

City of Coral Gables City Commission Meeting
Agenda Item H-1
October 14, 2014
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Jim Cason

Vice Mayor William H. Kerdyk, Jr.

Commissioner Pat Keon

Commissioner Vince Lago

Commissioner Frank Quesada

City Staff

Interim City Manager, Carmen Olazabal

City Attorney, Craig E. Leen

City Clerk, Walter J. Foeman

Deputy City Clerk, Billy Urquia

Finance Director, Diana Gomez

Public Speaker(s)

JoLinda Herring, Outside Counsel

H-1: [Start: 11:12:36 a.m.]

A Resolution of the City of Coral Gables, Florida authorizing the negotiation of a loan in an amount not to exceed \$25,000,000 from the Sunshine State Governmental Financing Commission; to finance certain improvements within the City of Coral Gables; approving the execution and delivery of one or more loan agreements; establishing the borrower's intent to reimburse certain capital project costs incurred with proceeds of future tax-exempt financing or other obligations; providing certain other matters in connection with the making of such loans.

Mayor Cason: Let's do H-1 now, which is a Resolution.

Interim City Manager Olazabal: Item H-1 is a Resolution of the City of Coral Gables, Florida authorizing the negotiation of a loan in an amount not to exceed \$25,000,000 from the Sunshine State Governmental Financing Commission; to finance certain improvements within the City of

Coral Gables; approving the execution and delivery of one or more loan agreements; establishing the borrower's intent to reimburse certain capital project costs incurred with proceeds of future tax-exempt financing or other obligations; providing certain other matters in connection with the making of such loans. So as the resolution states, this is requesting the authority to negotiate a loan not to exceed \$25,000,000 for the purpose of the Miracle Mile and Giralda Streetscape Project. As you are aware and we discussed it in a previous Commission meeting, the cost related to this project is about \$19,000,000, but part of what we also discussed were things as expediting, potentially expediting the project or perhaps exploring additional infrastructure enhancements or valet parking subsidy or things of that kind. Those decisions haven't been made, but we are asking for the ability to go up to \$25,000,000 because we can always go under, but that decision as to the exact amount that we borrow will come before you, before we actually take the loan out. This is just allowing us the ability to negotiate up to that price the decision of how much we borrow would be before you at another time.

Mayor Cason: And it is your belief that the Sunshine is going to be the lowest and that's why you are not going to the private things as well?

Interim City Manager Olazabal: We have Diana Gomez and JoLinda Herring who are here and can answer those questions, details regarding financing and timelines.

Finance Director Gomez: Good morning. So this will be a public offering, which means we will go out to the bond market at that time, so it would be whatever the market is offering so we will get the best pricing at that time. So yes, we use the Sunshine State Government Financing Commission as a vehicle to do this because it just makes the process a lot easier and they have everything in place, all the process is in place to be able to use their advisors, etc., but it will be an open issuance in the public offering.

Commissioner Lago: Quick question. First, thank you for being here. My question is in regards to the bond numbers, have you seen the rates?- have they been fluctuating lately?- or have they seen an uptick?- or have they been pretty stable over the past six months to a year?

Finance Director Gomez: I believe they've been pretty stable. Currently we have a not to exceed amount of 4.9 percent, I believe it is, based on everything that we've done. If we were to do it around now it would be under 4 percent, but we don't know yet exactly when we are going to issue bonds because we are going to go out and validate these bonds first and that's a process that takes a couple of months to do, so we probably won't be issuing the debt until early in the spring.

Commissioner Keon: Can you talk about that process of validating.

Finance Director Gomez: I'm going to ask JoLinda Herring from Bryant Miller Oliver to discuss that.

Ms. Herring: Good morning, my name is JoLinda Herring and I'm with the law firm Bryant Miller Olive, I'm the service bond counsel will be working with the City on this transaction. The process of validation is a voluntary process, the Florida Statute allows you to go into a court to determine whether or not your transaction you have the authority to issue the revenues that you use or that you plan to pay it back, they do approval of that as well, so because of the type of revenues that you want to use to secure this loan which are the special assessments. We wanted to go in and validate those special assessments to make sure that no one can come in and challenge them after the validation has been completed.

Commissioner Keon: If there is a challenge to them at the time that you are going forward, is that also deal with the challenge that maybe currently presented?- or does that have to be settled before you can begin your methodology?

