



2018 BUDGET WORKSHOP #3

September 19, 2018, 5:00 PM

Room 404, City Hall

2019 BUDGET PROCESS
COUNCIL / STAFF WORKSHOP #3
September 19, 2018, 5:00 PM
Room 404, City Hall

AGENDA

1. CIP Structure, Organization, Policy
2. G.O. Debt
 - i. Review current model for G.O. Debt management (\$11,400,000)
 - ii. Review proposed update in model to include flexibility in G.O. Debt borrowing
 - i. Favorable Economic Conditions strategy
 - iii. Goal to reach 50% debt capacity
3. Council Direction on G.O. Debt Management

Remaining Workshops:

- i. Workshop #4 – October 29, 2018 8:00 a.m. – 4:30 p.m.
 - i. Review Department Proposed Budgets & CIP
- ii. Workshop #5 – October 30, 2018 8:00 a.m. – 4:30 p.m.
 - i. Review Department Proposed Budgets & CIP
- iii. Workshop #6 – November 7, 2018
 - i. Final Budget revisions/CIP Review



City of Oshkosh



**2019– 2023
Capital Improvement Plan (CIP)
Budget Workshop**



CIP Categories

City of Oshkosh

- **Comprehensive Street/Utility Improvements**
- **Comprehensive Streets – New Development**
- **Other Streets**
- **Other Utilities**
- **Storm Water**
- **Wastewater Utility**
- **Water Utility**
- **Sidewalks**
- **Traffic Improvements**
- **Park Improvements**
- **Public Property Improvements – Non-Utility**
- **Public Property Improvements – Utility**
- **Major Equipment**
- **Tax Increment Finance (TIF) District Improvements**



CIP Funding Sources

City of Oshkosh

- **Annual General Fund Tax Levy**
- **Developer Contributions**
- **General Obligation Debt (Bonds/Notes)**
- **Special Assessments**
- **State/Federal Grants or Funds**
- **Joint Funding with other agencies (County/Town/State)**
- **Utility Funds (User Fees)**
- **Utility Debt (Revenue Bonds/Notes)**
- **Tax Increment Funds (TIF)**
- **Donor TIF Funds**
- **Donations**



Cash or Credit???

City of Oshkosh

In practice, unless funds are direct expenditure offsets or cash contributions, city has to fund projects until actual revenues are realized.

Examples

- **Special Assessments: Property owners have up to 15 years to repay**
- **Grants: In some cases, reimbursement occurs upon project completion**
- **Tax Increment Financing (TIF) Projects: Tax increment revenues often take years to realize, especially in redevelopment areas (e.g. South Shore)**

If city has not incorporated some direct cash (i.e. levy) funding of capital projects, it relies on debt to fund its CIP

For these reasons, debt has typically been used as funding mechanism to cash flow a project



Four Forms of Debt

City of Oshkosh

1. General Obligation Debt (Tax-Exempt)

- a. Bonds – 20 years
- b. Notes – 10 years
- c. Includes funds borrowed from State Trust Fund (taxable)
(e.g. WRS buyout, TIF borrowings)

2. Water Utility Debt – Revenue Bonds/Notes

3. Sanitary Sewer Utility Debt

4. Storm Water Utility Debt



General Obligation (G.O.) Debt

City of Oshkosh

What is General Obligation?

- **Backed by full faith and credit of city**
- **Tax dollars are pledged to ensure repayment**
- **Most reliable debt – widely recognized and available**
- **Lowest interest rate of all municipal debt – tax exempt**
- **Funding source for other debt**



Samples of Other Uses of G.O. Debt

City of Oshkosh

- **Special Assessments to address cash flow issues**
- **TIF Projects**
- **Alternative to revenue debt if capacity available and rates are favorable**
- **Capital Outlay items with economic life > 10 years**

When G.O. debt used as shown above, this impacts city's debt capacity and may eventually compete for traditional capital projects (i.e. streets, public building projects) and the refinancing of other long term obligations.



Recent Applications and Strategies for General Obligation Debt

City of Oshkosh

- **Aggressive street/storm water program**
- **Shift of utility debt to revenue bonds**
- **High profile TIF/economic development projects – long payback**
 - **Best Western Hotel**
 - **Aviation Business Park**
 - **Oshkosh Corporation Global Headquarters - Infrastructure**
- **Matching funds for grants – Riverwalk**
- **Limit use of debt (10 year notes) to fund capital outlay**
- **Borrowing for Special Assessments (*started in 2018*)**



Projection Model of 2018 G.O. Debt

City of Oshkosh

DEBT Projection
 Current Debt Management Philosophy
 Debt Analysis
 Updated 6/12/2018

