

Debt Management & Growth

The difficult financial component
for growing communities

Agenda

- The reasons supporting debt issuance
- The importance of transparency
- Tools to monitor and explain local debt and its impact on citizens

Manhattan Historically

- First city in the state to use tax increment financing (TIF)
- First city in the state to use transportation development district (TDD) financing
- One of a handful of cities that have used sales tax and revenue (STAR) bond authority
- Debt per capita in 2006: \$ 1,783.18
- Debt per capita in 2015: \$ 5,079.79

Reasons Supporting Debt

- When the project is included in the City's six-year capital improvement program and is in conformance with the City's general plan
- An emerging need whose timing was not anticipated in the six-year capital improvement
- A project mandated immediately by state or federal requirements
- A project for which grant money has been offered and the matching funds are not readily available from other sources

Reasons Supporting Debt *(continued)*

- When there are designated revenues sufficient to service debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues
- When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing
- **When the project is the result of growth-related activities within the community that require unanticipated and unplanned infrastructure or capital improvements by the City**

Local Debt & Transparency

The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information.

Local Debt & Transparency



Credit Strengths

- » Institutional presence of Fort Riley and Kansas State University
- » Operating reserves bolstered by outside liquidity available if necessary

Credit Challenges

- » Elevated debt burden partially tempered from support of non-levy revenue sources
- » Dependence on economically sensitive sales tax revenues

Rating Outlook

Outlooks are generally not assigned to local government credits with this amount of debt Outstanding

Local Debt & Transparency



Factors that Could Lead to an Upgrade

- » Sustained and significant improvement in General Fund reserves
- » Substantial growth in the city's tax base or improvement in socioeconomic indicators
- » Material reduction in debt levels relative to the tax base

Factors that Could Lead to a Downgrade

- » Sustained reduction in reserve levels relative to the size of the budget
- » Increases to an already high debt burden

Tools to Explain Debt

Impact of a Bond Rating Downgrade

**Only future debt financing and refundings will be affected by a bond rating downgrade.*

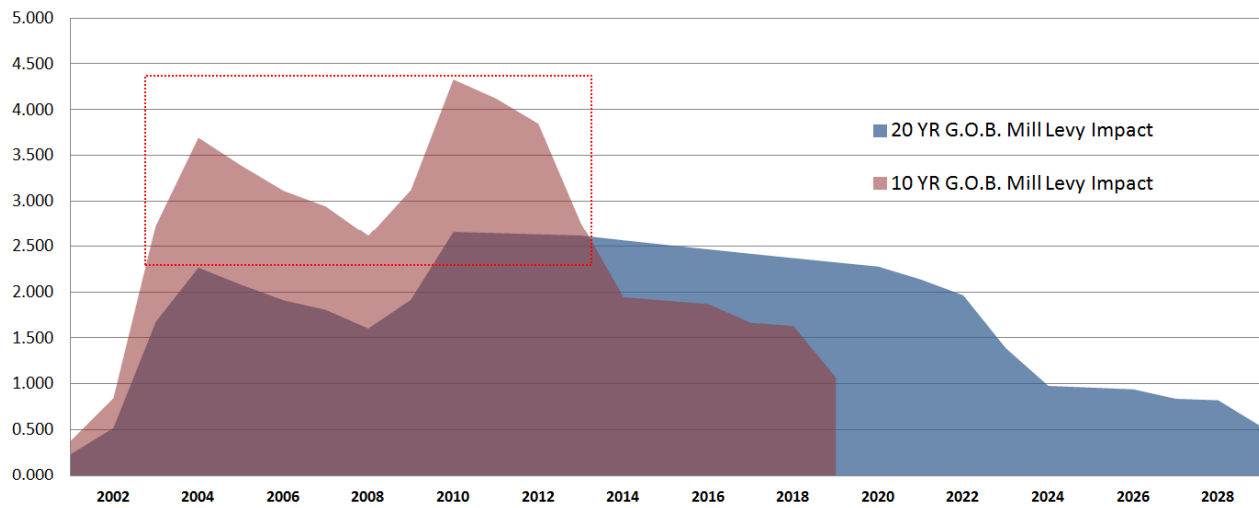
	2013	2014	2015	2016	2017	2018	Total
Base Interest¹	749,663	1,928,088	2,610,720	2,915,718	3,201,807	3,142,293	14,548,290

