



AGENDA REPORT

MEETING DATE: April 24, 2012

TO: City Council

FROM: Financial Commission
Russell J. Morreale, Finance Director

SUBJECT: Debt Capacity Analysis

RECOMMENDATION: Review and accept the report

SUMMARY:

Estimated Fiscal Impact:

Amount: This projection of future fiscal performance requires no budget action

Budgeted: N/A

Public Hearing Notice (Date of Publication): N/A

Previous Council Consideration: Council-assigned special project

CEQA Status (If Required): N/A

Attachments:

1. Financial Commission Debt Capacity Analysis

BACKGROUND:

As part of its Council-approved Work Plan, the Financial Commission has taken on the special project of performing an analysis of the City's ability to finance debt. This assignment was not building or facility-specific and answers the important question: "What level of internal financing can the City's general operations absorb?"

The attached report represents quite an effort put forth by Financial Commissioners and received its final unanimous approval to proceed to Council at their last meeting on April 16, 2012. The Commission's work product is extremely timely, relevant and forward-looking.

The Council is asked to review and accept this report and the related presentation as submitted by the Financial Commission.



MEMORANDUM

DATE: April 24, 2012
TO: City Council
FROM: Financial Commission
SUBJECT: **DEBT CAPACITY ANALYSIS**

EXECUTIVE SUMMARY

The Financial Commission analysis that follows indicates that the City of Los Altos should limit taking on new debt service obligations to \$500,000 in annual debt service in the near term. Based on assumptions discussed below, this level of debt service would allow for approximately \$6.5 million in direct new borrowing to be applied to general infrastructure improvements.

BACKGROUND

Council has requested guidance in quantifying the maximum level of net new debt service costs that Los Altos could feasibly and prudently assume and pay for internally. The contemplated purpose of such new debt would be to fund future general infrastructure needs possibly including, but not limited to, a portion of the community center development that has been under evaluation.

SCOPE

The analysis included herein considers the level of direct debt the City could reasonably afford to incur on its own balance sheet versus via a tax-supported bond offering. It presumes the use of internal financing mechanisms, described further below, and should not be confused with tax or business-type fee or rate-based financing structures.

The scope of this analysis excludes:

- an opinion on whether debt funds *should* be borrowed and used for any specific purpose
- consideration of the City's business-type and fee based operations
- judgments on any potential tax-supported bond for the Community Center Master Plan
- detailed discussions of and preferences for various debt vehicles and their legal implications
- projections of operational cost increases or savings associated with any one development

In forming a view of a maximum affordable debt level for the City, the Commission reviewed the City's current debt policies, considered rating agency elements, made benchmark city comparisons and evaluated the ability of the City to service debt using a conservative long-term financial forecast. A background discussion, review of assumptions and summary of findings follow.

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DEBT POLICY

The City's Financial Policy states, under its General Financial Principles, that the City "Manage debt responsibly." Debt Management provisions, with comments for each, are listed below to provide background and lay a foundation for the City's overall posture on the subject of borrowing:

- *The City should plan the use of debt in a manner that sustains financing payments at manageable levels.*
Such planning is outlined in the Financial Forecast section below.
- *The City will seek to maintain a high credit rating through sound financial practices as a basis for minimizing borrowing costs.*
This is evaluated in the Rating Agency Considerations section below.
- *The City will make every effort to use pay-as-you-go financing for capital improvement projects. Debt financing for a project can be used if the overall project cost exceeds anticipated available resources and/or if the cost of financing is favorable as compared to the use of City investment holdings over the financing term.*
The presumption here is that the project cost exceeds available resources.
- *The City will monitor all forms of debt annually in conjunction with the budget preparation process and report concerns and remedies, if necessary, to City Council. The City will diligently monitor its compliance with bond covenants.*
Staff has the responsibility to carry out this policy.
- *The City will not issue long-term debt to finance current operations. Debt financing should only be used for long-term capital improvement projects with a useful life exceeding the term of the financing and for which the project revenues or specific identified revenue sources are sufficient to service the long-term debt.*
This memo assumes a long-term capital project with a useful life exceeding the financing term. "Specific identified revenue sources" in this case are the General Fund revenue streams considered in the Financial Forecast section.
- *The City will use a lease-purchase method of financing for equipment if the lease rates are more favorable than the City's expected overall investment rate of return. Equipment may also be leased if the lease terms are more favorable when compared to the total life-cycle cost of the equipment.*
Any leasing of equipment would be considered within the total realm of financing debt levels.
- *The City will not incur general obligation indebtedness for public improvements which exceed in aggregate 15% of the assessed value of all real and personal property of the City as specified in the California Government Code Section 43605.*
Per the City's June 30, 2011 Comprehensive Annual Financial Report (CAFR), 15% of the assessed value of all real and personal property of the City was just over \$1.4 billion. There is no anticipated scenario under which this policy would be violated.