City Attorney Leen: If I may Mr. Mayor we do have a pending surciary proceeding, we only had one within the time required to file a proceeding on the Giralda streetscape on that special assessment and only as to one part of it related to one building that is pending. We do have a proposed settlement from them which I will be asking you for an Executive Session, without getting into the settlement, I will say for purposes of the public record it is much too low, but it doesn't mean that we shouldn't look into trying to resolve a complaint or dispute if one is filed and we think that there is reason to and so I will be bringing that to you. We don't have to, like I said before to you, the standard of review of one of these special assessments is very deferential to the local government. Here we had one of the leading experts in Florida give an expert opinion, which was relied on, which is being contested by the proceeding and normally the court will uphold any sort of special assessment challenged by a surciary proceeding unless there is either a denial of due process, which clearly didn't happen here. We had a very long hearing and a lot of people got to speak and present whatever they wanted; 2) unless there is a departure from the essential requirements of law which there is no claim that that has happened here. We did follow the law and how we did this; and 3) if there is no competent substantial evidence in the record and Hank Fishkind's report is competent substantial evidence. Even if the court or party were to disagree with it, there just has to be competent substantial evidence in the record. So I do think we have a very good chance of prevailing. Now the question whether that can be joined with the bond validation proceeding is one that we are planning to attempt, and we were going to ask the court – they both would occur in the Circuit Court, correct?

Ms. Herring: Correct.

City Attorney Leen: And then with an appeal to the Florida Supreme Court for bond validation. We would ask that they be basically consolidated, the two cases, and heard together. We are going to ask for that happen. Normally these cases don't come up the surciary proceedings, so there is not a lot of experience with what the court will do. Perhaps the court will just expedite the surciary proceeding, but we do plan to ask, we do need both of those resolved. We do want this to be – and JoLinda could you make any further comments on your own opinion on this? I would appreciate it.

Ms. Herring: I agree – and part of that is the reason why we are going to validate. When you go into a bond validation we narrow also the issues that the court looks at, so you don't have people coming in, bringing in all types of what we call collateral matters, and so we would say if it's not resolved by the time we go and file a validation that yes, we'd like to consolidate those, bring them into the bond validation suit, which is a much narrower and better proceeding to get you to the goal of validating your bond so that you could issue next spring.

Commissioner Keon: I just want to make it clear that under the process that we set forward with the assessment there was a period where people could appeal and we had only one appeal and there is no more opportunity for anyone to appeal, is that right?- could someone come in and make an appeal at the time to the court at the time you are doing the validation?

Ms. Herring: Yes, they could. Someone could come in, any citizen that's affected could come into the validation hearing and appeal or come in and make their case to the judge, but again the validation proceeding is a much narrower focus. The judge looking at just a few things, like I said whether or not you have the authority to go forth with the loan, whether or not the revenues that you are using to secure the loan are valid, which is why they are bringing them to the court.

Commissioner Keon: So any issue of who should be or who shouldn't be assessed is not in question during this validation process, is that right?

Ms. Herring: The judge will look at the assessment procedure and a methodology and so they will make a determination.

Commissioner Keon: OK. OK.

City Attorney Leen: Generally a surciary proceeding by rule has to be filed within 30 days and that's past. Also in our actual resolution it required any challenge to occur within 20 days, which is also past. So the purpose of the bond validation proceeding though is to make everyone a party or potential party so that essentially the decision is _____ as to everyone and it can't be

challenged in the future, so it's a final judgment, which can't be further challenged, and that's what we are hoping to achieve; and also Mr. Mayor at this point, I will also ask for an Executive Session in the matter of Alhambra Center International v. City of Coral Gables, Case No. 13-347AP, Eleventh Judicial Circuit, Appellate Division. In addition, I have spoken to the one party that's filed their counsel, the surciary proceeding, and they are going to, my understanding is they are going to come to us with a better proposal for your consideration. Again, it doesn't mean you have to accept that, but we will do those as part of an Executive Session.

Mayor Cason: Alright. Let me ask you two questions. How do you go and advertise to the banking community the opportunity is out there?- and secondly, is it worth our while to try to get Moody's or somebody to increase our bond rating to AAA (Triple A), I don't know if we can get there in order to get a better rate on this, because I think we are AA-Plus or something.

Finance Director Gomez: So yes. After the validation process is completed and we are going to move forward with issuing the bonds, we will put out an RFP to – notice of sale – so we put it out and get – the Sunshine State Governmental Financing Commission has a pool of underwriters that they use and so we will do a RFP amongst that pool of underwriters in order to see which underwriting firm is the most qualified for the needs of what we have. In terms of the rating agencies, yes we do have to go out and ask for a rating on these bonds so we will go out to do that as it gets closer to the time, so we would usually do both Moody's and S & P and try to get a rating increase.

Mayor Cason: So we can request one or more agencies to come look at us because I think – before we were down-graded along with a lot of other cities because of the low reserves and never our debt ratio, but I think it was reserves and now we are way up with reserves.

Finance Director Gomez: Correct. So it is part of the process that we will need to go out and ask for rating, so we will most likely do a full blown presentation to them, have them come down and try to sell ourselves obviously to say that we've made great improvements since back in 2010, I think it was, when we were down-graded, so yes we will be doing that.

Vice Mayor Kerdyk: Let's talk debt ratio real quickly, OK. Right now as I understand it we have \$71 million in loans basically, maybe \$72 million in loans, correct?

Finance Director Gomez: In loans – correct.

Vice Mayor Kerdyk: In loans and our principal and interest payments are basically \$6 million, \$6.25 million.