General Obligation Debt

EXHIBIT A

Year	Existing Debt	Future Debt	Debt Principal Retired	Debt Principal Taken On	Net Balance as of 12/31	Change from Previous Year	Equalized Value	Debt Limit	Percentage of Debt Limit Used
2014	\$21,469,770		\$21,469,770	\$27,303,802	\$147,228,959	\$5,834,032	\$3,748,827,600	\$187,441,380	78.55%
2015	\$26,028,424		\$26,028,424	\$24,210,000	\$145,410,535	(\$1,818,424)	\$3,743,645,000	\$187,182,250	77.68%
2016	\$35,455,510		\$36,635,510	\$30,101,300	\$138,876,325	(\$6,534,210)	\$3,776,225,300	\$188,811,265	73.55%
2017	\$14,846,403		\$14,846,403	\$11,270,000	\$135,299,922	(\$3,576,403)	\$3,931,778,200	\$196,588,910	68.82%
2018	\$15,426,315		\$15,426,315	\$11,440,000	\$131,313,607	(\$3,986,315)	\$4,073,682,600 *	\$203,684,130	64.47%
2019	\$16,054,035		\$16,054,035	** \$11,400,000	\$126,659,571	(\$4,654,035)	\$4,073,682,600 *	\$203,684,130	62.18%
2020	\$15,582,136	\$495,000	\$16,077,136	** \$11,400,000	\$121,982,436	(\$4,677,136)	\$4,073,682,600 *	\$203,684,130	59.89%
2021	\$14,541,514	\$1,250,000	\$15,791,514	** \$11,400,000	\$117,590,922	(\$4,391,514)	\$4,073,682,600 *	\$203,684,130	57.73%
2022	\$12,411,391	\$2,040,000	\$14,451,391	** \$11,400,000	\$114,539,531	(\$3,051,391)	\$4,073,682,600 *	\$203,684,130	56.23%
2023	\$11,397,340	\$2,870,000	\$14,267,340	** \$11,400,000	\$111,672,191	(\$2,867,340)	\$4,073,682,600 *	\$203,684,130	54.83%
2024	\$10,084,082	\$3,740,000	\$13,824,082	** \$11,400,000	\$109,248,109	(\$2,424,082)	\$4,073,682,600 *	\$203,684,130	53.64%
2025	\$9,087,960	\$4,660,000	\$13,747,960	** \$11,400,000	\$106,900,150	(\$2,347,960)	\$4,073,682,600 *	\$203,684,130	52.48%
2026	\$7,775,149	\$5,620,000	\$13,395,149	** \$11,400,000	\$104,905,000	(\$1,995,149)	\$4,073,682,600 *	\$203,684,130	51.50%
2027	\$6,570,000	\$6,630,000	\$13,200,000	** \$11,400,000	\$103,105,000	(\$1,800,000)	\$4,073,682,600 *	\$203,684,130	50.62%

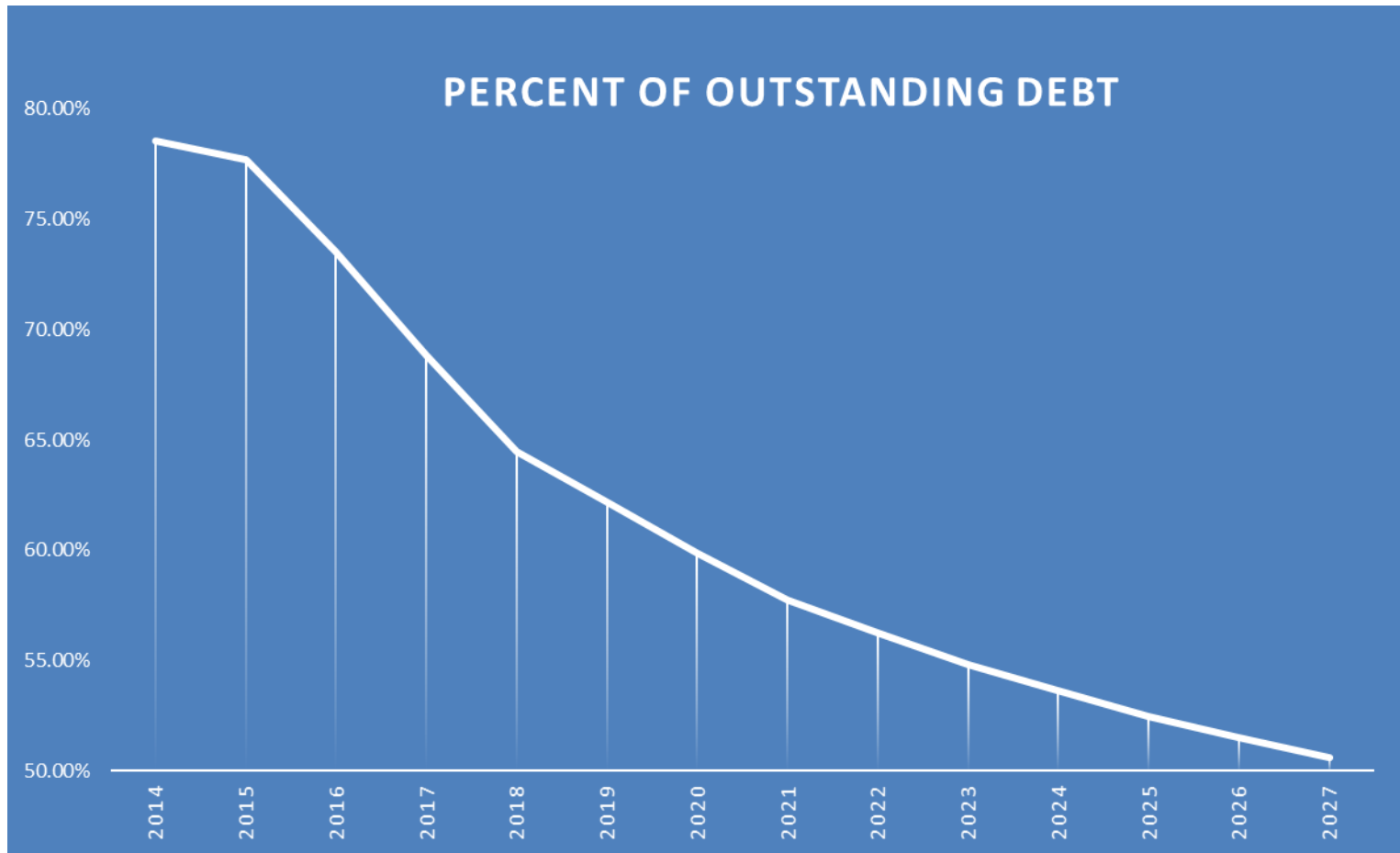
* Assumes no future increases in Equalized Value over current January 1, 2017 actual.