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RATING AGENCY CONSIDERATIONS

The City should not borrow at a level that would place the high credit rating it enjoys, AA+, at risk. To gain an understanding of rating agency and market factors, the Commission reviewed relevant publications from Moody's Investors Service, Fitch Ratings and Standard & Poor's. Further background was provided by the City's financial advisor Northcross, Hill and Ach (NHA).

In evaluating the creditworthiness of a local government entity, all three rating agencies evaluate four broad areas:

1. Debt profile
2. Economic factors
3. Financial strength
4. Management and administration

With regard to debt profile, factors considered include debt ratios and trends, future capital and debt needs, debt structure (fixed vs. variable), pension and Other Post Employee Benefits (OPEB) obligations, indirect risks and contingent liabilities.

Given the City's relatively strong financial profile, the Commission focused on the ratio of debt service to operating expenditures. Fitch considers debt service over 10% to be "above average" while Moody's anticipates a ratio in the 5-15% range. NHA provided the general guidance that this ratio should remain in the 5-10% range to keep rating agencies comfortable. With City annual operating expenditures averaging approximately \$26 million over the past three years, this 5-10% range would designate a maximum debt service range of \$1.3 million to \$2.6 million. The Commission also measured debt service as a ratio of revenue as another point of peer comparison.

Economic factors involve understanding the local market and aspects of the tax base. Financial strength includes looking at past performance, current position and financial flexibility going forward. Management and administration takes into consideration policies, budgeting and reporting practices. In all of these areas, the Commission believes the City is in a strong position.

DEBT STRUCTURE

In considering the relevant debt structures and terms, the Commission had further guidance from NHA.

The debt instrument being considered in this analysis involves a direct obligation of the City, held on its balance sheet, with debt service made from its General Fund in contrast to a bond issue supported by a tax-based or business-type fee or rate-based revenue source.

Specifically, as a legal structure, the Commission assumes that such debt would take the form of tax-exempt Certificates of Participation (COPs), the repayment of which would be subject to annual appropriation by the City. COPs are structured as internal leases leveraged against an identified underlying asset (e.g., the building being funded or similar asset). General Service buildings are commonly funded using this method and underwriters are reassured with the security of issuing debt backed by essential assets. In the case of a building yet to be constructed, the underlying security for

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COPs may initially be provided by an existing unencumbered asset with the eventual reassignment of debt to the new building upon completion.

In this type of tax-exempt obligation, the market includes a multitude of underwriting firms who may purchase and resell the COPs to individual investors as well as institutions. In addition to the public markets, there are a number of banks that will purchase and hold this type of financing.

A fixed-rate loan is assumed with amortization over a 30-year period, level debt service and no balloon or “purchase” payment at maturity. Payments would be made semiannually in arrears. As described below, the Commission applied a 5.50% interest rate as a base assumption following the advice of NHA. Given current market conditions, this is a conservative rate assumption for long-term planning purposes. This basic structure is reflected in the COPs debt service summary chart illustrated below.

These financing instruments also include the establishment of a Reserve Fund equal to approximately one year’s annual debt service and up-front financing costs, including legal, financial, rating and underwriting expenses, in the range of 2% to 4%.

