



"A City for All Ages"

CITY OF PORT ST. LUCIE



FINANCE DEPARTMENT

Memorandum

To: Mayor and City Council

Via: Russ Blackburn, City Manager
Kristina Ciuperger, Deputy City Manager

From: Stephen Okiye, Finance Director

Date: October 26, 2022

RE: FY2022 Annual Debt Management Report

Section XII of the City's Debt Management Policy states, "The Chief Financial Officer or designee shall review the policy at least every two years and bring proposed amendments to the City Council..." During the fiscal year 2023, City staff will review the policy and bring any proposed amendments to the City Council for consideration.

There were no updates to the debt management policies during fiscal year 2022.

Outstanding Debt

The City made scheduled debt payments during the year and communicated early debt redemptions to the paying agent. The City issued the Utility System Refunding Revenue Bond, Series 2022 (2022 Bond), to refund the City's outstanding Utility System Refunding Revenue Bonds, Series 2012.

In addition, the City used legally available funds for the defeasance and redemption of the outstanding City's Public Service Tax Refunding Revenue Bonds, Series 2016 (Torrey Pines Debt).

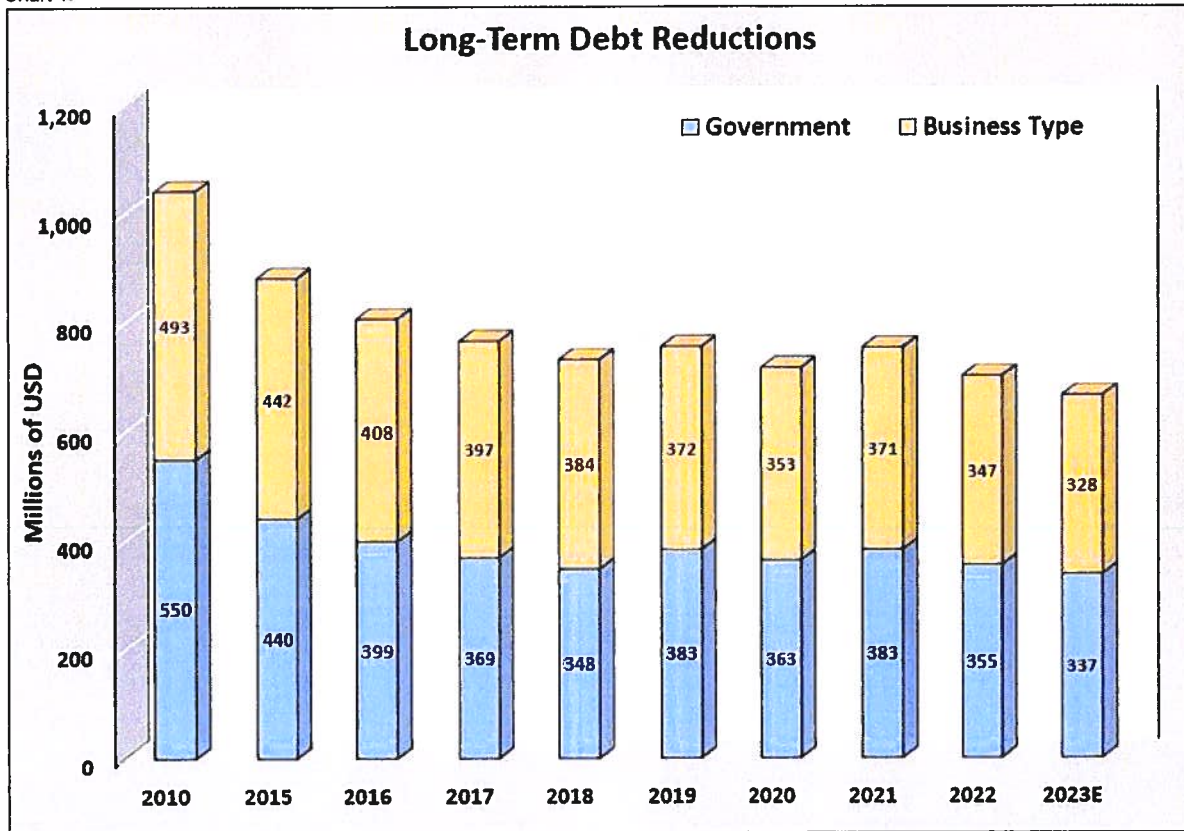
Table 1 below shows the last three fiscal years' outstanding debt balances at PAR Value and estimated debt balances for year-end 2022 and 2023.

