



# Citizen Bond Exploratory Committee:

## Finance Subcommittee Overview

Chandler City Hall  
3<sup>rd</sup> Floor Large Conference Room  
Thursday, Oct. 1, 2020 | 4 p.m.





# Agenda

- Chandler's current Capital Improvement Program (CIP)
- Remaining bond authorization & property tax rate
- Statutory debt capacity & total outstanding debt
- Finance Bond Subcommittee Role

# Chandler's Current CIP

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# Current 10-Year CIP Council Guidelines



CIP Developed by CIP Coordination Team

- Council CIP guidance
  - Minimize increase in property taxes
  - Maintain existing infrastructure
  - Finish planned construction of streets and parks
  - Limit new projects adding ongoing operations & maintenance
  - Address public needs

# Continue Focus on Chandler's Aging Infrastructure



65 square miles



2,090 miles of streets



30,000 street lights



225 signalized intersections



1,228 miles of potable water lines



**Maintaining high quality of life for our 265,200 residents**



941 miles of sanitary sewer



31 operating wells



67 developed parks (1,281 acres)



48 lighted fields



51 municipal buildings

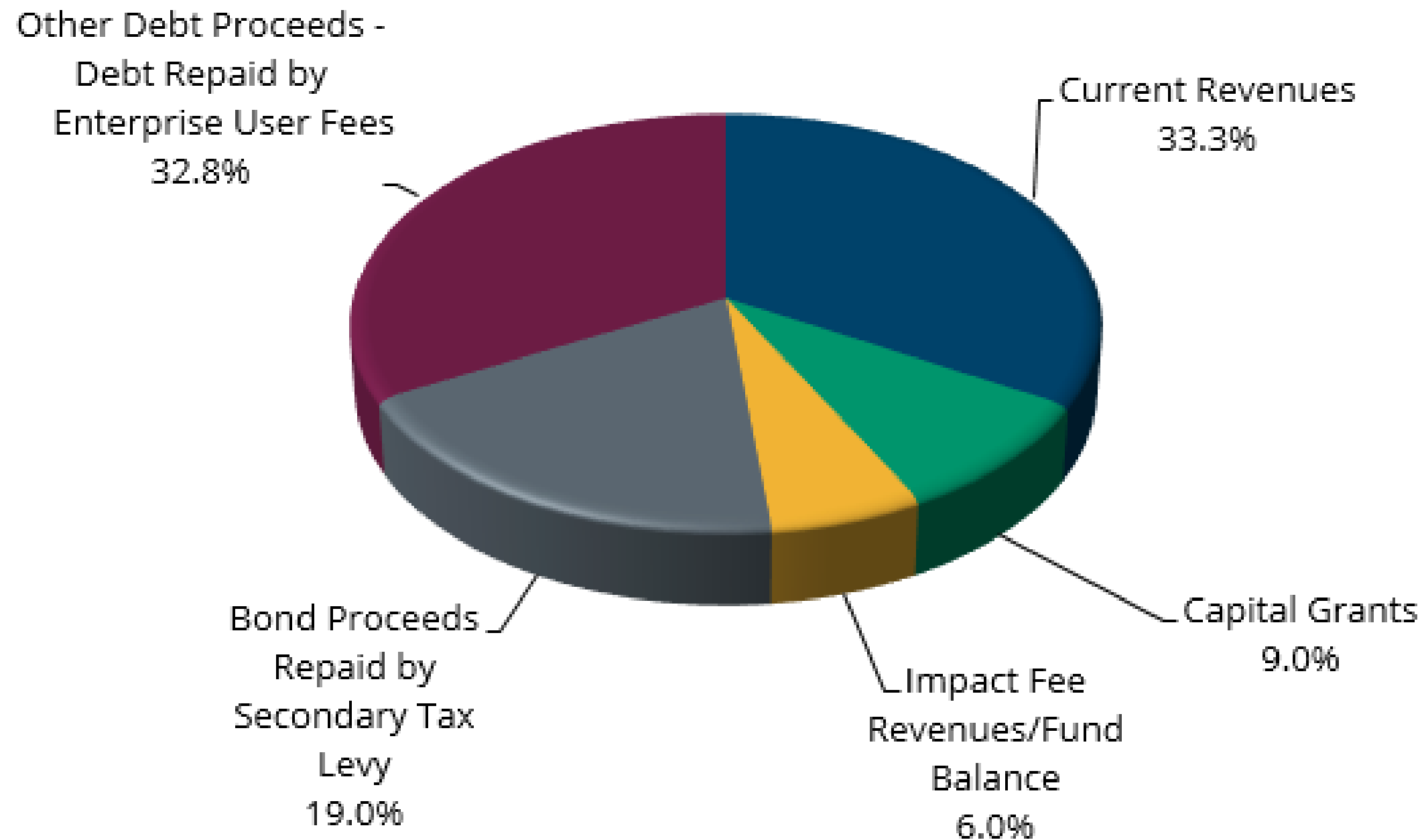


781 fleet vehicles/trucks

**+Sustainable plans for fleet, equipment & technology**

# Current 10-Year CIP Funding

## 2021-2030 CIP Resources



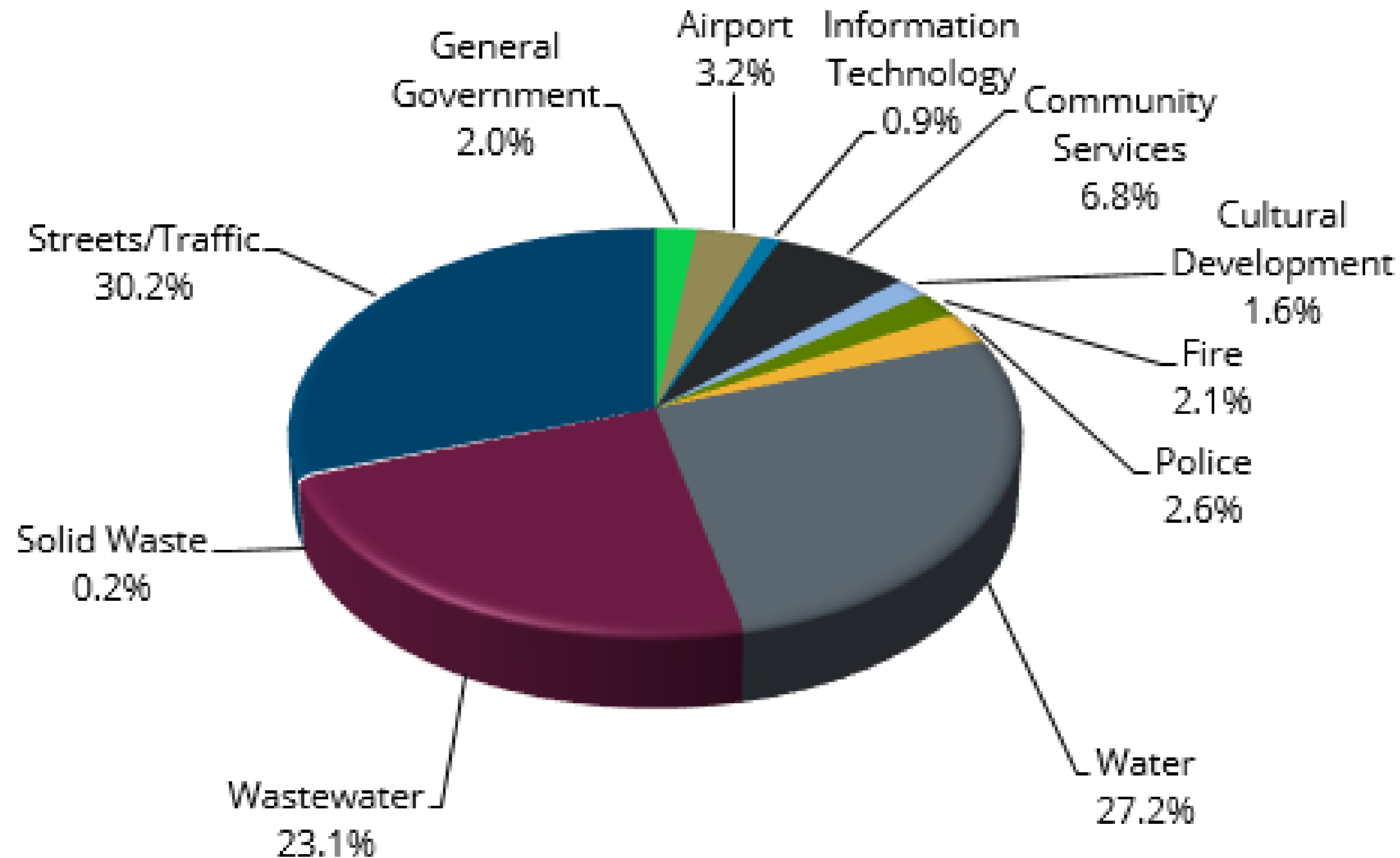
**Total CIP:**  
\$1,164,226,378

Funding sources that can be used for capital include:

General Fund,  
HURF, LTAF,  
Enterprise Funds, Impact/SDF  
Funds, Replacement Funds,  
Grants, and Bonds

# Current 10-Year CIP Programs

## 2021-2030 CIP Expenditures



- Expenditures represent currently planned projects
- Additional project needs have been identified through Master Plan Processes and Facility evaluations







# **Remaining Bond Authorization and Property Tax Rate**

# General Voter Bond Authorization Remaining



- Last Bond Election was 2007 (pre-recession) which projected no property tax increase for projects
- Community capital/infrastructure needs currently exceed remaining bond authorization
- Minimal bond authorization remains for Public Safety and Airport, and none for IT, B&F, Water or Wastewater
- Bond Authorization generally cannot shift between categories
- Authorization is **not** new debt nor does it raise the tax rate, it simply authorizes the City to sell bonds for projects in those categories

Type of Voter Approved Debt	Remaining Authorization	Date Auth. Exhausted
Parks & Recreation	\$ 42,295,000	2029
Museum	6,230,000	
Library	5,245,000	
Public Buildings	9,960,000	
Streets	75,471,000	2027
Stormwater	4,019,000	2030
Public Safety-Fire	231,000	2021
Public Safety-Police	1,300,000	2027
Airport	494,000	
Landfill Recycling Solid Waste	4,935,000	n/a
Water	0	
Wastewater	0	
<b>Total</b>	<b>\$150,180,000</b>	

# Property Tax Impact

- Additional bond authorization does not mean taxes will increase
- Bond authorization is like a credit limit to pull from when needed
- To achieve no tax increase, it requires a balance between

Assessed Value  Tax Rates

- This formula generates the revenue (tax levy) required to pay the debt service on the GO Bonds
- As debt is paid down, new debt can be added, leaving taxes neutral