Finance Director Gomez: Correct.

Vice Mayor Kerdyk: Equals 4.18 percent of our debt. My question to you is that the \$25 million, let me backtrack, the City is only responsible for 50 percent because the other 50 percent is going to be assessed to the landowners, is the all \$25 million going to be added to the \$71 million, so now we'll have debt of \$96 million on our records?

Finance Director Gomez: Correct. Since the debt is put in our name, we are responsible for the entire and we secure it, even though the special assessment revenues will be paying for 50 percent of it, it's our credit, it's our budget appropriating general funds that will secure it in the event that we don't get that revenue, so they do look at it and look at it as our credit.

Vice Mayor Kerdyk: OK. So the \$96 million now, if you look at it and you figure, what do you figure?- 44 percent interest rate maybe?- 4 percent interest?- 20-22 year loan is that how...

Finance Director Gomez: 22-year loan.

Vice Mayor Kerdyk: 22-year loan, OK. Principal and interest payment is what?- \$1.5 (million).

Finance Director Gomez: So the principal and interest – for total interest payment if it's at \$25 million the total interest payment would be about just under \$2 million for 100 percent of it. So half of it would be ours roughly.

Vice Mayor Kerdyk: OK. So you add the \$2 million to the \$6.26 million which is \$8 million. What would that bring our total debt at?- payments?- the percentage.

Finance Director Gomez: It would bring it to about 5.15, putting that full \$25 million.

Vice Mayor Kerdyk: It's still low, but we have to also keep in mind there is going to be some more add-ons too. We are talking about possibly doing a fire station, blank amount. I think there is an environmental issue that we have to deal with, a radio issue that we have to deal with. I think that there is a wild card out there with regards to the Police and Fire Department on Salzedo. So that number is going to creep up a little bit. Now of course as we very well know our benchmark, I think, has been 8 percent, is that our threshold...?

Finance Director Gomez: To try to stable...

Vice Mayor Kerdyk: And this still stays below that even probably with the add-ons without the possible caveat of what we do on the Salzedo piece of property, but it still stays below, but I think that's something that we need to monitor...

Finance Director Gomez: Sure – absolutely.

Vice Mayor Kerdyk:...and keep on because that is something that I see our debt creeping up. I felt I was a little concerned that we would have to put the whole \$25 million on our books even though of course we are responsible for \$12.5 million, but I still feel comforted when you tell me our debt ratio is still 5.15.

Finance Director Gomez: I had rendered some scenarios, if we were going to put in the radio and the environmental remediation and the full \$25 million and that would take us to about 6.15 at the highest point, but that's basing it on expenditures of today increased by just a little bit so the denominator would change and go higher, so the ratio probably would come down lower, so conservatively saying.

Vice Mayor Kerdyk: That's without taking in anything into account with regards to our Salzedo project.

Finance Director Gomez: Correct.

Vice Mayor Kerdyk: I mean I think we have put about \$5 million in reserves on that piece of property.

Finance Director Gomez: 5.5, I believe.

Vice Mayor Kerdyk: 5.5, but anything that exceeds that should something...

Finance Director Gomez: It depends if we are going to take out a loan for it or rather if we use some other funding sources for it, so it really depends.

Commissioner Keon: I have been thinking about this whole issue, particularly since we looked at the courthouse issues and they are coming before us and showing us what our courthouse looks like and the need to maintain our public facilities. I think that that is a tremendous issue before us, this Commission, is the need to maintain and to repair all three of our fire stations, our police station, this City Hall, the building next door where people work. We have some major expenses before us and we really have an obligation to preserve our public buildings and to maintain our public buildings that I don't think have been maintained particularly well to date and we seem to

often become more concerned with appearance when we really need to give significant weight to substance in making those financial decisions. So even with the Mile as lovely and as beautiful as we may want it to be and Giralda and whatever the rest of it is, I hope that we are very careful in the expenditure of the people's money, because there are great needs and limited resources, and these are not things that repairing our Police Station and our Fire Stations and whatever, they don't generate revenue for us, it is our obligation to maintain them for our public safety, for our residents, and for our employees that work there, I mean the conditions in the Fire Stations are deplorable and the problems with the structural issues with the public safety building on Salzedo is of grave concern and really needs to be addressed, so I hope as we go forward with projects that beautify our City and we also are equally as concerned with maintaining our public structures.

Mayor Cason: Thank you Diana.

Commissioner Keon: Thank you.

Mayor Cason: Do we have a motion on H-1?

Vice Mayor Kerdyk: So moved.

Commissioner Quesada: Second.

Mayor Cason: Vice Mayor makes the motion, Commissioner Quesada seconds it.

City Clerk

Commissioner Keon: Yes

Vice Mayor Kerdyk: Yes

Commissioner Lago: Yes

Commissioner Quesada: Yes

Mayor Cason: Yes

(Vote: 5-0)

[End: 11:31:08]