



## Fiscal Health Indicators: Debt

File: Debt.xlsx

### Description:

Local governments may enter into debt for the purposes of funding capital projects such as the construction of facilities. This debt will often be payable over several years and will require the local government to pay interest on the amount of debt outstanding. Governments may use a wide variety of revenue sources for repayment of outstanding debt, including property taxes, local income taxes, or utility fees. Multiple revenue sources may be dedicated to the repayment of an individual debt, with the revenues often identified as “primary” or “secondary”. “Primary” revenue sources are revenues that must be used to pay the debt if no secondary revenues are available. “Secondary” revenues may be used to pay the debt as they become available but the local government may have more discretion as to whether or not to use secondary revenues to repay debt.

The data used for these indicators has been derived from the information submitted to the Department through the Debt Management module on Gateway. Units are required to report debt that has a repayment schedule of longer than one year to the Department within 30 days of issuance of the debt. Short-term debt, such as tax anticipation warrants, is not required to be reported to the Department. The Department is statutorily prohibited from approving a budget or property tax levy for a debt that has not been reported through Debt Management. However, the Department cannot verify the completeness of the reported data on debts that do not utilize a property tax levy for repayment.

### Fiscal Health Indicator:

Debts of the Local Government

This indicator lists the debts that are reported to be outstanding for the local government as of July 1, 2015. For each debt, the name of the debt, the repayment sources, the amount outstanding, and the year of the last payment are provided. The amount outstanding for leases is the sum of the remaining lease payments while the amount outstanding for non-lease debts is the sum of all outstanding principal and interest payments.

For more information on a particular debt, please visit:

[https://gateway.ifionline.org/report\\_builder/Default2.aspx?rptType=debt&rptVer=a](https://gateway.ifionline.org/report_builder/Default2.aspx?rptType=debt&rptVer=a)

Source: Gateway Debt Management submitted reports as of June 2, 2015.

Fiscal Health Indicator:

Outstanding Debt per Capita

- Debt outstanding as of July 1, 2015

Outstanding debt per capita allows for the comparison of the debt burden across local governments, while minimizing the effects of unit size. A local government's debt burden can be greatly influenced by whether the government has enterprises, such as water or wastewater utilities. In comparing debt burden across units, it is imperative to understand if the local government has enterprises which have issued debt. Enterprise debt is often supported by the revenues of the enterprise, rather than tax revenue. Likewise, when looking at ratios such as debt per capita, it is possible that the enterprise services an area that is different than the geographic area of the local government. The Department has not accounted for a service area in the determination of population used in this indicator.

A high debt per capita will require the local government to dedicate sufficient funding to the repayment of debt over time, potentially diverting funding away from operations or other priorities of the local government.

Source: Gateway Debt Management submitted reports as of June 2, 2015.

Fiscal Health Indicator:

Outstanding Debt per \$100 Assessed Value

- Debt outstanding as of July 1, 2015
- Assessed value used is the certified net assessed value for the local government for the 2015 budget year.

Outstanding debt per \$100 of assessed value allows for the comparison of the debt burden across local governments. A local government's debt burden can be greatly influenced by whether the government has enterprises, such as water or wastewater utilities. In comparing debt burden across units, it is imperative to understand if the local government has enterprises which have issued debt. Enterprise debt is often supported by the revenues of the enterprise, rather than tax revenue. Likewise, when looking at ratios such as debt per assessed value, it is possible that the enterprise services an area that is different than the geographic area of the local government. The Department has not accounted for a service area in the determination of assessed value used in this indicator.

A high debt per assessed value, especially for property tax supported debts, could indicate a need for high or increased property taxes to fund the repayment of the debt.

Source: Gateway Debt Management submitted reports as of June 2, 2015.