

Special Committee on Duval DOGE Budgeting and Projecting Debt Costs

Overview:

Each year the City needs to budget enough money to ensure that all debt payments can be made. This is fairly straight forward for existing debt, but involves quite a bit of estimates for new. Below we bring up considerations that occur for budgeting and projecting new and existing debt costs.

1) Annual Budgeted Debt

- a) New Debt
 - i) Budget – Based on 20-year smooth paydown at 5%/5.25%
 - ii) Actual Debt Costs
 - (1) Shape of the debt payments
 - (a) Payments are typically over 30 years but can be less.
 - (b) The payments may not be smooth but instead could be front loaded, back loaded, or even go up in the middle.
 - (2) The portion that is bonded vs. commercial paper can impact when principal payments will begin due to no principal paydowns generally occurring for commercial paper.
 - (3) Actual interest rates, since the interest rates need to have a bit of cushion in projections due to timing of when budget is submitted/proposed by the Mayor compared to when debt is issued.
 - b) Existing – Refunding of debt can impact actual payments that need to be made during the fiscal year.

2) Projections – Debt Affordability and B3 Budget Schedule

- a) Variables – Includes all of the above but also factors in much more variability. Examples include:
 - i) Timing on when money is actually spent, which impacts when debt is issued. The projections are set-up based on spending:
 - (1) 50% of the costs in year 1 of spending authorization,
 - (2) 25% of the costs in year 2 of spending authorization,
 - (3) 15% of the costs in year 3 of spending authorization, and
 - (4) 10% of the costs in year 4 of spending authorization.
 - ii) Interest rates are much more difficult to project into the future.

Recommendations:

- Consider budgeting and projecting based on 30 year or 25 year payback time periods.
- If there will be no principal payment in year 1 of new debt, ensure that it is not included in budgets and projections.
- Make municipal code or budget ordinance provision that any debt savings be used as pay-go to reduce the amount that needs to be borrowed for (effectively reduce what commercial paper is needed to be issued and then bonded out in the future) if there is an overall positive variance within the General Fund/GSD.

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Budgeting for Debt

Savings on GF/GSD Debt Compared to Budget

Fiscal Year	Original Budget	Actuals	Variance
2024/25	\$ 119,094,860.00	\$ 108,779,216.53	\$ 10,315,643.47
2023/24	\$ 105,560,966.00	\$ 97,698,106.79	\$ 7,862,859.21
2022/23	\$ 86,973,702.00	\$ 80,959,856.96	\$ 6,013,845.04
2021/22	\$ 98,328,747.00	\$ 75,679,058.68	\$ 22,649,688.32
2020/21	\$ 86,372,358.00	\$ 82,442,683.64	\$ 3,929,674.36
2019/20	\$ 89,830,942.00	\$ 88,357,064.97	\$ 1,473,877.03
2018/19	\$ 94,532,892.00	\$ 88,932,209.06	\$ 5,600,682.94
2017/18	\$ 97,680,775.00	\$ 96,587,731.93	\$ 1,093,043.07

*This was mainly related to debt refinancing during the fiscal year as the interest rates were low at the time.

Illustration of Impact of 20 Years vs. 30 Years

Debt Amount	20 Year Payback @ 5%	30 Year Payback @ 5%	Difference
\$ 50,000,000	\$4,012,129.36	\$3,252,571.75	\$759,557.61
\$ 100,000,000	\$8,024,258.72	\$6,505,143.51	\$1,519,115.21
\$ 300,000,000	\$24,072,776.16	\$19,515,430.52	\$4,557,345.63
\$ 400,000,000	\$32,097,034.88	\$26,020,574.03	\$6,076,460.84