



Debt Management Policy – 1st Reading

City of North Port, Florida



October 22, 2024

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Outline

- I. Debt Management Policy Objectives
- II. Updates from September 2024 Draft Policy
- III. Debt Affordability Measures



I. Debt Management Policy Objectives



Debt Management Policy Defined

- ◆ Written procedures to guide debt evaluation and administration, which mirror the GFOA's recommended best practices
- ◆ Designed to improve decision making, reinforce policy objectives, provide structuring parameters and demonstrate the city's commitment to long-term capital planning
- ◆ Recognized as a credit strength by ratings analysis, banks and investors
- ◆ A well managed debt portfolio provides assurances that payments will be made in a timely manner and compliance requirements will be met
- ◆ Over time and based on economic conditions and city needs, the policy will be reviewed and updated



Debt Management Policy Objectives

- ◆ Ensure Fiscal Sustainability
- ◆ Evaluate Debt Affordability
- ◆ Promote Transparency, Accountability and Reporting Compliance
- ◆ Structure Debt Efficiently
- ◆ Utilize Appropriate Debt Instruments
- ◆ Preserve and Enhance Creditworthiness and Investor Confidence
- ◆ Support Capital Improvement Projects
- ◆ Ensure Legal and Regulatory Compliance



II. Updates from September 2024 Draft Policy



Summary of Policy Changes

◆ Debt Affordability Metrics

- In addition to overall debt, include metrics that apply on a per-fund basis

◆ Debt Finance Committee

- Rename Debt Management Advisory Committee
- Remove elected officials from committee participation

◆ Debt Evaluation Report

- Specifically require this report to be presented to Commission at a public meeting



III. Debt Affordability Measures



Governmental Fund – Debt Affordability Measures*

- ◆ The city will examine statistical measures and compare certain ratios to cities of comparable size and historical ratios, to include data related to:
 - Economy
 - Financial Performance
 - Leverage
- ◆ Specific measures will be tracked over time and presented in the Debt Evaluation Report to ensure policy targets are being met include:
 - Debt Per Capita
 - Debt to Taxable Assessed Value
 - Debt Service Payments as a % of Net Operating Revenue

** Debt Affordability Measurements will not be applicable to debt issued in connection with an emergency response*



Governmental Fund - Debt Affordability Measures*

- ◆ Specific measures will be tracked over time and presented in the Debt Evaluation Report to ensure policy targets are being met include:
 - Debt Per Capita
 - Target of \$2,500 or less
 - Debt to Taxable Assessed Value
 - Target of 2.50% or less
 - Debt Service Payments as a % of Net Operating Revenue
 - Target of 15.00% or less

** Debt Affordability Measurements will not be applicable to debt issued in connection with an emergency response*



North Port's Historical Debt Affordability Metrics – Gov. Fund

| Target = or | < \$2,500 | < 2.50% | < 15.00% |
|-------------|-----------------|-------------|--|
| | Debt Per Capita | Debt to TAV | Debt Service as a % of Net Operating Revenue |
| 2014 | 712 | 1.77% | 8.50% |
| 2015 | 712 | 1.68% | 8.36% |
| 2016 | 644 | 1.44% | 7.69% |
| 2017 | 577 | 1.19% | 7.26% |
| 2018 | 634 | 1.03% | 7.03% |
| 2019 | 469 | 0.82% | 6.78% |
| 2020 | 443 | 0.74% | 8.02% |
| 2021 | 416 | 0.63% | 5.42% |
| 2022 | 380 | 0.54% | 4.75% |
| 2023 | 340 | 0.40% | 3.16% |
| 2024 | 313 | 0.32% | 2.92% |
| 2025* | 880 | 0.91% | 4.94% |

