



City of Margate, Florida

Commission Workshop

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Common Financing Methods

- Bonds benefitting multiple projects with an overall benefit to the City as a whole are generally issued in three forms:
- General Obligation (GO) Bonds:
 - Issued under the full taxing power of a municipality (not limited to ad valorem)
 - Requires voter referendum
- Ad Valorem Bonds:
 - Issued under the full *ad valorem taxing power* of a municipality
 - A municipality must set ad valorem taxes in order to meet bond debt service requirements
 - Requires voter referendum
- Revenue Bonds:
 - Issued to fund a specific purpose and repayment from a specific, Non-ad Valorem, revenue stream, or covenant to budget and appropriate non ad valorem revenues.



Funding Capital Projects

- The City has several alternatives for securing funding for capital projects, including:
 - Property Taxes – Requires voter approval through bond referendum
 - Utility Taxes
 - Franchise Fees
 - Communications Service Taxes
 - Half Cent Sales Tax and/or Gas Taxes – Typically restricted for road and transportation projects
 - Impact Fees – Typically associated with the impacted area(s)
- Specific bonding capacity for each of these revenue sources is dependent on actual revenues received over the last 2-3 years, uses of revenues, revenue trends, security, and other credit considerations
- In addition, the City has several options to secure financing, including:
 - Publicly offered bonds
 - Privately Placed bank note
 - Pooled financing programs
 - Public-Private partnerships



General Obligation Bonds in Greater Detail

- ◆ General Obligation (“GO”) Bonds are a financing mechanism to fund improvements immediately
- ◆ Bonds are backed by the full faith and credit of the issuing municipality
- ◆ Repaid through the imposition of a dedicated debt service millage levy (Ad Valorem tax)
 - *The debt service millage is not included in a City’s statutory millage cap*
- ◆ Historically one of the most credit-worthy financing structures available
- ◆ Projects financed with GO Bonds typically have broad community benefits, such as parks, police/fire facilities, or bridge and street related projects
- ◆ A city-wide voter referendum is required prior to the issuance of GO Bonds



Types of Projects and Referendum Question Classifications

- ◆ Florida statutes require that bond referendum questions are divided according to type
- ◆ All projects typically cannot be included in a single question
- ◆ Examples of Project Classifications include:
 - Public Safety Projects
 - Improvements to Police, Fire, Emergency management, or other items essential to public safety
 - Streets, Sidewalks, Bridges, and Streetscaping Projects
 - Improvements to Streets, Sidewalks, Bridges, related Utilities
 - Park, Recreational, and Leisure Projects
 - Improvements, Expansion, or Creation of/to general purpose parks, specific recreational parks, and other leisure facilities for City-wide use
- ◆ Each classification requires a separate ballot question, such that voters may approve certain but not necessarily all



Outline of Steps Required for Issuance of General Obligation Bonds

1. **Develop Project List and Estimate Financial Impacts:** Commission, Administration, and Community stakeholders participate in developing the project list; Quantify preliminary millage estimates
2. **Begin educational outreach program:** Inform citizens of potential projects and receive feedback (may include workshops)
3. **Finalize project list:** City Commission finalizes the project list based on initial steps
4. **Authorizing Resolution:** Commission directs City administration to proceed, City Attorney and Bond Counsel draft resolution authorizing bond referendum
5. **City Commission Meeting:** Approves and adopts the resolution and specifies the ballot question(s). Includes scope of projects, ballot language, and referendum date
6. **Required Notices Begin:** City Clerk informs County of intent to have referendum (90 day min notice), City Clerk publishes weekly notices of bond referendum beginning five (5) weeks in advance, with a final notice one day prior to referendum date.

GENERAL OBLIGATION BOND REFERENDUM DATE

7. Clerk performs canvas of referendum results
8. City Commission accepts results of the referendum at regularly scheduled Commission meeting
9. Bond Counsel prepares draft Bond Documents (Ordinance, Resolution) for bond validation. Requires two (2) readings at regularly scheduled City Commission meetings
10. File Referendum Validation, City Clerk publishes certain notices, Validation hearing, 30-day appeal, Validation complete
11. Secure Financing: Seek credit ratings, finalize bond structure, notice bond sale, issue bonds, receive funds



General Obligation or Ad Valorem Bonds – Conceptual Estimates

- Based on the City's taxable value provided by the BCPA, the following estimates are being provided to offer the City with an estimate of the approximate debt service millage required, depending on the amount funded
- Average annual home value and the City's taxable value for 2017 were found in the City's 2018 Budget

City of Margate - Capital Financing Assumptions	
City of Margate Taxable Assessed Value	
2017 Taxable Value	\$ 2,869,640,091
Average Home Value	139,146
- Homestead Exemption	50,000
Adjusted Average Home Value	89,146
Budgeted Millage Assumptions	
95% of Taxable Value	\$ 2,726,158,086
Value of 1 mill @ 95%	2,726,158
Financing Assumptions	
Financing Term (years)	30
Estimated Interest Cost	5.00%

Amount Funded:	\$20 million	\$40 million	\$60 million
Annual Debt Service	\$1,300,000	\$2,600,000	\$3,900,000
Millage Required	0.48	0.95	1.43
\$ Impact to Average Homeowner (annual)	\$42.51	\$85.02	\$127.53