FUNDING CAPACITY

The scenario summary table below was provided by NHA at the request of the Financial Commission. It considers annual debt service totals ranging from \$250,000 to \$750,000. Depending on debt term, this table presents the net amount available to fund a project given relevant strata of annual debt service levels. Three annual debt service scenarios, “Conservative,” “Moderate,” and “Aggressive,” are presented and further discussed below in conjunction with the capacity of the City to meet these obligations as projected under a long-term forecast model.

COPs Debt Service Summary							
Scenario	Annual Debt Service	Term	Interest Rate	Total Principal Amount of Financing	Net Proceeds to Project*	Total Debt Service	All-In Cost of Funds
Conservative	\$250,000	30 yrs.	5.50%	3,595,000	3,159,075	7,417,775	5.99%
Moderate	\$500,000	30 yrs.	5.50%	7,220,000	6,498,375	14,900,475	5.78%
Aggressive	\$750,000	30 yrs.	5.50%	10,860,000	9,851,575	22,417,700	5.72%

* Net of Reserve Fund, legal, issuance and underwriting costs.

Although the above table illustrates payments over a 30-year term, the City would also have the option of financing COPs over a 20-year period at a lower interest rate. However, agencies generally select the duration of the COPs term that approximately matches the useful life of the underlying asset, which in the case of a building would reasonably be at least thirty years. The Financial

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Commission understands that typical COPs can be pre-paid after the first 10 years without any prepayment penalty and would recommend keeping that option open for future City leadership.

The Financial Commission has chosen to use a conservative 30-year term average coupon of 5.50% as mentioned above. Current market rates are substantially lower (3.8% average coupon rate) which would generate more proceeds assuming the same annual debt service amount of \$500,000. Given current market rates, the City could anticipate approximately \$8.2 million in proceeds compared to \$6.5 million using a conservative 5.50% interest rate model.

Using the information summarized in the table above, the Commission evaluated the annual debt service level that the City could reasonably afford as explored in the Financial Forecast section below.

FINANCIAL FORECAST

Assumptions

With input from the Financial Commission, staff developed a multi-decade financial forecast. For the purposes of this report, the discussion included herein extends to a ten-year period, plus base year, on the notion that nearer term trends are most predictable and relevant. The forecasting model summarized results beginning with the fiscal year 2010-2011 audit results and then applied high level growth assumptions for revenues and expenditures. The forecast also anticipated changes in other key factors and assumptions are as follows:

FORECAST MODEL ASSUMPTIONS		
Factor	Assumption	Comment
Revenue	2.75% annual growth for five years, then gradually escalating to 3.75% thereafter.	Revenue grew 3.14% last year, despite economic conditions. In the past nine years, annual growth has ranged from -4.22% to +12.24%, with an average of 4.80%.
CalPERS	Existing benefit levels were applied growing in line with labor cost CPI growth trends of 3% noted below.	This study assumes no increase in pension benefit formulas. The impact of lowered CalPERS discount rates is presumed offset by commensurate increases in employee contributions, the continued pay-down of side fund liabilities and the increased activation of the second-tier plans.

