Debt Management

Alachua County,
Florida

DEBT MANAGEMENT

The Constitution of the State of Florida does not impose a debt limit. However, as part of the annual budget process, the Board of County Commissioners implements a comprehensive set of Financial Policies. These policies are designed to establish and document a framework for fiscal decision-making, enhancing the County's financial management. Among these policies, Debt Management stands out, providing guidance on the County's borrowing practices through various targets and ratios. These measures aim to strike a balance between the flexibility needed to secure capital and ensuring ongoing access to capital markets. Specific targets include:

- The current debt service costs without the dedicated limited ad valorem debt service shall not exceed 35% of the total General Fund.
- Debt service costs on “Direct Debt” shall not exceed 5% of total General Fund
- Debt service costs on “Direct Debt” shall not exceed 10% of total General Fund operating expenditures.
- Total net direct indebtedness shall not exceed 3% of the full valuation of taxable property in the County.
- Total net direct indebtedness shall not exceed $750 per capita.
- Per capita debt shall not exceed 5% of per capita income.

The County consults with its financial advisors and bond counsel to explore the most cost-effective financing options for all debt issuances. This adherence to prudent fiscal management has allowed the County to make several long-term infrastructure improvements for its residents.

The County currently receives a bond rating from the national bond rating organization Moody’s: “Alachua County has a very good credit position, and its Aa2 rating matches the US counties median of Aa2. Notable credit factors include a robust financial position, an extensive tax base and a healthy wealth and income profile. It also reflects a negligible debt burden and a somewhat elevated pension liability.” - Moody's Investors Service. New York: Moody's Investors Service, 19AD. Issuer Comment December 16, 2020.

FUNDING MECHANISMS FOR GOVERNMENT

The Florida Constitution does not limit the amount of ad valorem taxes a county may levy for the payment of bonds authorized by voter referendum. The County is limited by Article VII, Section 9 of the Florida Constitution, however, to a maximum levy of 10 mills per $1,000 of the assessed value of real estate and tangible personal property for county purposes other than the payment of voted bonds.

The County currently has the following major non-ad valorem revenues as follows:

- the local government half-cent sales tax,
- the communications services tax,
- the local option infrastructure surtax for community reinvestment,
- the voted fuel tax (9th ¢),
- the local option fuel tax (1-6¢),
- the county fuel tax (7th ¢),
- the constitutional fuel tax,
- the 4th cent tourist development tax,
- the 5th cent tourist development tax,
- traffic surcharge revenues, and

Many of the non-ad valorem revenues discussed here are limited in terms of use. For example, the county fuel tax and local option fuel tax are limited to transportation and road improvement related costs, including debt service payments on transportation bonds; the 4th and 5th cents of the tourist development tax are limited to capital construction and maintenance of tourist-related facilities such as convention centers, sports arenas, and stadiums. The primary, unrestricted direct revenue sources available as security for a non-ad valorem/non-enterprise bond issue are the local government half-cent sales tax, the communication services tax, and the constitutional fuel tax.

There are various mechanisms for government borrowing, either long-term or short-term, and they can be repaid through tax revenues, user fees, or special assessments.

LONG-TERM DEBT is a commonly used means of financing large capital assets such as infrastructure, buildings, and large pieces of equipment. By spreading out the debt payments over many years, local governments can also smooth out their expenses and create a more predictable cash flow.

SHORT-TERM DEBT can be used to cover a temporary cash-flow deficit or provide for an interim method of financing until long-term borrowing has been secured.

GENERAL OBLIGATION (GO) DEBT is secured by the full faith and credit of the government issuing the debt. The County pledges its tax revenues unconditionally to pay the interest and principal on the debt as it matures. If the debt is in the form of a bond, the bond owners have a legal claim on all the general income of the jurisdiction if a default occurs.

REVENUE DEBT relies on a pledge of specific revenue generated by the issuer for repayment.

SPECIAL ASSESSMENT DEBT is debt repaid from assessments against those who directly benefit from the project the funds have been used to finance.

DEBT LIMITATION is total current debt service on “Direct Debt” less any dedicated limited ad valorem debt service measured as a percent of the current total General Fund revenue less any General Fund ad valorem revenue.

BOND RATING

“Alachua County has a very good credit position, and its Aa2 rating matches the US counties median of Aa2. Notable credit factors include a robust financial position, an extensive tax base and a healthy wealth and income profile. It also reflects a negligible debt burden and a somewhat elevated pension liability.” - Moody's Investors Service. New York: Moody's Investors Service, 19AD. Issuer Comment December 16, 2020.