Scenarios

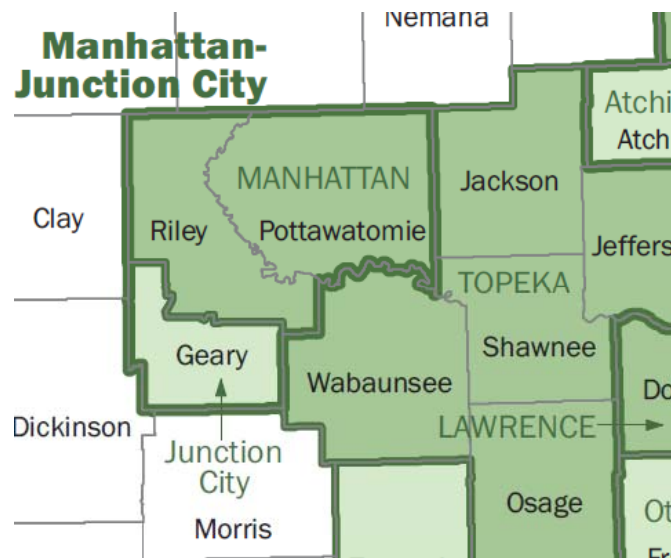
Downgraded to Aa3	2013	2014	2015	2016	2017	2018	Total
15 Basis Points ²	773,694	1,989,232	2,694,213	3,009,461	3,301,311	3,245,081	15,012,993
<i>Increase</i>	<i>24,032</i>	<i>61,144</i>	<i>83,493</i>	<i>93,743</i>	<i>99,504</i>	<i>102,788</i>	<i>464,703</i>
25 Basis Points	789,716	2,029,942	2,749,857	3,071,844	3,366,493	3,313,545	15,321,396
<i>Increase</i>	<i>40,053</i>	<i>101,854</i>	<i>139,136</i>	<i>156,126</i>	<i>164,685</i>	<i>171,252</i>	<i>773,106</i>

Tools to Explain Debt

Debt Financing Comparison



Tools to Explain Debt













Manhattan-Junction City, KS CSA		New Combined Statistical Area, comprised of a 2007 Metro Area reconfigured			
Junction City, KS Micro Area		358	00000	99999	20
Geary County	In MSA 31740 in 2007	358	27920	99999	20 061
Manhattan, KS Metro Area		358	31740	99999	20
Pottawatomie County	Not in a CSA in 2007	358	31740	99999	20 149
Riley County	Not in a CSA in 2007	358	31740	99999	20 161

