



February 23, 2021

Recommendation Memorandum

To: Diana Gomez, Finance Director – City of Coral Gables, Florida
From: Jay Glover, Managing Director – PFM Financial Advisors LLC
RE: Taxable Capital Improvement Refunding Revenue Bond, Series 2021A

PFM Financial Advisors LLC (“PFM”) was engaged by the City of Coral Gables, Florida (the “City”) to serve as financial advisor for the City’s proposed issuance of its Taxable Capital Improvement Refunding Revenue Bond, Series 2021A (the “2021A Bond”). The 2021A Bond will be issued to simultaneously refinance the Taxable Revenue Bonds, Series 2011C (the “2011C Bonds”) and Taxable Revenue Bonds, Series 2013B (the “2013B Bonds”), both of which were issued through the Sunshine State Government Financing Commission (“SSGFC”).

The 2011C Bonds are currently outstanding in the principal amount of \$2,835,000 and bear interest at a variable rate equal to the 1-Month LIBOR + 135 basis points. The 2011C Bonds are held by JPMorgan and prepayable at any time without penalty. The 2013B Bonds are currently outstanding in the principal amount of \$2,590,000 and bear interest at a fixed rate of 3.43%. TD Bank is the holder of the 2013B Bonds, which are prepayable with a premium equal to 1% of the principal balance being prepaid. Both series are secured by and payable from non-ad valorem revenues of the City, which will be the same source of security for the 2021A Bond.

Following discussions with City staff, it was determined the City would issue the 2021A Bond directly as opposed to using SSGFC as a conduit. Based on the size (approximately \$5.5 million), term (approximately 12 years), and reduced costs of issuance, PFM recommended the City pursue a privately placed direct bank loan, which in today’s market is expected to be an efficient and cost effective method of financing. At the City’s direction, PFM contacted multiple financial institutions to request interest rate indications for the 2021A Bond. The City received the following three (3) fixed interest rate indications:

- TD Bank: 1.90%
- JPMorgan: 2.20%
- SunTrust (now Truist): 1.97%

Based on PFM’s review and discussions with City staff and Bond Counsel, it was determined that TD Bank’s indication of 1.90% was the best option for the City. This interest rate is locked through a closing date on or before March 30, 2021, thereby eliminating the risk of interest rate movement between now and the closing date. The combined net present value debt service savings (net of all costs associated with completing the transaction) is approximately \$180,000, or 3.3% of the combined par amount outstanding on the 2011C Bonds and 2013B Bonds. These savings figures assume an ongoing interest at 2.5% for the variable rate 2011C Bonds. The exact level of savings will depend on the actual rate that would have been borne by the 2011C Bonds over time. While the savings are nominal, the



issuance of the 2021 Bond provides the ancillary benefit of moving these loans to the City and eliminating variable rate exposure moving forward.

We anticipate bringing the 2021A Bond before the City Commission for approval at the March 23, 2021 meeting. If you have any questions, please feel free to contact Jay Glover at 407-406-5760 or gloverj@pfm.com.