** Includes future principal payments on additional debt issued in 2019 and beyond assuming a 5.0% interest rate and level payments with 10 and 20 year amortization.



15 Year Debt Projection (2014-2027)

City of Oshkosh

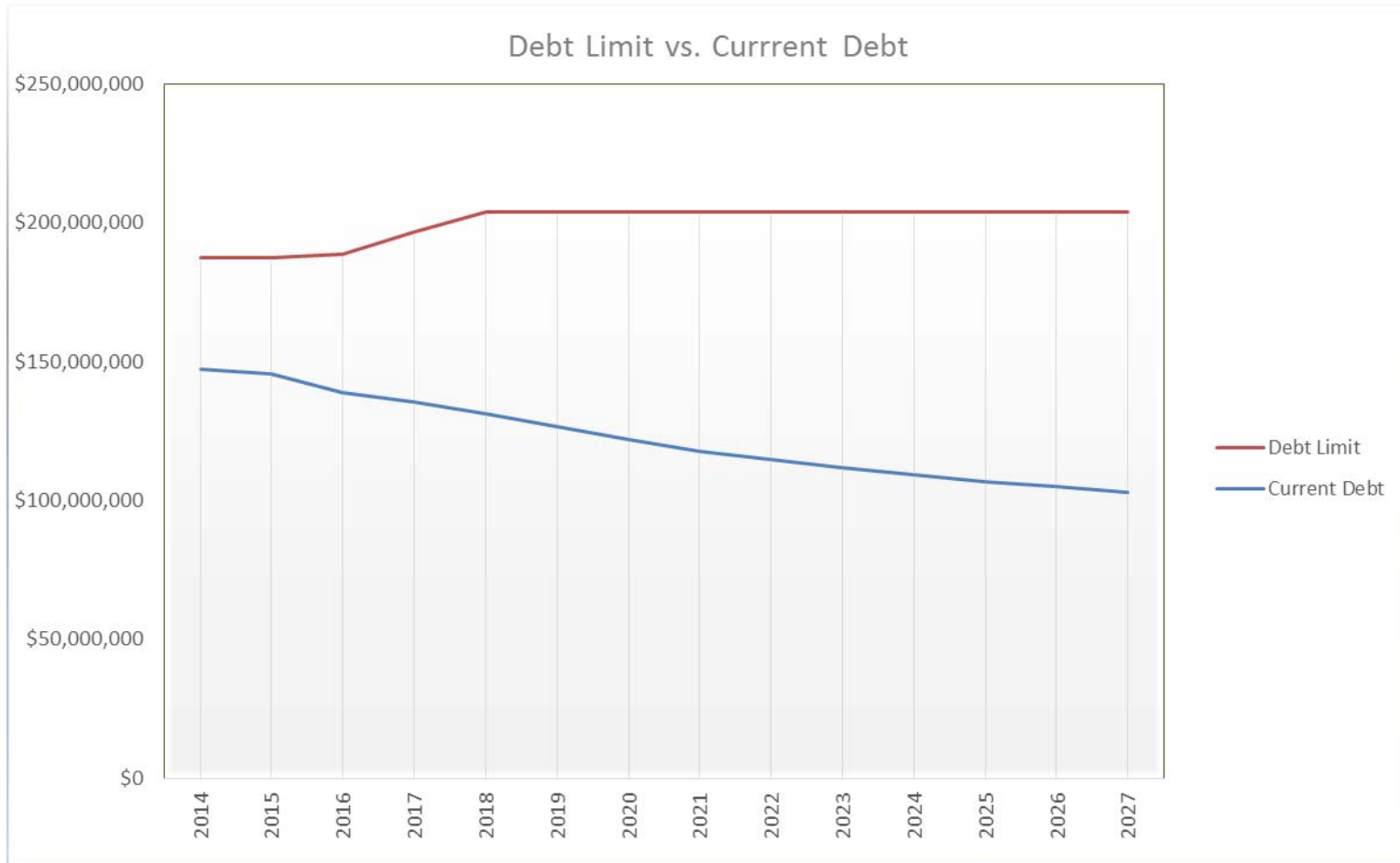


Assumption of Annual Borrowing at \$11,400,000



15 Year Debt Limit Projection (2014 – 2027)

City of Oshkosh



Assumption of Annual Borrowing at \$11,400,000



Summary of 2019 CIP Requests and Impact on G.O. Borrowing

City of Oshkosh

SUMMARY OF 2019 G.O. BORROWING

	GO Bonds	TID Contribution	General Obligation Notes	Subtotal
Comp Streets/Utility Improvement	3,967,400.00			3,967,400.00
Sidewalks	915,000.00			915,000.00
Traffic Improvements	15,000.00			15,000.00
Park Improvements	580,000.00			580,000.00
Public Property Imp - Non-Utility			2,082,500.00	2,082,500.00
Major Equipment			176,500.00	176,500.00
Major Equipment – Vehicles			3,442,000.00	3,442,000.00
Tax Increment Finance District Improvements		2,023,400.00		2,023,400.00
Special Assessment Borrowing	1,221,600.00			1,221,600.00
Total	6,699,000.00	2,023,400.00	5,701,000.00	14,423,400.00
				14,423,400.00
Subtotal - G.O. Bonds and Notes			12,400,000.00	
Projected Available Funding through Borrowing			12,400,000.00	
Amount above/(below) projected borrowing			-	