DEBT - 12 Obligations totaling $127,052,604.

SUMMARY OF RECENT AND FUTURE DEBT ISSUANCES

DEBT ISSUANCES

On August 24, 2023, the County issued an $8,000,000 Capital Improvement Revenue Note pledging non-ad valorem revenues for the purpose of funding capital improvements for purchase and renovation of the armory for emergency operations and Fire Rescue /EMS Administration approved by the Board of County Commissioners on August 22, 2023 - Resolution Number 2023-59.

On October 20, 2022, the County issued an $34,000,000 Capital Improvement Revenue Note pledging non-ad valorem revenues for the purpose of funding capital improvements in the amount of $34,000,000 for the purpose of construction of two Fire Stations and Court Service Buildings approved by the Board of County Commissioners on October 11, 2022 - Resolution Number 2022-94.

On August 31, 2021 the County issued its Series 2021A and 2021B Tourist Development Tax Revenue Note in the amount of $30,000,000. The 2021A and 2021 B Bonds were issued in order to fund the Sports Event Center building project. approved by the Board of County Commissioners on August 24, 2021 - Resolution Number 2021-99.

On August 27, 2020 the County issued its Series 2020A Bond in the amount of $3,750,000 and 2020B Bond in the amount of 4,400,000 in Capital Revenue Bonds to construct the Medical Examiner Building and the Tax Collector Building approved by the Board of County Commissioners on August 25, 2020 - Resolution Number 2020-89.

On September 24, 2020 the County issued its Series 2020C Bond in the amount of $12,500,000 in Capital Revenue Bonds to construct the Agricultural and Equestrian Center approved by the Board of County Commissioners on September 22, 2020 - Resolution Number 2020-102.

On August 14, 2018 the County issued its Series 2018 Bond in the amount of $13,200,000 in Gas Tax Revenue Bonds to funding certain improvements to the County's Transportation System approved by the Board of County Commissioners on August 14, 2018 - Resolution Number 2018-53.

On January 12, 2017 the County issued its Series 2017 Bond in the amount of $2,120,000 in Public Revenue Note to construct two fire stations approved by the Board of County Commissioners on January 10, 2017 - Resolution Number 17-01.

On May 4, 2016 the County issued $24,430,000 its Series 2016 Bond Refunding of Notes Series 2007A and 2007B public improvement revenue bonds approved by the Board of County Commissioners on April 26, 2016 - Resolution Number 16-48.

On April 23, 2015 the County issued $3,800,000, its Series 2015A Revenue Bond in order to construct the Public Defender building approved by the Board of County Commissioners on April 14, 2015 - Resolution Number 15-35.

On April 23, 2015 the County issued $12,637,000, its Series 2015B Bond in order to refund the county's Sales Tax Revenue Bond Series 2007A approved by the Board of County Commissioners on April 14, 2015 - Resolution Number 15-36.

On September 12, 2014 the County issued $9,900,000, its Series 2014 Revenue Bond in order to acquire Building at 515 N. Main, new fire station, new rescue station, HVAC system for Criminal Courthouse, and ERP financial software, approved by the Board of County Commissioners on April 14, 2015 - Resolution Number 14-81.

PLANNED FUTURE DEBT ISSUANCES

In 2025, the County intends to issue in capital revenue bonds rate-backed debt for the purpose of the following projects:

Animal Resources Building: The issuance of debt for the new Animal Resources Building is a strategic investment aimed at enhancing the county's animal care infrastructure. This project is essential to meet the growing demand for animal services, provide better facilities for the care and shelter of animals, and ensure compliance with modern standards for animal welfare.

The debt issuance will fund the construction of a state-of-the-art Animal Services Building, which will include advanced veterinary facilities, increased capacity for housing animals, and dedicated spaces for community education and outreach programs. This project is designed to improve the efficiency and effectiveness of animal services in the county, ultimately leading to better outcomes for both animals and residents.

Warehouse: Facility will serve as a centralized hub for storing essential equipment, supplies, and emergency resources, ensuring quicker and more organized distribution throughout the county. By consolidating storage and logistical operations under one roof, the county anticipates significant cost savings, improved inventory management, and increased responsiveness to community needs. This purchase underscores the county's commitment to proactive infrastructure development and resource management, ultimately aiming to better serve its residents and support ongoing municipal projects.

