



# **Accelerate Memphis**

## **Invest in Neighborhoods**

January 2021

*City of*  
**MEMPHIS**

# Our proposal

Through Accelerate Memphis, the City of Memphis will issue **\$200 million** in bonds to facilitate catalytic community projects intended to accelerate its growth by improving quality of life, driving equity and inclusion, improving connectivity, and solving stubborn problems that are deeper than any single capital budget can solve. The City will take advantage **today** of the drop in debt service in the 2027 fiscal year to make a transformative, one-time investment in a variety of capital projects.

# **Why the time is right**

Memphis has unprecedented momentum, has rededicated itself to investing in its citizens, and is making the hard choices of being fiscally responsible. It's now time for a next step — a giant leap toward Memphis being one of the world's vibrant cities.

# Recent major investments by the City

An unprecedented level of recent, ongoing, or planned investment in public amenities has taken place since 2016 under Mayor Strickland and the City Council, including:

- Universal, needs-based Pre-K
- Renasant Convention Center
- Increased funding to local transit system
- Raleigh Town Center
- New Ed Rice Community Center
- New Fire Headquarters, Fire Station No. 1, Fire Station No. 5, Fire Station No. 43
- South City developments
- New Leftwich Tennis Center
- Significant new Downtown parking structures and renovations

# The time is right to accelerate

For Memphis to continue its positive trajectory of the past decade, the time is right to move into **accelerate mode**. Why?

- Mayor Strickland's proven approach to invest within neighborhoods throughout the city
- A local economy that reached new highs in 2018 and 2019, and is already recovering from the pandemic setback
- A newly adopted comprehensive plan that provides deep guidance on public sector investments that can best drive private sector investment in neighborhoods
- A favorable interest rate environment
- An upcoming opportunity with drastically decreasing debt obligations
- A government that is proven to make responsible choices

# Making responsible choices

City leadership has made tough, prudent financial decisions that are paying off, including...

- In 2014, Memphis became the only large city in America to reform its pension and retiree healthcare programs in the same year.
- In 2015, Memphis engaged in a strategic debt restructuring that enabled the FY27 opportunity.
- By the 2020 fiscal year, Memphis met the State requirement of fully funding its pension ADC.

Memphis has received favorable bond ratings and outlooks in recent years, including positive outlooks from Fitch and Moody's in 2016 and a rating upgrade (AA- to AA) from Fitch in 2018. In 2020, even in the midst of the challenges of the pandemic, bond ratings were affirmed.

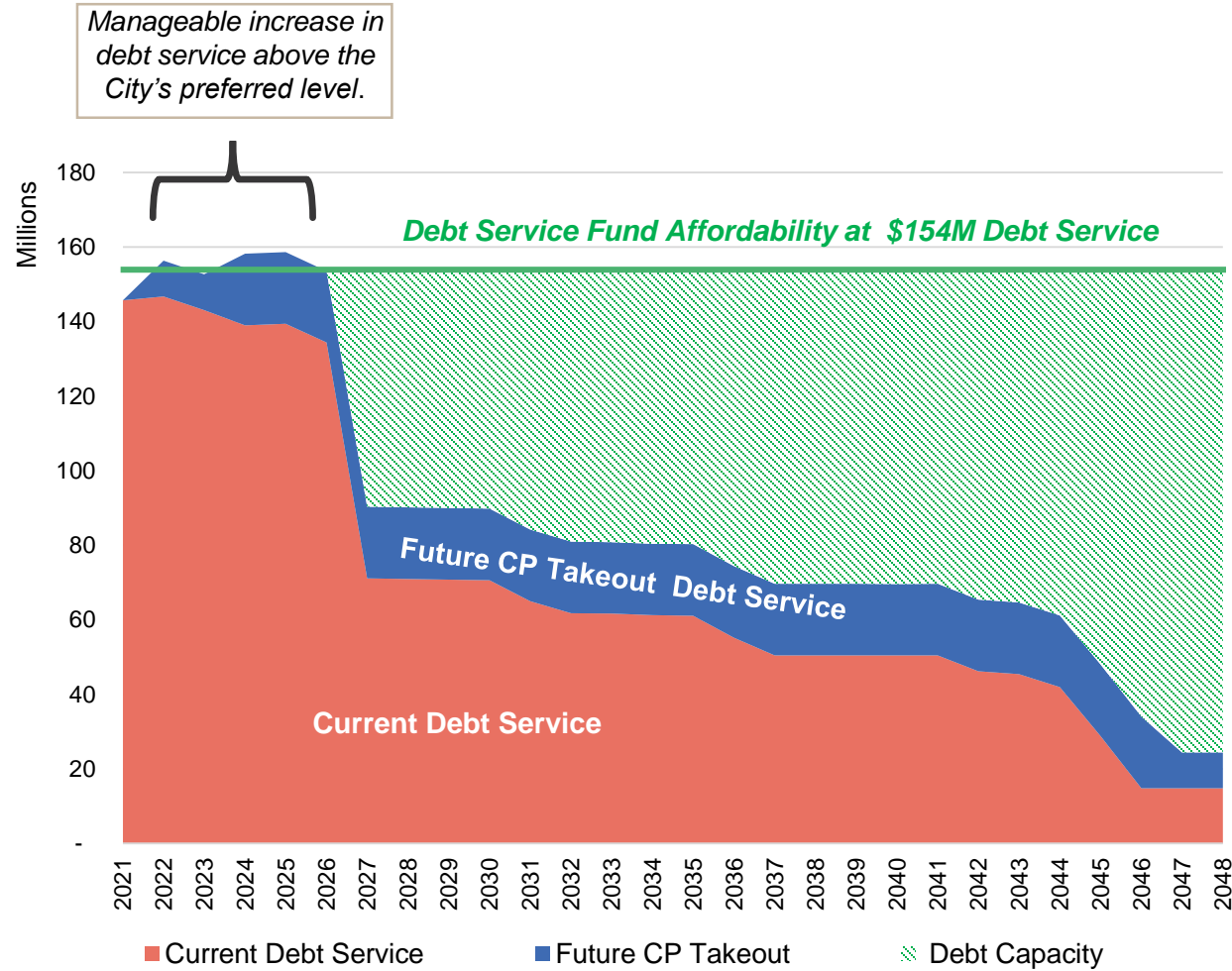
And, in 2019, What Works Cities named Memphis as **one of just seven cities** in America that incorporates data and evidence into decision-making — the gold standard of responsible, efficient municipal governance.

