# DEBT AFFORDABILITY STUDY
## FY19 Budget Update

*August 28, 2018*

# What is the Debt Affordability Study?

*The Debt Affordability Study is a* ***tool*** *to help explain the* ***relative impact*** *of borrowing over time and* ***help guide*** *decision-making*

- Concept of "affordability" vs. "capacity"
- Established ratios that help guide the way we manage debt
- Budget Update report forecasts ratios into the future
  - Includes borrowings proposed by the Mayor's budget and borrowing assumptions for future years
- How much we borrow depends on our ability and willingness to make the required debt service payments

# Overview of this Year's Study

- All debt ratios show improvement due to:
  - Fiscally responsible budgets
  - Strong operating performance
  - Improving local economy and tax revenue
  - Paying down more debt than we borrow over time
  - Refinancing of higher cost debt

# Debt Affordability Ratios - Snapshot

| Measure | FYE18 | Target | Maximum | Minimum | Direction |
|---|---|---|---|---|---|
| Overall Net Debt as % of Full Market Value | 2.34% | 2.5% | 3.5% | N/A | Lower is better |
| GSD Debt Service as % of GSD Revenues | 9.71% | 11.5% | 13.0% | N/A | Lower is better |
| Unassigned GF Balance as % of GSD Revenues (incl. Emergency Reserves)[1] | 13.02% | 14.0% | N/A | 10.0% | Higher is better |
| Unassigned GF Balance as % of GSD Revenues (excl. Emergency Reserves)[1] | 8.02% | 10.0% | N/A | 5.0% | Higher is better |
| Ten Year Principal Paydown – All City Debt | 61.13% | 50.0% | N/A | 30.0% | Higher is better |
| Ten Year Principal Paydown – GSD Debt | 59.77% | 50.0% | N/A | 30.0% | Higher is better |
| Debt Per Capita | $2,467 | $2,600 | $3,150 | N/A | Lower is better |

[1] *Since reserve balances will not be known until FY End, the FY17 values are provided for these measures*