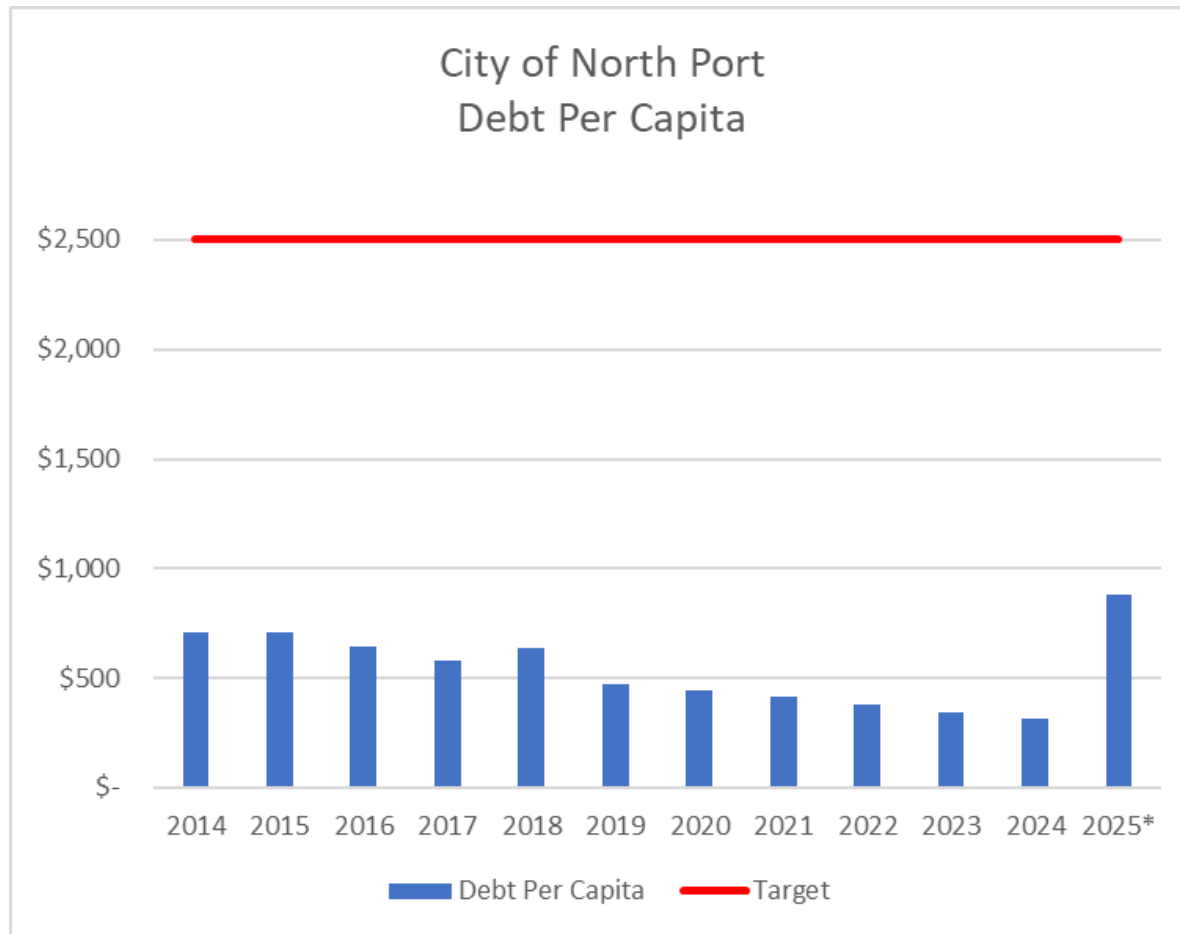
* Includes Series 2024 - Price Ave

| Current Capacity | 145,000,000 | 137,000,000 | 172,000,000 |
|------------------|-------------|-------------|-------------|
|------------------|-------------|-------------|-------------|