Table 1

	2019	2020	2021	2022	2023E
Government	\$382,980,000	\$363,080,000	\$382,840,000	354,515,000	337,390,000
Business Type	\$372,110,000	\$353,390,000	\$370,515,000	346,860,000	327,985,000
Total Debt	\$755,090,000	\$716,470,000	\$753,355,000	\$701,375,000	\$665,375,000

Chart 1 below illustrates the outstanding debt balances at PAR Value from fiscal year 2010 to fiscal year 2021 and the estimated debt balances for year end 2022 and 2023

Chart 1.



Refunding

Through the issuance of the 2022 Bond in June, the City achieved \$1,465,240 of net present value debt service savings or approximately 9.00% of the Refunded Bonds par amount, which equates to \$220,000 annually through 2029. Table 2 below shows the annual savings from the refunding.

Table 2

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 6/3/2022
9/1/2022	1,376,250.00	935,625.00	440,625.00	385,475.00	55,150.00	49,506.98
9/1/2023	1,763,000.00	-	1,763,000.00	1,538,192.50	224,807.50	220,418.17
9/1/2024	1,766,000.00	-	1,766,000.00	1,545,580.00	220,420.00	211,028.14
9/1/2025	1,766,250.00	-	1,766,250.00	1,542,145.00	224,105.00	209,426.91
9/1/2026	1,763,750.00	-	1,763,750.00	1,543,122.50	220,627.50	201,289.35
9/1/2027	4,843,500.00	-	4,843,500.00	4,623,395.00	220,105.00	196,019.52
9/1/2028	3,431,250.00	-	3,431,250.00	3,210,582.50	220,667.50	191,397.29
9/1/2029	3,423,750.00	-	3,423,750.00	3,203,555.00	220,195.00	186,153.89
Total	20,133,750.00	935,625.00	19,198,125.00	17,592,047.50	1,606,077.50	1,465,240.25

Defeasance

Keeping in line with Council direction to reduce the debt of the City, certain legally available funds of approximately \$17,000,000 were utilized for the defeasance and redemption of the outstanding City's Public Service Tax Refunding Revenue Bonds, Series 2016. The proceeds of the Series 2016 Bonds were used to refinance the costs of various governmental buildings and facilities.

Bond Credit Ratings

The City is assigned a separate bond credit rating for each individual bond.

In FY 2021, the City requested and received ratings in conjunction with the issuance of two debt series. Fitch upgraded the Utility (Water & Sewer) Bonds from an A+ to AA- and the S&P rating increased from a AA- to AA.

In August 2021, S&P Global upgraded our Public Service Tax Bonds from an A+ to AA-.

Table 3 below illustrates the Bond Ratings for the City.

Table 3

	Fitch	Moody's	Standard & Poors
General Obligation	No rating	Aa3	AA-
Utility (Water & Sewer)	AA-	A1	AA
Stormwater	No rating	Aa3	No rating
Special Assessment	No rating	No rating	AA-
Capital Improvement	No rating	No rating	AA
Public Service Tax	No rating	No rating	AA-

Outlook

Rising interest rates, slowing U.S. economic growth, and uncertainty over inflation since the beginning of the year have created barriers to the attractiveness of new money and refunding activity. According to Hilltop Securities, the higher interest rate environment suppressed refunding activity this year on the taxable and tax-exempt side in the overall market. In addition, according to Hilltop Securities, refundings are not likely to make a comeback, especially if the Fed increases the pace at which they raise their target rate.

That being said, even "experts" can not predict the future.

Future Issues/Refunding/Defeasance

Currently, there are no new issues, refundings, or defeasances on the horizon.

City Debt

The following pages outline the type of debt, debt outstanding, and annual debt service requirements for FY 2022 and projected FY 2023 in tables 3 and 4, respectively.

CITY OF PORT ST LUCIE
TABLE 3: ANNUAL DEBT SERVICE
ANNUAL 2022 DEBT

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2022:

