

Debt



Mission Statement:

Serving Orlando with innovation, responsiveness, knowledge, courtesy and professionalism.

Department Identifier:

- Executive Offices
- Economic Development
- Families, Parks & Recreation
- Finance
- Fire
- General Administration
- Housing
- Mgmt., Budget & Accounting
- Police
- Public Works

Table of Contents

Debt Service Overview	2
Rating Agency Analysis	3
Description of Debt Outstanding	5
Bond Issues and Loans Outstanding	8
Summary of Debt Service Requirements to Maturity	10

Debt

DEBT SERVICE OVERVIEW

A comprehensive debt plan is imperative for all jurisdictions that issue debt. The provisions of a debt plan should balance the necessity of a jurisdiction borrowing funds to provide capital facilities and infrastructure today, while being conscious of the operating impact of those borrowings on future years.

As the City addresses its needs at any one period in time, the Mayor and City Council must be prepared to ensure the flexibility of this and future generations of elected officials to meet the then present needs and challenges which face the community. Since neither State law nor the City Charter provide any fixed or arbitrary limits on the amount of debt which may be incurred (other than the requirement to have General Obligation debt approved in advance by referendum), the City Council has approved by policy the following targets to ensure future flexibility.

	<u>Target</u>	<u>9/30/2002</u>	<u>9/30/2003</u>
General Government Debt as a Percentage of Non-Ad Valorem General Fund Expenditures			
Debt Limit (within the covenant program limit)	20% max		
Goal / Target	10% max	7.4%	6.6%
Weighted Average Maturity of Debt Program(s):			
Self Supporting	15 yr max	8.5	7.9
Non-Self Supporting	12 yr max	5.6	5.5
General Government Direct Debt per Capita	\$850 max	\$536	\$488
Net Direct Debt as a Percentage of Ad Valorem Property Values			
General Government	2.5% max	0.9%	0.8%
Total Tax Supported	3.5% max	2.1%	1.9%
General Fund Reserve as a Percentage of the Current Year's Operating Budget	10% min	26.9%	27.7%

While the City currently operates well within these targets, it is appropriate to use these various common measures of debt burden as a means of setting parameters for the City's overall Debt Management Program.

The complete debt policy for the City of Orlando is included in Section III of this document.

Additional information on the City of Orlando's debt program can be found in the Bond Disclosure documents and Comprehensive Annual Reports located at: www.cityoforlando.net/admin/accounting/reports.htm.

Debt

RATING AGENCY ANALYSIS

Rating agencies provide an independent assessment of the relative credit worthiness of a municipal security. These agencies provide a letter grade that conveys their assessment of the ability of the borrower to repay the debt. These ratings are also a factor that is considered by the municipal bond market when determining the cost of borrowed funds (interest rate).

There are three nationally recognized rating agencies - Moody's Investor Services, Standard and Poor's Corporation, and Fitch Ratings. There are five primary factors these agencies consider when evaluating a proposed debt offering:

- Economic Environment (trend information / revenue to support debt)
- Debt History (previous offerings and debt position)
- Administration (management qualities and organizational structure)
- Financial Performance (current operations and history)
- Debt Management (debt policies and long-term planning)

Each of the agencies use a different system to rate debt. The table below provides a comparison of their rating systems:

Explanation of Bond Ratings

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
Premium Quality	Aaa	AAA	AAA
High Quality	Aa	AA	AA
Medium Quality	A	A	A
Medium Grade, Lower Quality	Baa	BBB	BBB
Predominantly Speculative	Ba	BB	BB
Speculative, Low Grade	B	B	B
Poor to Default	Caa	CCC	CCC
Highest Speculation	Ca	CC	CC
Lowest Quality	C	C	C
In Default or Arrears		DDD	DDD
Questionable Value		DD, D	DD, D

Note: Fitch and Standard and Poor's may use a "+" or "-" to modify ratings; Moody's may use a numerical modifier, with "1" being the highest.

