



City of Hoboken CY 2018 Introduced Budget Debt Information

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Overview – Debt Repayment

- Total debt for Hoboken generally falls into three categories:
 - Debt to be repaid by the Municipal Budget – used for Municipal Capital Projects
 - Debt to be repaid by Parking Utility Budget- used for Parking Capital Projects
 - Debt to be repaid by the Open Space Trust Fund- used for acquisition and/or development of open spaces and parks

Overview – Debt Philosophy

- The City uses debt issuance to match the burden on taxpayers to the benefit received by current and future taxpayers.
- The capital asset is paid for over the life of that asset by the taxpayers benefiting from its use.
- For example, BASF Park will benefit Hoboken residents and taxpayers for generations. So the debt issued for its acquisition will be amortized / repaid over time by current and future taxpayers.

Overview- Types of Debt

- The City generally accesses the following types of debt:
 - **Bond Anticipation Notes** – one year note which can be rolled over for ten years, currently low interest rates, interest only for the first 3 years, then with principal amortization.
 - **Bonds (5-40 year term)** – longer term, currently rates range from 2.5-5%, fully amortizing over the useful life of the bond/asset as prescribed in Local Bond Law.
 - **NJEIT (I-Bank)** – loans 75% interest free, eligible for 19% principal forgiveness, used for certain infrastructure projects. Possible 50% forgiveness for green infrastructure
 - **Green Acres** – loan from NJ Department of Environmental Protection used for primarily for certain open space activities.

Debt Capacity

- The statutory debt limit per N.J.S.A. 40A:2-2 and 40A:2-6 for Municipalities is 3.5% of the average equalized value for the last 3 preceding years.
- Hoboken has significant Debt Capacity available.
 - As of 12/31/17 statutory debt capacity was \$522.6 Million
 - As of 12/31/17 net debt authorized was \$180.5M

Debt Capacity- Comparison

Annual Debt Statement	12/2016	12/2017
Net Debt (Includes authorized not issued)	\$169.2M	\$180.5M
3 Year Average Equalized Valuation	\$13.6B	\$14.9B
Net Debt % (Net Debt/Avg. Eq.Valuation)	1.244%	1.209%
Statutory Maximum Net Debt %	3.50%	3.50%
Statutory Maximum Net Debt	\$476.0M	\$522.6M
Remaining Net Debt Capacity	\$306.8M	\$342.1M

Net Debt excludes \$30.7M of HPU debt for 2016 and \$24.5M for 2017 – since the Parking Utility is self liquidating.

Debt Recap

As of December 31, 2017	Total	Open Space	Budget
Debt Issued	\$ 115,948,748	\$ 31,058,564	\$ 84,890,184
Debt Authorized not Issued	\$ 64,581,341	\$ 19,000,000	\$ 45,581,341
Total Net Debt	\$ 180,530,089	\$ 50,058,564	\$ 130,471,525

Approximately 28% of net debt will be funded from Open Space Trust

2018 Debt Issuance

	City	HPU
Bond Ant. Notes (BANs) Outstanding as of 12/31/17	\$ 45,822,000	\$ 11,595,000
2018 Principal Payments	\$ (36,000)	-
2018 Permanent Financing – Existing BANs	\$(45,092,000)	\$ (7,985,000)
BANs renewed	\$ 694,000	\$ 3,610,000
2018 Permanent Financing – Existing BANs	\$ 45,092,000	\$ 7,985,000
2018 Permanent Financing – New Authorizations	\$ 12,321,000	\$ -
Total 2018 Permanent Financing	\$ 57,413,000	\$ 7,985,000
Total 2018 Debt Issuance	\$ 58,107,000	\$ 11,595,000

2018 Permanent Financing

Ordinances Financed:	\$ 65,398,000
Bond Term	16 years
Bond Rating (S&P)	AA+
Net Interest Cost	2.98%

8 bidders – range was 2.98% to 3.24%



Open Space Funded Debt

- Approximately 28% of the City's net debt authorized will be funded via the Open Space Trust Fund.
- Currently planned permanent financing to be serviced from the Open Space Trust is \$44.2M (net of I-Bank principal forgiveness where applicable)
- The Open Space Trust fund has unused bonding capacity of \$31.6M (assuming principal forgiveness) – assuming Dry Dock borrowing is serviced by open space (no principal forgiveness)
- As of 12/31/2017, the unencumbered Open Space Trust balance was \$8.7M
- Currently \$2.3M is generated each year and can be used for, among other things, the servicing of debt used to acquire and develop open space.

Open Space Capacity

Year	Current Debt Service	Principal-Remaining Capacity
2018	\$ 184,893	
2019	\$ 984,940	\$ 325,888
2020	\$ 992,306	\$ 831,775
2021	\$ 990,737	\$ 836,775
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2054	\$ 1,243,079	\$ 1,107,000
Total	\$ 63,145,919	\$ 31,650,000

Assuming 19% principal forgiveness, the Open Space Trust can fund \$31.6M of additional projects based on current interest rate assumptions

Debt Service Projection

	Principal	Interest	Projected Total Debt Service	Funded from Open Space	Funded from General Budget
2018	\$ 6,230,696	\$ 1,503,912	\$7,734,608	\$ (184,843)	\$ 7,549,765
2019	\$ 5,126,886	\$ 3,542,186	\$8,669,072	\$ (984,940)	\$ 7,684,132
2020	\$ 6,130,121	\$ 2,637,668	\$8,767,789	\$ (992,306)	\$ 7,775,483
2021	\$ 6,302,439	\$ 2,466,694	\$8,769,133	\$ (990,737)	\$ 7,778,396
2022	\$ 6,504,433	\$ 2,436,152	\$8,940,585	\$ (992,806)	\$ 7,947,779

- 2018 is final year of debt service on old bond issue. 2018 permanent financing achieved stable debt service