



# FY20 Bond Issuance Update

## FY20 Metro Bond Issuance Update October 31, 2019

- Legislative History of Bond Authorization
- Bond Sale Details
- Credit Rating Agency Reports
- Question & Answer



# FY20 Bond Issuance Update

## Legislative History of Bond

- On 6/26/18 Metro Council passed the FY19 capital budget including just under \$83M of debt-funded projects (Ordinance No. 109, Series 2018)
- On 7/26/18 Metro Council passed a bond reimbursement resolution (Resolution No. 107, Series 2018)
- On 3/7/19 Metro Council passed a bond-related line of credit ordinance (Ordinance No. 24, Series 2019)
- On 3/21/19 Metro Council passed the bond ordinance (Ordinance No. 36, 2019)
- On 10/8/19 Metro sold a bond to fund \$45M of FY19 debt-funded capital projects
- On 10/29/19 we closed on this bond



# FY20 Bond Issuance Update

## Bond Sale Details

- Active market with 11 bidders; winning bid was from Morgan Stanley with a True Interest Cost (TIC) of 1.89%
- The top 8 bidders were within 4 basis points of each other
- \$45M of projects funded (5-year at \$15.27M; 10-year at \$17.58M; and 20-year at 12.15M)
- These were sold as premium bonds with an outstanding principal of \$40.845M and a weighted average maturity of 6.2 years
- Structured as level debt service within each project useful life period



# FY20 Bond Issuance Update

## Bond Sale Details

ere submitted using **PARITY**<sup>®</sup> and displayed ranked by  
n the name of each bidder to see the respective bids.

ard*	Bidder Name	TIC
	<u>Morgan Stanley &amp; Co, LLC</u>	1.889517
	<u>Bank of America Merrill Lynch</u>	1.903399
	<u>J.P. Morgan Securities LLC</u>	1.903914
	<u>FTN Financial Capital Markets</u>	1.908959
	<u>Hutchinson, Shockey, Erley &amp; Co.</u>	1.913036
	<u>Citigroup Global Markets Inc.</u>	1.918182
	<u>Piper Jaffray</u>	1.924717
	<u>Wells Fargo Bank, National Association</u>	1.927116
	<u>Fifth Third Securities, Inc.</u>	1.941663
	<u>HilltopSecurities</u>	2.063563
	<u>UMB Bank, N.A.</u>	2.115624

a specific bidder will provide you with the Reoffering Pr



# FY20 Bond Issuance Update

## Credit Rating Agency Reports

- Our credit ratings for this issue were provided by S&P and Moody's
- S&P affirmed Metro at AA+ with a stable outlook
- Moody's affirmed Metro Aa1 with a stable outlook
- Reminder that Metro's credit rating reports since 2013 are available at the following website:
- <https://louisvilleky.gov/government/management-budget/credit-rating-agency-reports>



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## Credit Rating Agency Reports