Source: Internal North Port Data



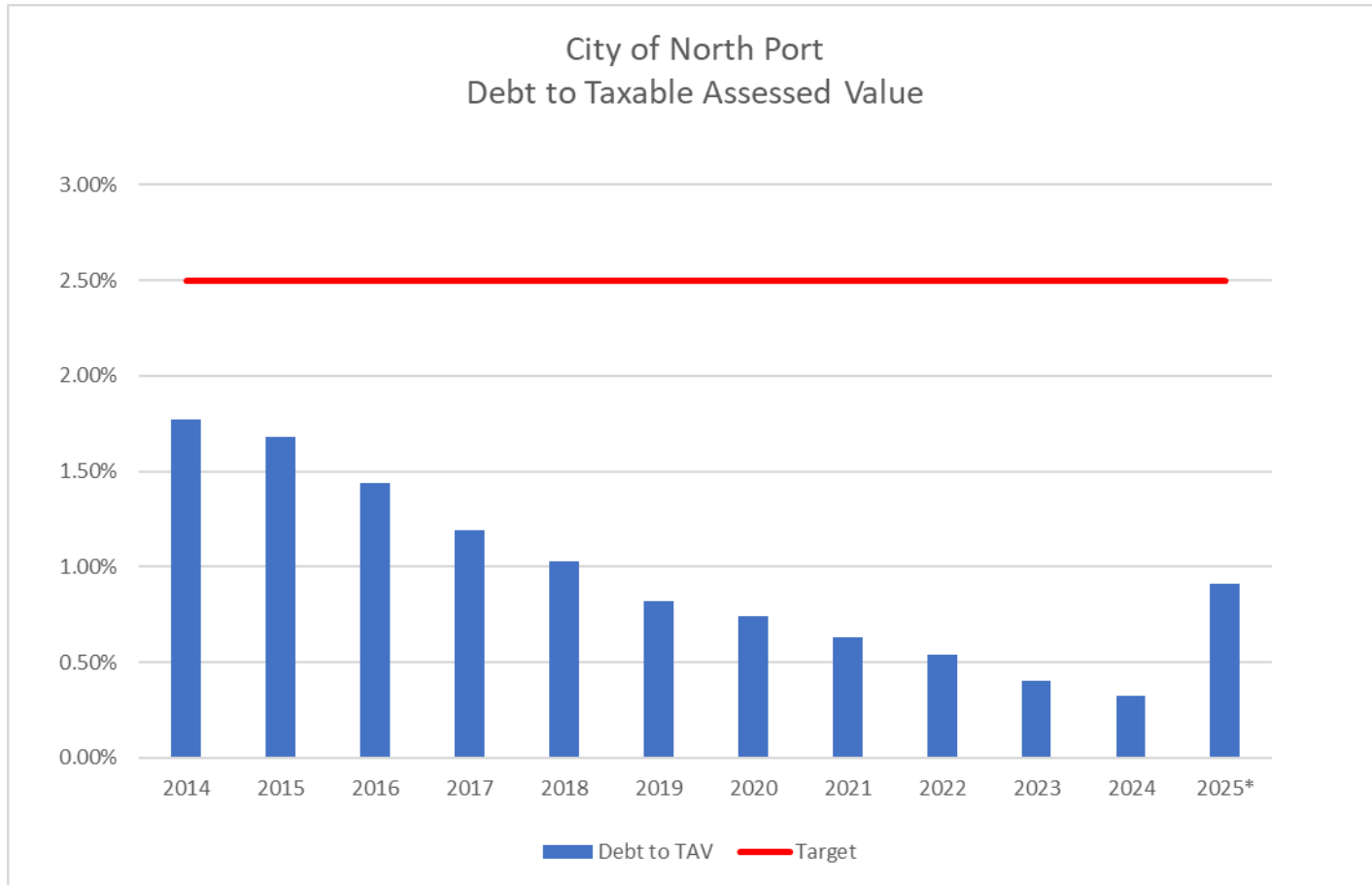
Governmental Fund Historical Trend – Debt Per Capita