	10/1/2021 Beginning Balance	Principal Current Portion	Interest	Debt Service 9/30/2022	Ending Balance 9/30/2022
Governmental Activities:					
General Obligation & Refunding Bonds Series 2014	53,380,000	4,675,000	2,487,363	7,162,363	48,705,000
General Obligation & Refunding Bonds Series 2016	35,945,000	-	1,399,794	1,399,794	35,945,000
Public Service Tax Bonds, Series 2014	18,380,000	505,000	813,194	1,318,194	17,875,000
Public Service Tax Bonds, Series 2016	18,640,000	18,640,000	932,000	19,572,000	-
CRA TIF Refunding Bonds, Series 2016	24,070,000	3,770,000	1,109,250	4,879,250	20,300,000
Taxable Special Obligation Bonds, Series 2017	17,895,000	1,000,000	685,794	1,685,794	16,895,000
Taxable Special Obligation Bonds, Series 2018	50,805,000	1,565,000	2,303,653	3,868,653	49,240,000
Capital and Refunding Bonds, Series 2021	45,665,000	2,610,000	1,753,195	4,363,195	43,055,000
	264,780,000	32,765,000	11,484,243	44,249,243	232,015,000
Special Assessment District Bonds:					
Series 2003 D, East Lake Village	515,000	-	23,819	23,819	515,000
Series 2005 A, St Lucie Land Holdings	5,435,000	-	250,544	250,544	5,435,000
Series 2016, SW Annex Refunding	112,110,000	3,215,000	3,576,663	6,791,663	108,895,000
	118,060,000	3,215,000	3,851,026	7,066,026	114,845,000
Total bonds payable	382,840,000	35,980,000	15,335,269	51,315,269	346,860,000
Business-Type Activities:					
Series 2020 Stormwater Refunding Special Revenue	30,145,000	-	1,330,550	1,330,550	30,145,000
Series 2011 Stormwater Refunding Revenue Bonds	2,585,000	1,260,000	116,000	1,376,000	1,325,000
Series 2007 Utility Rfnding & Improvement Rev Bonds	56,565,000	8,265,000	2,969,663	11,234,663	48,300,000
Series 2012 Utility Rfnding Revenue Bonds (refunded 6/2022)	16,275,000	-	583,667	583,667	-
Series 2014 Utility Rfnding Revenue Bonds	26,595,000	1,590,000	1,329,750	2,919,750	25,005,000
Series 2016 Utility Rfnding Bnds(2004A-2006-2006A-2009P)	200,210,000	3,245,000	8,266,200	11,511,200	196,965,000
Series 2018 Utility Rfnding Revenue Bonds	7,505,000	280,000	360,125	640,125	7,225,000
Series 2021 Utility System Bonds	30,635,000	540,000	1,221,750	1,761,750	30,095,000
Series 2022 Utility Rfnding Revenue Bonds		295,000	90,475	385,475	15,455,000
Total bonds payable(inclusive of refunding)	370,515,000	15,475,000	16,268,180	31,743,180	354,515,000
TOTAL CITY DEBT					
	753,355,000	51,455,000	31,603,449	83,058,449	701,375,000

CITY OF PORT ST LUCIE
TABLE 4: ANNUAL DEBT SERVICE
ANNUAL 2023 DEBT PROJECTED

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2023:

	10/1/2022 Beginning Balance	Principal Current Portion	Interest	Debt Service 9/30/2023	Ending Balance 9/30/2023
Governmental Activities:					
General Obligation & Refunding Bonds Series 2014	48,705,000	4,910,000	2,253,613	7,163,613	43,795,000
General Obligation & Refunding Bonds Series 2016	35,945,000	-	1,399,794	1,399,794	35,945,000
Public Service Tax Bonds, Series 2014	17,875,000	535,000	787,944	1,322,944	17,340,000
Public Service Tax Bonds, Series 2016	-	-	-	-	-
CRA TIF Refunding Bonds, Series 2016	20,300,000	3,955,000	916,125	4,871,125	16,345,000
Taxable Special Obligation Bonds, Series 2017	16,895,000	1,025,000	657,624	1,682,624	15,870,000
Taxable Special Obligation Bonds, Series 2018	49,240,000	1,620,000	2,248,691	3,868,691	47,620,000
Capital and Refunding Bonds, Series 2021	43,055,000	2,715,000	1,783,500	4,498,500	40,340,000
	232,015,000	14,760,000	10,047,291	24,807,291	217,255,000
Special Assessment District Bonds:					
Series 2003 D, East Lake Village	515,000	515,000	23,819	538,819	-
Series 2005 A, St Lucie Land Holdings	5,435,000	330,000	250,544	580,544	5,105,000
Series 2016, SW Annex Refunding	108,895,000	3,270,000	3,520,400	6,790,400	105,625,000
	114,845,000	4,115,000	3,794,763	7,909,763	110,730,000
Total bonds payable	346,860,000	18,875,000	13,842,054	32,717,054	327,985,000
Business-Type Activities:					
Series 2020 Stormwater Refunding Special Revenue	30,145,000	-	1,330,550	1,330,550	30,145,000
Series 2011 Stormwater Refunding Revenue Bonds	1,325,000	1,325,000	53,000	1,378,000	-
Series 2007 Utility Rfnding & Improvement Rev Bonds	48,300,000	8,695,000	2,535,750	11,230,750	39,605,000
Series 2012 Utility Rfnding Revenue Bonds (refunded 6/2022)	-	-	-	-	-
Series 2014 Utility Rfnding Revenue Bonds	25,005,000	1,715,000	1,250,250	2,965,250	23,290,000
Series 2016 Utility Rfnding Bnds(2004A-2006-2006A-2009P)	196,965,000	3,370,000	8,103,950	11,473,950	193,595,000
Series 2018 Utility Rfnding Revenue Bonds	7,225,000	285,000	353,825	638,825	6,940,000
Series 2021 Utility System Bonds	30,095,000	560,000	1,200,150	1,760,150	29,535,000
Series 2022 Utility Rfnding Revenue Bonds	15,455,000	1,175,000	363,193	1,538,193	14,280,000
Total bonds payable(inclusive of refunding)	354,515,000	17,125,000	15,190,668	32,315,668	337,390,000
					-
TOTAL CITY DEBT	701,375,000	36,000,000	29,032,722	65,032,722	665,375,000

