times tax rate
- Recent property tax base value growth has been very strong
- Growth projections used for capacity analysis reflect long-term trends rather than recent growth
- Growth projections:
 - FY24: 10.51% (actual)
 - FY25-FY30: 4.29% (average growth since FY85)



Property Tax Base Values



Property Tax Base Values



*Supplemental values

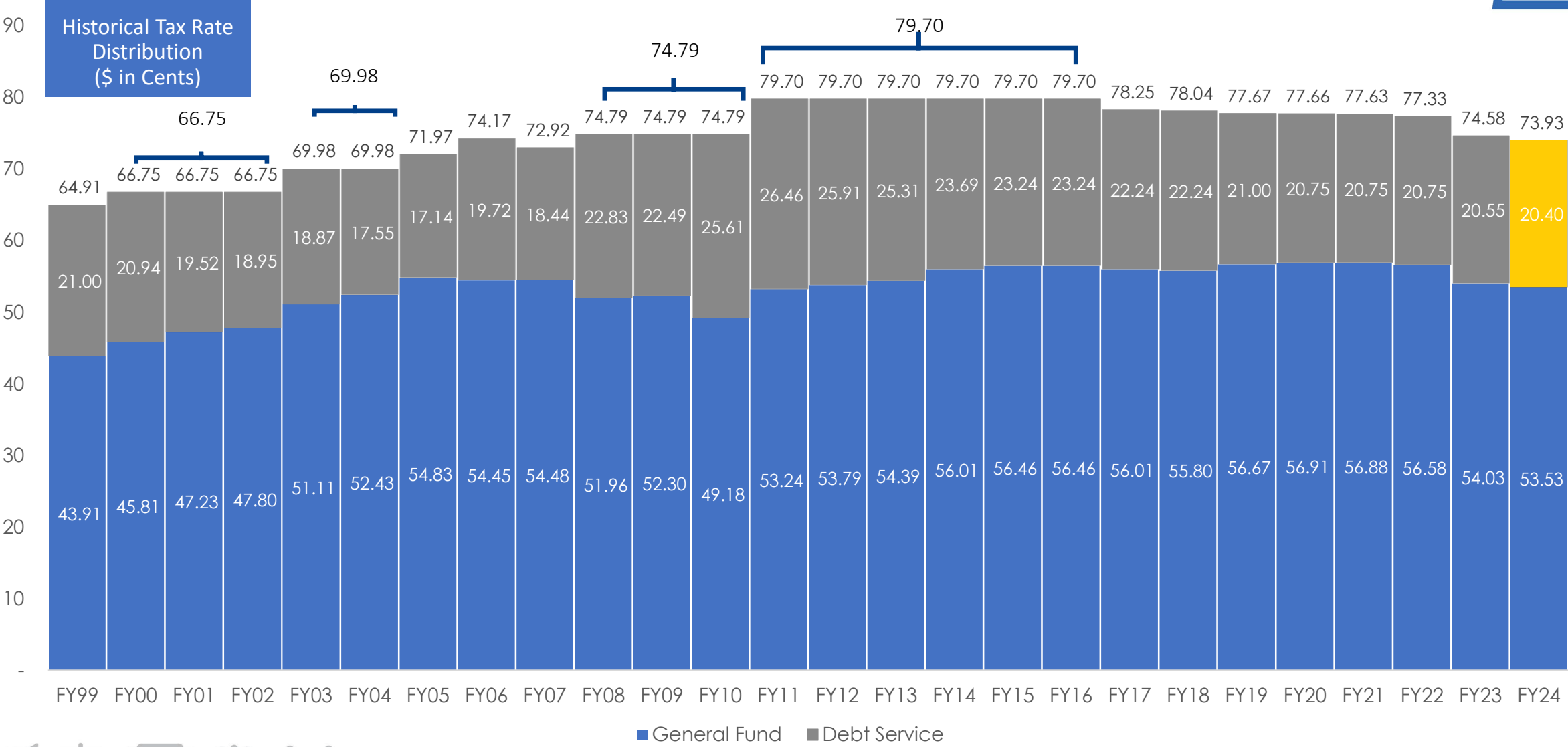
Property Tax Rate



- Proposed FY24 property tax rate is 73.93¢ per \$100 valuation
 - 53.53¢ (72.4%) allocated to the General Fund
 - 20.40¢ (27.6%) allocated to Debt Service
- Debt Service allocation of tax rate decreased by 0.15¢ in FY24, and has decreased by 2.84¢ since FY16
- Forecast assumes no change to Debt Service rate of 20.40¢