Debt

RATING AGENCY ANALYSIS

The most recent debt of the City of Orlando has been rated by each of the rating agencies. The ratings assigned to this debt reflect the market's recognition of its high quality. The following table summarizes the most recent rating:

City of Orlando Debt Ratings

	<u>Standard</u>		
	<u>Moody's</u>	<u>and Poor's</u>	<u>Fitch</u>
Capital Improvement Special Revenue Bonds, Series 2002	Aa3	AA-	AA

In addition to long-term debt, the rating agencies also evaluate short-term debt issuances, such as commercial paper programs. The City will use this type of borrowing as a cash-flow mechanism until long-term debt is issued, or to fund projects when there is a short payback period on the debt. The table below compares their rating systems:

Explanation of Short-Term Ratings

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
Highest Credit Quality	VMIG1	A1	F1
Good Credit Quality	VMIG2; VMIG3	A2	F2
Fair Credit Quality	VMIG4	A3	F3
Speculative	SG	B	B
High Default		C	C
Default		D	D

The City of Orlando's short-term debt has been rated similarly to its long-term debt as high quality. The table below contains the most recent grades assigned to the City's short-term debt:

City of Orlando Debt Ratings

	<u>Standard</u>		
	<u>Moody's</u>	<u>and Poor's</u>	<u>Fitch</u>
Capital Improvement Commercial Paper Notes, 1994 Series A	VMIG1	A1+	F1+

Additional information on the debt rating process can be obtained from the each of the rating agencies at:

Moody's	www.moody.com
Standard and Poor's	www.standardandpoors.com
Fitch	www.fitchibca.com

Debt

DESCRIPTION OF DEBT OUTSTANDING

The following lists the City's debt obligations and commitments as of September 30, 2004.

Primary Government:**Proprietary Funds:****Wastewater System Revenue Bonds Program**

The Senior Bonds provided for an independent determination of the expansion and improvement portion of the construction, which was financed from impact fees (including the debt service component of the new customer capacity charges and present customer capacity charges, respectively). The revenue stream order of pledge and backup support is (1) system revenues backup the impact fees (related to the expansion portion of any series of bonds) and (2) the utilities services tax revenues backup the system revenues. The flow of funds provide for a repayment of any backup draws required if and when the related revenues become available.

Parking Revenue Bonds:**Parking System Revenue Bonds (Series 1994) Program**

The City operates 8,380 parking spaces as either system spaces, non-system spaces or City spaces. The non-system spaces are when a third party (a business, another government, a church, etc.) has provided for the initial capital related to their spaces and pays a proportionate share of the annual operating cost. The City spaces were partially funded with federal grants and any profit derived from their operation must be used for downtown transportation purposes. The Parking System also has a junior lien obligation to provide partial subsidy for the Lymmo project (free Downtown transit).

The City pledges the net parking system revenue (after eliminating the non-system space and City space activity) and the net parking fine revenue to the parking system bonds. Additionally, the City has a limited, secondary commitment of \$1,500,000 from occupational license revenue. This secondary commitment can be eliminated at any time by meeting an extraordinary 150% debt service coverage test for two consecutive fiscal years.

General Long-Term Debt Bonds:**Downtown CRA District****CRA Revenue Bonds Program**

The property tax increment received by the CRA on property within the downtown Community Re-development area is pledged to secure the outstanding bonds of these issues. The operating cost of the CRA and other capital projects may be financed out of the excess, after the debt service is provided. Additional bonds may be issued only after a parity test of 125% has been met, given retrospective consideration to the assessed value and related millage rates (and thus the revised increment) for the new year. The CRA has incurred an additional junior lien obligation for the Arena projects and any additional debt incurred would have to be addressed in addition to this obligation.

Republic Drive CRA District**Republic Drive Tax Increment Financing Revenue Bonds (Series 2002)**

The \$45,620,000 Republic Drive (Universal Studios Boulevard) Tax Increment Revenue Bonds financed an I-4 interchange. During 2001/2002 the CRA refinanced the Republic Drive Special Assessment Bonds as contemplated in the Cooperative Agreement with the Developer. The fixed rate bonds mature in 2025 and no additional bonds are contemplated.

