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Sponsors: Eric Stuckey, Russ Truell
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DATE: August 4, 2016

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russ Truell, Assistant City Administrator
Lauren Lowe, Public Financial Management

SUBJECT:
Presentation of Debt Capacity Model

Purpose

The purpose of this memo is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning revenue and expenditure forecasts and the effect on the modelling of debt capacity for capital projects.

Background

Beginning in 2009, the City of Franklin engaged our financial advisory firm, Public Financial Management, to prepare a debt capacity model to determine the level of expenditure on capital projects that was reasonable without risking a change in the City's bond ratings. Using medians for triple-A rated cities provided by Moody's Investors Services and Standard & Poor's, parameters were established to guide the decisions of the Board of Mayor & Aldermen. As the current five-year investment plan comes to an end and a new ten-year capital planning exercise begins, an update to the debt capacity model is in order.

The preliminary results of this update are attached. Overall, the impact shows that the City can remain within recommended debt capacity metrics, medians and comply with the City's Debt Management Policy by embarking upon a series of new projects which rated highly through the Board's initial CIP ranking process. This is, of course, preliminary. Further refinement and determination of the type and amount of alternative,

non-debt funding sources is still forthcoming on a project by project basis. We hope to have that level of refinement available in September for the full Board of Mayor and Aldermen.

Financial Impact

This is a report only. No financial impact results from the presentation of the model.

Recommendation

Staff recommends consideration of the findings of the model in capital investment decisions by the Board.