2019 CIP

City of Oshkosh

- **2019 CIP Plan proposed to exceed borrowing cap of \$11,400,000**
- **Proposed to expand the base G.O. borrowing to \$12,400,000 in 2019-2027.**
- **Additional borrowing will keep us below the goal of a 70% target**
- **Monies that are levied (cash) are being applied to items that are considered maintenance and reoccurring**
- **Equipment Replacement Fund (ERF) has not been established yet**



2019 CIP Objectives

City of Oshkosh

- **The final CIP document is proposed to expand the borrowing cap of \$11,400,000 to \$12,400,000 for 2019 and 2020 (balanced years).**
 - This 2-year projection will be beneficial for current and future financial and operational planning.
 - Minimum of \$4,500,000 is allocated to Streets for 2019-2020
 - Non-Street projects for 2021-2023 are considered “fluid” and are difficult to anticipate due to changing circumstances and priorities.



2015 CIP Prioritization

City of Oshkosh

- **Factors used in assessing priority (deemed “gotta do”):**
 - Imminent failure or in critical need of replacement
 - Contractual obligations / deadlines
 - Previously established long term commitments
 - Required for maintaining grant eligibility
 - Adherence to equipment replacement schedules
 - Public and employee health, safety, and security
 - Ensuring long-term infrastructure needs are met



2015 CIP Prioritization (continued)

City of Oshkosh

- **Projects deemed necessary but not imminent (“need to do”):**
 - Items at or nearing the end of useful life with increasing non-value-added maintenance costs
 - Adherence to replacement schedules in order to “avoid log jams” and minimize financial impact
 - Proactive projects to avoid future “gotta do” status and possible increased future costs



2015 CIP Prioritization (continued)

City of Oshkosh

- **Projects deemed “should do” in nature:**
 - Continued investment in cultural, recreational, and educational facilities
 - Neighborhood development and improvement
 - Avoidance of increased maintenance costs
 - Adherence to recommended replacement schedules
 - Meeting other goals of the City’s strategic plan
 - Proactive projects to avoid future “gotta do” status



CIP Prioritization System

City of Oshkosh

- **Per council request Long Range Finance Committee – Developed a CIP Policy**
- **Policy was adopted on 06/09/2015 and was applied in the 2016-2020 CIP Process**
- **This policy implemented a new scoring system be used in the prioritization of Capital Improvement Projects**



15 Year Debt Projection (2014-2027)

City of Oshkosh

.41% of Growth

DEBT Projection

Debt Analysis

Updated 07/09/2018

General Obligation Debt

EXHIBIT A

Year	Existing Debt	Future Debt	Debt Principal Retired	Debt Principal Taken On	Net Balance as of 12/31	Change from Previous Year	Equalized Value*	Year over Year Change	% of Change	Debt Limit	Percentage of Debt Limit Used
2014	\$21,469,770		\$21,469,770	\$27,303,802	\$147,228,959	\$5,834,032	\$3,748,827,600	(\$10,441,900)	-0.2785%	\$187,441,380	78.55%
								\$0			
2015	\$26,028,424		\$26,028,424	\$24,210,000	\$145,410,535	(\$1,818,424)	\$3,743,645,000	(\$5,182,600)	-0.1384%	\$187,182,250	77.68%
								\$0			
2016	\$35,455,510		\$36,635,510	\$30,101,300	\$138,876,325	(\$6,534,210)	\$3,776,225,300	\$32,580,300	0.8628%	\$188,811,265	73.55%
								\$0			
2017	\$14,846,403		\$14,846,403	\$11,270,000	\$135,299,922	(\$3,576,403)	\$3,931,778,200	\$155,552,900	3.9563%	\$196,588,910	68.82%
								\$0			
2018	\$15,426,315		\$15,426,315	\$11,440,000	\$131,313,607	(\$3,986,315)	\$4,073,682,600	\$141,904,400	3.4834%	\$203,684,130	64.47%
2019	\$16,054,035		\$16,054,035	** \$12,400,000	\$127,659,571	(\$3,654,035)	\$4,212,595,177	\$138,912,577	3.2976%	\$210,629,759	60.61%
2020	\$15,582,136	\$495,000	\$16,077,136	** \$12,400,000	\$123,982,436	(\$3,677,136)	\$4,229,866,817	\$17,271,640	0.4083%	\$211,493,341	58.62%
2021	\$14,541,514	\$1,250,000	\$15,791,514	** \$12,400,000	\$120,590,922	(\$3,391,514)	\$4,247,209,271	\$17,342,454	0.4083%	\$212,360,464	56.79%
2022	\$12,411,391	\$2,040,000	\$14,451,391	** \$12,400,000	\$118,539,531	(\$2,051,391)	\$4,264,622,829	\$17,413,558	0.4083%	\$213,231,141	55.59%
2023	\$11,397,340	\$2,870,000	\$14,267,340	** \$12,400,000	\$116,672,191	(\$1,867,340)	\$4,282,107,782	\$17,484,954	0.4083%	\$214,105,389	54.49%
2024	\$10,084,082	\$3,740,000	\$13,824,082	** \$12,400,000	\$115,248,109	(\$1,424,082)	\$4,299,664,424	\$17,556,642	0.4083%	\$214,983,221	53.61%
2025	\$9,087,960	\$4,660,000	\$13,747,960	** \$12,400,000	\$113,900,150	(\$1,347,960)	\$4,317,293,048	\$17,628,624	0.4083%	\$215,864,652	52.76%
2026	\$7,775,149	\$5,620,000	\$13,395,149	** \$12,400,000	\$112,905,000	(\$995,149)	\$4,334,993,950	\$17,700,901	0.4083%	\$216,749,697	52.09%
2027	\$6,570,000	\$6,630,000	\$13,200,000	** \$12,400,000	\$112,105,000	(\$800,000)	\$4,352,767,425	\$17,773,475	0.4083%	\$217,638,371	51.51%