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Factor	Assumption	Comment
Labor & Benefit Costs	Growth rate of 3.00% to 3.75% based on existing staffing levels.	Costs decreased 2.45% last year. In the past nine years, annual growth has ranged from -2.45% to +10.06%, with an average of 4.40%. This approach assumes maintained cost control and a long-term impact of the two-tier model set in place.
Emergency Reserves	City is on target to reach a 20% reserve goal by 2015.	This is an important financial safeguard to help overcome unanticipated financial shocks.
Part-time staffing	3.00% annual growth.	Part-time costs are volatile, but only approximate 5% of full-time costs, and as such not a key assumption.
Existing Authorized Unfilled Positions	2 authorized unfilled positions are assumed reactivated beginning in 2015-2016, with a total reactivation to 8 positions by 2020.	This assumes existing authorized unfilled positions are gradually reactivated and filled.
Materials and services	2.00% annual growth.	Non-payroll costs anticipated to grow at a lower and controlled rate.
Other expenditures *	3.00% annual growth.	Projected to remain approximately in line with revenue.
City Portfolio Investment Yield	2.75% for the next nine years, then increasing to 3.00% for four years, then 3.50% thereafter.	These projected yields are based on long-term historical averages.
Storm Drain Fund transfers	6.00% annual growth.	Increased costs anticipated in future years.
CIP transfers	\$700,000 in 2012-2013, \$350,000 in 2013-2014, and \$950,000 the next two years as planned. A 3.0 % year-to-year increase is assumed thereafter.	CIP transfers were up to \$1.5 million in 2010-2011 but are projected to normalize.
OPEB funding	\$1.6 million in 2016-2017.	\$1.6 million in reserves is accumulated from surpluses over the years leading up to 2016-17.

* Includes Workers' Compensation and liability insurance, benefits, fire services, equipment, and general services.

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Over the past several years, the City has paid-down existing “Side-Fund” CalPERS liabilities resulting in annual cost savings and rate increase mitigation. Nearly \$6 million in liability pay-downs will have been paid down per the FY2012-2013 budget plan at which time existing balances will be nearly fully paid off.

The forecast model is particularly sensitive to changes in assumptions regarding revenue growth and labor-related costs. Over the forecast term, costs in aggregate are projected to grow in line with revenue. The largest costs, relating to staffing, are subject to a reasonably high level of control by the City. Over the past ten years, the City has managed to consistently generate an operating surplus in the General Fund. It has also taken direct measures to mitigate increasing pension costs, measures that are assumed to have a beneficial long-term impact.

Existing Debt Levels

In evaluating the City’s ability to take on new debt obligations, its existing debt service levels must also be considered. In 1996, the City issued a \$2.3 million COP to finance the purchase of Rosita Park (formerly known as the Saint Williams site). This COP was refinanced in 2004 to reduce future debt service requirements. As of June 30, 2011, the outstanding principal balance of this debt was \$1.95 million. Total debt service (principal plus interest) payments will be required until 2027 with annual payments varying in a range of approximately \$165,000 to \$169,000. The average of the remaining 15 years of full annual payments is approximately \$167,650.

Forecast Scenarios

In assessing the City’s ability to take on new debt service obligations, the Commission considered three basic scenarios defined as follows:

Conservative – This scenario is based on the basic forecast assumptions and selects the lowest available annual surplus fund level as the target debt service capacity. It also assumes that authorized unfilled and positions will be reactivated and filled over a period of time from 2015-2019. See the “Base Case” projection in the graph below entitled “Projected Annual Funds Available for Debt Service.”

