

Stadium Funding Proposal

Council Auditor's Office

June 5, 2024

Question 1

What is the Better Jacksonville Plan (BJP) Infrastructure Surtax?

- Local government infrastructure surtax (half-cent) implemented pursuant to Section 212.055(2), Florida Statutes.
- Ordinance 2000-572-E called for a voter referendum to determine whether or not to adopt the surtax, which was approved by voters of Duval County.
- Surtax is split with the Beaches and Baldwin.
- Current and future collections have and will continue to be overseen by the Financial Administration Committee and the Project Administration Committee (FAC/PAC).
- Original goals of the BJP- growth management, improving and constructing roads, environmental protection and preservation and targeted economic development, and providing public facilities.

Question 2

What is the Pension Liability Surtax?

- Pension Liability Surtax (half-cent) implemented pursuant to Section 212.055(9), Florida Statutes.
- Set to begin once the BJP Infrastructure Surtax ends (which would end on December 31 of a year no later than 2030).
- Ordinance 2016-300-E called for a voter referendum to determine whether or not to adopt a Pension Liability Surtax, which was approved by voters of Duval County. Ultimately, the Pension Liability Surtax was authorized by 2017-257-E as part of a series of pieces of legislation that closed the City's defined benefit pension plans to new employees effective September 30, 2017.
- Surtax will not be split with the Beaches and Baldwin.
- The Pension Liability Surtax:
 - Provided a dedicated funding source to address the unfunded liabilities of the City's closed defined benefit pension plans.
 - Required the net present value of the surtax to be utilized in determining the City's annual required contribution to the pension plans, even before the Pension Liability Surtax started actually being collected.
 - Provided immediate relief to the City and enabled the City to operate with greater financial flexibility starting in FY 2017/18.

Question 3

What time periods were the BJP Infrastructure Surtax and the Pension Liability Surtax Authorized for pursuant to the separate referendums approved by the voters?

- BJP Infrastructure Surtax began on January 1, 2001 and is permitted to be levied through no later than December 31, 2030.
- Pension Liability Surtax is authorized to begin once the BJP Infrastructure Surtax ends and terminates once each of the pension plans reach 100% funding or 30 years after collections start, whichever is sooner.

Question 4

What did Ordinance 2022-416-E do?

- Increased the spending authority by \$278 million for nine BJP projects that were not yet complete.
- Switched \$155 million (portion of \$278 million) of projects being funded by the BJP Infrastructure Surtax to being funded by debt, which would be paid for by the General Fund/GSD. The additional funding was needed due to cost overruns on the remaining nine City BJP Projects.

Question 5

Did 2022-416-E end the BJP Infrastructure Surtax early?

No. Future City Council action would be needed to end the BJP Infrastructure Surtax earlier than December 31, 2030.

Question 6

Does City Council need to take action for the BJP Infrastructure Surtax to remain in place until December 31, 2030?

No. The BJP Infrastructure Surtax will remain in place without additional City Council Action; however, City Council will need to amend the BJP Work Program to add eligible projects in order to fully utilize the available surtax collections through December 31, 2030.

Question 7

Do the actuarial reports for the pension funds factor in the BJP Infrastructure Surtax ending early?

No. Since approval of the Pension Liability Surtax, the City's contribution to the pension funds has always been based on BJP Infrastructure Surtax being collected through December 31, 2030. This means that leaving the BJP Infrastructure Surtax in place until December 31, 2030 will not cause an incremental increase in the City's contribution to the pension funds. Whether the BJP Infrastructure Surtax ends early or not, the Pension Liability Surtax is not anticipated to be in place for the full 30 years authorized.

Question 8

What are some of the items to consider if the BJP Infrastructure Surtax is not terminated prior to December 31, 2030?

- This would enable the City to collect an estimated additional \$600+ million in BJP Infrastructure Surtax revenue, which would:
 - eliminate the need for issuing debt to fund projects (at an estimated cost of \$1.2 billion factoring in interest costs), *and*
 - allow the debt issued for the stadium improvements to not increase the City's overall bonds outstanding.
- This will indirectly have residents outside of Duval County help fund the stadium improvements.

