



DEBT AFFORDABILITY STUDY

FYE22 Baseline Update

June 22, 2022

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 “capacity” vs. “affordability”
- Established ratios that help guide the way we manage debt
- Baseline report Reflects the City’s expected debt position at the conclusion of FY22
 - Does not Include borrowings that may be proposed by the Mayor’s FY23 budget or for future years.
- How much we program to borrow depends on our ability and willingness to make the required debt service payments



Fiscal Stewardship

- Under this Administration's leadership:
 - It is projected that the City will have **reduced debt outstanding by over \$560 million** as of 9/30/22.
 - **Refinancing activities** have provided **over \$294 million** in gross savings on debt service, which translates to **about \$230 million** in NPV savings
 - The City has **increased its reserves by \$198 million**
 - Since FY15, Unassigned Fund Balance has grown from \$99M to over \$281M
 - Emergency Reserves have increased from \$50M to \$66M
 - Pension reform has provided **approximately \$719 million** in **pension contribution relief** since FY18
 - **Debt Affordability ratios** have remained well below all maximums, above any minimums, and **have generally improved over time**



Overview of this Year's Study

- Currently, all debt ratios are well within targets and minimums/maximums due to:
 - Fiscally responsible budgets over several years
 - Continued strong operating performance
 - Robust local economy and tax revenue
 - Growing value of tax rolls
 - Continuing to pay down debt and only borrow to cover expenses
 - Refinancing of higher cost debt during a historically low interest rate environment



Ratings – What are They?

- Credit ratings are assigned to assist investors and the markets in evaluating the riskiness of various fixed income securities, such as bonds
- The three most prevalent ratings agencies in the US are Standard and Poor's (S&P), Fitch, and Moody's; Kroll, a rising rating agency, initiated coverage of the City last year
- Generally, a higher the credit rating lowers the borrowing cost to the issuer due to the perceived lower risk
- A ratings downgrade does not necessarily mean that the issuer has defaulted on its obligations, but that the agency believes that the risk of default has increased
- Ratings of AAA (or Aaa for Moody's) are the highest, with anything below BBB/Baa2 considered non-investment grade, high yield, or "junk" bonds



Rating Agency Comments

- S&P/Fitch recently affirmed Jacksonville's credit ratings with Moody's having most recently upgraded the City's bonds in May 2022:
 - AA/AA/Aa2(Previously Aa3) - General Obligation
 - AA/AA-/Aa3(Previously A1) - Special Revenue Pledge
- Kroll recently rated the City 'AA' on both the General Obligation and Special Revenue Pledge
- We have done a good job of lowering our debt burden and increasing reserves balances
- Higher reserve balances and strong liquidity help offset the impact of debt and pension costs liabilities
- The City's strong management, pattern of good financial policies, diverse economy, low reliance on tourism, and stable growth were identified as credit positives
- The agencies continue to monitor impacts to the City's finances as they continue to rebound from the COVID-19 pandemic, as well its progress in forging a comprehensive resiliency plan



Debt Affordability Ratios - Snapshot

Measure	FYE22	Target	Maximum	Minimum	Direction
Overall Net Debt as % of Full Market Value	1.71%	2.5%	3.5%	N/A	Lower is better
GSD Debt Service as % of GSD Revenues	7.70%	11.5%	13.0%	N/A	Lower is better
Unassigned GF Balance as % of GSD Revenues (incl. Emergency Reserves) ¹	23.07%	14.0%	N/A	10.0%	Higher is better
Unassigned GF Balance as % of GSD Revenues (excl. Emergency Reserves) ¹	18.15%	10.0%	N/A	5.0%	Higher is better
Ten Year Principal Paydown – All City Debt	75.20%	50.0%	N/A	30.0%	Higher is better
Ten Year Principal Paydown – GSD Debt	57.98%	50.0%	N/A	30.0%	Higher is better
Debt Per Capita	\$2,074	\$2,600	\$3,150	N/A	Lower is better

¹ Since reserve balances will not be known until FY End, the FY21 values are provided for these measures

