

**City of Coral Gables City Commission Meeting
Agenda Item H-2
September 22, 2015
City Commission Chambers
405 Biltmore Way, Coral Gables, FL**

City Commission

**Mayor Jim Cason
Commissioner Pat Keon
Commissioner Vince Lago
Vice Mayor Frank Quesada
Commissioner Jeannett Slesnick**

City Staff

**City Manager, Cathy Swanson-Rivenbark
City Attorney, Craig E. Leen
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia
Finance Director, Diana M. Gomez**

Public Speaker(s)

Jay Glover

Agenda Item H-2 [2:02:00 p.m.]

A Resolution of the City of Coral Gables, Florida supplementing Resolution No. 2014-223; authorizing the negotiation of two loans in an aggregate principal amount not to exceed \$25,000,000 from the Sunshine State Governmental Financing Commission, to finance certain capital improvements within the City; approving the execution and delivery of two loan agreements; approving the form of the Preliminary Official Statements; providing certain other matters in connection with the making of such loans.

Mayor Cason: Go ahead. City Manager.

City Manager Swanson-Rivenbark: And as Diana comes up to the front, I've had an opportunity to brief each one of you on the financing associated with the streetscape project; two pieces, 25 million in the public right --

Mayor Cason: Let me just technically close -- you're correct -- the public hearing on the last issue.

City Attorney Leen: Just so everyone knows, the public hearing has been closed on Item E-3. There will be no more public comment on E-1 or E-3.

City Manager Swanson-Rivenbark: So \$25,000,000 for the public component of the streetscape project for financing and 1,000,000 for that area that we're calling it construction easement. Because it is on private property, we cannot fund it through the tax exempt process. Go ahead, Diana.

Finance Director Gomez: Thank you. This is a resolution supplementing Resolution No. 2014-223; authorizing the negotiation of two loans in the aggregate principal not to exceed \$25,000,000 from the Sunshine State Government Financing Commission, to finance certain capital improvements within the City; having to do with the Miracle Mile and Giralda Avenue streetscape improvements. As part of issuing these bonds, the City was required to obtain a rating on these bonds. I'm pleased to announce that S&P Rating Services revised the City's outlook to positive from stable, so our rating is AA Plus, with a positive outlook. The positive outlook reflects S&P's opinion that there is a 1 in 3 chance that the City could receive an increased rating to AAA within a one-year outlook horizon. S&P indicated on the upside if Coral Gables can maintain a strong budgetary performance and sustain reserves at or near current levels while continuing to address pension liabilities, they may consider the higher rating. However, if pension costs accelerate or if the City fails to execute on its plan to overfund the annual required contribution and address the related liability in a meaningful way, then they would

consider keeping us back down to stable. Some of the factors that S&P mentioned that attributed to the positive outlook are a very strong economy, strong management and good financial policies and practices, strong budgetary performance, very strong budgetary flexibility, very strong liquidity, adequate debt and contingent liability position and a strong institutional framework score. We received the final write-up last night, so we'll be forwarding it to you shortly. With me today, I have the -- Jay Glover, from PFM, financial advisor. Also, Mike Baldwin, from City, which is our underwriter, and JoLinda Herring, from Bryant Miller and Olive, who are the bond counsel, to answer any specific questions you have about the actual bond deal.

Mayor Cason: Alright.

City Manager Swanson-Rivenbark: Diana spoke very quickly. This is a really important time for Coral Gables, a positive outlook associated with this gives us the opportunity to position for getting our AAA bond rating back. One of the things that they -- conversation -- I participated in the phone conversation. They were very pleased with the Commission's unwavering commitment to get a handle on that unfunded liability, in fact, to pay more than what is owed. They want to make sure that we continue that. They were really pleased with the conservative nature in which we budget. The discussion of are you budgeting for new projects in line. We don't budget until we get them, until they are there and they are on the tax roll. So it was a very positive conversation. They have given us a positive outlook. That means that if we continue to do what you are directing us to do in terms of our financial conservative approach, we will be able to claim back that AAA bond rating, and this next year is going to be dedicated to that. So thank you, Diana, for that summary.

Finance Director Gomez: Sure. And Jay Glover, from PFM, will explain a little bit about the transaction.