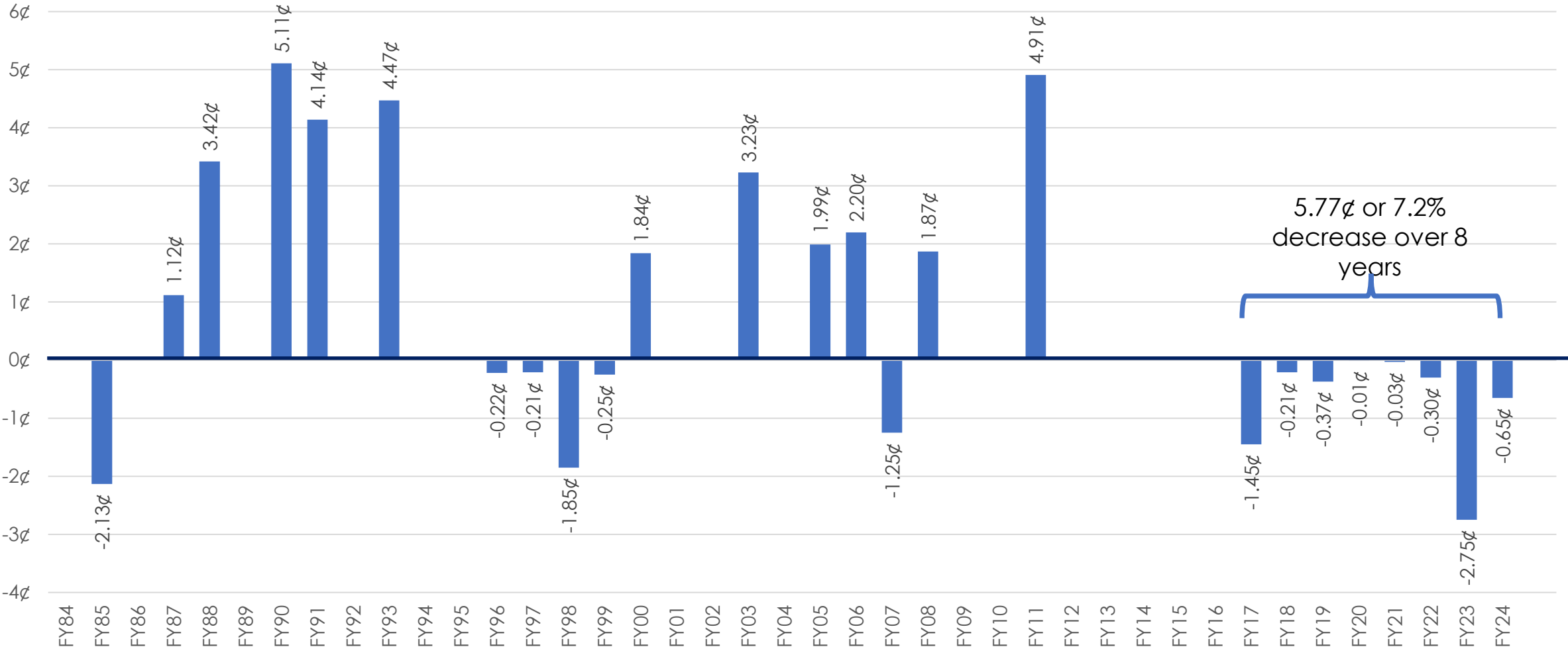
Property Tax Rate



Property Tax Rate: 40-year History of Changes



YEAR-OVER-YEAR CHANGE IN TAX RATE
IN CENTS PER \$100 VALUATION



Current Outstanding Debt



- Current outstanding debt is \$2.2 billion (principal) as of 9/30/23
 - Debt service expense for FY24 is \$342.9 million
 - \$253.1 million principal + \$89.8 million interest
 - Includes previously issued GO bonds, certificates of obligation, equipment notes, and pension obligation bonds
 - Financial advisors monitor current outstanding debt for refunding opportunities to reduce debt cost