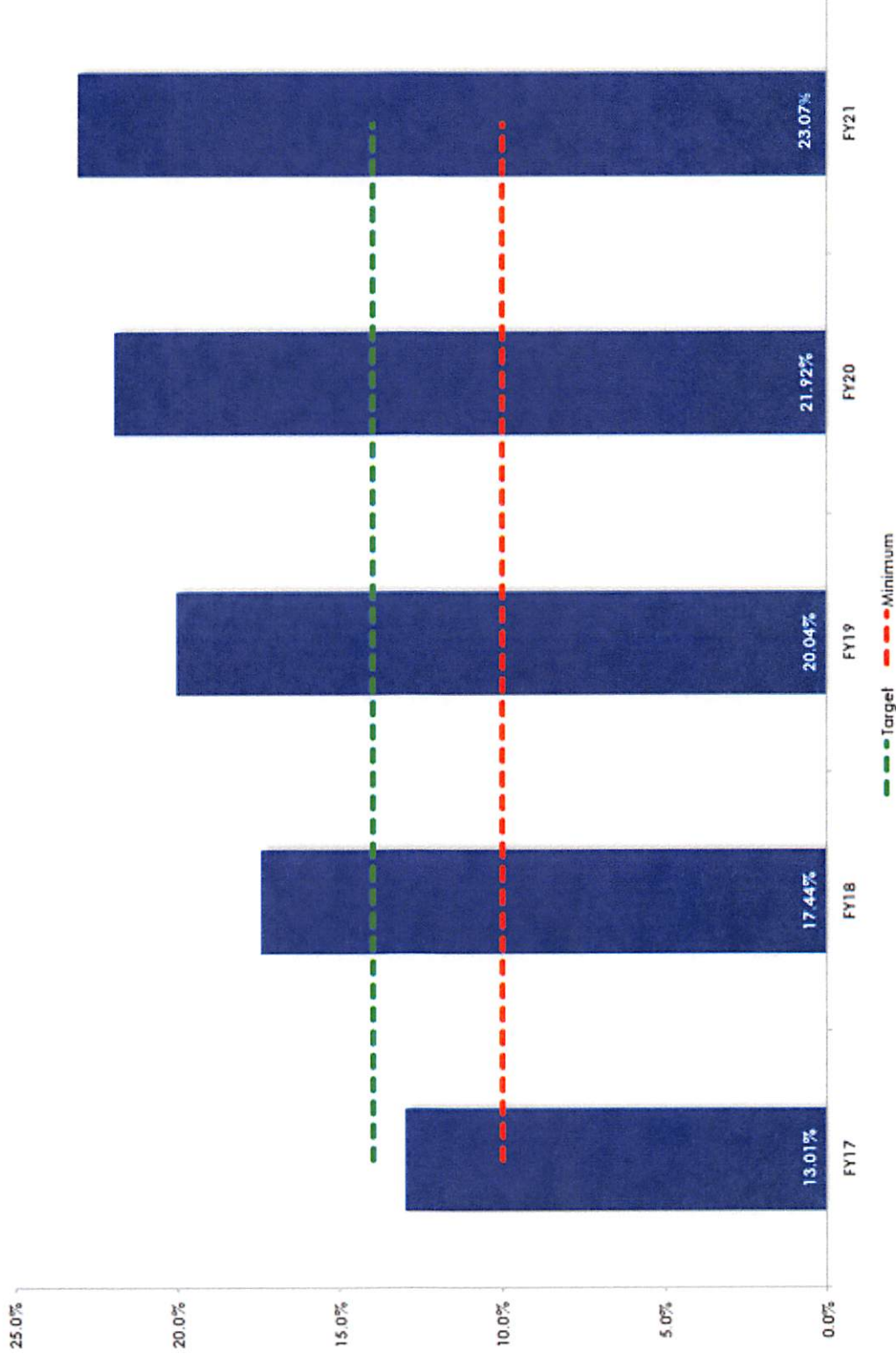
The City's debt ratios matter, but do not guarantee a strong credit rating



Unassigned GF/GSD Balance as % of Revenues

Including Emergency Reserves

Higher is Better



Millage Rate Comparison

2021-2022 Millage Rate Comparison of Ten Largest Cities in Florida

City	Population	Municipal Millage Rate	Countywide Millage Rate	Combined Millage Rate
Tallahassee	198,371	4.1000	8.3144	12.4144
Miami	449,747	7.6665	4.6669	12.3334
Port St. Lucie	214,514	4.8807	7.3664	12.2471
Tampa	391,800	6.2076	5.7309	11.9385
St. Petersburg	260,778	6.6550	5.1302	11.7852
Jacksonville	1,016,809	n/a	n/a	11.4419
Orlando	314,506	6.6500	4.4347	11.0847
Hialeah	225,493	6.3018	4.6669	10.9687
Cape Coral	201,554	6.2500	3.8623	10.1123
Fort Lauderdale	186,076	4.1193	5.5134	9.6327