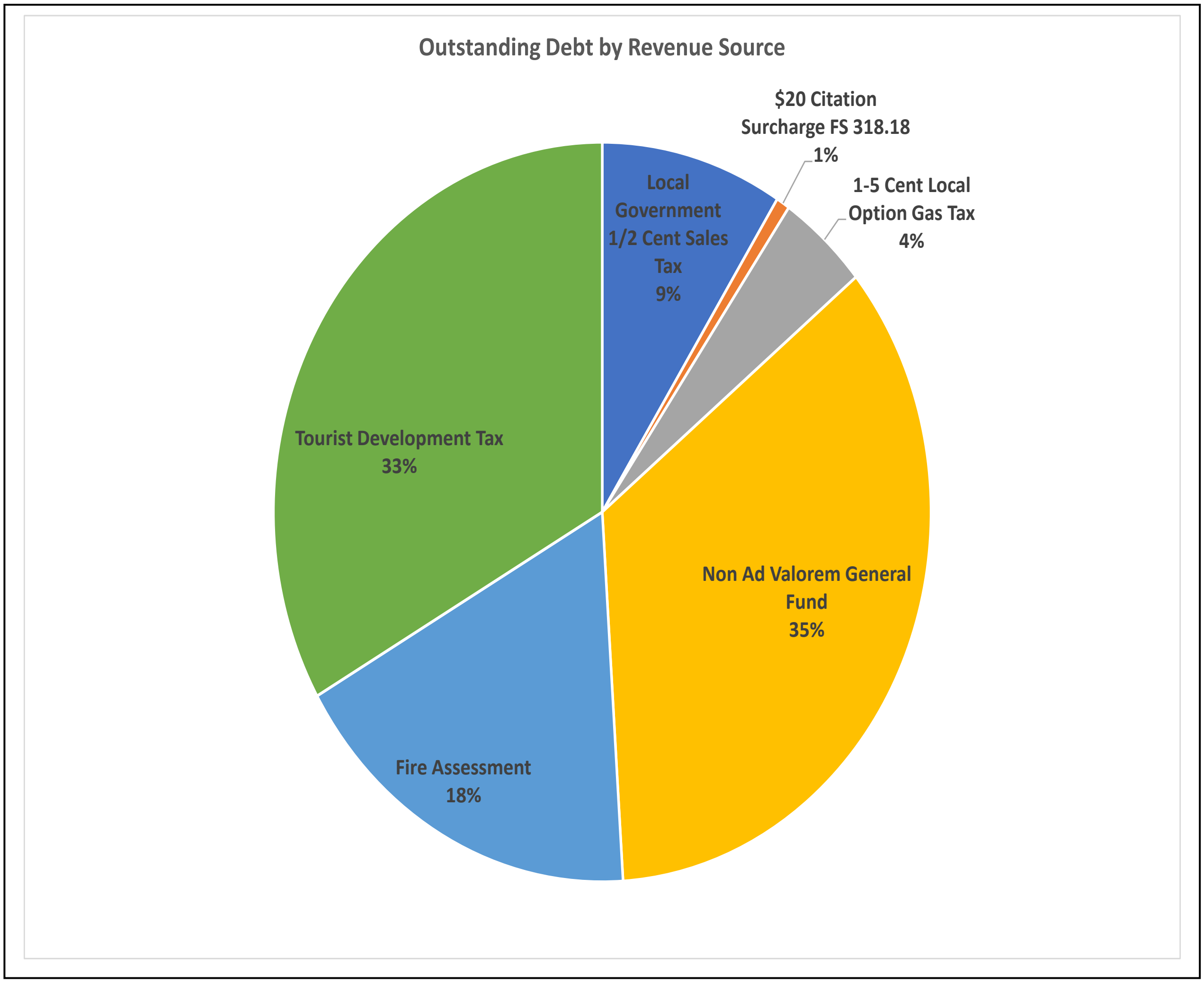
Fire Training Tower: The certified fire training tower will enhance our ability to provide comprehensive certifications and education, offering a wider range of fire-based and Urban Search and Rescue (USAR) courses at no extra cost to staff. As multi-use high-rise buildings increase in Gainesville and Alachua County, this facility ensures our readiness for such emergencies. It addresses recruitment and retention challenges by enabling internal certification and the establishment of our own Fire Academy, reducing sponsorship costs for external training.