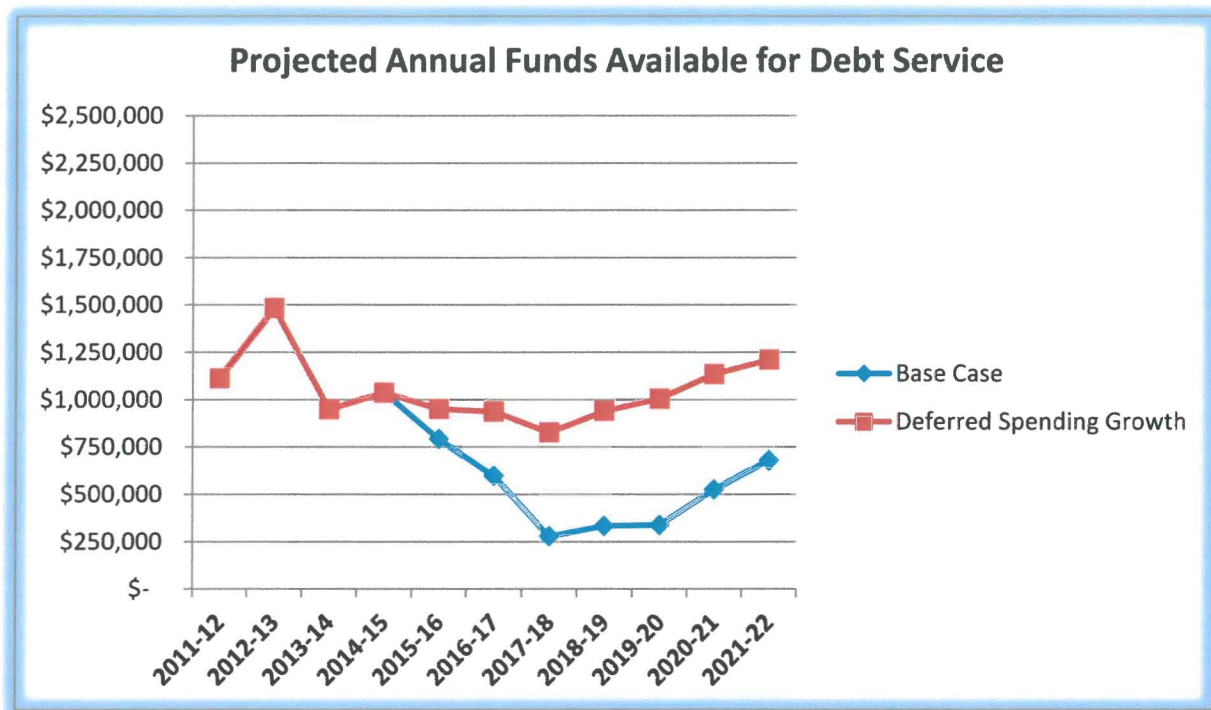
Moderate – This scenario is based on the basic forecast assumptions and selects the mid-point available fund level as the target debt service level relative to the conservative and aggressive scenarios.

Aggressive – This scenario is based on the basic forecast assumptions but assumes authorized unfilled positions are filled at a more gradual rate over the period 2015-2023. This assumption is reflected in the graph below as the “Deferred Spending Growth” projection.

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Annual Funds Available for Debt Service: Determined by taking total projected revenue less operating expenditures to arrive at a net operating surplus. This amount is further reduced by projected transfers for existing debt service, storm activities and CIP funding to yield "Annual Funds Available for Debt Service." This figure does not take into account one-time cash uses such as PERS prepayments and OPEB trust funding taken out of excess reserves.

Risk Factors

In projecting future financial performance certain risks and model sensitivities must be considered.

State and Regional Economics: Economic growth is generally anticipated to be slow and gradual over the near term. In UCLA's 2011 fourth quarter forecast, the outlook for the nation indicates GDP growth at "below trend rate" for the next five quarters, with sub-2% growth for most of 2012. The report for California is somewhat more optimistic, but predicts that unemployment will "hover around 11.6% for the remainder of 2012."

Pension and Benefit Costs: Employee labor and benefit costs make up a significant portion of City expenditures. In so far as unexpected increases in these benefit costs beyond forecast scenarios can have a material negative fiscal impact, this has been identified as a key risk-area in the context of cost projections. To this point, CalPERS has recently announced an increase in its pension rates as a result of a change in actuarial assumptions. Furthermore, the potential for market-caused increases always exists. Funding requirements associated with Other Post Employee Benefits (OPEB) also need to be addressed. Lastly, difficult to predict changes in costs for Workers' Compensation can also have a significant effect on the City's financial performance. To begin addressing these costs, the City has implemented a two-tier pension benefit plan and commenced phasing in employee contribution levels for all groups. The forecast herein assumes that pension benefit and staffing

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levels remain static (beyond the authorized and unfilled position counts discussed herein), market conditions remain stable and that increases in pension rates are equally offset by required employee contributions.

Authorized and Unfilled positions: The City of Los Altos has 130 fully benefitted employees and currently 8 authorized and unfilled positions. City expenses are heavily impacted by this cost category. The reactivation of these existing authorized and unfilled positions in the short term would adversely impact the City's funds available for annual debt servicing. The forecast model is particularly sensitive to assumptions regarding these vacancies.