Mission Statement:

Serving Orlando with innovation, responsiveness, knowledge, courtesy and professionalism.

Department Identifier:

Executive Offices
Economic Development
Families, Parks & Recreation
Finance
Fire
General Administration
Housing
Mgmt., Budget & Accounting
Police
Public Works

Debt

DESCRIPTION OF DEBT OUTSTANDING

Conroy Road CRA District

Conroy Road Special Assessment Bonds (Series 1998)

The \$28,010,000 and \$4,830,000 series A & B Conroy Road Special Assessment Bonds were issued December 9, 1998. The Series B bonds provide three years of capitalized interest and are expected (assuming the developer's forecasted development time line) to be repaid from either paid/or pre-paid transportation impact fees. If and/or when the tax increment revenue available within the district meets historic coverage levels of 160% for three years the City may elect to either release the special assessment obligation portion of the pledge or refund the bonds. In either circumstance, the special assessment lien on the property would be released.

While the Developer has an inherent risk of having to pay debt service (by special assessment) on both the Series A and B bonds (after the 3 year capitalized interest period), the amount, and term of that risk are inversely related to the desire to encourage and accelerate development on the site.

Component Unit:

Civic Facilities Authority (CFA) Revenue Bonds (Series 1973)

This issue, dated April 1, 1973, totaled \$4,200,000 and was used to finance the expansion and renovation of the Tangerine Bowl (now called the Florida Citrus Bowl). The gross revenues resulting from the operation of the CFA's facilities are pledged to secure these outstanding bonds. The County has agreed to fund a portion (\$200,000 annually) of the CFA's debt service requirements. In addition, the City has agreed to fund the difference between the CFA's revenues and total debt service and operating requirements. While these bonds are outstanding, the CFA must maintain rates, fees and rentals so as to provide sufficient revenues (along with the pledged revenues from the City and the County) to fund all costs of operations, 115% of each year's debt service requirement and 100% of all reserve or other payments provided for in the bond resolution. In addition, the CFA cannot grant any franchise or permit any entity to establish similar services within the County.

Guaranteed Entitlement Revenue Bonds (Series 1976)

The CFA is liable to the City for all amounts paid for principal and interest as required by this issue as a result of the operation and management agreement. The guaranteed entitlement portion of State Revenue Sharing Funds and other legally available non-ad valorem tax funds of the City are pledged to secure these outstanding bonds.

Internal Loan Fund:

During 1986/1987, the City created the Internal Loan Fund to provide interim or longer-term financing to other funds. The financing for the Fund's loan activities was provided through non-revenue specific and non-project specific loans from the Sunshine State Governmental Financing Commission, the Capital Improvement Revenue Bonds, and the Covenant Commercial Paper Program. The loan documents, between the Internal Loan Fund and the various recipient funds, set forth expectations for project use, principal amortization, if appropriate, and revenue source(s) for repayment.

Each of the amortizing loans is structured assuming a seven percent level debt service principal repayment. The following descriptions summarize the major individual loans (in excess of \$3,000,000 outstanding) with a brief explanation of the project:

Mission Statement:

Serving Orlando with innovation, responsiveness, knowledge, courtesy and professionalism.

Department Identifier:

- Executive Offices
- Economic Development
- Families, Parks & Recreation
- Finance
- Fire
- General Administration
- Housing
- Mgmt., Budget & Accounting
- Police
- Public Works

Debt

DESCRIPTION OF DEBT OUTSTANDING

Arena Loans

The original \$25,200,000 loan is being amortized over a 20-year period and will be repaid from operations and annual contributions, if required, from the General Fund.

City Hall Loans

The \$36,000,000 City Hall officially opened in April, 1992. The loan is being amortized over 20 years.

