



TOWN OF ERIE NEWS FLASH

News & Announcements

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Board of Trustees Retreat Update #2: Debt Management

This is the second in a series of four updates. The first focused on population forecasts. The third will focus on public safety and the fourth - communication & transparency.

During our spring retreat, the Town Administrator and Finance Director shared with the Board the fact that since 2000, the Town of Erie has issued approximately \$108 million in debt. Total debt outstanding as of December 31, 2014 was \$97,485,285, which includes debt issued prior to 2000 but with an outstanding balance.

Quite frankly, there really is no getting around it. Some of you may be caught off guard by seeing this number in print. That's understandable – \$97,485,285 is a big number.

Here's how that big number breaks down by Fund:

General:	\$19,950,470
Water:	\$54,845,000
Wastewater:	\$21,633,980
Storm Drainage:	\$310,003
Housing Authority:	\$745,832
Total:	\$97,485,285

As I said yesterday, much of what we are dealing with now we inherited. Of the \$108 million in debt issued since 2000, \$101 million was issued during the period of 2004 through 2009. Although the Town has undertaken several bond refundings since 2009, achieving better interest rates and debt covenants, there has only been one new debt issue of significance since 2009. Purposes of the debt issued since 2000 include purchase of water rights (\$32.0 million), construction of the North Water Reclamation Facility



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(\$23.1 million), construction of the Erie Community Center (\$16.8 million), expansion of the water treatment plant (\$14.5 million), major waterline construction (\$14.2 million), and the Erie Police Station and Municipal Court building (\$6.2 million).

Repayment of general obligation debt, representing all but \$200,000 of total General Fund debt, will be repaid through property taxes as previously approved through a vote of the Town's residents. Debt of the Water and Wastewater Funds will be repaid primarily from tap and water resource fees.

These numbers are not new. We've been working with them for years. If you have an interest, view our 2015 budget [online](#) or navigate through our [2015 Open Budget application](#) to see for yourself.

Am I concerned – absolutely. The diligent management of our debt is and will remain a primary focus. And to that point, we are doing just that. Case in point, the Town has completed three refundings in the last four years to achieve better interest rates.

I've always said Erie is a good investment – and there's plenty of evidence to support my claim. The Town's debt is rated by both Moody's and Standard & Poor's (S&P). Twice in recent years we have seen our overall credit rating improve. S&P last rated the Town's general obligation debt (General Fund Debt) in 2014, assigning it a AA+ rating, their second highest rating, indicating that the Town's "capacity to meet its financial obligations is very strong." Among reasons cited for this rating was the very strong local economy, Town demographics, strong General Fund balances and strong management conditions.

Stay tuned for more good news, as we expect to see a third increase to our credit rating in the very near future.

So yes, diligent debt management is key. However, it is just one part of our overall financial management strategy; a strategy that includes revenue diversification, conservative budgeting, and attentive management of our investment and debt portfolios.

I have said it before, but it deserves repeating: There are thousands of other communities that would trade place with Erie in a heartbeat. We have challenges to be sure, but with growth and investment come myriad opportunities. The answers to those challenges will come from continued thoughtful planning, sustained work to diversify our revenue base, and careful execution of strategic initiatives.

Please note: The Board will be meeting in Study Session on June 30th to further review this and other information in more detail.

Sincerely, Mayor Tina Harris