Mr. Jay Glover: Mayor, Commissioners, Jay Glover, from Public Financial Management, the City's financial advisor. And I'll echo what the City Manager just mentioned. It was a very impressive conference call we had that involved not only the Manager, but the Finance staff, as well as your Economic Development staff. And while I thought we might get the AAA this time, obviously, the incremental step to get that positive outlook is very important. And I would suggest that within probably a year to 18 months, if things continue on the track they are, that I would expect that AAA to be restored. So I know it's something you all have worked towards in putting that fund balance back to where it needs to be and addressing the pincer of the two big issues that were mentioned, so kudos on that. In terms of the transaction, I know this has been before you quite a number of times as it relates to the project and its financing, but this is the final step you'll take in order to actually approve these financings. And the first resolution before you is for the tax exempt component of the transaction for Miracle Mile and Giralda. The financing is about \$21,500,000 of total proceeds to be expected. The payback will be 22 years, with the first two years of interest being paid by the City, and it'll be 20 years of assessments that pay a portion of the debt service and the City will pay a portion as well, with a final maturity in 2037. Each property owner was given the opportunity to prepay their assessments beforehand and not participate in the financing. They'll also be given the opportunity throughout the course of the transaction, over the 20 years, to prepay at any time and thus forgo the special assessment on an ongoing basis. So that will be an option they have at their disposal throughout the 20 years of the transaction. Based on current market conditions, we are expecting the true interest cost of the financing to be about 3.90%, so it's a very attractive time to be borrowing. As I'm sure you all know, the FED met last week and took some -- or didn't take action that resulted in interest rates declining a little bit, so it is a very attractive time to borrow, so we're anxious to get into the market. Assuming approval here today, the expectation is that we'll enter the market later this year and close the financing late this year, early next year, assuming approval. But the first resolution before you, again, approves the tax-exempt component, and there's a subsequent resolution that has a small taxable

component for some private activity associated with the project. And I'm happy to address any questions you all might have about the rating process, the transactions, or the current market conditions.

Commissioner Lago: Thank you. First off, it's great news to hear that we're on the right path. Hopefully, we'll be getting that AAA bond rating soon enough. Just a quick question, just kind of to educate myself. If we would have had the AAA rating now, what would be the financing mechanism, the actual rate, the preferred rate that we would be able to attain versus what was being offered now, which I think you said was 3.09, I think.

Mr. Glover: 3.90.

Commissioner Lago: 3.90, excuse me.

Mr. Glover: Estimated, yes.

Commissioner Lago: I apologize.

Mr. Glover: It's a good question. So the AAA rating we refer to is really your implied general obligation bond rating. That's the overall creditworthiness of the City. Since this transaction is secured by legally available and non-ad valorem revenues, as well as the special assessments, it's actually one notch off of your GO rating. So this transaction itself will have a AA rating with a positive outlook, which is one notch below the GO ratings. So in essence, if we would have gotten upgraded to AAA, this transaction would have been AA plus, with a positive outlook. So that one notch difference, I would say, is probably 15 to 20 basis points in terms of the interest cost on the transaction, so it is significant to actually to achieve the highest ratings possible. But even at the AA plus

positive outlook, you're in the very upper echelon of ratings. So, but specifically, probably 15 to 20 basis points, if we would have gotten that one notch upgrade.

Commissioner Lago: Perfect. Thank you.

Mayor Cason: As I recall at the time, almost every municipality was downgraded. This was about four and a half years ago, if I'm not mistaken.

Mr. Glover: There were a number of municipalities downgraded during the economic downturn, and that's one thing that's even more impressive about the progress you all have made with building your fund balance. You've done it during a time when, you know, assessed values were declining and there was a lot of economic turmoil, so that was duly noted by the rating agencies.

Commissioner Lago: How would you say in reference to our recovery we compare to the other municipalities that were downgraded?

Mr. Glover: I would suggest that you all have dealt with it much better than most. I think some are still struggling -- a lot are still struggling. Most have tried to maintain their fund balance. There's been very few that have been able to grow their fund balance to the extent you all have while dealing with the other issues. So, it's -- I mean, the way you all have acted is, you know -- quite frankly, I thought it would be the AAA this time. That was my goal. But no, you all have taken the action necessary and the City Manager and all of us made the point at the outset of the call that the goal of the City is to get back to that AAA level they once had. We made that loud and clear. And again, I would be shocked, if things stay the way they are, if we didn't get there in the very near term.

Commissioner Lago: Thank you.

Mayor Cason: Alright. On Item H-2 beginning, do we have any motion?

Vice Mayor Quesada: So move.

Mayor Cason: The Vice Mayor makes the motion.

Commissioner Lago: Second the motion.

Mayor Cason: Commissioner Lago seconds. City Clerk.

Commissioner Lago: Yes.

Vice Mayor Quesada: Yes.

Commissioner Slesnick: Yes.

Commissioner Keon: Yes.

Mayor Cason: Yes.

(Vote:5-0)