City Hall Garage Loans

The loan provides for the City's share of the construction of the joint City/CNL garage (the City owns 40%). This loan will be amortized over 15 years.

CRA Market-Rate Housing

Of the anticipated \$13,000,000 Downtown market-rate housing incentives, \$11,045,000 has been loaned to date.

CRA Parramore Housing/Office Complex

Of the anticipated \$12,500,000 Parramore area housing/office complex incentives, \$11,990,000 has been loaned to date.

Hotel Incentive Related Special Assessment Loans

The Special Assessment debt service may be partially offset by the CRA Downtown district use of a share of related incremental revenue.

John Young Parkway

Of the original \$10,027,400 loan, \$6,050,000 has been repaid and the remaining \$3,977,400 is being amortized over 15 years.

Narcoossee Road

The 4.5-mile, 4-lane urban section was part of the Southeast Area annexation agreement (10,204 acres). The repayment plan uses related transportation impact fees (derived from the annexed property), if available, and gas tax as a backup pledge.

Lee Vista Road Extension

To finance the City's participation in a road project which will be amortized over 20 years.

Parking System Loan

The loans provide for the Parking System's share in the Courthouse (\$4,536,500) and Administration (\$5,400,000) garages, respectively. During 2001/2002 a new \$6,000,000 loan was made to finance the System's share of the Courthouse garage expansion.

Parks/Open Space Initiative Loan

In 2002 the City issued a \$33,690,000 covenant bond to finance the \$35,500,000 1999 parks initiative which also refinanced \$9,100,000 in related internal loans. The loan will be amortized over 15 years on a level principal basis.

Mission Statement:

Serving Orlando with innovation, responsiveness, knowledge, courtesy and professionalism.

Department Identifier:

Executive Offices
 Economic Development
 Families, Parks & Recreation
 Finance
 Fire
 General Administration
 Housing
 Mgmt., Budget & Accounting
 Police
 Public Works

Debt

Individual Bond Issues and Loans Outstanding as of September 30, 2004

	Purpose of Issue	Amount Issued	Amount Outstanding	Coupon Interest Rate	Maximum Annual Debt Service
PRIMARY GOVERNMENT:					
Governmental Activities					
Community Redevelopment Agency-- Republic Dr. (Universal Blvd) Tax Increment Revenue Refunding Bonds, Series 2002	Refunding	\$ 45,620,000	\$ 43,505,000	2.125-5.125%	\$ 3,335,356
Conroy Rd. Series 1998A	Conroy Rd. Interchange	28,010,000	28,010,000	5.50-5.80%	2,284,820
Community Redevelopment Agency Series 2002	Refunding	12,500,000	11,335,000	2.75-4.75%	1,144,223
Community Redevelopment Agency Series 2004	Refunding	9,855,000	9,855,000	1.65-2.50%	1,625,250
Total		<u>95,985,000</u>	<u>92,705,000</u>		
Internal Loan Fund --					
Sunshine State					
Governmental Financing Commission Loan	Provides Interfund Loanable Proceeds	47,371,338	43,071,338	(1)	(2)
Sunshine State Governmental					
Financing Commission Taxable Series H	Downtown garage Construction	21,630,000	21,630,000	(1)	(2)
Capital Improvement Commercial Paper Notes - 1994 Series A	John Young Parkway Construction	18,100,000	18,100,000	(1)	(2)
Capital Improvement Refunding Special Revenue Bonds, Series 1998A	Refunding	51,780,000	48,635,000	3.65-5.75%	7,389,125
Capital Improvement Special Revenue Bonds, Series 1998B	Narcoossee Road Construction	22,650,000	15,100,000	3.80-5.00%	2,144,578
Capital Improvement Special Revenue Bonds, Series 2002	Parks, etc. construction	33,690,000	28,690,000	3.00-4.00%	4,359,973
Capital Improvement Special Revenue Bonds, Series 2004	Parks, etc. construction	15,070,000	15,070,000	4.00-5.00%	2,046,506
Total		<u>210,291,338</u>	<u>190,296,338</u>		
Total Governmental Activities		<u>\$ 306,276,338</u>	<u>\$ 283,001,338</u>		
Business-Type Activities					
Wastewater Revenue Bonds --					
Senior Debt Issues:					
1997A	Wastewater Treatment and Distribution	39,430,000	36,040,000	(3)	
1997C		40,135,000	31,385,000	3.65-5.20%	
2002A		46,970,000	44,620,000	3.00-4.00%	
2003A		26,450,000	26,450,000	2.00-3.625%	
Total Wastewater Senior Debt Issues			<u>152,985,000</u>	<u>138,495,000</u>	
Parking Revenue Bonds --					
1994 Series A	Refunding	15,040,000	15,040,000	2.00-4.00%	1,972,360
Total Business-Type Activities		<u>\$ 168,025,000</u>	<u>\$ 153,535,000</u>		
COMPONENT UNIT:					
Civic Facilities Authority					
CFA Revenue Bonds					
Series 1973	Expansion of Florida Citrus Bowl	\$ 4,200,000	\$ 1,430,000	6.75%	316,676
Guaranteed Entitlement					
Revenue Bonds					
Series 1976		2,800,000	390,000	5.25-5.75%	206,962
Total Bonds Payable Component Unit		<u>\$ 7,000,000</u>	<u>\$ 1,820,000</u>		