***The City's debt ratios matter, but do not guarantee a strong credit rating***

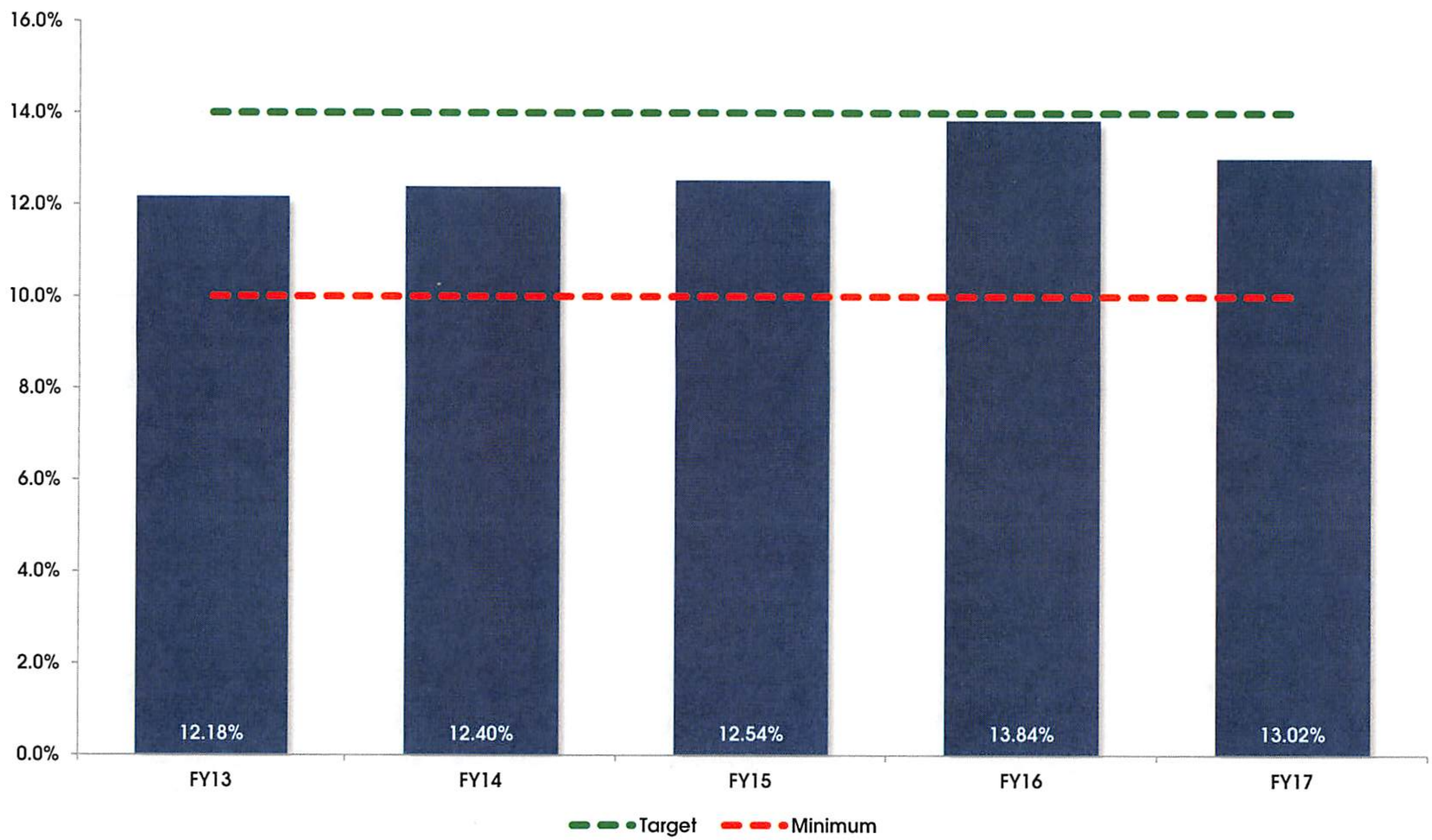
# Rating Agency Comments

- Recently re-affirmed the City's credit ratings
  - Aa2/AA/AA (General Obligation)
  - Aa3/AA/AA- (Special Revenue Pledge)
- We have done a good job of lowering our debt burden, but must continue doing so to offset the impact of pension costs
- Strong reserves are a credit positive, and stressed the need for higher reserves to offset obligations

# Unassigned GF/GSD Balance as % of Revenues

## *Including Emergency Reserves*

**Higher is Better**



# Millage Rate Comparison

## 2018 Millage Rate Comparison of Ten Largest Cities in Florida

| City | Population | Municipal Millage Rate | Countywide Millage Rate | Combined Millage Rate |
|---|---|---|---|---|
| Port St. Lucie | 181,284 | 5.1807 | 4.1077 | 9.2884 |
| Fort Lauderdale | 179,063 | 4.1193 | 5.4474 | 9.5667 |
| Cape Coral | 175,063 | 6.7500 | 4.0506 | 10.8006 |
| Hialeah | 236,114 | 6.3018 | 4.6669 | 10.9687 |
| Orlando | 279,789 | 6.6500 | 4.4347 | 11.0847 |
| **Jacksonville** | **891,207** | **n/a** | **n/a** | **11.4419** |
| Tampa | 373,058 | 6.2076 | 5.7309 | 11.9385 |
| St. Petersburg | 263,768 | 6.7550 | 5.2755 | 12.0305 |
| Miami | 467,872 | 7.4365 | 4.6669 | 12.1034 |
| Tallahassee | 189,625 | 4.1000 | 8.3144 | 12.4144 |

*Note: Municipal and countywide millage rates exclude school district rates for this comparison.*
*Source: Millage rates obtained from Florida Property Tax Data Portal.*
*Population estimate obtained from UF Bureau of Economic and Business Research*

# Projected Debt Outstanding

**Projected Debt Outstanding at 9/30/18**

| Debt Type | | Outstanding |
|---|---|---|
| **Better Jacksonville Program Debt:** | | |
| Better Jacksonville Sales Tax | $ | 457,820 |
| Better Jacksonville Transportation | | 434,570 |
| Special Revenue Bonds | | 259,765 |
| State Infrastructure Bank Loan Program | | 24,788 |
| **Total Better Jacksonville Program Debt** | **$** | **1,176,943** |
| **General Government & Enterprise Fund Debt:** | | |
| Excise Tax Revenue Bonds | $ | 41,350 |
| Special Revenue Bonds[1] | | 818,788 |
| Local Government Half-cent Sales Tax | | 7,520 |
| Capital Improvement Revenue Bonds | | 93,540 |
| Capital Projects Revenue Bonds | | 104,120 |
| Short Term Debt (Commercial Paper & Line of Credit)[1] | | 32,908 |
| **Total General Government & Enterprise Fund Debt** | **$** | **1,098,226** |
| **Total Projected Debt Outstanding** | **$** | **2,275,169** |