Tools to Explain Debt

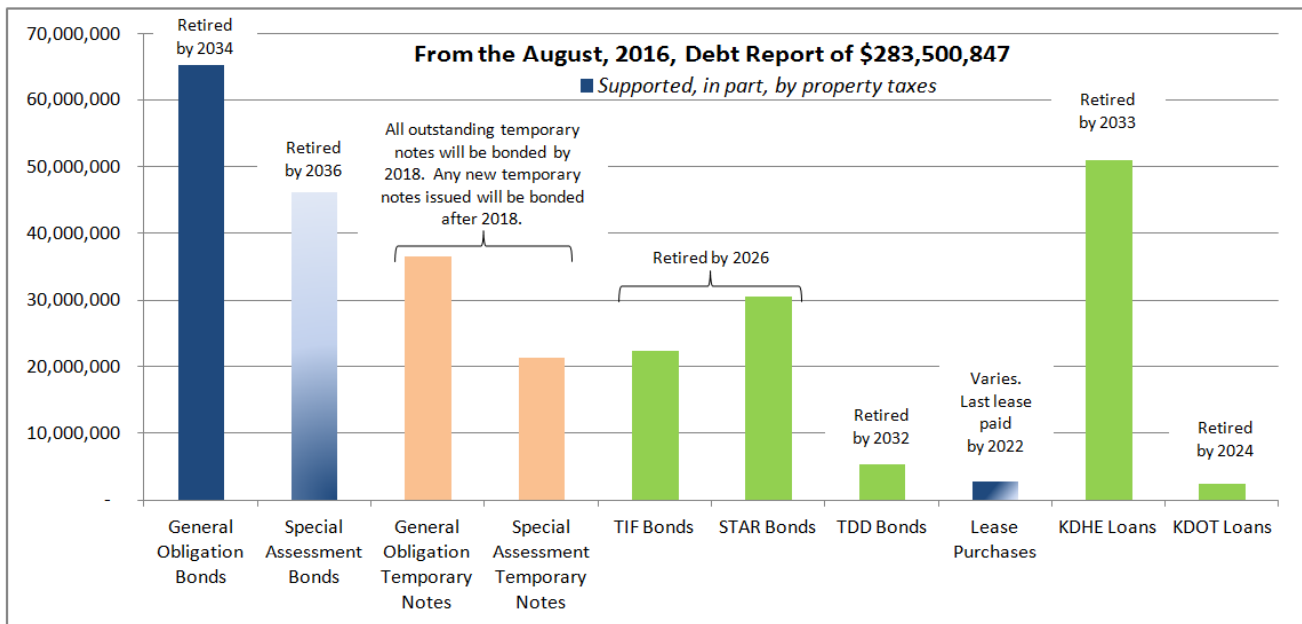
NAICS	Industry Code Description	Paid Employees		
		Manhattan	Junction City	Salina
-----	'Total'	28,976	7,918	28,087
11----	'Forestry, fishing, hunting, and agriculture support'	b	na	a
21----	'Mining'	c	na	b
22----	'Utilities'	e	b	b
23----	'Construction'	1,795	165	1,077
31----	'Manufacturing'	2,061	f	5,436
42----	'Wholesale trade'	1,134	c	1,494
44----	'Retail trade'	6,171	1,264	4,079
48----	'Transportation & warehousing'	347	472	1,254
51----	'Information'	697	c	338
52----	'Finance & insurance'	1,083	277	891
53----	'Real estate & rental & leasing'	616	319	258
54----	'Professional, scientific & technical services'	1,251	411	1,230
55----	'Management of companies & enterprises'	248	c	348
56----	'Admin, support, waste mgt, remediation services'	783	203	1,565
61----	'Educational services'	531	b	475
62----	'Health care and social assistance'	4,710	1,476	4,764
71----	'Arts, entertainment & recreation'	e	b	518
72----	'Accommodation & food services'	4,483	1,485	3,041
81----	'Other services (except public administration)'	2,026	567	1,177
99----	'Unclassified establishments'	a	a	a

Tools to Explain Debt

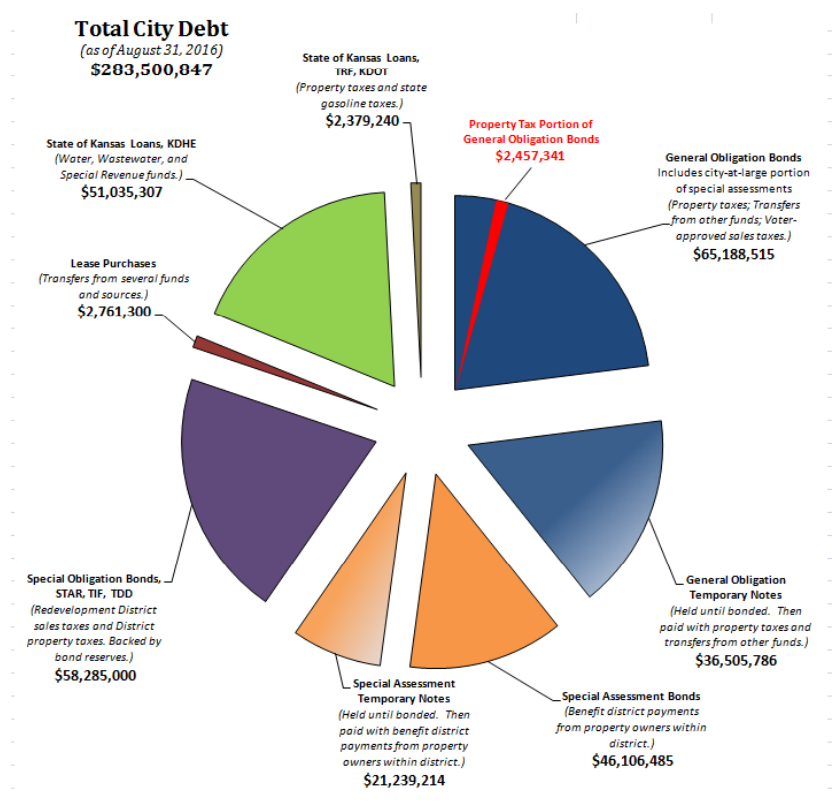
Big 12 City Comparisons (2013/2014 Data)