Capital Improvement Program (CIP): Continued funding of the Capital Improvement Program is dependent upon yearly surpluses. The model projects transferring money to the CIP Fund in the amount of \$700,000 for 2012-2013, \$350,000 in 2013-2014, and \$950,000 for the following two years. These amounts agree to the existing five-year CIP. An annual 3% escalation factor is assumed for transfers beginning in 2015-2016, but those yearly increases could prove to be insufficient given the unpredictable nature of the City's Capital Improvement Program projects and maintenance requirements.

Aging Facilities: There is a need to update aging public facilities for City safety, service delivery and programs. A long-term fiscal model useful in seeding this future funding has not been determined or built into this forecast, but will impact the City budget over time.

Specific budget items: The costs of storm drain maintenance and improvements are expected to increase. The financial model escalates this cost at 6% annually, but the magnitude of these increases could prove to be higher. Fire services represent a major safety cost in the City's budget and these expenses could increase when the contract with the Santa Clara County Central Fire Protection District expires or is renewed. Fire contract expenditures may also increase due to the rise in CalPERS costs.

Market Risk: Current market conditions are arguably attractive for borrowing given the existence of historic low interest rates. In weighing improvement financing decisions, construction costs and other items, the City should also consider the risk associated with the possibility of higher rate environments in the future.

The discussion above highlights some of the risks which are known today. Undoubtedly, new and unforeseen challenges will arise over the years. Maintaining a healthy financial posture, taking a long-term view and continuing a proactive budgetary approach is vital to keeping the City resilient in facing new financial challenges.

PEER COMPARISON

The Financial Commission looked at cities with similar populations and revenues within a 20-mile radius to analyze and compare current debt loads. Campbell, Los Gatos, Menlo Park and Saratoga are generally accepted as peers and used as benchmarks for Los Altos. Currently, Los Altos has very little annual debt service (\$165,000) compared with peers resulting in a debt per capita ratio of less than \$67 (or less than 1%) per citizen and a debt service to operating expense ratio of less than one

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percent. In a peer ranking, Los Altos has the lowest level of debt service. This posture of low debt certainly maximizes the City's fiscal nimbleness and is a point of relative financial health.

Past prudent management of City resources has provided a degree of flexibility going forward that many surrounding cities do not have.

City/Town	Los Gatos	Menlo Park	Campbell	Saratoga	Los Altos
Population	29,651	32,026	39,654	30,195	28,976
Revenue	32,795,830	36,046,551	33,085,247	15,742,117	28,661,094
Op Expenditures	29,982,235	40,297,897	31,578,728	15,616,298	26,404,189
Debt	25,495,440	23,805,000	20,765,000	12,605,000	1,945,000
Debt Type	COP	GO	COP	GO	COP
Annual Debt Svc	1,632,000	2,066,000	1,616,000	1,011,000	165,000
Debt per Capita	\$860	\$743	\$524	\$417	\$67
D.S./Opex	5.4%	5.1%	5.1%	6.5%	0.6%
D.S./Rev	5.0%	5.7%	4.9%	6.4%	0.6%
Latest Exp. Date	2032	2039	2034	2032	2027

FINDINGS

The Financial Commission's finds that the City of Los Altos could reasonably afford an additional \$500,000 of annual debt service (for a total of \$665,000 including existing levels) in the context of the Moderate scenario outlined herein. Given base case assumptions in the context of a 30-year term and a 5.50% interest rate, the City could expect net proceeds of approximately \$6.5 million from a COP debt offering to be applied to general infrastructure improvements at Council's discretion.

The specific findings for the three scenarios outlined by the Commission are presented below:

Conservative – Under reasonably conservative assumptions, the model projects that the City would be able to meet a new annual debt service level of \$250,000 throughout the forecast period. With new debt service of 1.0% of operating expenditures and totaling 1.6% of operating expenditures including existing debt, the magnitude of debt obligations should be manageable.