[1] *These debt types contain assumptions related to expected borrowing prior to the end of FY18*

# Continued Debt Paydown

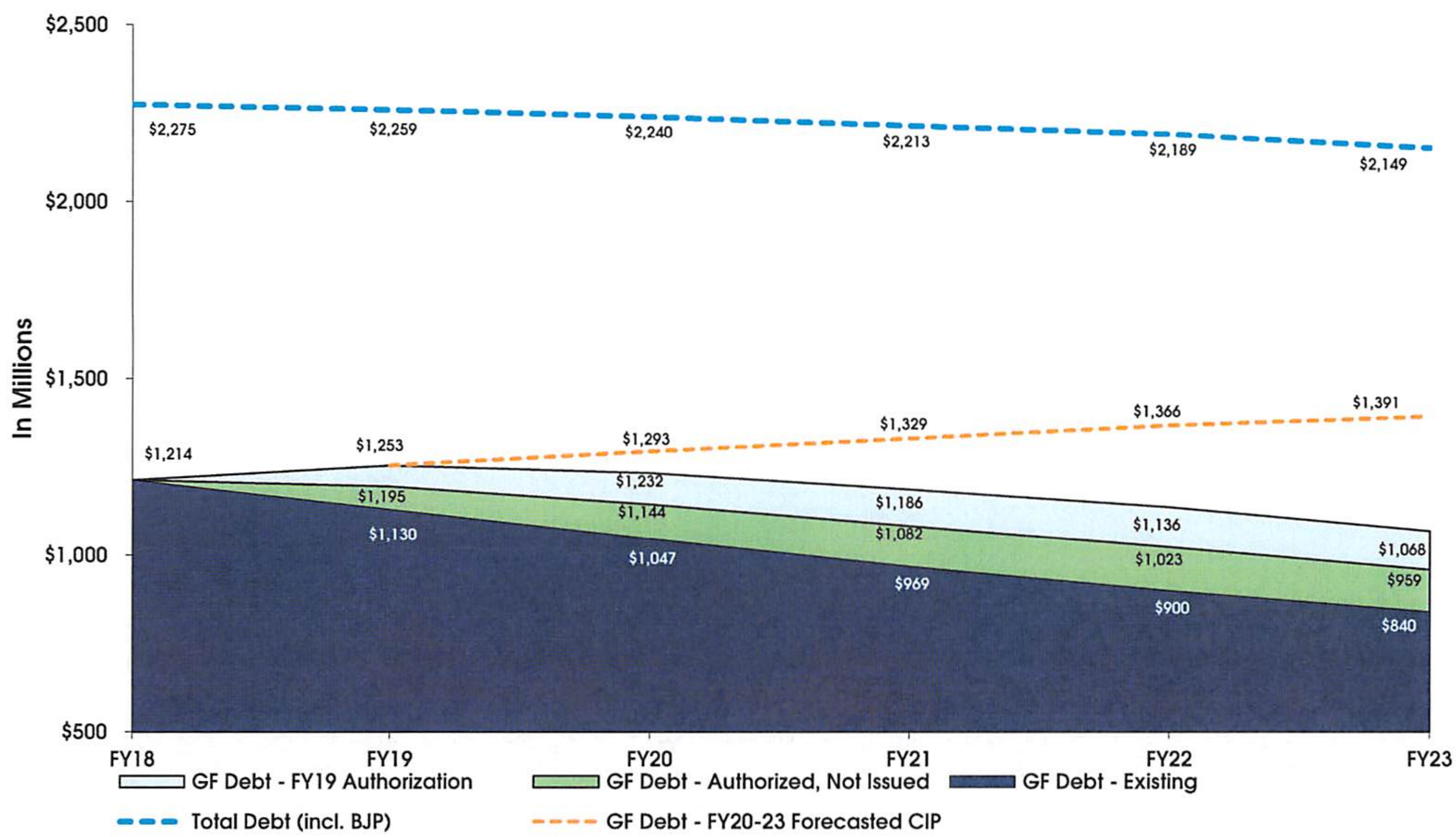
## Retirement of Existing Debt

| Fiscal Year | General Debt | BJP Debt | Total Debt |
| --- | --- | --- | --- |
| 2018 | 80,655 | 48,661 | 129,316 |
| 2019 | 83,378 | 55,767 | 139,145 |
| 2020 | 82,882 | 58,706 | 141,588 |
| 2021 | 81,041 | 63,102 | 144,143 |
| 2022 | 72,344 | 60,658 | 133,002 |
| 2023 | 64,140 | 65,414 | 129,554 |
| | $ 400,300 | $ 286,894 | $ 687,194 |

*FY18 and FY19 amounts are actuals. FY20-23 include assumed borrowing for already authorized projects.*

# Projected Debt Outstanding

## *Includes Forecasted Borrowing for FY19 Authorization & FY20-23 CIP Plan*



# Impact of Additional Borrowing

While ratios may not be violated, keep in mind that each additional $10 million of borrowing equals about $800,000 in annual debt service as a rule of thumb

# Impact of Changes to FY19 Authorization

- Ratios are projected to stay better than 'Target'

| Measure | Target | FYE18 | FY19 Authorization | FY19 | FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|---|---|---|---|---|
| Projected Debt Outstanding[1] | N/A | $ 2,275 | *50% More* | *$ 2,288* | *$ 2,284* | *$ 2,265* | *$ 2,246* | *$ 2,204* |
| | | | **As Proposed** | **$ 2,259** | **$ 2,240** | **$ 2,213** | **$ 2,189** | **$ 2,149** |
| | | | *50% Less* | *$ 2,230* | *$ 2,196* | *$ 2,161* | *$ 2,133* | *$ 2,094* |
| Overall Net Debt as % of Full Market Value | 2.50% Lower is better | 2.34% | *50% More* | *2.30%* | *2.25%* | *2.18%* | *2.13%* | *2.05%* |