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 FL Bureau of Economic and Business Research



Projected Debt Outstanding

Projected Debt Outstanding at 9/30/22

Debt Type	Outstanding (In Thousands)
Better Jacksonville Program Debt:	
Better Jacksonville Sales Tax	\$ 358,275
Better Jacksonville Transportation	369,020
Special Revenue Bonds	178,450
State Infrastructure Bank Loan Program	4,099
Total Better Jacksonville Program Debt	\$ 909,844
General Government & Enterprise Fund Debt:	
Excise Tax Revenue Bonds	\$ -
Special Revenue Bonds ¹	1,094,543
Local Government Half-cent Sales Tax	-
Capital Improvement Revenue Bonds	7,110
Capital Projects Revenue Bonds	-
Short Term Debt (Commercial Paper & Line of Credit) ¹	57,300
Total General Government & Enterprise Fund Debt	\$ 1,158,953
Total Projected Debt Outstanding	\$ 2,068,797

¹ The Special Revenue bonds and short term debt contain assumptions related to expected borrowing prior to the end of FY22



Continued Debt Paydown

Retirement of Existing Debt

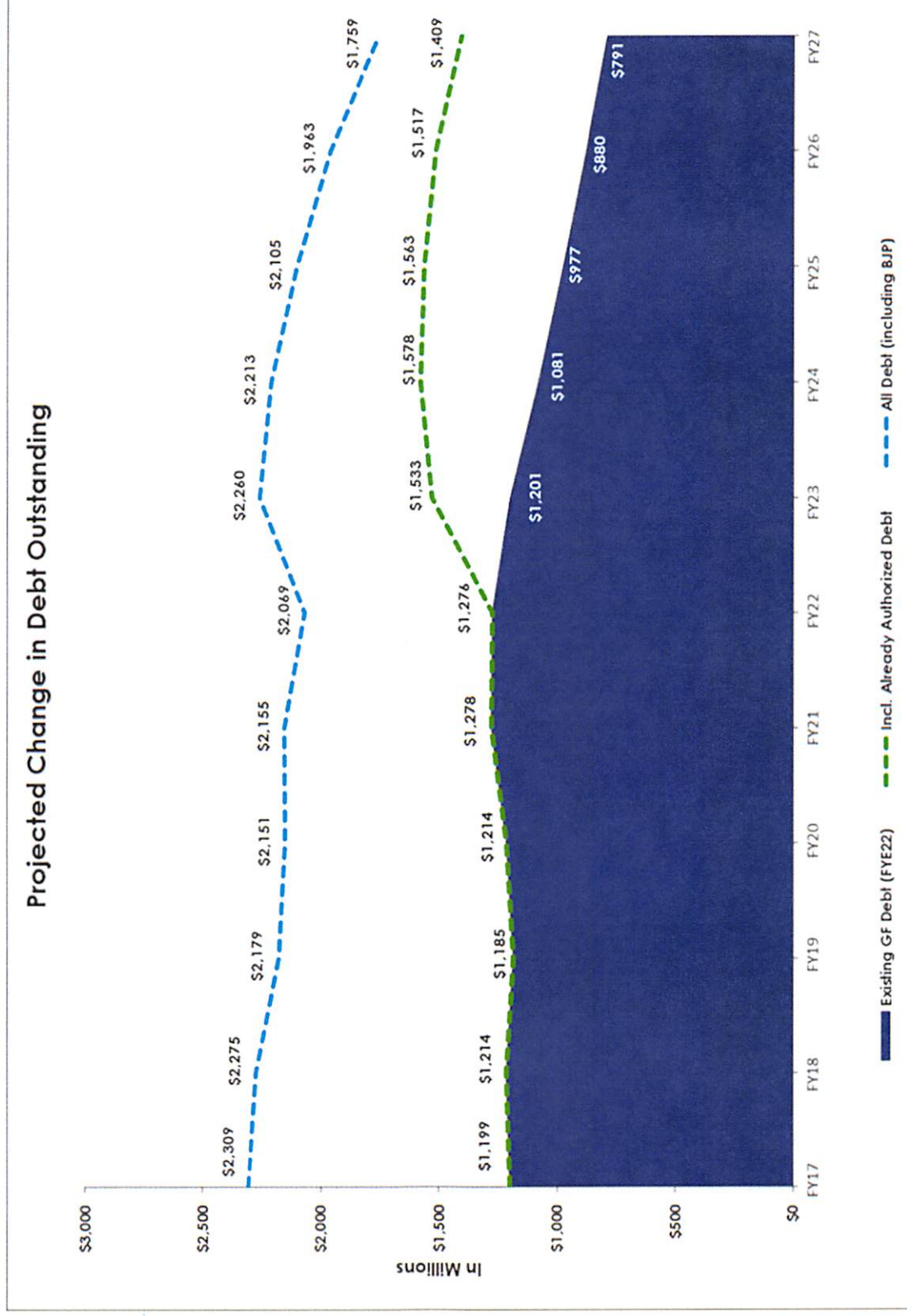
<u>Fiscal Year</u>	<u>General Debt</u>	<u>BJP Debt</u>	<u>Total Debt</u>
2022	73,040	48,203	121,243
2023	74,715	65,484	140,199
2024	120,780	91,424	212,204
2025	113,868	94,031	207,899
2026	112,448	96,009	208,457
2027	108,211	95,447	203,658
	<u>\$ 603,062</u>	<u>\$ 490,598</u>	<u>\$ 1,093,660</u>