- (1) These variable rate bonds and loans are subject to a 15% interest rate cap. The tax-exempt and taxable Commission Loans and the Commercial Paper Notes had interest rate of 1.399%, 1.646% and 1.284% respectively on September 30, 2004.
- (2) The amortization requirement of the covenant program (not the individual issues) variable rate obligation require a minimum amortization over the last 1/3 (10 years) of the normal (30 years) maturity.
- (3) Interest was computed at 4.536%, which is the CPI-Urban used for the October 1, 2004 payment and assumed Spreads as follows: 1.17% (2004); 1.21% (2005); 1.23% (2006); and 1.25% (2007). The Muni CPIs maturing on October 1, 2015 are assumed to be remarketed on October 1, 2007 at a spread of 1.25%. This resulted in estimated rates of 5.726% to 5.786%.

Debt



Mission Statement:

Serving Orlando with innovation, responsiveness, knowledge, courtesy and professionalism.

THIS PAGE LEFT INTENTIONALLY BLANK

Department Identifier:

- Executive Offices
- Economic Development
- Families, Parks & Recreation
- Finance
- Fire
- General Administration
- Housing
- Mgmt., Budget & Accounting
- Police
- Public Works

Debt

Summary of Debt Service Requirements to Maturity

Fiscal Year	Community Redevelopment Agency Bonds	Conroy Road Special Assessment Bonds	Republic Drive Tax Increment Revenue Ref. Bonds	Capital Improvement Revenue Bonds	Wastewater (1) Revenue Bonds
2005	\$ 2,764,941	\$ 2,280,690	\$ 3,332,894	\$ 9,043,981	\$ 16,053,286
2006	2,643,523	2,283,840	3,333,994	9,001,176	15,916,892
2007	2,636,514	2,284,790	3,334,244	8,959,721	15,920,457
2008	2,643,699	2,283,540	3,335,056	5,780,341	15,862,820
2009	2,632,855	2,280,090	3,331,806	5,741,960	15,843,963
2010	2,632,202	2,284,440	3,333,081	5,601,880	15,796,857
2011	2,634,418	2,281,040	3,330,444	5,520,248	15,725,657
2012	1,135,461	2,282,390	3,333,756	5,376,783	15,675,362
2013	1,127,555	2,280,550	3,335,356	5,286,332	15,812,299
2014	1,127,005	2,280,520	3,334,156	5,213,686	15,756,395
2015	1,128,393	2,282,010	3,334,344	3,649,396	15,740,660
2016	1,131,515	2,279,730	3,334,662	3,648,127	4,430,000
2017	1,126,125	2,283,680	3,334,856	6,953,366	-
2018	-	2,283,280	3,334,669	8,834,653	-
2019	-	2,283,530	3,333,844	8,827,528	-
2020	-	2,284,140	3,332,125	8,815,903	-
2021	-	2,284,820	3,334,256	8,817,272	-
2022	-	2,280,280	3,334,725	8,811,529	-
2023	-	2,280,520	3,333,625	7,736,472	-
2024	-	2,279,960	3,332,737	1,445,528	-
2025	-	2,283,310	3,335,025	6,352,528	-
2026	-	2,279,990	-	6,177,198	-
2027	-	-	-	6,001,867	-
2028	-	-	-	5,826,537	-
2029	-	-	-	5,651,206	-
2030	-	-	-	5,475,875	-
2031	-	-	-	5,300,545	-
2032	-	-	-	4,815,214	-
2033	-	-	-	1,560,951	-
	<u>\$ 25,364,206</u>	<u>\$ 50,207,140</u>	<u>\$ 70,009,655</u>	<u>\$ 180,227,803</u>	<u>\$ 178,534,648</u>