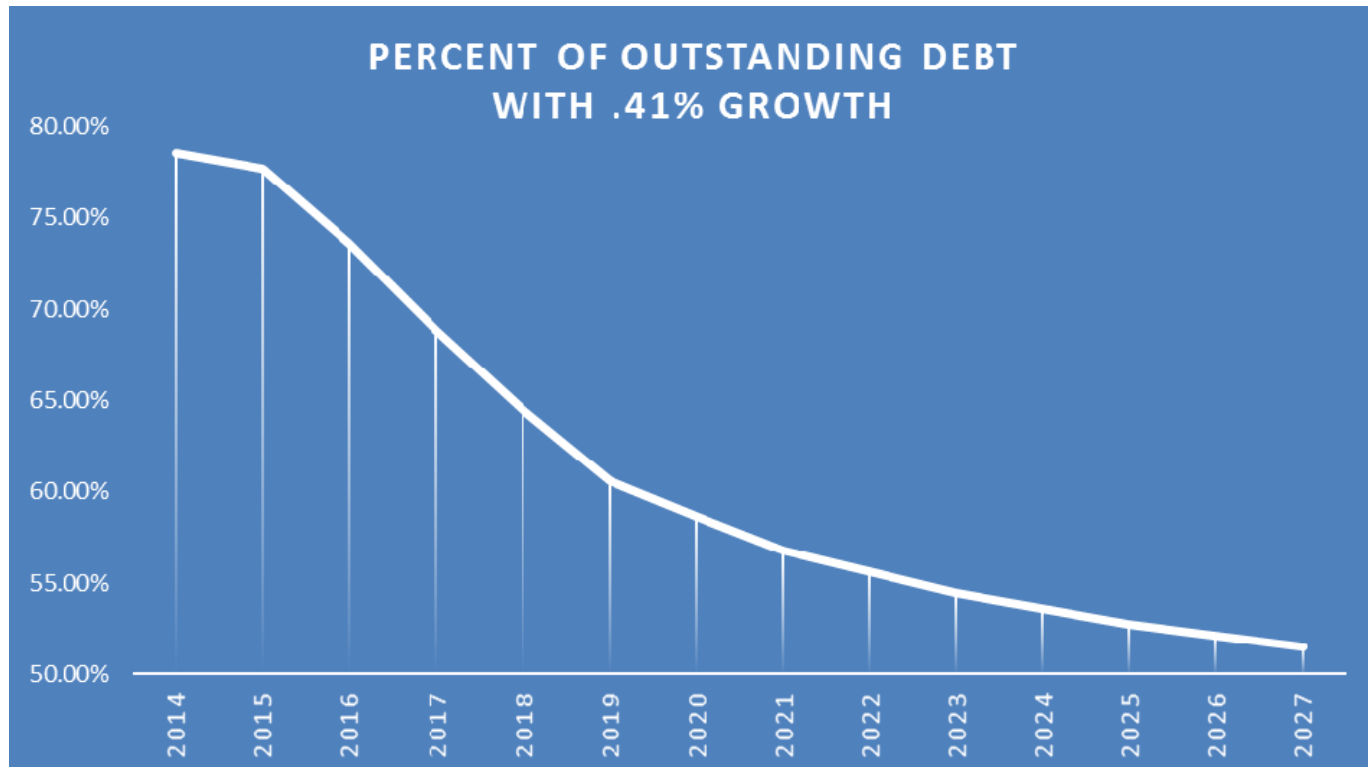
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15 Year Debt Projection (2014-2027)