Definitions:

Defeasance or Defeased: Termination of certain rights and interests of the [bondholders](#) and of their lien on the [pledged revenues](#) or other [security](#) in accordance with the terms of the [bond contract](#) for an [issue](#) of securities. This is sometimes referred to as a “legal defeasance.” Defeasance usually occurs in connection with the [refunding](#) of an [outstanding issue](#) after provision has been made for future payment of all obligations related to the outstanding bonds, sometimes from funds provided by the [issuance](#) of a new [series of bonds](#). In some cases, particularly where the bond contract does not provide a procedure for termination of these rights, interests and lien other than through payment of all outstanding debt in full, funds deposited for future payment of the debt may make the pledged revenues available for other purposes without effecting a legal defeasance. This is sometimes referred to as an “economic defeasance” or “financial defeasance.” If for some reason the funds deposited in an economic or financial defeasance prove insufficient to make future payment of the outstanding debt, the [issuer](#) would continue to be legally obligated to make payment on such debt from the pledged revenues.

General Obligation Bond or GO Bond: Typically refers to a bond issued by a state or local government that is payable from general funds of the [issuer](#), although the precise source and priority of payment for general obligation bonds may vary considerably from issuer to issuer depending on applicable state or local law. Most general obligation bonds are said to entail the full faith and credit (and in many cases the taxing power) of the issuer, depending on applicable state or local law. General obligation bonds issued by local units of government often are payable from (and in some cases solely from) the issuer’s ad valorem taxes, while general obligation bonds issued by states often are payable from appropriations made by the state legislature.

Non-Self-Supporting Debt: Long-term indebtedness payable from property taxes and other tax sources (see tax-supported debt).

Refunding: A procedure whereby an [issuer](#) refinances [outstanding bonds](#) by issuing new [bonds](#). There are generally two major reasons for refunding: to reduce the issuer’s [interest](#) costs or to remove a burdensome or restrictive [covenant](#) imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the [debt service](#) on the outstanding bonds when due in an “advance refunding” or used to promptly (typically within 90 days) retire the outstanding bonds in a “current refunding.” The new bonds are referred to as the “[refunding bonds](#),” and the outstanding bonds being refinanced are referred to as the “[refunded bonds](#)” or the “[prior issue](#).” Generally, refunded bonds are not considered a part of the issuer’s debt because the lien of the holders of the refunded bonds, in the first instance, is on the escrowed funds, not on the originally pledged source of revenues.

Revenue Bond: A [bond](#) that is payable from a specific source of revenue. Pledged revenues may be derived from operation of the financed project, grants, or excise or other specified non-[ad-valorem taxes](#). Generally, no voter approval is required prior to [issuance](#) of such obligations. Only the revenue specified in the [bond contract](#) is required to be used for repayment of [interest](#) and [principal](#).

Special Assessment Bond: An obligation payable from revenues of a [special assessment](#).

Self-Supporting Debt: Debt that is to be repaid exclusively from specified pledged revenues.

Tax-Supported Debt: [Long-term](#) indebtedness payable from property tax revenues.

¹ Definitions per review of MSRB. <http://www.msrb.org/Glossary/Definition/ENTERPRISE-ZONE- EZ -BOND.aspx>