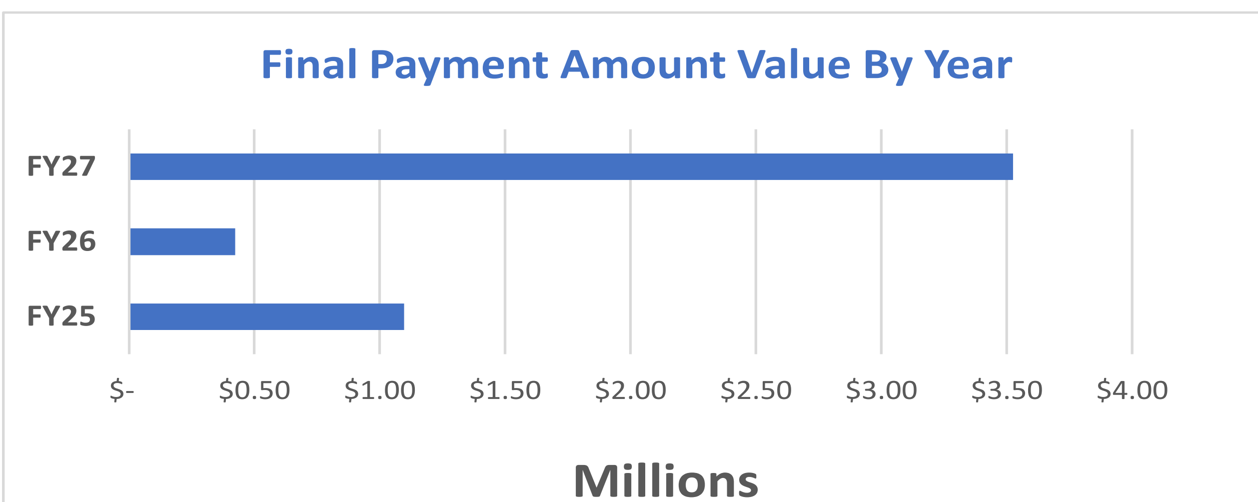
Vehicle Replacements: Issuing debt for capital vehicle replacements is a strategic investment to ensure the county's fleet remains reliable, efficient, and safe. This debt issuance will fund the procurement of new vehicles allowing for the county to place orders in a timely fashion. By updating our fleet, we can enhance operational efficiency, reduce maintenance costs, and improve service delivery across various county departments, including emergency services, public works, and transportation. This continued proactive approach to fleet management ensures we meet the needs of our community effectively while maintaining fiscal responsibility through structured, long-term repayment plans.