FY22 and FY23 amounts are actuals. FY24-27 include assumed borrowing for already authorized projects.



Projected Debt Outstanding

Does not Include Forecasted Borrowing for FY23 Authorization & FY24-27 CIP



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

2022-372 - Summary of DIA Incentive Programs

Incentive	New or Existing	Funding Source	Payment Structure	Repayment Terms	Minimum ROI	Maximum Incentive
1. Retail Enhancement Program	Existing but being restructured	Downtown Economic Development Fund (General Fund), or CRA	Payable upon completion of work/reimbursement		None	
a. Basic Retail Enhancement				Forgiven over 3 years		\$20/sq. ft. / 50% of total project construction costs
b. Core Retail Enhancement				Forgiven over 3 years		\$35/sq. ft. / 50% of total project construction costs
c. Food and Beverage Establishment				Forgiven over 5 years		\$100,000, \$200,000, or \$400,000 depending on sq. ft. and establishment type / 50% of eligible costs
d. Waterfront Restaurant Program				Forgiven over 5 years		\$400,000 or \$500,000 depending on sq. ft. and establishment type / 50% of eligible costs (free standing restaurant cap of \$750,000 depending on sq. ft. and establishment type, subject to 50% limit)
e. Sidewalk Enhancement				Forgiven over 3 years		80% of eligible costs not to exceed \$15,000 if receiving FAB-REP; 80% of eligible costs not to exceed \$5,000 if stand alone
2. Commercial Revitalization Program	Existing but being restructured	CRA	Paid annually over the term of the lease	Grant	None	\$730,000
3. Multi-Family Housing REV Grant	Existing (15 yr/75%) New (20 yr/75%)	CRA (or General Fund if term of REV grant extends beyond CRA expiration)	Payable upon completion of work over REV grant period	Grant	No minimum, but greater than 1.0 by default	No cap
4. Small Scale Multi-Family Housing Grant	New	CRA	Payable upon completion of work	Grant	None	\$270,000
5. Affordable Housing Support Loan	Existing but being formalized	Downtown Economic Development Fund (General Fund) or CRA	Varies with structure required by Florida Housing Finance Corporation	Per DIA, typically interest only with principal repayment at 20 years.	0.50X as calculated over a 20-year timeline	No cap; shall materially mirror the requirements of the Florida Housing Finance Corporation Request for Application
6. Targeted Hotel REV Grant (Boutique Hotels)	New (20 yr/75%)	CRA (or General Fund if term of REV grant extends beyond CRA expiration)	Payable upon completion of work over REV grant period	Grant	No minimum, but greater than 1.0 by default	No cap
7. DIA Mobility Fee Credit	Existing but being formalized	N/A (funded through existing bank of mobility fee credits allocated to DIA; available balance of \$32,532,974.39)	Provided from pool of credits	Fee waiver	None	No cap
8. DIA Parking Screening Grant	New (Compliance, not grant, required by Ordinance)	CRA	Reimbursement	Grant	None	\$25,000, \$50,000 or \$100,000 depending on date of agreement execution and if applicant sought a deviation from 656.361.6.2.L
9. DIA Storefront Facade Grant Program	Existing	CRA	Payable upon completion of work	Grant	None	\$75,000
10. Downtown Preservation and Revitalization Program (DPRP)	Existing	General Fund	Payable upon completion of work/Reimbursement	HPRR & CCR forgiven over 5 years, Deferred Principal Loan - interest only with principal due at 10 years	0.50X as calculated over a 20-year timeline	No dollar cap but subject to limits from the lesser of demonstrated financial need, line item funding limits, ROI, or calculated as a percentage of total development costs.
11. The Downtown Historic Preservation and Revitalization Trust Fund	Existing	Downtown Historic Preservation and Revitalization Trust Fund (General Fund)	Payable upon completion of work/Reimbursement	Forgiven over 5 years	0.50X as calculated over a 20-year timeline	\$100,000
12. Water Quality Compensatory Credits	Existing	N/A	N/A	Grant	None	No cap

