



STATE BOND COMMISSION

May 16, 2019

Local Political Subdivisions - Loans

ANALYSIS SUMMARY

APPLICATION NO: L19-087
ENTITY: Washington Parish, City of Bogalusa
TYPE OF REQUEST: \$950,000 Budgetary Loan
ANALYST: Allison Roy

PARAMETERS:

Not exceeding \$950,000 Revenue Anticipation Notes, not exceeding 6% fixed or variable rate, mature no later than March 31, 2020, current expenses.

The City is requesting their annual budgetary loan for current operations. The proposed amount is the same amount requested in the previous year for which the entire amount was incurred and paid in full on January 18, 2019. The City has provided cash flow projections for 2019 to show the need for the short-term loan for cash flow purposes.

Budgeted Revenues - Year ending December 31, 2019	\$6,692,360
Outstanding Budgetary Loan	\$0

The District has requested and incurred budgetary loans since 2000 at \$1,272,580. Below is a recap of the last five years of budgetary approvals and actually incurred debt:

Year	Amount Requested	Amount Incurred	Approved Rate (Not Exceeding)	Actual Rate*
2014	\$1,800,000	\$1,800,000	5.50%	1.25% to 1.50%
2015	\$1,990,000	\$700,000	6.00%	1.25% to 1.50%
2016	\$950,000	\$600,000	6.00%	1.50% to 1.75%
2017	\$950,000	\$800,000	6.00%	2.25% to 2.50%
2018	\$950,000	\$950,000	6.00%	2.75% to 3.50%

*WSJ Prime minus 200 bases points with the 1st \$100,000 at 0%

In February 2019, the City was voted to be actively monitored by the Fiscal Review Committee. They are currently in the process of having a Fiscal Administrator appointed. In the interim, the City has plans to reduce payroll expense and are addressing some repeated audit findings. Staff has been informed that approximately 10 of the 16 audit findings have been resolved and hope to not be findings reflected in the 2018 audited financials. The City has offered an update on the following findings as follows:

- Underfunded Retirement System - At June 30, 2017, the City's sponsored defined benefit pension plan (COBERS) was severely underfunded. The funded ratio at June 30, 2017 was 17%, and the net pension liability was \$22,361,357.

Update: The required annual contribution is approximately \$1.1M. The City has been contributing approximately \$500,000 annually. In November 2018, two sales taxes were rededicated to fund COBERS (City of Bogalusa's Employee Retirement System). At the time of the election, it was anticipated that this would provide an additional \$544,600 in funds for COBERS. The city projected an increase in sales taxes for 2019 resulting in an anticipated \$573,730 in sales tax revenue (including penalties and interest). Together with the rededicated funds and the additional contributions, the City should be able to meet its required annual contribution.



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- Bond Covenants - The covenants of the Water Revenue Bonds, Series 2009 A & B and the Revenue Refunding Bonds, Series 2012 require that sinking funds be established and that monthly deposits be made to those funds in an amount to sufficiently fund the debt service.

Update: All of the city's sinking funds were funded as of the end of December 2018. Monthly deposits have been made through April 2019.

- Choctaw Road Landfill Deficit - The Choctaw Road Landfill is a joint venture between the Parish Government and the City of Bogalusa. The agreed upon percentages for sharing construction costs, revenues, and operating costs are 58.1 % for the Parish and 41.9% for the City. It was noted in the Audit that the City owes the landfill \$2,104,465 nearly double from amount owed last year.

Update: The City is still in negotiations with the Landfill regarding the ownership percentage and debt balance. Staff has been informed that the City hopes to have this resolved by the end of 2019.

The following reflects financials from the City's General Fund:

	Audited Actual 12/31/2017	Unaudited Actual 12/31/2018	Budget Ending 12/31/2019
Revenues	\$ 7,189,253	\$ 7,660,310	\$ 6,692,360
Expenses	\$ (9,890,536)	\$ (10,517,542)	\$ (10,342,625)
Excess (Deficit)	\$ (2,701,283)	\$ (2,857,232)	\$ (3,650,265)
Other Financing Sources & Uses*	\$ 2,776,735	\$ 3,374,681	\$ 3,350,265
Excess (Deficit)	\$ 75,452	\$ 517,449	\$ (300,000)
Beginning Fund Balance	\$ 7,423		\$ 332,445
Ending Fund Balance	\$ 82,875		\$ 32,445
Fund Balance Nonspendable	\$ 8,044		
Fund Balance Restricted	\$ 35,369		
Fund Balance Committed	\$ 35,654		
Fund Balance Undesignated	\$ 3,808		

*Other Financing Sources & Uses include transfers from other funds to the General Fund.

As mentioned above, in 2018 the City passed two sales tax elections to rededicate funds to COBERS. Half of the rededicated funds came from the General Fund in the amount of \$272,000, and the other half came from the Industrial Complex Sales Tax Fund in the amount of \$272,000. Staff has been informed that the Industrial Complex Sales Tax Fund has over \$1,700,000 in the checking account to cover expenses and will still generate sales tax revenue every year. This fund should be able to handle the rededication of funds. The City has budgeted payroll cuts in the amount of approximately \$77,000 for 3 positions from the General Fund. However, additional payroll reductions have been made in the amount of approximately \$273,000 that was not included in the Budget, but should be recognized in 2019. To date for 2019, the city has cut positions resulting in approximately \$350,000 savings in annual salaries and benefits, which should cover the whole \$272,000 in the General Fund due to the rededication.



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Staff has been informed the City has recognized a one-time revenue of \$436,499 in 2018. This is due to the City receiving funds from the chemical spill in 2018. These funds are to be used solely for the purchase of police and fire equipment. Staff has been informed that approximately \$137,970 will be recognized as an expense in FY18 which is included the Actuals reflected below and approximately \$298,528 will be recognized as an expense in FY19 which is included in the Budget.

The City has a contractual agreement to provide an annual 2% cost of living adjustment to its 160-170 employees which will cost the City approximately \$95,000 in 2019.

Selection Method: Private Placement

Purchaser: The First Bank

Terms:

Interest Rate Not exceeding 6% fixed or variable rate

Maturity No later than March 31, 2020

Security: Revenues accruing to the City for the fiscal year ending December 31, 2019.