Portions of S&P's report

### **Credit Summary**

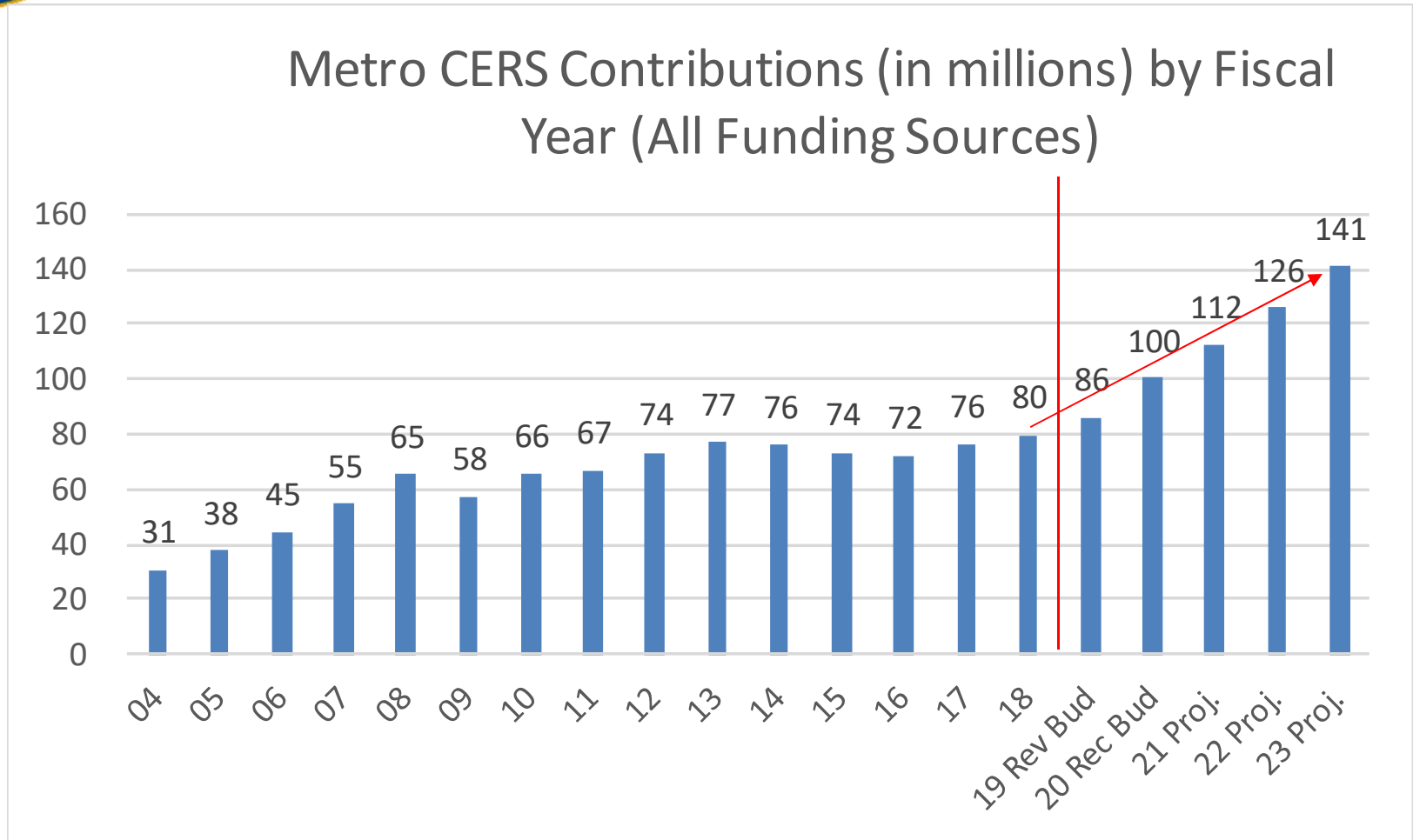
“The Louisville & Jefferson County Metropolitan Government has a vibrant economy that continues to grow. However, its biggest challenge, from our perspective, is with respect to its rising pension contributions. Our view of management is that it is strong, and we would expect that officials would continue to find a combination of cost cuts and revenue enhancements that will allow them to absorb the growing contributions without tipping the budget into structural imbalance. This could become increasingly challenging if its revenue base, which is currently growing, starts to lag, and as pensions take up more and more space in the budget.”

### **Adequate Budgetary Performance**

“In 2020, the pension contribution increases \$14 million year over year to \$100 million. The metro government projects similar year over year increases through 2023, which could pose a challenge for the metropolitan government, particularly in years of stagnant economic growth. We expect results for total governmental funds to be similar to previous years' outcomes, and overall, we expect the metro government's budgetary performance to remain at least adequate. However, our assessment could be weakened in the future if we believe its budget shows signs of strain in accommodating future pension contributions.”