# **Explaining Accelerate Memphis**

In FY27, the City's debt service falls dramatically. Accelerate Memphis proposes taking advantage of this situation today.



# Overview of the City's Debt Profile and Debt Capacity



- FY 2021 Annual Debt Service ~ \$146M
- Debt Service Fund can afford Annual Debt Service ~ \$154M
- Estimated CP takeout in FY 2021 and FY 2023 of \$150M, each year
  - Results in Annual Debt Service ~ \$159M in FY 2025 then declining thereafter
- Annual Debt Service will decrease by ~ \$63M in FY 2027
- Future Debt Capacity ~\$847M





## Overview of the City's (Near Term) Debt Profile

Fiscal Year	2021	2022	2023	2024	2025	2026	2027
Current Debt Service (\$ in Millions)	146	147	143	139	139	134	71
Future CP Takeout Debt Service (\$ in Millions)	-	10	10	19	19	19	19
Total Annual Debt Service (\$ in Millions)	146	156	153	158	159	154	90

*Totals may not foot due to rounding*

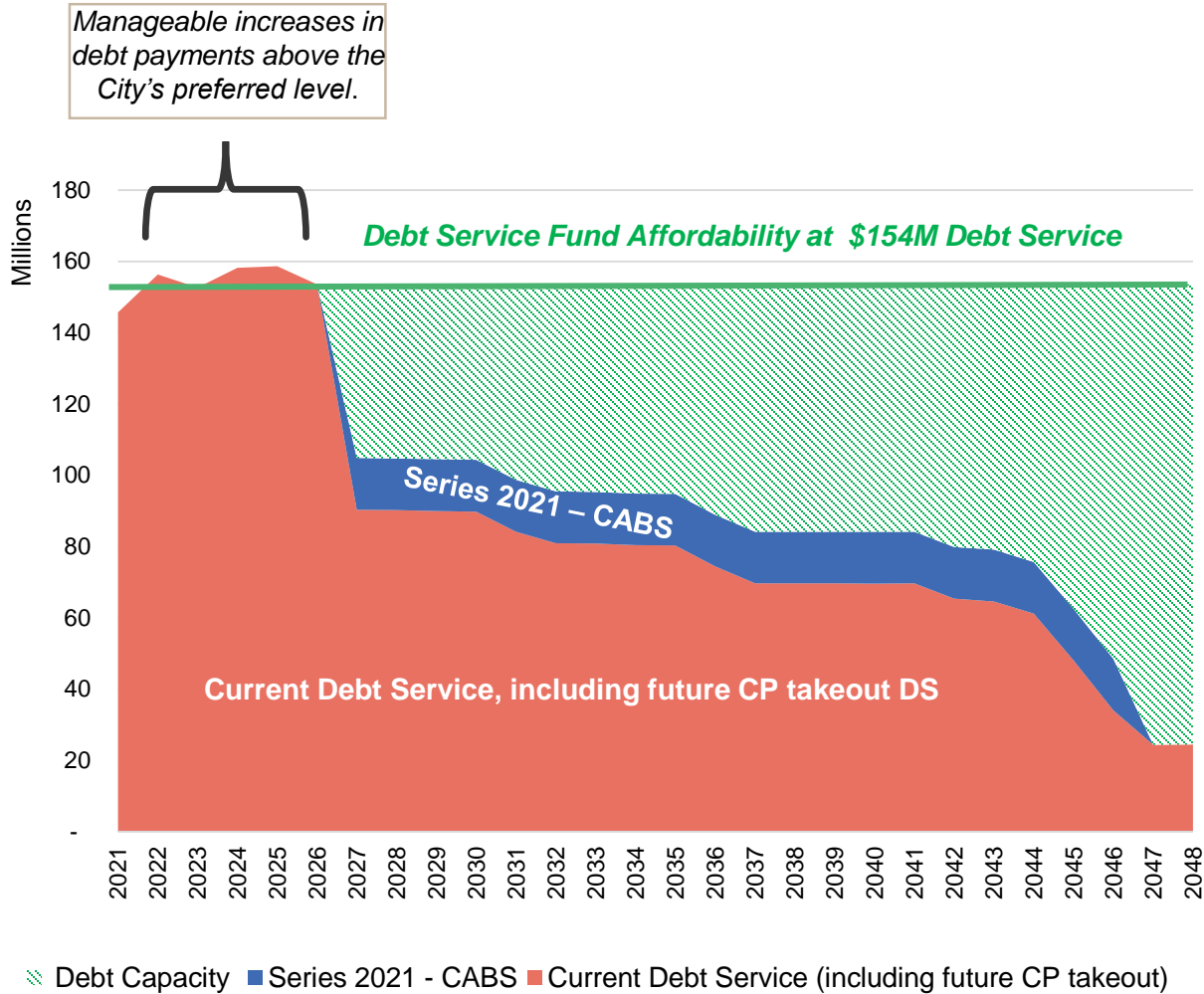
- ◆ Planned capital expenditures will be funded through Commercial Paper (CP) and refinanced with long-term bonds in FY 2021 and FY 2023.
- ◆ The decrease in debt service in FY 2027 generates ~\$847M of debt capacity in today's dollars.

# How this works

- In 2Q 2021, the City issues:
  - Through the Public Building Authority, \$180 million in Accelerate Memphis capital appreciation bonds with a 25-year term.
  - Through EDGE, \$20 million in Accelerate Memphis current interest bonds with a 25-year term.
- In FY27, when the “debt cliff” is realized and annual debt service falls by \$63 million, annual payments of \$14.5 million will commence.



## Capital Appreciation Bonds Scenario – \$200M (Balloon Indebtedness)



- Funding of \$200M in projects with Capital Appreciation Bonds will not increase the annual debt service until FY 2027 but is considered balloon debt
- FY 2027 through FY 2046 annual debt service in the CAB structure ~ \$14.5M/year
