



## Office of Policy and Budgetary Affairs

### MEMORANDUM

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<b>TO:</b>	Honorable Kevin Marino Cabrera District 6	<b>DATE:</b>	March 18, 2024
<b>FROM:</b>	Jennifer Moon, Chief Office of Policy and Budgetary Affairs	<b>SUBJECT:</b>	Analysis of Proposed General Obligation Bond Program

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At your request, this memorandum provides an analysis of the information offered in the March 8, 2024 memorandum from Mayor Daniella Levine Cava entitled "Miami-Dade County's General Obligation Bond Program" (Mayor's memo). The memorandum serves to provide more detail regarding the Mayor's proposed FutureReady 305 bond program and transmit information provided to the Mayor from the Office of Management and Budget regarding the impact of bond issuances on the County's taxpayers (OMB memo).

A general obligation bond (GOB) program is approved by referendum and the millage (or property tax) rate that is charged on an annual basis is the amount necessary to make the annual debt service payments. GOB programs usually include many projects to be done over a number of years. Once the referendum has been approved by the voters, an ordinance allowing the County to borrow the total amount of the program is approved by the BCC and then resolutions are presented to sell bonds in a number of sales (also called "tranches" or "series") to generate the revenue as needed. Since the County has to pay interest on the amount borrowed, the bond series are managed to match the cash flows needed for the project activities.

The total of all debt service payments for the bond series issued to support these programs is applied to the Countywide property tax roll to determine the millage rate necessary to generate the revenue needed. The County is currently administering three GOB programs: the Safe Neighborhood Parks (SNP) program, the Jackson Health System "Miracle Bond" program and the Building Better Communities General Obligation Bond Proposed (BBCGOB). The total Countywide Debt Millage adopted by the BCC for FY 2023-24 is 0.4355 mills. That rate includes 0.0227 mills for the remaining SNP debt payments, 0.112 mills is required for the Jackson Miracle bonds and the remaining 0.3008 mills funds the current BBCGOB debt service.

The Mayor's memo references the Building Better Communities General Obligation Bond Program (BBCGOB) approved in 2004, funding \$2.9 billion in projects throughout the County. The Mayor's memo suggests that because 75 percent of the BBCGOB program has been drawn down, debt service payments will decrease if a new bond is supported by the voters. According to the County's Annual Report to Bondholders, as of September 2022, just under \$1.9 billion in bonds have been issued as of September 2022, which is 65 percent of the total BBCGOB authorization.<sup>1</sup> Just over 85 percent of the value of BBCGOB bonds that have been issued (\$1.617 billion) remain outstanding (have not been paid off).<sup>2</sup> As shown in the Annual Report to Bondholders, there are 17 series of bonds that have not been paid off.<sup>3</sup> Two series – the last of the SNP bonds – will mature (be paid off) in the next six years. This represents six percent of the amount still owed. Conversely, the issuance of the series required to complete the BBCGOB program will increase the amount outstanding by 43 percent.

While the BBC GOB projects have largely been completed, there are a number of large, high profile projects which have not begun, including the Coconut Grove Theater, the Virginia Key Beach Museum, the West Dade Regional Park and the new Correctional Facility. The earliest maturity date for any series of BBCGOB bonds is July 2033. Even considering only the bonds already issued, annual debt service costs increase over the next 13 years<sup>4</sup> and additional series will have to be sold to complete the BBCGOB program. Therefore, rather than winding down, total debt service payments will increase even without a new bond program.

The OMB memo provides information regarding the cost to the taxpayer of a new general obligation bond program. The cost to the taxpayer is a combination of the total annual debt service and the value of the property tax roll and requires a number of assumptions including the amount of each sale (or tranche), the financing structure, interest rates, and other market conditions at the time of each bond sale. According to the Five Year Financial Outlook included as part of the FY 2023-24 Adopted Budget, the countywide property tax roll is forecasted to increase by 10 percent for FY 2024-25, 8 percent for FY 2025-26, 5.5 percent for FY 2026-27 and 5 percent thereafter.<sup>5</sup> The OMB memo also includes a schedule of \$1.7 billion of bond sales beginning in 2026. If the assumption is made that the BBCGOB program would be completed prior to the issuance of the first tranche of FutureReady 305 bonds, and that the bond sales would be structured making level payments throughout the 30-year payback and a five percent interest rate, the millage rate necessary to pay the debt service would increase in the next two years to complete the BBCGOB program and would not return to the current rate until 2029.

Neither the Mayor's memo nor the OMB memo include any discussion of the budget increases that will be required as the new projects funded by the BBCGOB and FutureReady 305 bond programs come on-line. The Five Year Financial Forecast reflects a surplus of funding available in the Countywide General Fund at the current levels of service, but a gap in funding beginning next fiscal year in the Unincorporated Municipal Service Area (UMSA). Projects that are supported by the Countywide budget (regional transportation, regional parks, facilities that serve the entire County)

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<sup>1</sup> [Annual Report to Bondholders](#), volume 1, page 33

<sup>2</sup> [Annual Report to Bondholders](#), volume 1, page 33

<sup>3</sup> [Annual Report to Bondholders](#), volume 1, page 33

<sup>4</sup> [Annual Report to Bondholders](#), volume 1, page 34

<sup>5</sup> [FY 2023-24 Adopted Budget](#), volume 1, page 68

will reduce the surplus available; UMSA budget-supported projects (local parks, neighborhood infrastructure projects) may require an increase in the UMSA operating millage rate.

Please feel free to contact me if you have any questions or require additional information.