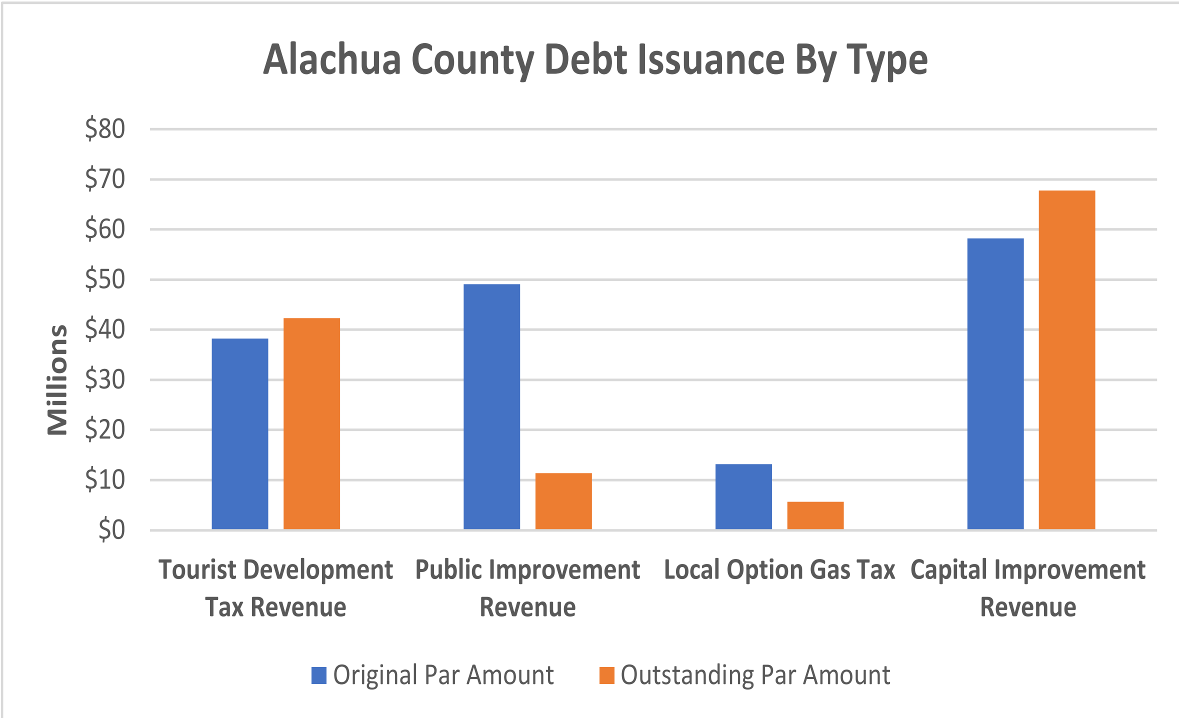
CONCLUSION

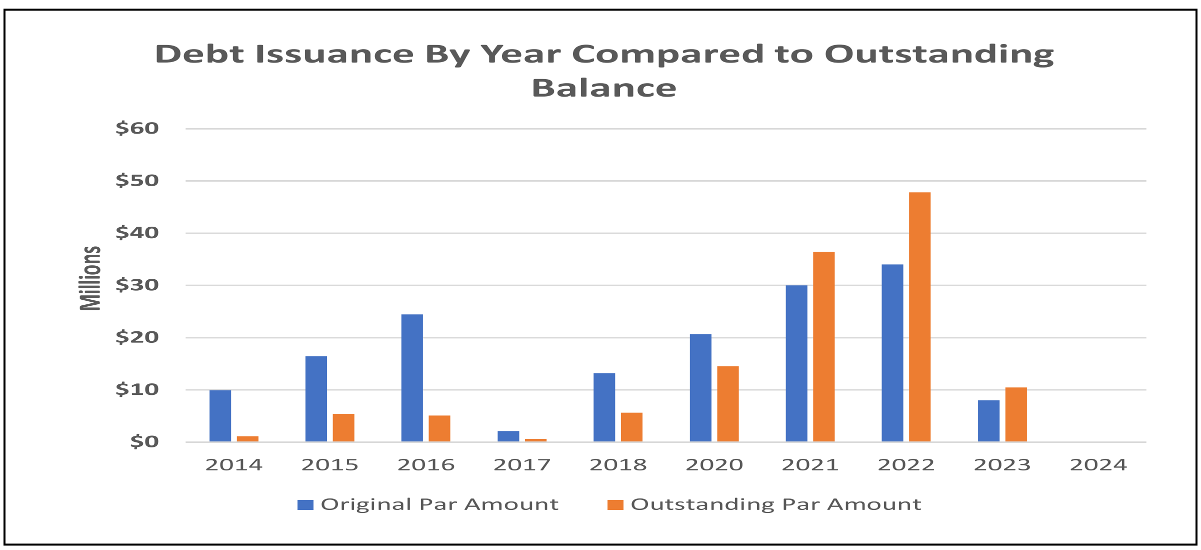
The County actively and aggressively monitors market opportunities to refinance, defease or redeem its outstanding debt to achieve lower debt service costs. When legally and economically feasible, lower interest rate debt or available reserves will be issued to pay off higher interest rate debt.

In summary, as confirmed by its credit ratings, the County’s financial condition is characterized by strong debt service coverage from pledged revenue, a broad and varied local economy, and strong financial management.


Outstanding Debt by Revenue Source
$20 Citation Surcharge FS 318.18 1%
Local Government 1/2 Cent Sales Tax 9%
1-5 Cent Local Option Gas Tax 4%
Tourist Development Tax 33%
Non Ad Valorem General Fund 35%
Fire Assessment 18%


Final Payment Amount Value By Year
FY27
FY26
FY25
$-
$0.50
$1.00
$1.50
$2.00
$2.50
$3.00
$3.50
$4.00
Millions





The following chart is a detailed schedule of the county's existing debt, including the following information:

- Project Associated with the Debt
- Pledged Funding Source
- County Fund Number Assigned to the Project
- Original Amount Borrowed
- Interest Rate Charged
- Annual Payments for Interest and Principal from FY25 to FY30
- "Thereafter" Column: Cumulative amount for payments beyond FY30
- "Total" Column: Full principal and interest for each issuance