Council Auditor's Office
Bill 2022-372 Comments/Concerns Updated

1. Currently, the DIA is authorized to approve incentives that are in compliance with the Public Investment Policy (PIP) Downtown Programs and Business Investment and Development (BID) Strategy if sufficient funding has been appropriated, or if the incentive is self-funding (i.e. REV Grant). The BID Update revises the criteria for existing incentives and adds new incentives that can be approved by the DIA Board without City Council approval, subject to the incentive guidelines in the BID.
 - a. The BID Update authorizes three new incentive programs:
 - i. Small Scale Multi-Family Housing Grant (paid upon completion)
 - ii. DIA Parking Screening Grant (paid upon completion)
 - iii. Targeted Hotel REV Grant
 - b. The BID Update revises the criteria for REV grants from 75%/15 years to 75%/20 years and authorizes REV grants to exceed the life of the CRA (no further than 2046). Two of the downtown CRAs expire in 2041 and one expires in 2046.

The following are consistent with current practices but should be considered:

- c. DIA has been operating with the understanding that additional incentives may be approved for a project for which City Council previously approved incentives, so long as those incentives are for a stand-alone need, are under a program approved by the BID Strategy, and do not modify any incentive approved by City Council.
- d. There is no limit established for performance schedule extension approval.

Council Auditor's Office Recommendations:

City Council should consider whether the delegation of this authority is appropriate. City Council may consider the following to limit the delegation of authority:

1. Add language in the BID to clarify that additional incentives can approved by the DIA Board as long as those incentives are for a stand-alone need, are under a program approved by the BID Strategy, and do not modify any incentive approved by City Council.
2. Require City Council approval for performance schedule extensions beyond a 6-month time period unless otherwise provided in a Council-approved Redevelopment Agreement.

NCSPHS Amendment:

1. Include language in the BID to clarify that additional incentives can approved by the DIA Board as long as those incentives are for a stand-alone need, are under a program approved by the BID Strategy, and do not modify any incentive approved by City Council.
 2. Require City Council approval for performance schedule extensions beyond a 6-month time period unless otherwise provided in a Council-approved Redevelopment Agreement.
2. The Council Auditor's Office will be required to verify ROI calculations for property dispositions having a Property Appraiser's Office market value of more than \$25,000, and where the sales price is below the appraised value and does not exceed \$250,000. There is no maximum time period over which the ROI is to be calculated.

Council Auditor's Office Recommendation:

1. The maximum period over which an ROI is calculated for property dispositions that include other incentives should be 20 years or the life of the incentive, whichever is greater. The ROI for a stand-alone property disposition should be calculated over 20 years.

2. Additionally, City Council approval should be required for the disposition of property when the Council Auditor's Office disagrees with DIA's ROI calculation, and arrives at an ROI of less than 1.

NCSPHS Amendment:

1. Calculate the ROI for property dispositions that include other incentives over a maximum of 20 years or the life of the incentive, whichever is greater. Calculate the ROI for a stand-alone property disposition over 20 years.
 2. Require City Council approval for the disposition of property when the Council Auditor's Office disagrees with DIA's ROI calculation, and arrives at an ROI of less than 1.
3. This legislation authorizes the DIA Board to execute Cost Disbursement Agreements without City Council approval, to the extent that the purpose is integral to a development agreement, and authorizes execution of the agreement as long as funding is included in year 1, 2, 3, 4 or 5 of the CIP, thereby committing future funding for a project.

Council Auditor's Office Recommendation:

Cost Disbursement Agreements should contain language that the City's funding will be paid no earlier than the year in which the project funding shows up on the CIP at the time of execution of the Cost Disbursement Agreement, unless specifically approved by Council.

NCSPHS Amendment:

Include language within Cost Disbursement Agreements that the City's funding will be paid no earlier than the year in which the project funding shows up on the CIP at the time of execution of the Cost Disbursement Agreement, unless specifically approved by Council.