# Breakdown of \$1 of Typical Chandler Property Tax Bill

## Typical Tax Bill Cents from Every Dollar Taxed

City of Chandler 9.8 cents

 Maricopa County & Special Districts  
22.7 cents

 Public Schools and  
Community College Districts  
67.5 cents

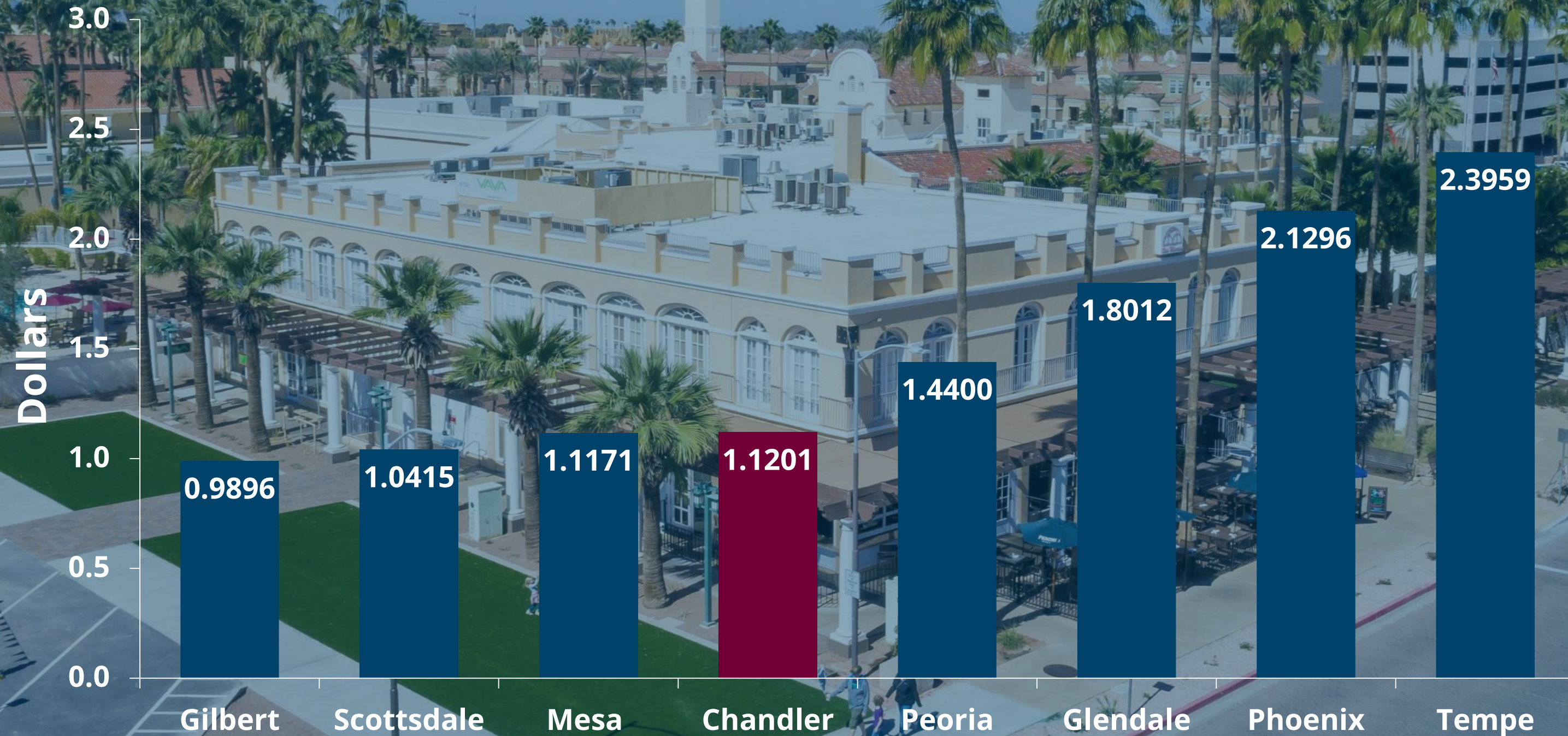
Based on 2019 Tax Bill information. Exact split will vary depending on the school district and any other special taxing districts on the bill.