City	Population	Percentage Growth Since 2010 Census	Bond Rating	Number of Business Companies	High School Graduate or Higher	Housing Units	Median Household Income
 Ames Iowa	63,266	7.2%	Moody's Aaa	4,225	97.5%	23,973	\$42,714
 Austin Texas	912,791	11.9%	Moody's Aa1 Standard & Poor AAA Fitch Ratings AA+	80,570	86.7%	366,459	\$53,946
 Fort Worth Texas	812,238	8.9%	Moody's Aa1 Fitch Ratings AA+	54,911	79.9%	294,218	\$51,315
 Morgantown West Virginia	31,073	7.2%	Standard & Poor A	2,705	93.1%	12,238	\$29,328
 Lawrence Kansas	92,763	5.4%	Moody's Aa2	7,883	95.3%	37,342	\$45,574
 Lubbock Texas	243,839	4.9%	Moody's Aa3 Standard & Poor AA+ Fitch Ratings AA	19,350	84.4%	116,573	\$42,986
 Manhattan Kansas	56,078	6.4%	Moody's Aa2 Standard & Poor AA Fitch Ratings AA+	3,051	95.7%	22,198	\$42,483
 Norman Oklahoma	118,040	6.0%	Moody's Aa2	11,808	92.9%	49,679	\$49,038
 Stillwater Oklahoma	48,406	5.8%	Standard & Poor AA-	3,323	94.0%	20,352	\$31,196
 Waco Texas	130,194	3.8%	Moody's Aa3 Standard & Poor AA	7,912	77.6%	51,929	\$32,650

Tools to Explain Debt



Tools to Explain Debt



Wrap Up

2015 CAFR Liabilities

Prior period adjustment. The implementation of GASB 68 resulted in a \$16,180,762 increase to the net pension liability, a \$1,576,510 increase to deferred outflows and a \$3,429,114 increase to deferred inflows.

As a result, there was a \$18,033,366 decrease to net position as of December 31, 2014.

2015 CAFR Note *(City added statement)*

NOTE: Beginning with the 2015 City of Manhattan audit, the Governmental Accounting Standards Board's (GASB) Statement No. 68 requires that local employee pension obligations be recognized on the Statement of Net Position and Balance Sheet of the City's annual audited financial statements. This pension obligation represents both the City of Manhattan and the State of Kansas' unfunded pension liability as reported by the Kansas Public Employees Retirement System (KPERS).

2015 CAFR Note *(City added statement)*

It is important to remember that the City of Manhattan annually makes a statutorily required contribution to KPERS to ensure proper funding of its employee pension obligations and, under state law, cannot contribute additional monies to its own pension plan. The Kansas Legislature has not met its KPERS pension contributions to municipalities across the state and, as a result of their inaction, the City of Manhattan's overall pension liability as reported in the annual audited financial statements remains **underfunded**. [See the Statement of Net Position on page 34 and the Balance Sheet on page 40 for additional information.]

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What's Next?

**WE ASSESSED THE FINANCIAL HEALTH OF
LOCAL AND STATE GOVERNMENTS ACROSS
AMERICA.**

What's your government's ranking?

www.GovRank.org

Helpful Websites

- Provides a comprehensive listing of municipal bonding statutes
http://www.kslegresearch.org/KLRDweb/Publications/StateLocalGovt/Munipal-Indebtedness-Limits_20160728.pdf
- Access to official bond statement nationwide
<http://emma.msrb.org/IssuerHomePage/Map>
- Entire listing of jurisdictions with CAFRs that have achieved award status
<http://www.gfoa.org/2015-results-certificate-achievement-excellence-financial-reporting-program>
- All municipal budgets across Kansas
<http://admin.ks.gov/offices/chief-financial-officer/municipal-services/municipal-budgets>

Thanks for Attending!!