4. The legislation raises the threshold for which property within the CRA can be disposed of without City Council approval from a sales price of \$25,000 or less to a sales price of \$1 million or less (provided the sales price equals or exceeds the appraised value of the property).

Council Auditor's Office Recommendation:

City Council should consider whether the delegation of this authority at the proposed sales price is appropriate.

NCSPHS Amendment:

Revise the threshold for DIA approval of property dispositions without City Council approval to a sales price of \$750,000 or less.

5. Incentives can be approved by the DIA Board even if a proposal goes against staff recommendations or if there is not a recommendation from the staff.

Council Auditor's Office Recommendation:

We recommend that all development projects that include incentives or property dispositions be required to have a staff report prior to consideration by the DIA Board and that City Council be required to approve all projects where the DIA Board approves a project that the staff did not recommend.

NCSPHS Amendment:

Require all development projects that include incentives or property dispositions to have a staff report prior to consideration by the DIA Board and require City Council approval for all projects where the DIA Board approves a project that the staff did not recommend.

6. There is no reporting requirement of the DIA Board to City Council on the incentives the DIA Board approves.

Council Auditor's Office Recommendation:

We recommend that the DIA be required to submit a quarterly report to the City Council and the Council Auditor's Office on all incentives approved by the DIA Board identifying the project, incentive type and funding source, anticipated payout by fiscal year, and authorizing resolution.

NCSPHS Amendment:

Require DIA to submit a semi-annual report to the City Council, the Finance Committee, and the Council Auditor's Office on all incentives approved by the DIA Board identifying the project, incentive type and funding source, anticipated payout by fiscal year, and authorizing resolution.

7. There is no maximum dollar value of incentives that the DIA Board can approve.

Council Auditor's Office Recommendation:

We recommend that a cumulative maximum total incentive amount be established (i.e. even if awarded in various increments by the Board) and that if this dollar amount is exceeded, City Council approval is required.

NCSPHS Amendment:

Require City Council approval for cumulative total incentives in excess of \$18 million per project.

8. Specific mention of the use of JSEBs is not a required component of all incentives.

Council Auditor's Office Recommendation:

The BID should include language striving to meet the JSEB goal set forth in Ordinance Code Ch. 126, Part 6 for all incentives.

NCSPHS Amendment:

Revise the BID to include language on striving to meet the JSEB goal set forth in Ordinance Code Ch. 126, Part 6 for all incentives.

NCSPHS Amendment

Bill

1. Revise explanation of appropriation to include funding source
2. Correct employee cap
3. Clarify 2046 is the final year of eligibility for REV grants approved by DIA
4. Clarify approval authority for incentives
5. Include Council Auditor's Office within audit rights language
6. Strike ability for DIA designee to execute Cost Disbursement Agreements
7. Include Risk Management Division within authorization to make changes to the Cost Disbursement agreements
8. Clarify property disposition language
 - a. Clarify DIA is authorized to dispose of property for a sales price less than the appraised value provided the sales price is equal to or greater than the fair value provided other conditions are met
 - b. Clarify DIA is authorized to sell property with a Property Appraiser's Office market value of \$25,000 or less irrespective of fair market value
9. Include language authorizing the revised CRA Plan and BID Strategy to be placed on file at a later date to reflect all changes authorized by the amendments and correct scrivener's errors
10. Place Cost Disbursement Agreement template on file
11. Correct scrivener's errors

CRA Plan

1. Update property disposition process

BID

1. Commercial Revitalization Program – Include maximum lease term of 120 months for calculating grant
2. Affordable Housing Support Loan – Clarify that loans approved under this incentive will not be forgivable
3. Targeted Hotel REV Grant – Clarify that hotels are required to maintain boutique status for term of REV grant
4. Mobility Fee Credit – Clarify language regarding parking requirements
5. Place revised BID on file to include appendices A-D

Include NCSPHS Amendments noted on pages 1-3.

Chapter 180 established the Duval County Job Opportunity Bank which was funded by companies that came to Jacksonville and wanted to have a workforce that was complementary to their businesses. At the time, the companies were having a hard time and therefore would relocate workers in order to meet their needs. The Council in 2005, started to include a requirement that companies, referred to as “Economic Assistance Recipients”, contribute to the Duval County Job Opportunity Bank. This practice fell off and the program has not been funded in year. I intend to bring it back in order to train a workforce that will be of assistance to these companies, the community and frankly themselves.

I want to make sure that this language is included in the present legislation. To that end, I offer that amendment to the legislation.