## Recommended Executive Budget FY2019-2020



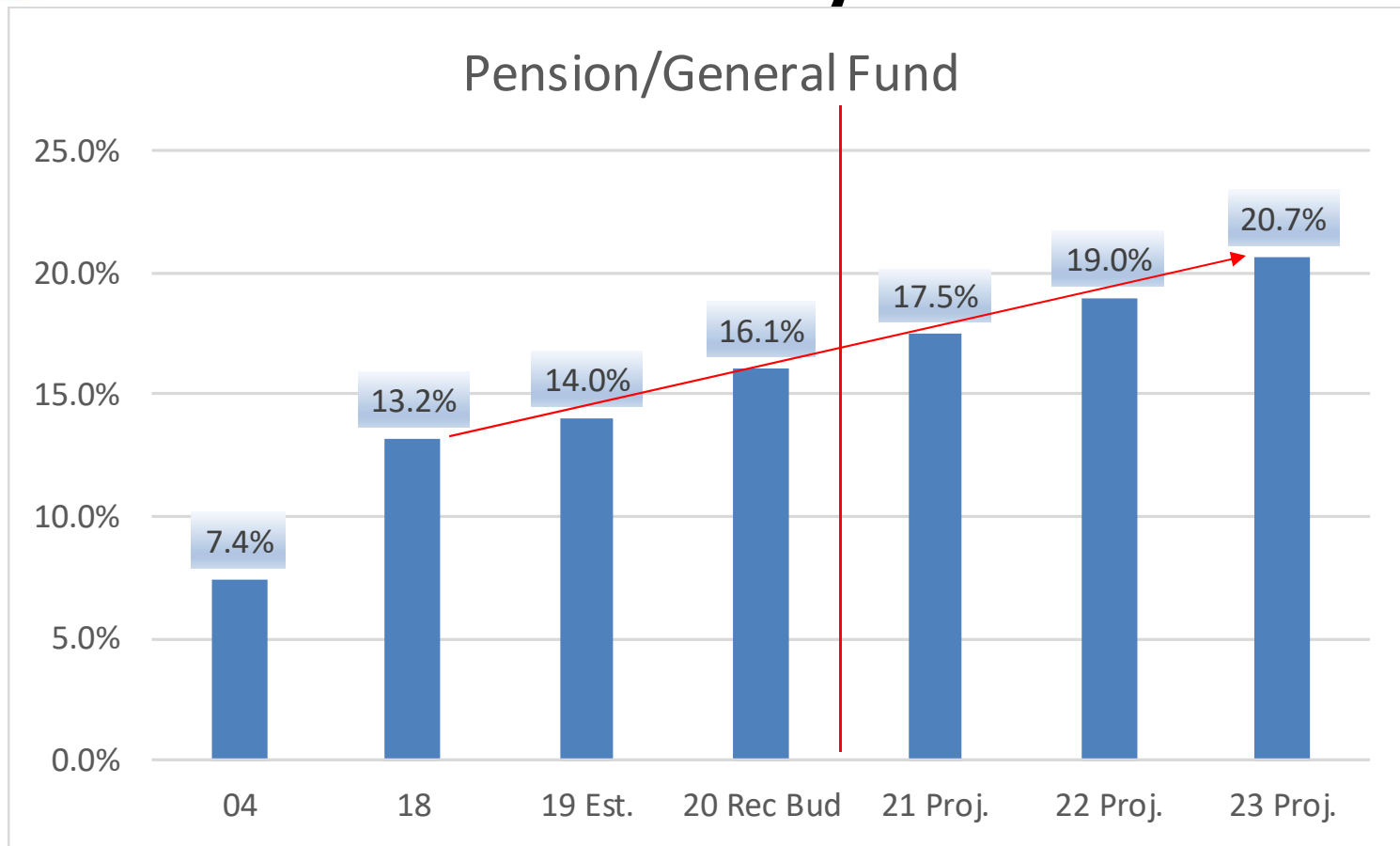
Note: estimated 12% CERS annual rate increase assumed for FY21-FY23 without any assumed wage growth





## Recommended Executive Budget FY2019-2020

# Pension as a Percentage of General Fund Revenues by Fiscal Year



FY21-23 Projections assume General Fund revenue growth of 3%/year and CERS pension growth of 12%/year with no wage increases from FY20





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## Credit Rating Agency Reports

Portions of Moody's report

### Summary

- “Louisville Metro’s reserve and liquidity levels are satisfactory and, while they fall short of the national medians for the Aa1 rating category as a percentage of revenue, they have historically been stable, supported by conservative budgetary practices and adherence to formal fiscal policies.”