*Includes Series 2024 – Price Ave



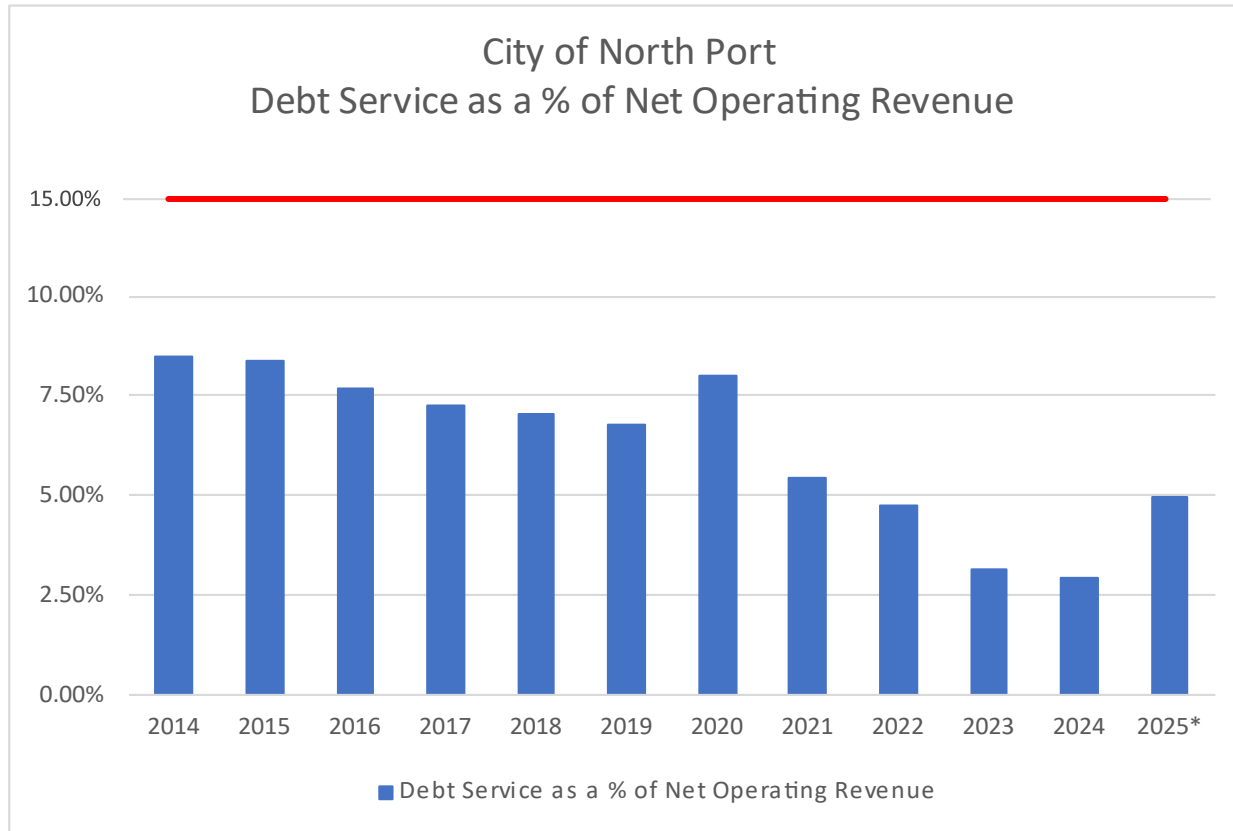
Governmental Fund Historical Trend – Debt to TAV



*Includes Series 2024 – Price Ave



Governmental Fund – Debt Service as a % of Net Operating Revenue



*Includes Series 2024 – Price Ave



Fund Specific - Debt Affordability Measures*

- ◆ In addition to the measurements tracked for the Governmental Activities Fund, the following Debt Affordability Measures specific to the various funds will be tracked over time and presented in the Debt Evaluation report:
 - General Fund
 - Debt Service Coverage Target of 3.00x or more
 - Special District or Other Special Revenue Funds
 - Debt Service Coverage Target of 2.00x or more
 - Surtax or other Capital Projects Funds
 - Debt Service Coverage Target of 2.00x or more
 - Utilities or Proprietary Funds
 - Days of Cash on Hand Target of at least 150 days
 - Net Operating Revenue Debt Service Coverage Target of at 1.20x or more

** Debt Affordability Measurements will not be applicable to debt issued in connection with an emergency response*



Fund Specific - Debt Affordability Measures

- No debt is currently secured by the General Fund
- Special District or Special Revenue Funds for Road and Drainage District include the Debt Service Fund for the Transportation Improvement Note, which collects the special assessments. Other districts do not have any debt secured to provide the metrics
- Surtax or Capital Revenues will secure the City’s upcoming Infrastructure Sales Surtax Revenue Bonds, Series 2024
- The Utilities have two outstanding notes used to finance improvements to the wastewater treatment system

| | General Fund | Special District or Special Revenue | Capital Projects or Surtax | Utilities and Enterprise |
|-------------|-------------------------------|---|--|--------------------------|
| Target = or | >3.00x | >2.00x | >2.00x | >1.20x |
| | Operating Revenue DS Coverage | Operating Revenue DS Coverage (Road & Drainage) | Operating Revenue DS Coverage (Surtax) | Net Revenue DS Coverage |
| 2023 | N/A | 9.42x | N/A | 5.67x |
| 2024 | N/A | 11.53x | N/A | 6.47x |
| 2025 | N/A | 12.73x | 3.62x | 4.20x |

*Includes Series 2024 – Price Ave



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