  - Does not require any additional pennies to be contributed to the City's Debt Service Fund.
- Future Debt Capacity, after the issuance of \$200M in CABS is ~\$689M



## Capital Appreciation Bonds Scenario – \$200M (Balloon Indebtedness)

Fiscal Year	2021	2022	2023	2024	2025	2026	2027
Current Debt Service, Including Future CP Takeout (\$ in Millions)	146	156	153	158	159	154	90
Series 2021 – CABS (\$ in Millions)	-	-	-	-	-	-	15
Total Annual Debt Service (\$ in Millions)	146	156	153	158	159	154	105

*Totals may not foot due to rounding*

- Funding of \$200M in projects with CABS will not increase the annual debt service until FY 2027 but is considered balloon debt.
- FY 2027 through FY 2046 annual debt service in the CAB structure ~ \$14.5M/year.
- After the issuance of \$200M in CABS, the future debt capacity is ~\$689M in today's dollars.

# How this will catalyze Memphis

- **Activating Memphis 3.0**

- Large-scale, multi-million-dollar investments in eight anchor areas best suited to further catalyze private sector investment
- Distinctive, smaller investments in 34 neighborhood anchors
- Safety improvements to eight streets that leverage existing grant availabilities
- Transformative investment in broadband Internet access
- Transformative investment in affordable housing

# Example: Whitehaven small area plan

The site of a former shopping center in Whitehaven would become a public plaza and park intended to spur private sector investment.



*An example of a linear park where a water detention facility is used as an amenity to improve the aesthetics of the neighborhood and create a healthier local environment while reducing the impact of flooding.*



# Example: Whitehaven small area plan

The site of a former shopping center in Whitehaven would become a public plaza and park intended to spur private sector investment.