Moderate – By assuming that authorized and unfilled staff positions will not be filled until more favorable financial conditions and outlook are realized – the taking on of additional annual debt service of \$500,000 is forecast to be manageable in the projected term. This level allows for an acceptable degree of financial flexibility should unanticipated adverse circumstances arise or certain forecast assumptions prove too optimistic. With new debt service of 2.0% of operating expenditures and totaling 2.6% of operating expenditures including existing debt, the magnitude of debt obligations should be manageable.

Aggressive – Assuming that authorized and unfilled staff positions will not be filled until more favorable financial conditions and outlook are realized, the forecast model projects that the City would be able to meet an annual debt service level of \$750,000, but with significantly higher risk of not having the ability to respond to adverse circumstances without cuts in services, headcount reductions, lower CIP transfers and/or use of reserves. With new debt service of 3.0% of operating

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expenditures and totaling 3.6% of operating expenditures including existing debt, this level of debt obligation would be consistent with the City's existing policies and would not be outside rating agency guidelines.

CONCLUDING REMARKS

Taking on additional debt, to any extent, introduces new costs to the City, mainly in the form of interest incurred, and adds a level of risk to the City's financial health. Whether the benefits of the intended use of funds justify the costs and risks posed by any new debt funding is a matter for the City to determine in the context of an overall review of the economic climate and specific project funding decisions.



Debt Capacity Analysis

April 24, 2012

Special Project

Financial Commission

Background and Scope

- Question: What is the maximum level of direct borrowing that the City could reasonably afford in order to fund infrastructure?
 - Key figure is the annual level of debt service required
 - Analysis assumes debt incurred on the City's balance sheet, as opposed to via a tax-supported bond offering
- Does not include opinion on whether funds *should* be borrowed for any purpose
- Financial Commission was assisted by Staff and by the City's financial advisor, NHA Advisors.

High-level Considerations

Current debt policies of the City

- Financial Policy provides that the City “Manage debt responsibly”
- Debt Management provisions further define this policy
- The Financial Commission believes the type and amounts of debt evaluated would be consistent with these policies

Rating agency factors

- City should not risk its favorable AA+ rating
- Reviewed criteria of major rating agencies (Moody’s, Fitch, S&P)
- The City should remain in strong standing assuming debt service does not exceed a range a 5-10% of total operating expenditures

Peer Comparisons

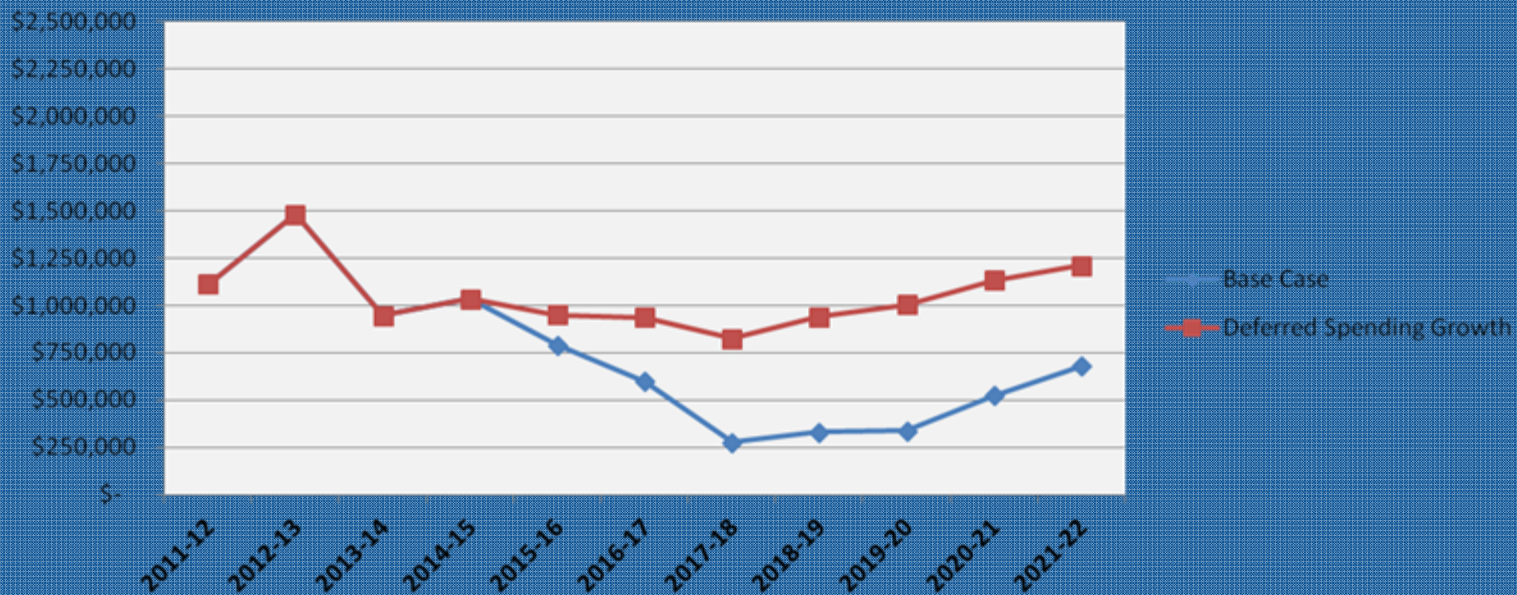
- Peer cities used to benchmark have debt service obligations of approximately 5-6% of operating expenditures
- Los Altos debt service is less than 1% of operating expenditures

