

Debt Capacity and Financing Flexibility



CITY OF FORT LAUDERDALE

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CITY OF FORT LAUDERDALE

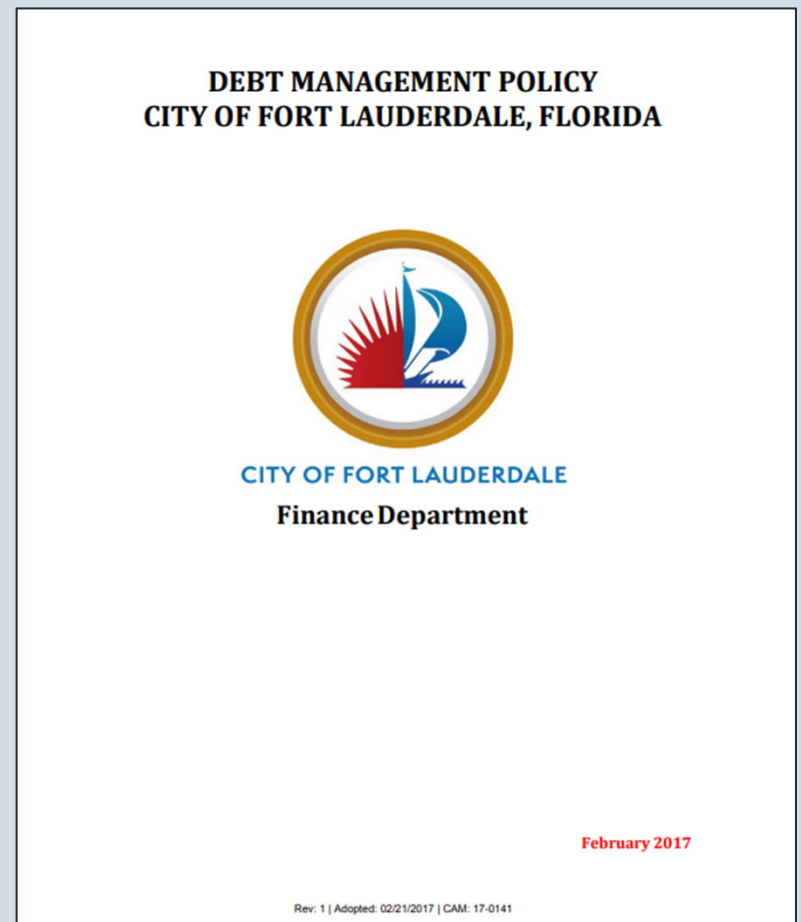
I. DEBT MANAGEMENT POLICY EXCERPTS



CITY OF FORT LAUDERDALE

City's Debt Policy

The City Commission adopted the Debt Management Policy on February 21, 2017, to establish guidelines and a framework for the issuance and management of the City's debt.



CITY OF FORT LAUDERDALE

City's Debt Policy

II. POLICY STATEMENT

Under the governance and guidance of federal and state laws, the City's charter, ordinances, and resolutions, the City may periodically enter into debt obligations to finance the construction or acquisition of infrastructure, and other assets or to refinance existing debt and unfunded liabilities for the purpose of meeting its governmental obligation to its neighbors. It is the City's desire and direction to ensure that such debt obligations are issued and administered to obtain the best long-term financial advantage to the City and its neighbors, while making every effort to maintain and improve the City's bond ratings and reputation within the investment community.

The City may also decide to issue debt obligations on behalf of external agencies or authorities for the purpose of constructing facilities or assets which further the goals and objectives of city government. In such case, the City shall take reasonable steps to confirm the financial feasibility of the project, and the financial solvency of the borrower. The City shall take all reasonable precautions to ensure the public purpose, and financial viability of such transactions.



City's Debt Policy

Legal Consideration

The primary use of debt by the City has been to fund capital projects; however, other debt may be issued as necessary and appropriate. Because the use of public facilities will occur over many years, it is appropriate to allocate the cost of the facilities over the useful life of the financed projects. Such events shall be considered, but are not limited to, the following:

- a) Bonds shall only be issued for capital improvements including infrastructure and equipment with a useful life in excess of three years.
- b) **Whenever possible, the City shall use special assessment, revenue, or self-supporting bonds instead of General Obligation Bonds.**
- c) The term of any bonds shall not exceed the useful life of the expenditure being financed, and should not exceed 40 years unless there are extenuating circumstances that justify the longer term.
- d) **The City shall not issue debt to subsidize or finance current operations.**
- e) The City shall publish and distribute an official statement for each publicly traded Bond issue.
- f) The City should consider the purchase of private bond insurance at the time of issuance, if it is financially beneficial to the transaction.
- g) **General Obligation debt shall only be used to finance capital expenditures.**
- h) The City shall monitor existing bond issues for refunding opportunities.
- i) The City shall seek to maintain the highest bond rating practical to ensure that borrowing costs are minimized and access to credit is preserved.
- j) The City shall not issue General Obligation debt with a maturity of more than 12 months without a referendum.
- k) Other than General Obligation debt, the City shall not issue debt without enacting an authorizing resolution after conducting a duly noticed public hearing.