### Credit Challenges

- “Lower reserves and liquidity relative to national peers”
- “Higher pension burden compared to medians for the rating category”

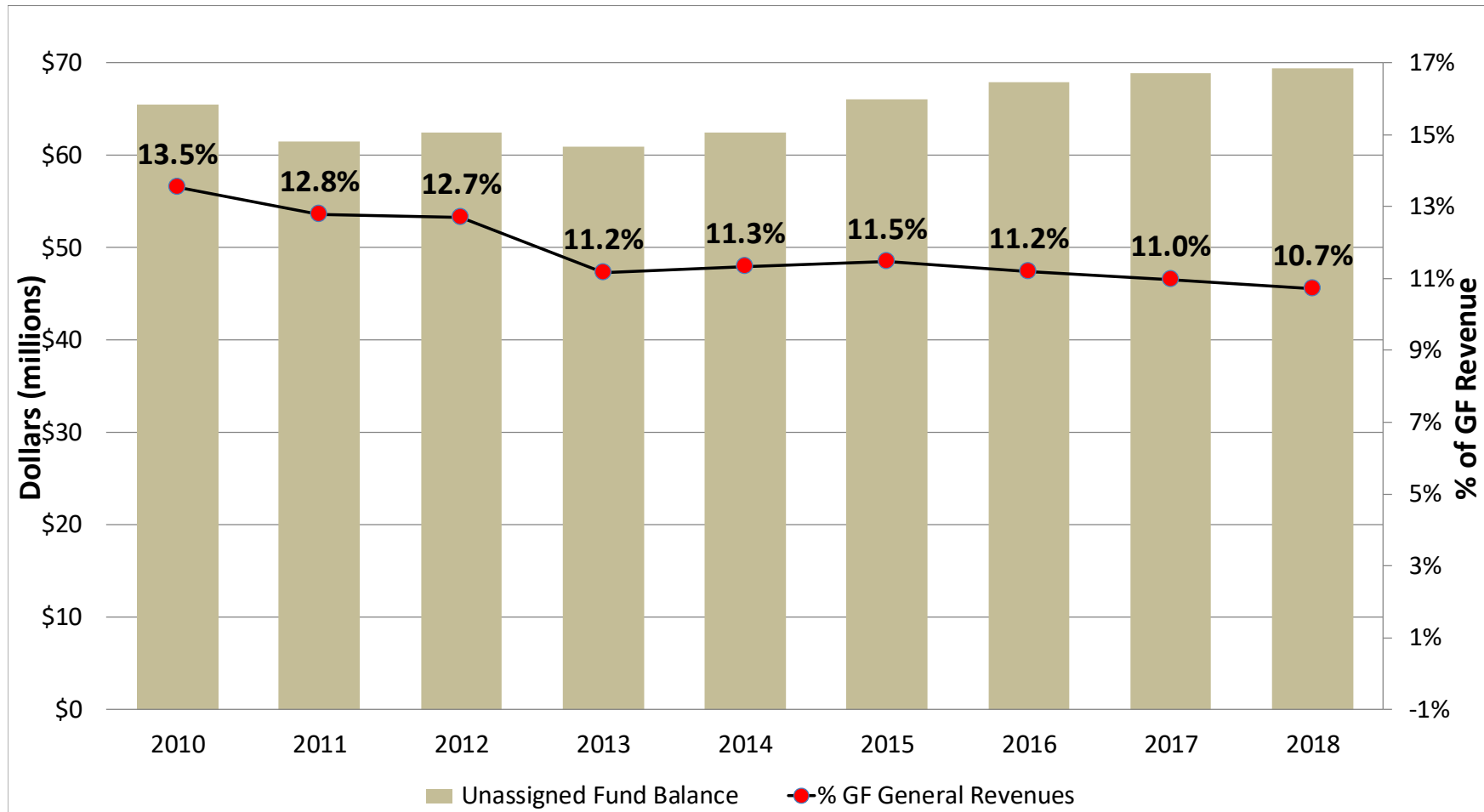
### Factors that could lead to a downgrade

- “Reduction in operating flexibility and narrowing reserve levels”
- “Substantial increase in debt burden”



## Recommended Executive Budget FY2019-2020

# GF Unassigned Fund Balance





# **FY20 Bond Issuance Update**

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## **Question & Answer**