

**SINKING FUND COMMISSION
FISCAL YEAR 2016 BUDGET TESTIMONY
APRIL 8, 2015**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

The Commission oversees the timely repayment of bond principal and interest (P&I) on City-related debt, city service agreements and lease obligations.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

The highlights of the debt service budget are as follows:

- The total budget is \$602.5 million which is an increase of \$12.6 million or 2.1% over the FY15 Current Projection.
- The FY16 Proposed budget for each of the funds and the change from the FY15 Adopted Budget are as follows:

	Budget (In millions)	Increase/(Decrease) (In millions)	
General	\$245.9	\$ 0.9	0.4%
Water	227.1	20.8	10.1%
Aviation	123.5	(6.3)	(4.9%)
Car Rental Tax	6.0	--	-- %
Total	\$602.5	\$15.4	2.6%

- The Commission oversees debt service on \$7.9 billion of bonds for the city and related authorities and enterprise funds.
- The ratings on the general obligation bonds have remained the same since the most recent upgrade in December 2013 to A2/A+/A- by Moody's, S&P, and Fitch, respectively.

The highlights for each fund are discussed below.

- **General Fund:** The General Fund portion of this request totals \$245.9 million, comprised of two classes: Class 200 for city service agreement obligation and lease payments and Class 700 for debt service. The Class 200 request of \$104.5 million reflects a \$6.7 million decrease from FY15 estimates due mainly to the final maturity of the lease obligation of the Municipal Services Building in FY15. The Class 700 request of \$141.4 million is mainly for debt service on the City's general obligations. This is \$7.5 million more than FY15 estimates due mainly to increases in estimates for interest on new issues as well as increases in interest on variable rate debt and an increase of \$3.7 million of interest on the City's short-term borrowing (TRAN).
- **Water Fund:** The Commission's request for the Water Fund for FY15 totals \$227.1 million, all in Class 700, for payment of debt service on Water and Sewer bonds. This represents a \$20.8 million increase over FY15 due mainly to additional interest expense on new issues in FY16 of \$13.8 million and additional principal payments on existing debt of \$10.4 million.
- **Aviation Fund:** The Commission's request for the Aviation Fund for FY15 is \$123.5 million, all Class 700. This amount is a decrease of \$6.3 million over FY15. This decrease is due to decreases in both interest expense (\$3.7 million) and principal payments (\$2.1 million).
- **Car Rental Tax Fund:** The Commission's request of \$6 million in the Car Rental Tax fund is to provide for lease revenue bond payments on the sports stadiums from vehicle rental tax revenues.

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

All debt service was paid on a timely basis in FY15 and within budget.

DEPARTMENT CHALLENGES

The current Executive Director of the Sinking Fund Commission is retiring at the end of the calendar year 2015. The City Treasurer has begun the search process to replace him and plans to select a replacement for an appropriate dual incumbency period.

ACCOMPLISHMENTS & INITIATIVES

There were two items that the City Treasurer's Office and the Sinking Fund Commission responded to during the previous year:

1. The first was an industry-wide self-examination of the continuing disclosure process that all municipal bond issuers are subject to. This was an unprecedented experience in the industry. In a reaction to ongoing inadequacies of continuing disclosure made by certain issuers throughout the United States, the Securities and Exchange Commission (SEC) mandated the Municipal Continuing Disclosure Cooperation Initiative (MCDC) which required municipal bond issuers to examine their results of their continuing disclosure efforts over the past five years, and if material non-disclosures were discovered, the issuers had to self-report these shortcomings to the SEC. In conjunction with this, all underwriters of municipal bonds had to examine the issuers' (for which they served as lead underwriter) continuing disclosure efforts, and if they found any deficiencies, the underwriters had to report them to the SEC separately from the issuer. After concerted efforts by the City Treasurer's Office and the Sinking Fund Commission, as well as by a number of different parties throughout the City and outside counsel, and the City's dissemination agent, and working closely with the underwriters engaged by the City, it was determined that the City had no material non-disclosures in the reporting of reportable events over the past five years, and as such, no reports were filed to the SEC by the City or any of its underwriters. Currently, the City is in compliance in all material respects with its previous undertakings with regard to continuing disclosure for prior obligations issued. The City has reviewed and updated its disclosure policies and procedures to ensure that the City remains in compliance with its continuing disclosure undertakings in the future.
2. The second item that the Sinking Fund Commission participated in during the year was the IRS examination of Water & Wastewater Bond Series 2010A. This was a targeted audit, meaning the IRS notified the City it had reason to believe that certain aspects of this bond issue might cause the IRS to rescind the tax-exempt status of the bonds. The IRS did not reveal to us what it was that led to the targeted audit. Working with outside counsel, the Water Department, the Law Department and the Office of the Director of Finance, the City Treasurer's Office and the Sinking Fund Commission, with the assistance of outside counsel, answered the questionnaire and supplied the IRS with the information they needed in order for the IRS to deliver to the City a 'No Change' letter, meaning there was no change in the tax-exempt status of the bonds.

In addition to the regular duties of paying and managing the city's debt service, the Sinking Fund Commission attended training in continuing disclosure and post issuance compliance as well as increasing efficiency with Debt Manager.

STAFFING

The lone employee of the Sinking Fund Commission is budgeted in the City Treasurers Office.

Staff Demographics (as of December 2014)

<i>Full-Time Staff</i>				<i>Executive Staff</i>			
Male		Female		Male		Female	
	African-American	African-American		African-American	African-American		
<i>Total</i>	0	0	<i>Total</i>	0	0	<i>Total</i>	
<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	
	White	White		White	White		
<i>Total</i>	1	0	<i>Total</i>	1	0	<i>Total</i>	
<i>% of Total</i>	100.0%	0.0%	<i>% of Total</i>	100.0%	0.0%	<i>% of Total</i>	
	Hispanic	Hispanic		Hispanic	Hispanic		
<i>Total</i>	0	0	<i>Total</i>	0	0	<i>Total</i>	
<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	
	Asian	Asian		Asian	Asian		
<i>Total</i>	0	0	<i>Total</i>	0	0	<i>Total</i>	
<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	
	Other	Other		Other	Other		
<i>Total</i>	0	0	<i>Total</i>	0	0	<i>Total</i>	
<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	
	Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual		
<i>Total</i>	0	0	<i>Total</i>	0	0	<i>Total</i>	
<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	
	Male	Female		Male	Female		
<i>Total</i>	1	0	<i>Total</i>	1	0	<i>Total</i>	
<i>% of Total</i>	100.0%	0.0%	<i>% of Total</i>	100.0%	0.0%	<i>% of Total</i>	

CONTRACTING

Contracts Summary (*as of December 2014)

	FY10	FY11	FY12	FY13	FY14	FY15*
Total amount of contracts	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
Total amount to M/W/DBE	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
Participation Rate	100%	100%	100%	100%	100%	100%

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

N/A

OTHER

N/A