



Luzerne County

Annual Debt Overview

October 25, 2022

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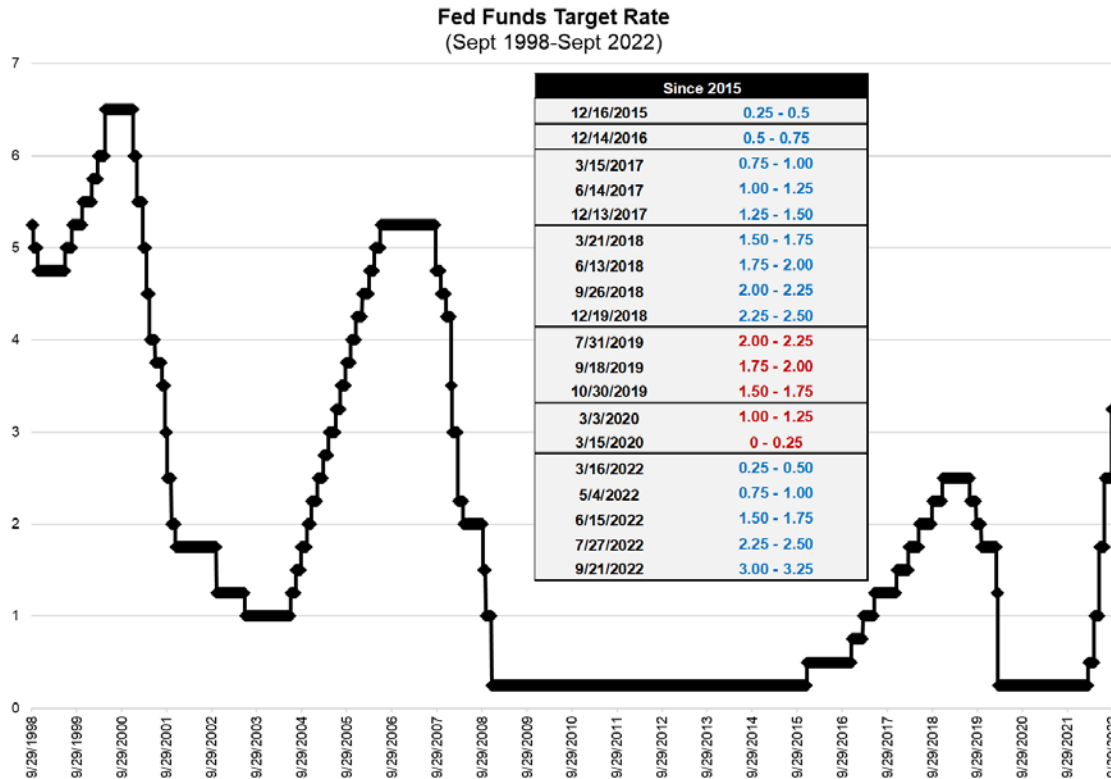
Agenda

- ◆ General Market Update
- ◆ Overview of Existing Debt
- ◆ 2023 Tax Anticipation Note Update
- ◆ Credit Rating



Short-Term Interest Rate Environment Update

- Short term interest rates have trended upward in 2022 driven by increases in the Fed Funds rate in March, May, June, July and September
- Future rate increases are under consideration to tame inflation