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Question 8 (Answer Contd.)

- Based on actuarial information provided by the City, there would be an **estimated net positive cash flow to the City of approximately \$25 million per year** when comparing the debt payment savings by avoiding issuing \$600 million in debt compared to the City's reduction in pension contributions if the Pension Liability Surtax were to start early on January 1, 2027.
- Although early termination of the BJP Infrastructure Surtax could enable the City's Pension Funds to become fully funded and end the Pension Liability Surtax sooner by a few years, the Pension Liability Surtax will serve as a dedicated funding source for the City's Unfunded Pension Liabilities. From an overall City financial health perspective, it appears to be more beneficial to not have the BJP Infrastructure Surtax end early when taking into account the stadium improvements and other projects planned to be funded with debt.

Question 9

What would be the difference between bonds issued by the City for these capital projects proposed to be swapped and the City's pension liabilities?

The City's Pension liabilities have a dedicated funding source in the form of the Pension Liability Surtax, while the bonds would not have a dedicated funding source and instead would be funded by the General Fund/GSD.

Question 10

What are other possible funding mechanisms to pay for the stadium improvements?

A combination of the below are some of the other funding options:

- Cut costs in other areas of the City.
- Increase the millage or other taxes and fees which will free up operating revenue to cover debt costs similar to what the Administration's proposal would do.
- Use some operating reserves.

Question 11

Is the BJP Infrastructure Surtax proposed to be used to fund the stadium improvements?

No. Debt would be issued for the stadium improvements. Other qualified projects originally planned to be funded through debt will now be funded through the BJP Infrastructure Surtax (i.e., pay-go), which would neutralize the amount of overall anticipated City bonds outstanding.

Question 12

What types of projects from previously approved Capital Improvement Plan Projects can be funded by the BJP Infrastructure Surtax?

Per the Office of General Counsel, City Council can amend the BJP Work Program. Pursuant to Section 761.102 (a) of the Municipal Code, the BJP Work Program includes new, expanded and widened roads; interchanges, overpasses and intersection improvements as well as:

1. Road resurfacing
2. Drainage
3. Sidewalks/bike paths
4. Landscaping/tree planting along road improvement projects
5. Safety grade crossings
6. Rapid transit right-of-way acquisition

Question 13

What action is needed to utilize the BJP Infrastructure Surtax for projects previously approved to be funded through debt?

Three items would need to be amended that could be achieved during the budget process or through separate legislation:

- Budgets would need to be amended to swap funding sources from debt to BJP Infrastructure Surtax.
- Capital Improvement Plan Projects would need to be amended to swap the funding sources from debt to BJP Infrastructure Surtax.
- BJP Work Program would need to be amended to add the projects being swapped.

Question 14

Overall, is the proposal from the Administration to utilize the BJP Infrastructure Surtax to reduce debt reasonable?

The proposal appears to be reasonable from a financial perspective based on the stadium improvements and other future potential costs (e.g., collective bargaining, jail replacement, other economic development incentives) the City is facing.

**Administration's Swap Proposal
Do Not End BJP Infrastructure Surtax Early
Use BJP to Cover \$600 million in CIP Projects and Borrow \$600 Million for the Stadium**

Description	Annual Amount
Debt Payments Avoided ¹	\$ 40,000,000
Pension Contributions - Savings Not Realized ²	\$ (15,000,000)
Estimated Annual Cost Avoidance to General Fund/GSD	<u>\$ 25,000,000</u>

This **avoids** \$40 million per year in Debt Payments on the CIP Projects Swapped, but does not have a reduction in the City's Pension Contributions of \$15 million per year.

Notes

(1)	Amount based on \$600 million of debt for 30 years at 5.25%.
(2)	Amount based on actuarial reports by City's actuary provided by prior Administration for Ordinance 2022-416-E that showed total reduction in contribution to all three City pension plans if the Pension Liability Surtax was to begin early on January 1, 2027. Amounts re-confirmed for reasonableness based on updated reports from City's actuary for General Employees and Correctional Officers Pension Plans.