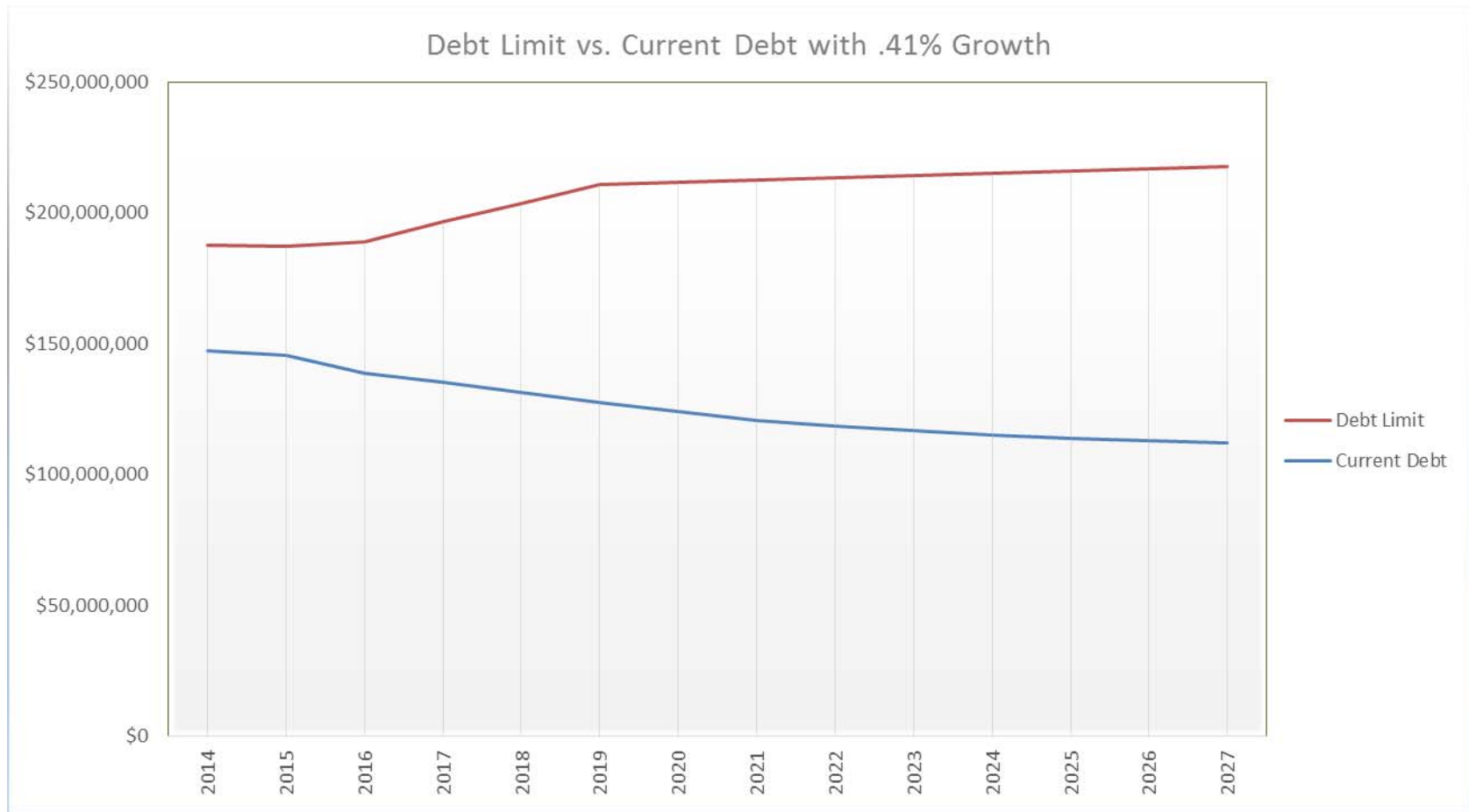
City of Oshkosh





15 Year Debt Limit Projection (2014 – 2027)

City of Oshkosh





15 Year Debt Projection (2014-2027)

City of Oshkosh

.81% of growth

DEBT Projection
Debt Analysis
Updated 07/09/2018

General Obligation Debt

EXHIBIT A

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2019	\$16,054,035		\$16,054,035	** \$12,400,000	\$127,659,571	(\$3,654,035)	\$4,228,889,907	\$155,207,307		\$211,444,495	60.37%
2020	\$15,582,136	\$495,000	\$16,077,136	** \$12,400,000	\$123,982,436	(\$3,677,136)	\$4,263,143,915	\$34,254,008	0.8035%	\$213,157,196	58.16%
2021	\$14,541,514	\$1,250,000	\$15,791,514	** \$12,400,000	\$120,590,922	(\$3,391,514)	\$4,297,675,381	\$34,531,466	0.8035%	\$214,883,769	56.12%
2022	\$12,411,391	\$2,040,000	\$14,451,391	** \$12,400,000	\$118,539,531	(\$2,051,391)	\$4,332,486,552	\$34,811,171	0.8035%	\$216,624,328	54.72%
2023	\$11,397,340	\$2,870,000	\$14,267,340	** \$12,400,000	\$116,672,191	(\$1,867,340)	\$4,367,579,693	\$35,093,141	0.8035%	\$218,378,985	53.43%
2024	\$10,084,082	\$3,740,000	\$13,824,082	** \$12,400,000	\$115,248,109	(\$1,424,082)	\$4,402,957,088	\$35,377,396	0.8035%	\$220,147,854	52.35%
2025	\$9,087,960	\$4,660,000	\$13,747,960	** \$12,400,000	\$113,900,150	(\$1,347,960)	\$4,438,621,041	\$35,663,952	0.8035%	\$221,931,052	51.32%
2026	\$7,775,149	\$5,620,000	\$13,395,149	** \$12,400,000	\$112,905,000	(\$995,149)	\$4,474,573,871	\$35,952,830	0.8035%	\$223,728,694	50.47%
2027	\$6,570,000	\$6,630,000	\$13,200,000	** \$12,400,000	\$112,105,000	(\$800,000)	\$4,510,817,919	\$36,244,048	0.8035%	\$225,540,896	49.70%