# How this will catalyze Memphis

- **Investing in our parks system**
  - New construction or major renovation of assets identified by the community
  - Addressing the backlog of deferred maintenance throughout the system
    - Identifying a project in all 120+ developed parks
    - Resurfacing 25 playgrounds
    - Renovating 14 indoor and outdoor aquatic facilities
    - Upgrading all 30 community and senior centers



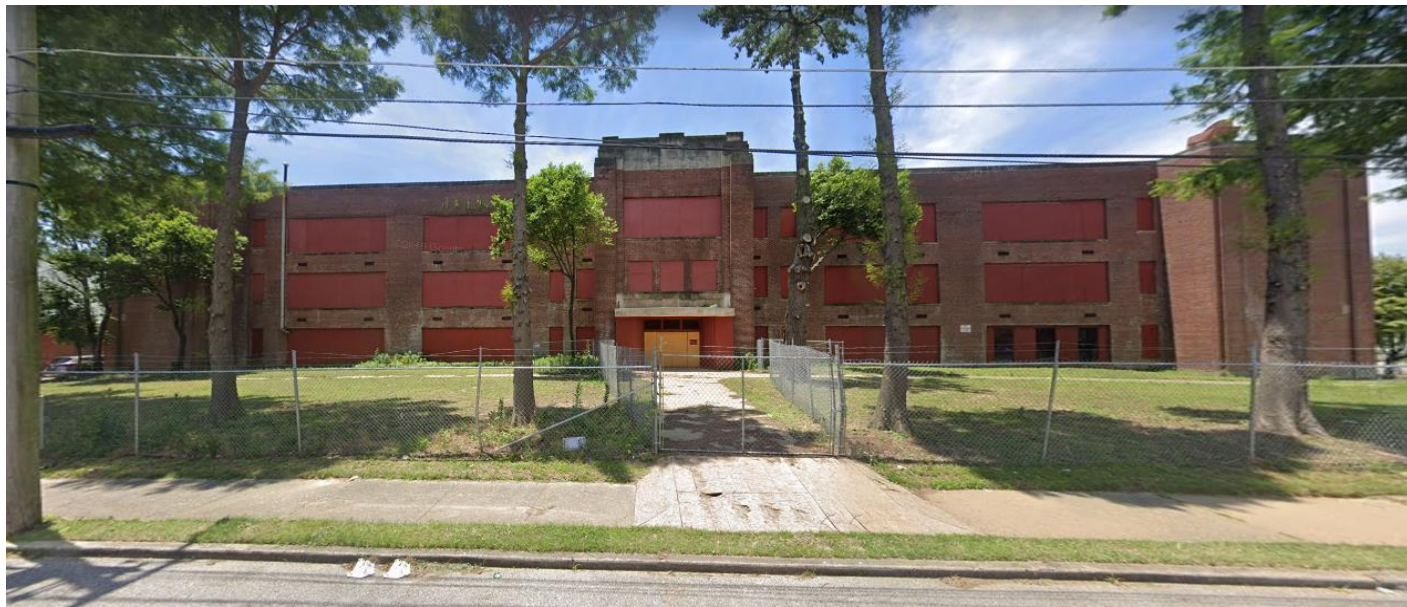
# How this will catalyze Memphis

- **Revitalizing citywide assets**
  - Capital repair funds for FedExForum, AutoZone Park
  - Remediating the vacant 100 North Main skyscraper
  - Historic Melrose mixed-use development

# Example: Historic Melrose

Built in the 1930s and closed since 1979, the former Melrose High School building is a priority for Orange Mound residents.

With \$10 million in funding from Project Afterburner, Historic Melrose will become a state-of-the-art library branch and genealogy center that will be co-located with senior housing on the upper floors.



# Summary Allocation

## **Revitalizing Citywide Assets | \$50 million**

Regardless of the neighborhoods in which Memphians live, there are common assets that all of us enjoy. Many are progressing through their life cycle to a critical point at which major repairs or renovations are necessary to maintain their usefulness and vibrancy.

## **Improving our parks | \$75 million**

As the master plan for the city's parks nears completion, citizens have voiced a strong preference for bringing existing park assets to excellent condition and have identified key priorities that include more splash pads, more and better walking trails, better connections to other parks, and amenities such as wireless Internet in parks and fitness rooms in community centers.

## **Activating Memphis 3.0 | \$75 million**

Improving neighborhoods with investments in 35 anchor areas across the city (\$14 million), Accelerating change with large-scale, targeted investments in eight anchor areas (\$37 million), Safety improvements in eight Memphis 3.0-identified infrastructure priority anchor areas (\$9 million). Closing the knowledge gap with broadband infrastructure (\$7.5 million). Investing in housing opportunities (\$7.5 million).





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