Authorized Unissued Debt



- In 2017, voters authorized \$1.05 billion GO bond program
- Commercial Paper (CP) is used as just-in-time short-term financing that is subsequently retired by issuance of GO bonds
- Final \$134.8 million of 2017 bonds will be issued in FY24

Proposition	Authorized (\$ in million)	Unissued (\$ in million)
A. Street and Transportation	\$534.0	\$31.8
B. Park and Recreation Facilities	261.8	72.9
C. Fair Park	50.0	2.6
D. Flood Protection and Storm Drainage	48.8	11.1
E. Library Facilities	15.6	0
F. Cultural and Performing Arts	14.2	0
G. Public Safety Facilities	32.1	2.0
H. City Facilities	18.2	6.9
I. Economic Development	55.4	7.5
J. Homeless Assistance Facilities	20.0	0
Total	\$1,050.0	\$134.8



Planned Debt



- \$579.1 million debt is planned to be issued between FY24 – FY28

Debt Type	Date	Amount (\$ in million)
2017 Bond Program	Nov 2023 (FY24)	\$134.8
Certificates of Obligation (street & alley)	Nov 2023 (FY24)	73.5
Certificates of Obligation (pending liability)	TBD	55.0
Equipment Notes	Nov 2023 (FY24)	30.5
Master Lease	Nov 2023 (FY24)	105.7
Equipment Notes	Nov 2024 (FY25)	30.5
Master Lease	Nov 2024 (FY25)	30.0
Equipment Notes	Nov 2025 (FY26)	30.5
Master Lease	Nov 2025 (FY26)	9.2
Equipment Notes	Nov 2026 (FY27)	30.5
Master Lease	Nov 2026 (FY27)	9.2
Equipment Notes	Nov 2027 (FY28)	30.5
Master Lease	Nov 2027 (FY28)	\$9.2
	Total	\$579.1M



Other Debt Considerations



- Inflationary cost increases have resulted in being unable to complete all 2017 and other legacy bond projects with existing funds
- Additional \$215 million Certificates of Obligation will provide needed funding

Propositions	Amount (\$ in millions)
Street and Transportation	\$182.3
Park and Recreation Facilities	1.2
Flood Protection and Storm Drainage	30.0
	\$213.5



Other Debt Considerations



- Unfunded liability of the Police and Fire Pension Fund is \$3 billion and of the Employee Retirement Fund is \$1 billion
 - City continues to make required and agreed upon contributions to both funds
- State Legislature requires that Pension Review Board (PRB) provide final report in December 2024 in advance of 2025 legislative session
 - In July 2023, PRB selected independent actuary to complete analysis and provide recommendations
 - PFPF board and City Council will receive preliminary information beginning in November/December 2023
 - Increased funding will be required from City, but annual amount not known
- It is unknown if Pension Obligation Bonds will be recommended or not, but limited capacity for POB cost within our debt service fund is being reserved