(1) For the Series 1997A Bonds, interest was computed at 4.536%, which is the CPI-U used for October 1, 2004 payment and assumed spreads as follows: 1.19% (2004); 1.21% (2005); 1.23% (2006) and 1.25% (2007). The Muni CPIs maturing on October 15, 2015 are assumed to be remarketed on October 1, 2007 at a spread of 1.25%. This resulted in estimated rates of 5.726% to 5.786%.

Debt

Summary of Debt Service Requirements to Maturity

Parking Revenue Bonds	Total Principal & Interest	Civic Facilities Authority Bonds (2)	Total Principal & Interest Reporting Entity	Fiscal Year
\$ 1,433,910	\$ 34,909,702	\$ 523,488	\$ 35,433,190	2005
1,972,360	35,151,785	522,426	35,674,211	2006
1,969,860	35,105,586	315,812	35,421,398	2007
1,963,335	31,868,791	313,938	32,182,729	2008
1,966,647	31,797,321	311,050	32,108,371	2009
1,963,905	31,612,365	192,150	31,804,515	2010
1,963,969	31,455,776	-	31,455,776	2011
1,953,638	29,757,390	-	29,757,390	2012
1,948,531	29,790,623	-	29,790,623	2013
-	27,711,762	-	27,711,762	2014
-	26,134,803	-	26,134,803	2015
-	14,824,034	-	14,824,034	2016
-	13,698,027	-	13,698,027	2017
-	14,452,602	-	14,452,602	2018
-	14,444,902	-	14,444,902	2019
-	14,432,168	-	14,432,168	2020
-	14,436,348	-	14,436,348	2021
-	14,426,534	-	14,426,534	2022
-	13,350,617	-	13,350,617	2023
-	7,058,225	-	7,058,225	2024
-	11,970,863	-	11,970,863	2025
-	8,457,188	-	8,457,188	2026
-	6,001,867	-	6,001,867	2027
-	5,826,537	-	5,826,537	2028
-	5,651,206	-	5,651,206	2029
-	5,475,875	-	5,475,875	2030
-	5,300,545	-	5,300,545	2031
-	4,815,214	-	4,815,214	2032
-	1,560,951	-	1,560,951	2033
<u>\$ 17,136,155</u>	<u>\$ 521,479,607</u>	<u>\$ 2,178,864</u>	<u>\$ 523,658,471</u>	

(2) Orange County Civic Facilities Authority Fund.

Debt



Mission Statement:

Serving Orlando with innovation, responsiveness, knowledge, courtesy and professionalism.

THIS PAGE LEFT INTENTIONALLY BLANK

Department Identifier:

- Executive Offices
- Economic Development
- Families, Parks & Recreation
- Finance
- Fire
- General Administration
- Housing
- Mgmt., Budget & Accounting
- Police
- Public Works