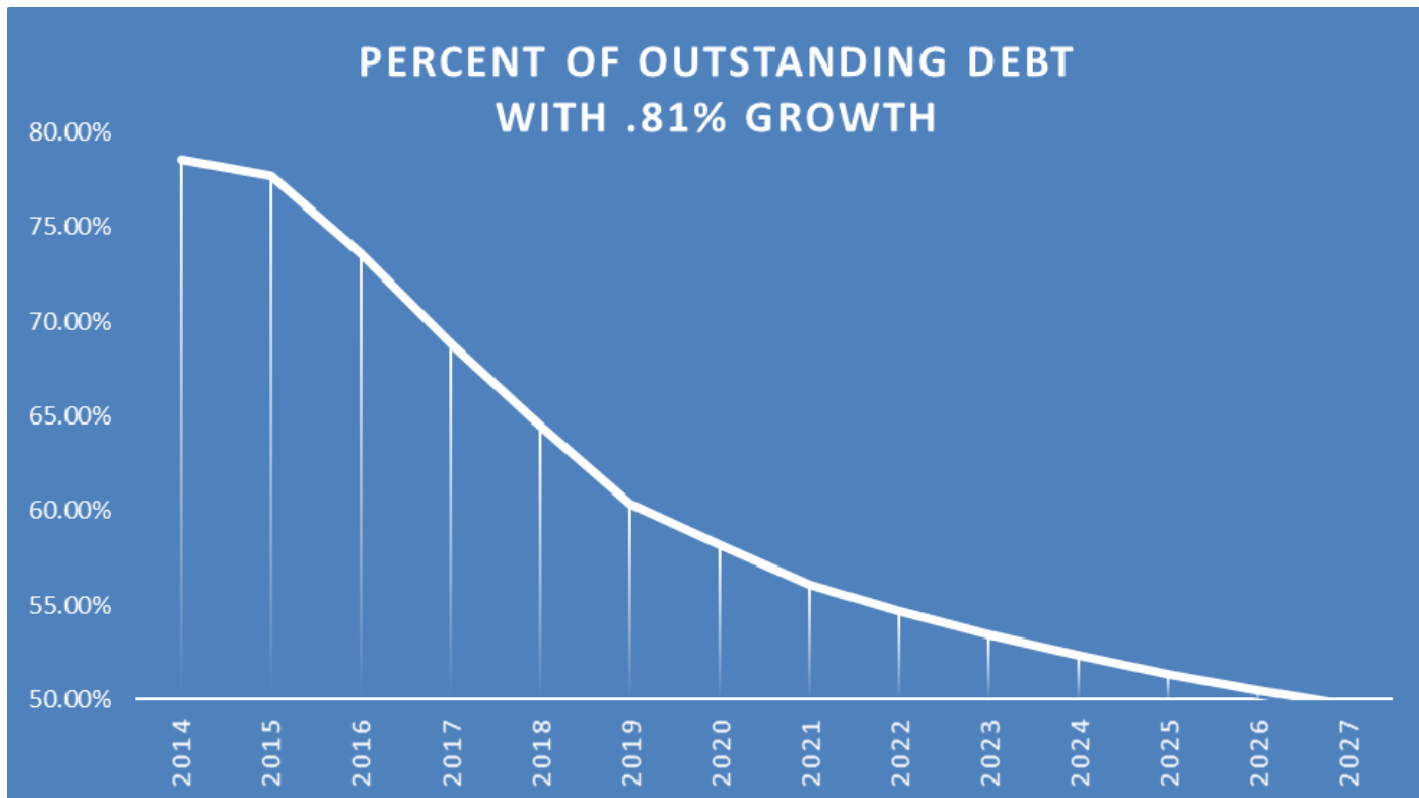
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15 Year Debt Projection (2014-2027)