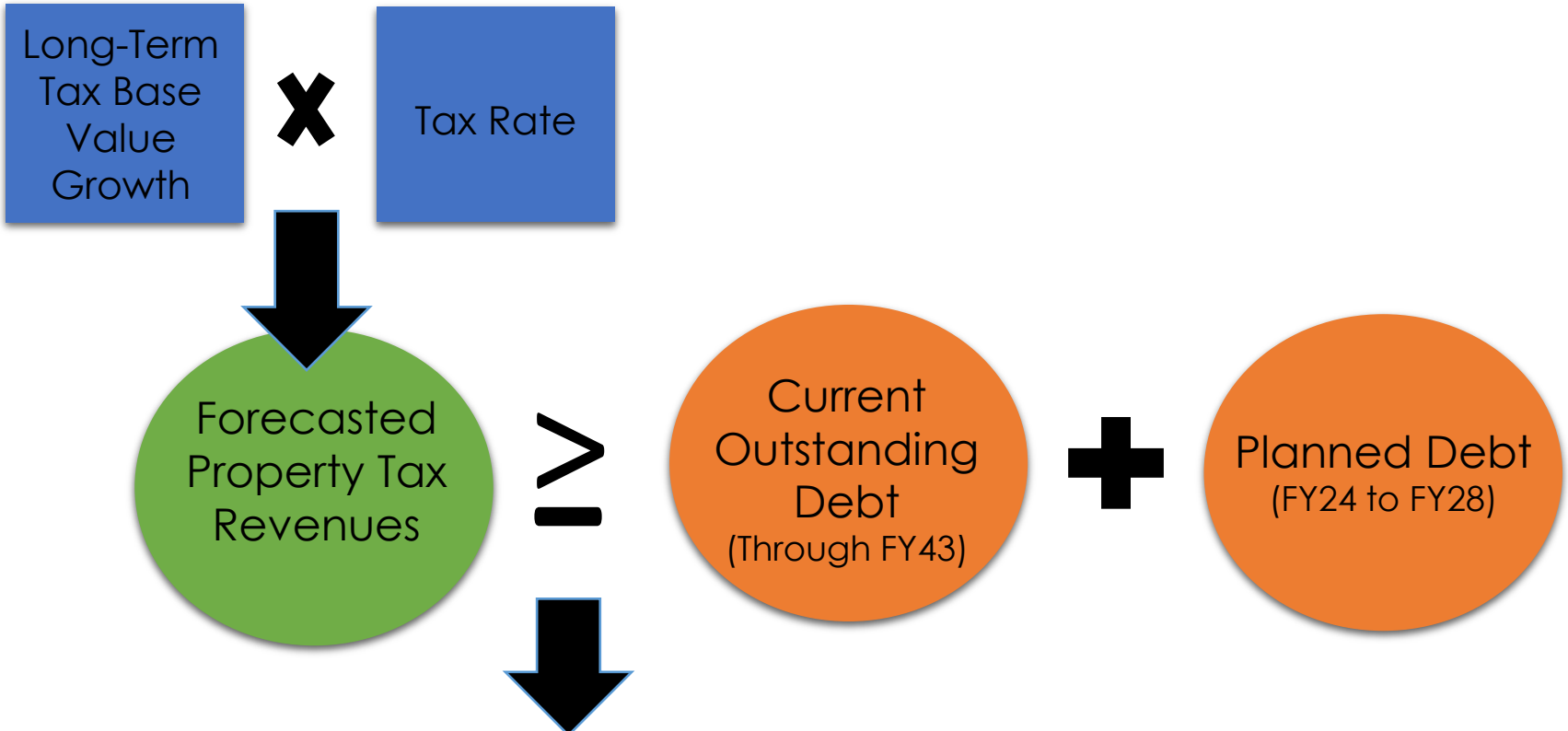
Other Debt Considerations



- 2024 GO bond program development is underway
- Given other planned and needed debt, the financial capacity for 2024 bonds is increased to \$1.1 billion
- Commercial Paper (CP) would continue to be used as just-in-time short-term financing and would be retired annually with long-term GO bonds
 - FY25 - \$220 million
 - FY26 - \$220 million
 - FY27 - \$220 million
 - FY28 - \$220 million
 - FY29 - \$220 million
- Issuance schedule and next GO bond program could be accelerated if additional growth is realized



