

# CITY COUNCIL RESEARCH DIVISION

## LEGISLATIVE SUMMARY



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**Bill Type and Number:** 2020-261

**Introducer/Sponsor(s):** Council President at the request of the Mayor

**Date of Introduction:** May 26, 2020

**Committee(s) of Reference:** F, R

**Date of Analysis:** May 27, 2020

**Type of Action:** Authorization of issuance of Special Revenue and Refunding Bond

**Bill Summary:** This bill is a Supplemental Ordinance to Ordinance 2006-888-E (as amended and supplemented), which provides for the issuance of Special Revenue Bonds to be paid from Covenant Revenues. This ordinance also waives Section 104.211 of the *Ordinance Code*, which relates to the Procedure for Sale of Bonds, to allow the City to award the sale of the bonds on a limited competitive basis, on a negotiated basis, or as a private placement to institutional investors rather than on a solely competitive basis. The waiver is necessary because of the need for flexibility in timing the issuance and sale of the bonds and to receive the benefit of an enhanced marketing of the bonds by engaging one or more investment banking firms to act in consultation with the Chief Financial Officer, staff, and the City's Financial Advisor in the sale of the bonds. The City preliminarily expects to use a negotiated sale to fund the projects under this authorization. As a result of this transaction, the City will have reimbursed itself for spending on previously-authorized projects, refunded certain bonds for savings, and fixed-out certain short-term debt in times of historically low interest rates. The issuance will provide an amount necessary to refund all or a portion of the City's outstanding 1) Special Revenue Bonds, Series 2010A, 2) Special Revenue Bonds, Series 20108, 3) Special Revenue Bonds, Series 2011A, and 4) Special Revenue Bonds, Series 2011B.

**Background Information:** The purpose of this legislation is to authorize the issuance of Special Revenue and Refunding Bonds to refund certain outstanding bonds and finance and refinance the acquisition and construction of certain capital equipment and improvements. The bond issuance will result in an amount not to exceed \$110,000,000 of net project funds, which will be allocated to cover actual expenditures associated with the previously authorized projects shown in Exhibit 1 of the ordinance, some of which have already been funded with commercial paper and are simply being fixed out with long-term debt. It is estimated the additional annual debt service associated with this issuance (net of the amount fixing out short term debt) would initially be less than \$6,000,000 per year, which is within budget projections and affordability models. It is important to note that the City also pays down debt each year, which has the impact of lowering annual debt service. This bond issuance will be amortized in a way to ensure, in accordance with the City's Debt Management Policy, that the average useful life of the debt does not exceed the useful lives of the various projects being financed. The final maturity for this bond issuance is estimated to be October 1, 2040. The bonds will be supported by the Special Revenue pledge, which is a basket of all City revenue sources with the exception of ad valorem revenue.

**Policy Impact Area:** Special Revenue Bonds

**Fiscal Impact:** The issuance will provide an amount not in excess of \$110,000,000 of net project funds to finance and refinance the actual expenditures associated with projects that were previously authorized by City Council to be funded with debt; any spending under this authorization not completed before issuance of the Bonds may be funded using the City's commercial paper program; this action will not result in any new project authorizations and will not add to the City's CIP

**Analyst:** Hampsey