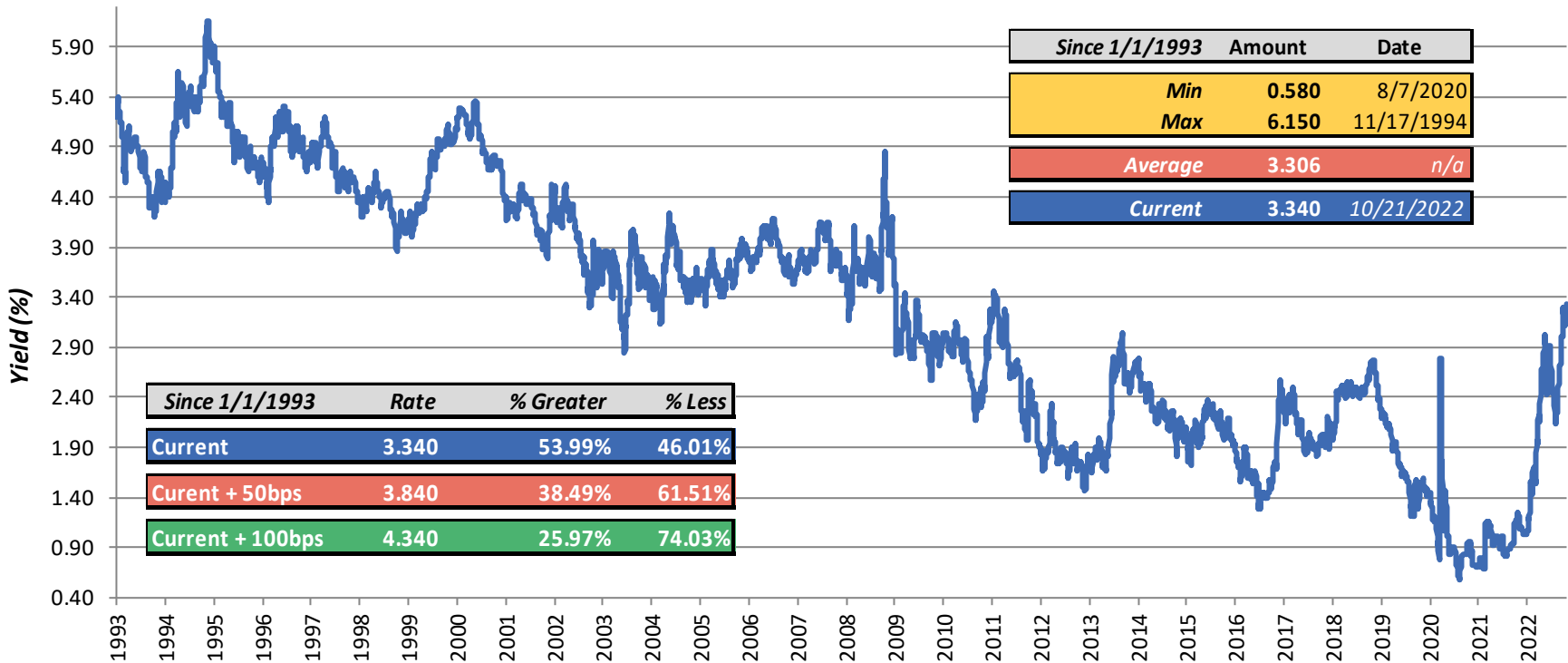




Long-Term Interest Rate Environment Update

- Long term interest rates have increased significantly in 2022, but currently near historical averages

SPOT ANALYSIS - 10 YEAR MMD - SINCE JANUARY 1, 1993





Debt Portfolio Update: Outstanding Debt

	Gross Outstanding (1)
DIRECT DEBT OF THE COUNTY	
General Obligation Notes, Series of 2019	33,155,000
General Obligation Bonds, Series B of 2017	9,775,000
General Obligation Bonds, Series A of 2017	29,220,000
General Obligation Bonds, Series B of 2015	2,260,000
General Obligation Bonds, Series A of 2015	80,800,000
TOTAL GENERAL OBLIGATION DEBT	<u>155,210,000</u>
LEASE RENTAL DEBT	
LCIDA, Lease Revenue Bonds, Series 2017	27,890,000
Series 2005 Guaranteed Pennvest (3)	197,388
TOTAL LEASE RENTAL DEBT	<u>28,087,388</u>
CREDITS AND EXCLUSIONS (2)	<u>(4,887,500)</u>
TOTAL DIRECT DEBT	<u>178,409,888</u>