# Property Tax Rate Comparison

FY 2020-21

(per \$100 of Assessed Valuation)





# Bond Financing Tools

	Pay-As-You-Go	Debt Financing
<b>Advantages:</b>	No interest costs. Interest savings can be used to finance additional projects	Allows for shorter time period for financing major projects
	No legal or bond covenant requirements	Allocates costs to citizens who receive the related benefits
	No Debt Service payments required	Expands capital improvement program
	No additional tax levy is required	Referendum approval indicates public support of the project
	Conserve debt capacity and achieve a more favorable credit rating	Usually required for revenue generating facilities
<b>Disadvantages:</b>	Long savings period to finance major construction projects	Interest Costs
	Allocates costs of project to citizens that may not benefit	Additional tax levy may be required
	Limits capital improvement program to funds available	Legal restrictions set by statute on debt issuance
	Reserves cannot be established before the construction of revenue generating facilities	Bond covenant requirements
	Inflationary costs may exceed time it takes to save funds	Voter approval may be required



# Statutory Debt Capacity and Total Outstanding Debt

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General Obligation Bond Capacity Available		
	20%	6%
2020 Net Assessed Full Cash Value	\$ 4,308,417,196	\$ 4,308,417,196
Legal Bond Limit	861,683,439	258,505,032
Outstanding Bonded Debt Previously Issued	(265,580,150)	(6,519,850)
Less: Excess Premium	(11,263,732)	(264,978)
<b>Bonding Capacity Available</b>	<b>\$ 584,839,557</b>	<b>\$ 251,720,204</b>
<b>Percent of Capacity Available</b>	<b>68%</b>	<b>97%</b>

The City manages Debt well,  
significant unused capacity

73% of City's GO debt will  
be paid off by 7/1/28 →

Summary of Outstanding Bonds by Type		
Type of Issue	Principal Bond Amount	% Total
<b>General Obligation Bonds (Combined)</b>		
6% Capacity	\$ 6,519,850	
20% Capacity	265,580,150	
<b>Total General Obligation Bonds</b>	<b>\$ 272,100,000</b>	<b>55.11%</b>
<b>Excise Tax Revenue Obligations</b>	<b>219,780,000</b>	<b>44.52%</b>
<b>Improvement District Bonds</b>	<b>1,830,000</b>	<b>0.37%</b>
<b>Total</b>	<b>\$ 493,710,000</b>	<b>100.00%</b>





# Bond Ratings

- Chandler's General Obligation (GO) Bonds are rated by 3 agencies:

**GO Bond Ratings by Agency**

Quality of Rating	Moody's	Standard & Poors	Fitch
Best Quality	*Aaa	*AAA	*AAA
High Quality	Aa1	AA+	AA
	Aa2	AA	
	Aa3	AA-	
Upper Medium	A1	A+	A
	A2	A	
	A3	A-	
Medium Grade	Baa1	BBB+	BBB
	Baa2	BBB	
	Baa3	BBB-	

**\*Chandlers current rating**

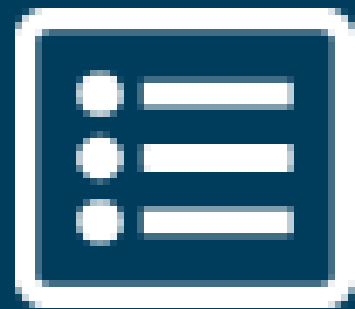


# AAA Bond Ratings

- Chandler continues to maintain AAA Bond Ratings from all three rating agencies
- One of 40 communities across the nation as of 8/15/19 with AAA bond ratings from all 3 rating agencies
- Results in low-cost of borrowing, thereby able to complete large projects through borrowing
- Correlates to lower taxes and utility rates (revenue streams paying debt service)

# Options to Consider Given Our Financial Reality

## Prioritize



Examples of options for current and new projects

- Focus on aging infrastructure
- Accelerate key projects
- Hold project for next bond election

## Property Tax Impact



Examples of options

- Adjust project timeline
  - Short term need vs long-term need
- Adjust project scale to minimize impact