	City/Town	Los Gatos	Menlo Park	Campbell	Saratoga	Los Altos
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Debt Type		COP	GO	COP	GO	COP
Annual Debt Svc		1,632,000	2,066,000	1,616,000	1,011,000	165,000
Debt per Capita		\$860	\$743	\$524	\$417	\$67
D.S./Opex		5.4%	5.1%	5.1%	6.5%	0.6%
D.S./Rev		5.0%	5.7%	4.9%	6.4%	0.6%
Latest Exp. Date		2032	2039	2034	2032	2027

Financial Forecast

- Staff developed a financial forecast, with Commission input
- Report details assumptions on revenue and expenditures
- Evaluated risk factors for adverse changes going forward
- Considered impact of deferring certain staffing growth

Projected Annual Funds Available for Debt Service



Debt Structure

- Assumes direct obligation of the City
 - Held on City's balance sheet
 - Debt service made from General Fund
- Specific legal structure assumed to be tax-exempt
 - Certificates of Participation (COPs)
- Fixed rate loan, amortized over 30 years, level debt service
- Interest rate of 5.5% assumed, which is conservative

Scenarios Evaluated

- **Conservative: \$250,000 debt service.** Allows maximum financial flexibility.
- **Moderate: \$500,000 debt service.** Assumes some staffing growth can be deferred if financial circumstances are unfavorable.
- **Aggressive: \$750,000 debt service.** Also assumes deferred staffing growth, but leaves much less flexibility to respond to adverse circumstances.

COPs Debt Service Summary							
Scenario	Annual Debt Service	Term	Interest Rate	Total Principal Amount of Financing	Net Proceeds to Project*	Total Debt Service	All-In Cost of Funds
Conservative	\$250,000	30 yrs.	5.50%	3,595,000	3,159,075	7,417,775	5.99%
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Aggressive	\$750,000	30 yrs.	5.50%	10,860,000	9,851,575	22,417,700	5.72%

Findings and Conclusion

- Financial Commission believes new annual debt service of \$500,000 is reasonably affordable.
- City could expect net borrowing proceeds of \$6.5 million based on assumptions.
- Would increase debt service to 2.6% of annual operating expenditures, which should be manageable and still allow the City financial flexibility.
- For any specific project funding decision, it is important to consider that any additional debt increases interest costs and adds a level of risk to the City's financial health.

Debt Capacity Analysis

Questions & Answers