(1) As of October 20, 2022

(2) Reflects credit for 50% of principal paid by LCCC

(3) Not paid from General Fund, but included on Debt Statement



Debt Portfolio Update: Outstanding Debt

Exhibit A

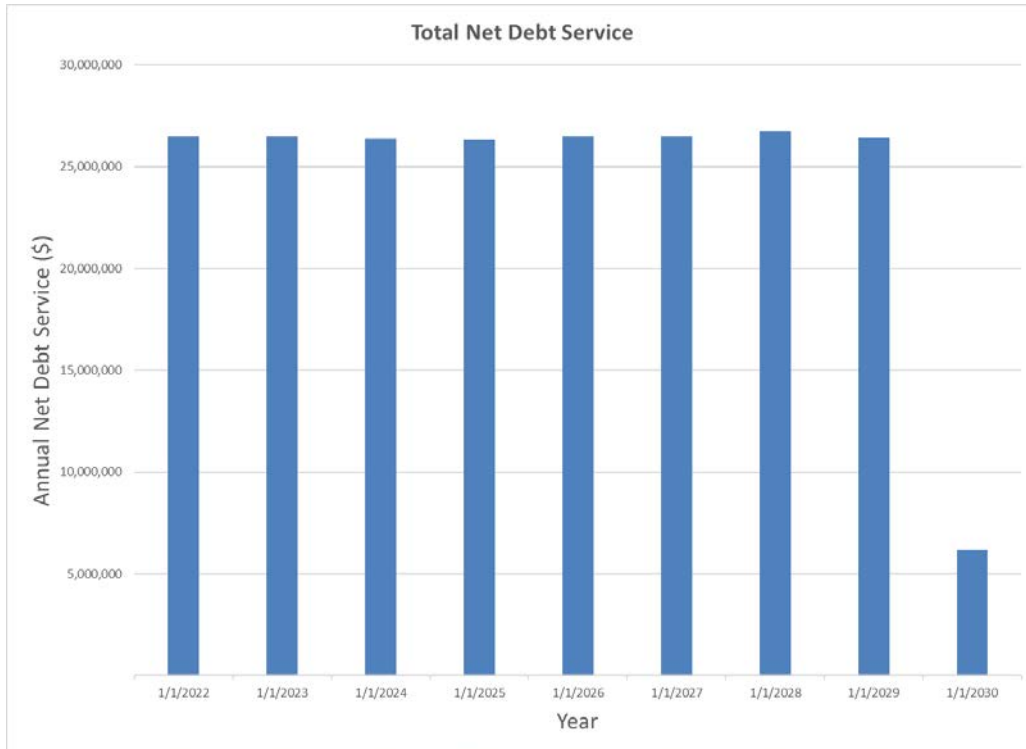


Exhibit B

Legal Borrowing Capacity	
Borrowing Limit as of 2022	789,398,651
Total County Debt Less Credits & Exclusions	178,409,888
Remaining Borrowing Capacity at 10/20/2022	610,988,763

Exhibit C

Fixed vs Variable Rate Debt	
% of Fixed Rate Debt	100%
% of Variable Rate Debt	0%

Exhibit D

Average County Borrowing Cost Trends	
2019 Average Rate	2.17
2017A, 2017B GO Bonds Average Rate	2.79
2017, 2017LCIDA Average Rate	2.86
2015A, 2015 B Average Rate	3.68



Debt Portfolio Update: Outstanding Debt

1 Fiscal Year Ended	2 G.O. Bonds Series A of 2015	3 G.O. Bonds Series B of 2015	4 LCIDA 2017	5 G.O. Bonds Series A of 2017	6 G.O. Bonds Series B of 2017 [1]	7 County Share Series of 2017B [1]	8 G.O. Bonds Series of 2019	9 Subtotal Gross GO Debt Service	10 Subtotal Net GO Debt Service [2]	11 LRDA Pennvest 2005 [3]	12 Total Net Debt Service
12/31/2022	11,600,000	2,332,125	4,449,500	4,921,000	1,923,750	961,875	2,172,909	27,399,284	26,437,409	50,219	26,487,628
12/31/2023	11,557,000	2,316,500	4,431,750	3,883,000	1,927,000	963,500	3,266,868	27,382,118	26,418,618	50,219	26,468,837
12/31/2024	13,747,250		4,412,250	6,378,250	1,926,500	963,250	814,596	27,278,846	26,315,596	50,219	26,365,815
12/31/2025	13,673,250		4,560,750	3,937,250	1,927,250	963,625	3,174,844	27,273,344	26,309,719	50,219	26,359,938
12/31/2026	14,806,750		3,313,500	5,170,250	1,924,000	962,000	2,178,265	27,392,765	26,430,765	50,219	26,480,984
12/31/2027	4,606,250		12,694,500	4,179,000	1,926,750	963,375	4,040,397	27,446,897	26,483,522		26,483,522
12/31/2028	25,959,250			346,250			420,008	26,725,508	26,725,508		26,725,508
12/31/2029	3,927,000			7,161,000			15,314,909	26,402,909	26,402,909		26,402,909
12/31/2030							6,174,889	6,174,889	6,174,889		6,174,889
Totals	99,876,750	4,648,625	33,862,250	35,976,000	11,555,250	5,777,625	37,557,685	223,476,560	217,698,935	251,093	217,950,028