Capacity for Future Debt: An Equation



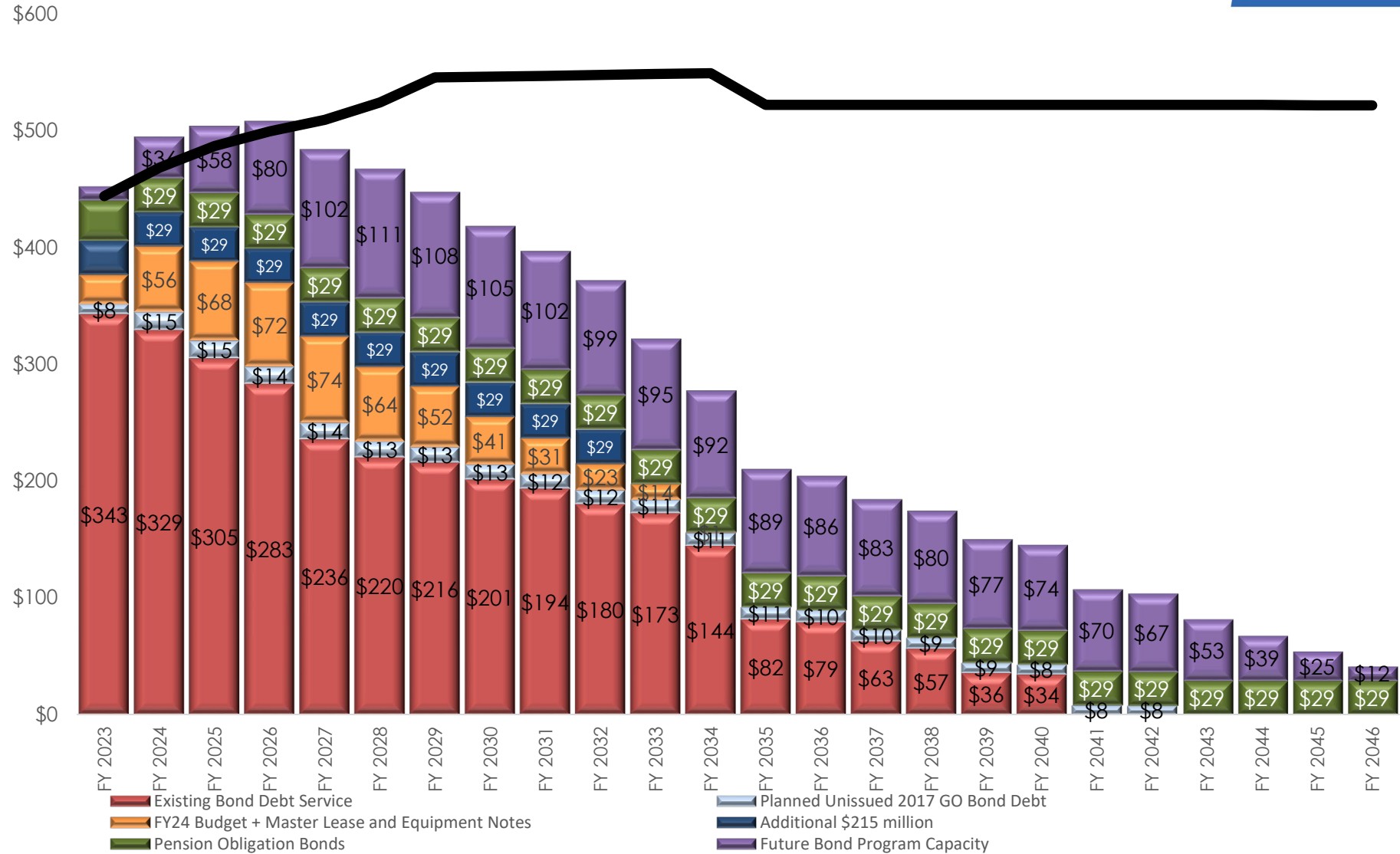
Difference between revenue and obligations for each year provides capacity for future use



Capacity for Future Debt



- Current outstanding debt
- FY24 budget + Master Lease and Equipment Notes
- Additional \$215 million for cost over-runs
- Reserve capacity for possible Pension Obligation Bonds
- 2024 GO - \$1.1 billion



Next Steps



- City Council Members provide feedback
- Future Bond Program discussions ongoing





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