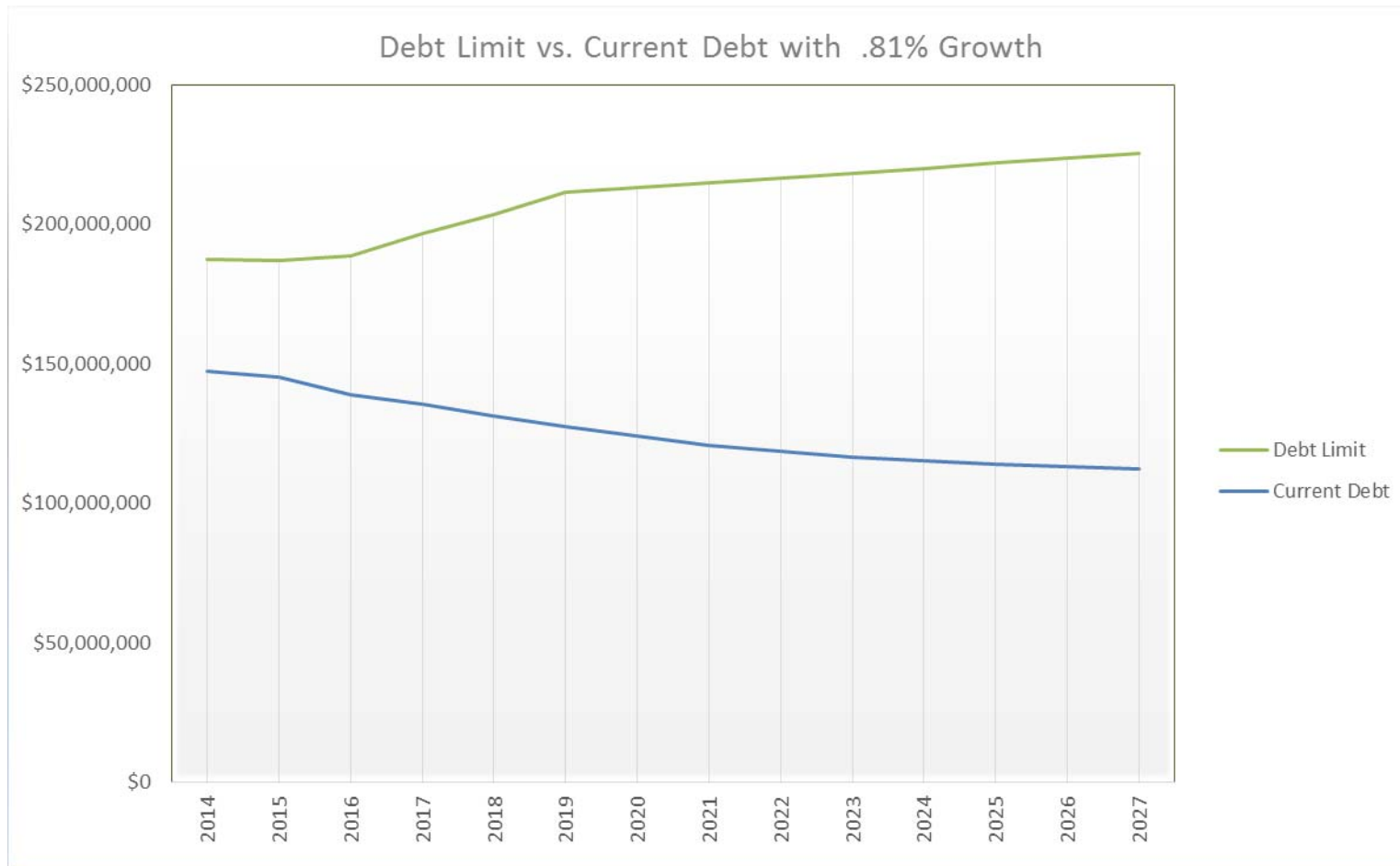
City of Oshkosh





15 Year Debt Limit Projection (2014 – 2027)

City of Oshkosh





Favorable Economic Conditions

City of Oshkosh

New Procedure – Favorable Economic Conditions (FEC)

- **With the borrowing limitations, the City is unable to fund all capital projects requests**
 - Items that do not fall into the gotta do, need to do, or should do buckets are bumped multiple years or remain unfunded
- **Staff is purposing a new category –FEC for these projects which will allow the Common Council to fund and add project(s) into the Capital Improvement Program (CIP) if economic conditions are met or exceeded**
- **This new category will appear in 2019-2023 CIP, in the years 2020-2022**



Favorable Economic Conditions

City of Oshkosh

What are Favorable Economic Conditions?

- **City's equalized value increase exceeds the growth rate to hit target rate of 50%**
- **Adding the project will not jeopardize the target rate of 50%**



Favorable Economic Conditions

City of Oshkosh

What if Favorable Economic Conditions are not met?

- **Council can reevaluate target of 50% by 2027**
- **After 2 years on FEC list, project will be:**
 1. **Rescored and funded in one of the first two years of the 5 year CIP**
 2. **Rescored and placed into years 3-5 of the CIP**
 3. **Project is removed from CIP**



FEC Projects not funded 2020

City of Oshkosh

Section Summary

Project	Project Total	City Contribution
Menominee Park - Zoo Improvements	\$ 200,000	\$ 200,000
Westhaven Circle Park - Ball Field Updates	\$ 135,000	\$ 135,000
City Hall Window Replacement Program	\$ 350,000	\$ 350,000
Museum Sporting and Recreation Exhibition Fit-Out Fabrication and Installation	\$ 250,000	\$ 150,000
Museum Second Floor Exhibition Design	\$ 150,000	\$ 150,000
Parks Department Building Renovation - Phase 1	\$ 250,500	\$ 250,500
Construct Downtown Transit Center	\$ 3,000,000	\$ 600,000
South Shore East - Riverwalk (Pioneer Drive), Construction	\$ 1,630,000	\$ 1,130,000
9th Avenue Extension - East from Main Street to Pioneer Drive/CN Railroad	\$ 2,853,000	\$ 2,853,000
Southwest Industrial Park Compass Way Street Pavin	\$ 1,545,000	\$ 1,545,000
Total	\$ 10,363,500	\$ 7,363,500

Sources of Funds	2020
General Fund (City Contribution)	\$ -
Developer Contribution	\$ -
Debt Financing:	
General Obligation Bonds	\$ -
General Obligation Notes	\$ 7,363,500
Revenue Bonds	\$ -
State Trust Fund Loan	\$ -
Federal Grant	\$ 2,400,000
State Grant	\$ 500,000
Museum Funds	\$ 100,000
Total	\$ 10,363,500



FEC Projects not funded 2021

City of Oshkosh

Section Summary

Project	Project Total	City Contribution
Parks Department Building Renovation - Phase 2	\$ 5,000,000	\$ 5,000,000
Museum Second Floor Exhibition Fit-Out	\$ 200,000	\$ 200,000
Total	\$ 5,200,000	\$ 5,200,000

Sources of Funds	2021
General Fund (City Contribution)	\$ -
Developer Contribution	\$ -
Debt Financing:	
General Obligation Bonds	\$ 5,000,000
General Obligation Notes	\$ 200,000
Revenue Bonds	\$ -
State Trust Fund Loan	\$ -
Federal Grant	\$ -
State Grant	\$ -
Museum Funds	\$ -
Total	\$ 5,200,000



FEC Projects not funded 2022

City of Oshkosh

Section Summary

Project	Project Total	City Contribution
Museum Second Floor Exhibition - Fabrication and Installation	\$ 600,000	\$ 500,000
Total	\$ 600,000	\$ 500,000

Sources of Funds	2022
General Fund (City Contribution)	\$ -
Developer Contribution	\$ -
Debt Financing:	
General Obligation Bonds	\$ -
General Obligation Notes	\$ 500,000
Revenue Bonds	\$ -
State Trust Fund Loan	\$ -
Federal Grant	\$ -
State Grant	\$ -
Museum Funds	\$ 100,000
Total	\$ 600,000