



February 7, 2022

## Recommendation Memorandum

**To:** Diana Gomez, Finance Director – City of Coral Gables, Florida

**From:** Jay Glover, Managing Director – PFM Financial Advisors LLC

**Re:** Refunding of Capital Improvement Refunding Revenue Bond, Series 2022A&B

PFM Financial Advisors LLC (“PFM”) was engaged by City of Coral Gables, Florida (the “City”) to serve as financial advisor for the City’s proposed issuance of a Capital Improvement Refunding Revenue Bond, Series 2022A & Series 2022B (the “2022A&B Bond”). The 2022A&B Bond will be issued to refinance the outstanding Capital Improvement Revenue Bonds, Series 2016A (the “2016A Bonds”) and Capital Improvement Revenue Bonds, Series 2016B (the “2016B Bonds”) (collectively, the “2016 Bonds” or the “Refunded Bonds”), both of which were issued through the Sunshine State Governmental Financing Commission (“SSGFC”) as publicly offered bonds.

The 2016A Bonds are currently outstanding in the principal amount of \$14,895,000, bearing interest at fixed interest rates of 3.00% to 5.00%. The 2016B Bonds are currently outstanding in the principal amount of \$3,770,000, bearing interest at fixed interest rates of 2.125% to 5.00%. Both series have a final maturity of April 1, 2037 and an optional call date starting April 1, 2026. The 2016 Bonds are secured by and payable from certain special assessment revenues and non-ad valorem revenues of the City.

Under current tax law, a tax-exempt advance refunding is no longer permitted, but the historically low interest rate environment provides the City with an opportunity to achieve debt service savings via a taxable advance refunding of the 2016 Bonds. Furthermore, there is the option for a taxable advance refunding loan that economically converts to a tax-exempt structure within 90 days of the Refunded Bonds’ call date, commonly referred to as a “Cinderella” structure.

Based on the desire to move in an expedited manner to take advantage of historically low interest rates, desire to consolidate debt under the City’s standalone credit, and recent aggressive bids received from banks for comparable transactions; PFM recommended the City pursue a privately placed direct bank loan, which in today’s market was expected to be an efficient and cost-effective method of financing. At the City’s direction, PFM contacted multiple financial institutions to request taxable (and tax-exempt upon conversion) interest rate indications for the 2022A&B Bond. Prior to the submittal deadline (February 4, 2022 at 1:00 PM EST), the City received the following responses from seven (7) firms:

Lender	Taxable Rate	Tax-Exempt Conversion	Optional Prepayment
Capital One	3.09%	2.34%	4/1/2030
City National Bank (RBC)	2.89%	2.30%	4/1/2030
J.P. Morgan	2.95%	2.41%	4/1/2023
Key Government Finance	3.05%	2.41%	Anytime
TD Bank	2.59%	2.12%	Anytime
Raymond James	2.70%	2.10%	4/1/2032
Webster Bank	2.90%	2.175%	After 1 year



Based on PFM's review and discussions with City staff and Bond Counsel, it was determined that TD Bank provided the best combination of interest rates and terms most favorable to the City for the Cinderella structure. For the 2022A&B Bond, TD Bank offered a fixed, taxable interest rate of 2.59% that can be converted to a fixed, tax-exempt interest rate of 2.12% upon the call window. This option allows the City to have full prepayment flexibility. TD Bank's interest rate for the 2022A&B Bond is locked through the anticipated closing date of March 18, 2022, thus eliminating any risk associated with rising interest rates from now until then.

If the City approves moving forward with the issuance of the 2022A&B Bond, and enters into an agreement that would convert the taxable interest rates on the 2022A&B Bond to its tax-exempt equivalent, we estimate that the City will realize approximately \$150,000 of net present value debt service savings. While these savings are lower than we would normally lock in for an advance refunding, the additional benefit of consolidating the City's debt under its' own standalone structure and resultant savings on future fees associated with the SSGFC program, drives the timing of pursuing this refunding opportunity now.

Based on the fixed interest rates and acceptable terms and conditions provided in its proposal, PFM recommends selecting TD Bank as the loan provider for the 2022A&B Bond. We anticipate bringing this recommendation to the City Commission at the February 15, 2022 meeting and if given direction to move forward, will bring the Bond Resolution to the City Commission for consideration at the March 8, 2022 meeting. If you have any questions, please feel free to contact me at 407-406-5760 or [gloverj@pfm.com](mailto:gloverj@pfm.com).