| | | | **As Proposed** | **2.27%** | **2.21%** | **2.14%** | **2.08%** | **2.00%** |
| | | | *50% Less* | *2.24%* | *2.17%* | *2.09%* | *2.03%* | *1.96%* |
| GSD Debt Service as % of GSD Revenues | 11.50% Lower is better | 9.71% | *50% More* | *9.79%* | *9.73%* | *9.88%* | *9.49%* | *9.15%* |
| | | | **As Proposed** | **9.79%** | **9.66%** | **9.66%** | **9.19%** | **8.81%** |
| | | | *50% Less* | *9.79%* | *9.60%* | *9.43%* | *8.89%* | *8.46%* |
| Ten Year Principal Paydown - All City Debt | 50.00% Higher is better | 61.13% | *50% More* | *65.03%* | *68.74%* | *74.85%* | *76.09%* | *75.57%* |
| | | | **As Proposed** | **64.81%** | **68.22%** | **74.09%** | **75.20%** | **74.80%** |
| | | | *50% Less* | *64.59%* | *67.72%* | *73.36%* | *74.36%* | *74.07%* |
| Ten Year Principal Paydown - GSD Debt | 50.00% Higher is better | 59.77% | *50% More* | *61.95%* | *59.02%* | *58.78%* | *59.16%* | *58.37%* |
| | | | **As Proposed** | **61.70%** | **58.32%** | **58.00%** | **58.29%** | **57.76%** |
| | | | *50% Less* | *61.46%* | *57.68%* | *57.28%* | *57.51%* | *57.21%* |
| Debt Per Capita | $ 2,600 Lower is better | $ 2,467 | *50% More* | *$ 2,434* | *$ 2,393* | *$ 2,338* | *$ 2,297* | *$ 2,227* |
| | | | **As Proposed** | **$ 2,404** | **$ 2,348** | **$ 2,287** | **$ 2,243** | **$ 2,176** |
| | | | *50% Less* | *$ 2,374* | *$ 2,303* | *$ 2,236* | *$ 2,189* | *$ 2,125* |

*[1] In Millions. Projected Debt Outstanding is not a Debt Affordability Ratio, but is shown here to show the impact to total debt outstanding*