Principal*:	80,800,000	2,260,000	27,890,000	29,220,000	9,775,000	4,887,500	33,155,000	183,100,000	178,212,500	197,388	178,409,888
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Call Date:	11/15/2025	Noncallable	12/15/2025	12/15/2027	12/15/2027	12/15/2027	Anytime				
		Cur Ref		Cur Ref			Cur Ref 2008D,				
		2002C,		Cur Ref			2008E, 2009				
	Cur Ref	2005A,		2005, Adv		Adv Ref	Notes, 2009				
	2006A, Swap	1998A		Ref 2008,		2008A,	Bonds, New				
Purpose:	Termination	LCFPA		2009		New Money	2008B			New Money	

[1] County responsible for portion of total debt service
 [2] Column 11 includes only the County's share of the debt service
 [3] Not paid from General Fund.



Debt Portfolio Update: Luzerne County Basis Swap

- The Basis Swap became effective on June 1, 2013
- Originally related to Series A of 2006 and Series C of 2003
- After refinancing, related to the Series of 2015 Bonds
- Basis swaps can be terminated at any time, but termination payout will vary based on market conditions
- **LIBOR is scheduled to sunset in 2023 and be replaced by a different interest rate index, SOFR. PFM will monitor situation and alert County if action is necessary.**

Most Recent Monthly Reset

Counterparty	Payment Rate (10/20/2022)	Receipt Rate (10/20/2022)
PNC	2.43%	2.09%
JP Morgan	2.43%	2.09%

Initial Notional Amount: \$40,000,000

Basis Swap

One Time Payment of
\$1,008,000



10/20/2022: Approximate Market Value = (\$106k)

10/20/2022: Approximate Market Value = (\$160k)

NOTE: Floating Rate Payments occur on April 1 and October 1 of each year. Floating Rate Receipts occur on the 1st day of each calendar month.



Preliminary TRAN Timeline

October 2022						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24/31	25	26	27	28	29

November 2022						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

December 2022						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

January 2023						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

HISTORICAL TRAN SIZES

- ◆ 2022 \$14,000,000
- ◆ 2021 \$16,000,000
- ◆ 2020 \$16,000,000
- ◆ 2019 \$17,000,000
- ◆ 2018 \$17,000,000
- ◆ 2017 \$17,000,000
- ◆ 2016 \$20,000,000
- ◆ 2015 \$18,000,000
- ◆ 2014 \$18,000,000

- ◆ October 25
- ◆ October 26
- ◆ November 22
- ◆ January 2, 2023

- Initial Discussion
- Distribute RFP
- Approval
- Settlement (receive funds)



Credit Rating



Credit Rating

- ◆ October 18, 2019-Present: S&P A-
 - October 2017-October 2019: S&P BBB-
 - November 2015- October 2017: S&P BB+ (Negative Outlook)
 - Rating agency may conduct annual surveillance at its discretion

- ◆ Ways the Rating Could IMPROVE
 - Maintain budgetary balance while addressing rising expenditures

- ◆ Ways the Rating Could WEAKEN
 - Adopt structurally imbalanced budgets
 - Reserves weaken materially

S&P Description of Ratings	
Investment Grade	AAA
	AA+/AA/AA-
	A+/A/A-
	BBB+/BBB/BBB-
Below Investment Grade	BB+/BB/BB-
	CCC+/CCC/CCC-
	CC
	C



Credit Rating

- ◆ “In the past, Luzerne County has suffered from a structural operating imbalance that resulted in a negative unassigned general fund balance. Following several years of positive operations, the County’s reserves and liquidity have improved significantly, indicating clear progress in addressing the imbalance.....A new management team addressed the structural imbalance through closer supervision of financial operations, particularly the ability to complete audits on time. County management also implemented an additional fee on vehicle registrations, generating new revenues that helped to offset rising costs.” S&P October 18, 2019



Disclosures

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