## Ballot Questions

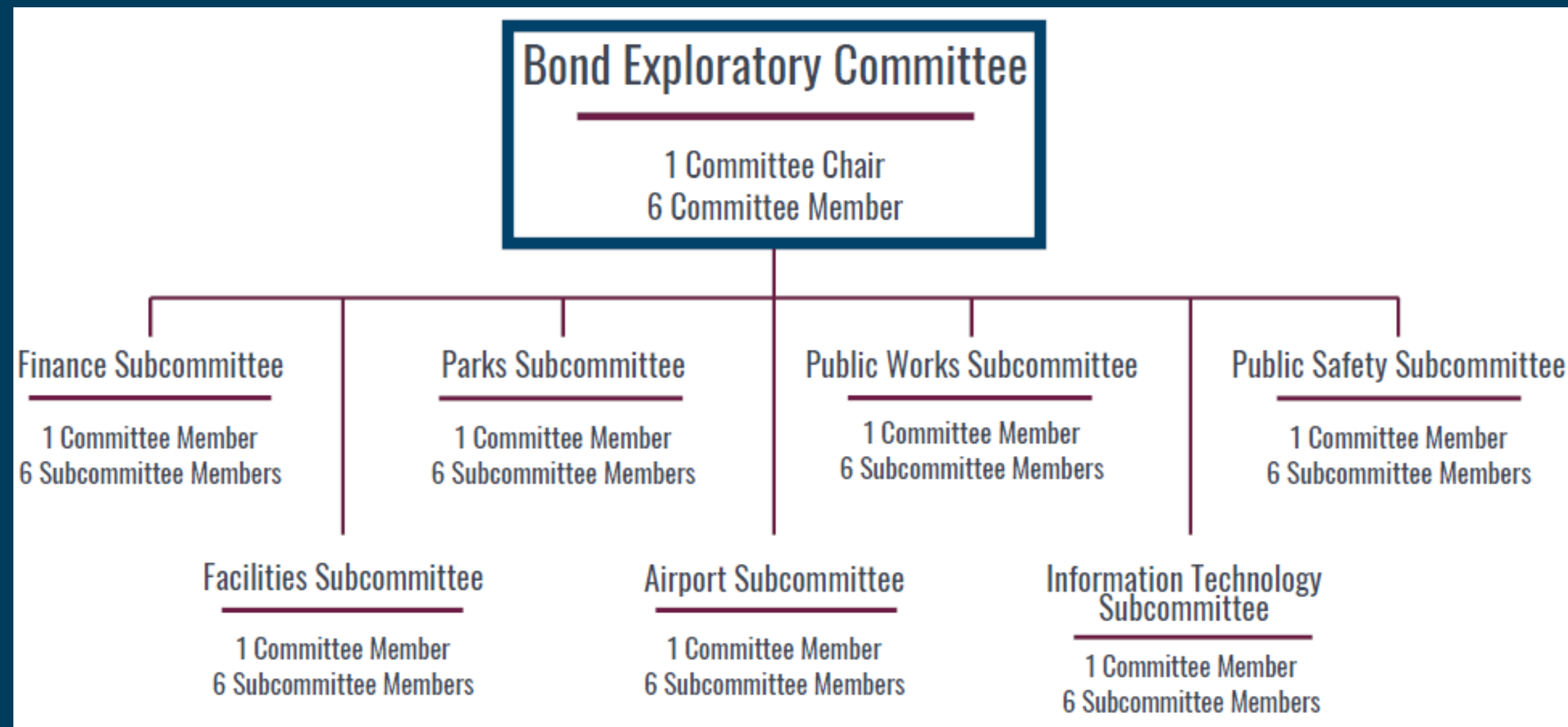


Examples of options

- General question for numerous projects
- Specific project question, allowing taxpayers to decide what they are willing to fund through property taxes

# Finance Subcommittee Role

- Provide funding options to help Subcommittees form a recommendation to City Council of bond authorization needed to support important public capital/infrastructure based on highest priorities while minimizing increase in property taxes and maintaining existing infrastructure







Questions?