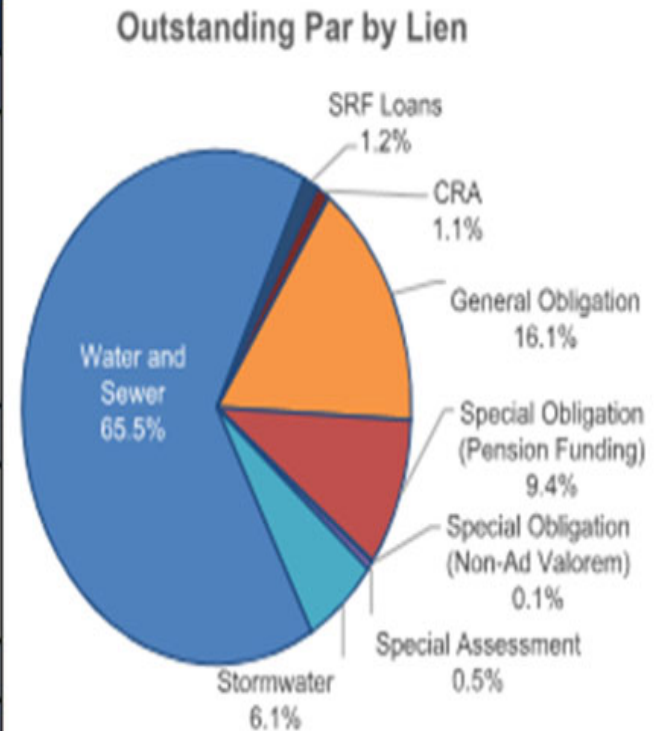
II. FINANCIAL FLEXIBILITY



CITY OF FORT LAUDERDALE

Debt Profile Overview

Lien	Par Outstanding	Bond Ratings		
	As of 10/1/2023	S&P	Moody's	Fitch
General Obligation	233,890,000	AAA	Aa1	-
Special Obligation (Pension Funding)	136,855,000	AAA	Aa2	-
Special Obligation (Non-Ad Valorem)	1,713,000	-	-	-
Special Assessment	7,735,000	-	-	-
Community Redevelopment Agency	15,329,000	-	-	-
General Government Debt	\$395,522,000			
Stormwater	88,485,000	AAA	Aa2	-
Water and Sewer	953,835,000	AA+	Aa1	-
SRF Loans	18,094,762	-	-	-
Enterprise Debt	\$1,060,414,762			
Total Debt Outstanding	\$1,455,936,762			



Excludes the Special Obligation Line of Credit (\$45.5MM), Stormwater WIFIA Loan (\$119.99MM), and capital leases



Debt Service Coverage Targets and Limits

For the City to issue new bonds or bonds on a parity basis, the City shall need to demonstrate that revenues shall be sufficient to cover the existing and new debt service by a comfortable coverage ratio:

<p>A. Limits for direct and non-self-supporting debt</p> <ul style="list-style-type: none"> ▪ Less than four (4) percent of taxable valuation = \$2,181,827,080* <p>B. Target for direct and non-self-supporting debt</p> <ul style="list-style-type: none"> ▪ Less than three (3) percent of taxable valuation = \$1,636,370,310* 	<p>Actual (as of 10/1/2023) <u>\$395,522,000</u></p>
<p>C. Debt Service Safety Margin (DSSM)</p> <ul style="list-style-type: none"> ▪ DSSM at or above the standard rating agency median <p>D. Debt Ratio</p> <ul style="list-style-type: none"> ▪ Debt Ratio at or above the standard industry median 	<p>Not Applicable to GO Credits</p>

**Based on Preliminary (July 1) Total Taxable Value of \$54,545,676,988 for the 2023 Tax Year*



Debt Policy - Future Flexibility

- As a measure of future flexibility, the City looks at Debt Service as a percentage of General Governmental Expenditures
 - Debt Limit: 20% Maximum
 - Goal/Target: 10% - 15%
- The table below shows estimated *cumulative* impact on this metrics with the addition of infrastructure debt issuances, assuming no changes to the FY2024 budgeted amounts

	Budgeted 9/30/2024	Future Infrastructure Financings ⁽¹⁾	
		+ Parks & Rec GO Bonds (\$70.35 million)	+ Public Safety & Police HQ (\$45.5 million)
Annual Debt Service	\$ 47,932,596	\$ 52,511,846	\$ 55,502,846
Total Governmental Expenditures	524,891,569	529,470,819	532,461,819
Total Governmental Debt Service as a % of Total Governmental Expenditures	9.13%	9.92%	10.42%

(1) Projected annual debt service starting in FY 2025 based on 5% coupons.



Debt Policy – Potential GO Referendum

- As a measure of future flexibility, the City looks at Debt Service as a percentage of General Governmental Expenditures
 - Debt Limit: 20% Maximum
 - Goal/Target: 10% - 15%
- The table below shows estimated *cumulative* impact on this metrics with the addition of infrastructure debt issuances, assuming no changes to the FY2024 budgeted amounts

	Budgeted 9/30/2024	Future Infrastructure Financings ⁽¹⁾		Potential GO Financings			
		+ Parks & Rec GO Bonds (\$70.35 million)	+ Public Safety & Police HQ (\$45.5 million)	GO Bonds (\$100 million)	GO Bonds (\$200 million)	GO Bonds (\$300 million)	GO Bonds (\$400 million)
Annual Debt Service	\$ 47,932,596	\$ 52,511,846	\$ 55,502,846	\$ 62,007,846	\$ 68,512,846	\$ 75,017,846	\$ 81,522,846
Total Governmental Expenditures	524,891,569	529,470,819	532,461,819	538,966,819	545,471,819	551,976,819	558,481,819
Total Governmental Debt Service as a % of Total Governmental Expenditures	9.13%	9.92%	10.42%	11.50%	12.56%	13.59%	14.60%

This level would meet the City's policy target of 10-15% and remain under the 20% limit



(1) Projected annual debt service starting in FY 2025 based on 5% coupons.

