

*Discussion concerning hurricane
reserve amount and accessibility
of funds for disaster mitigation*

SEPTEMBER 26, 2023

CORAL
GABLES
THE CITY BEAUTIFUL

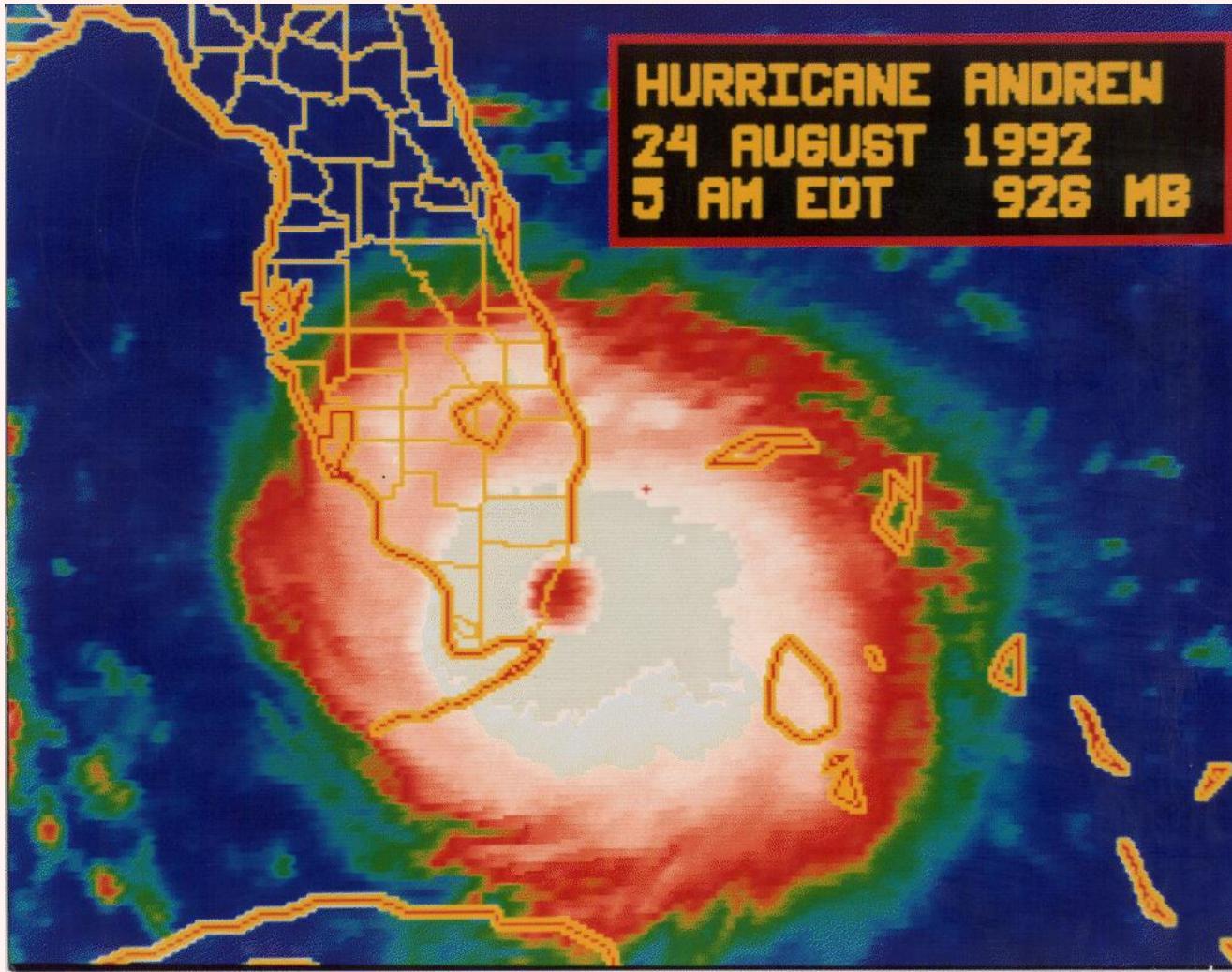
Major Hurricane – CAT. 5

Catastrophic damage to Miami-Dade County



Hurricane Andrew caused \$57 Billion (in 2022 dollars) in damage to Miami-Dade County. Similar storm would cost Coral Gables more than \$65 Million.

Hurricane Andrew



Hurricane Andrew - Damage



Hurricane Andrew - Damage



Minor Hurricane – CAT. 1 Hurricane Irma

Significant tree canopy damage to Coral Gables

- Approximate damage of \$22 Million in 2017. In today's dollars that would be \$28-32 Million.
- Reimbursements did not start coming in for 3 years; 6 years later we have not received full reimbursement.



Hurricane Irma - Damage



Hurricane Irma - Damage



Hurricane Irma - Damage



Current General Fund Reserves

- 25% of operating and debt service expense
- Just over \$50 Million.
- Covers 3 months of lost revenues during an economic emergency.
- Allows coverage for 2 minor storms or 1 major storm.
- Using reserves for other purposes will result in insufficient funds to cover subsequent storms.
- Access to cash ensures immediate response.
- Quick payment provides advantage in obtaining contractors and equipment.
- Ensures AAA Bond Rating and enhances ability to obtain matching grants.

Interest Income Generated from Reserves

- Current 1-year Treasury Rate is at 5.43%; the 3-year Treasury Rate is at 4.72%.
- \$50M of reserves has the potential to earn \$2,715,000 annually in interest income at current rates.
 - \$10M of reserves can earn \$543,000 annually, or \$1,629,000 over 3 years in interest income at current rates.
- Interest income used for operating and capital projects.

Line of Credit – Current Costs

- Credit Rating Agencies do not see a line of credit as a Reserve.
- Carrying cost of \$25,000 - \$40,000 per year or \$250,000 - \$400,000 over 10 years.
- Interest on a \$10 Million line of credit is estimated to be between \$460,000 - \$530,000 per year or \$1,380,000 to \$1,590,000 for 3 years
- Need to budget for semi-annual interest payments while waiting on FEMA reimbursements (3-5 years)
- Total interest cost over 5 years of \$2.3M - \$2.65M

City Hall – Impact Windows

- Installing impact windows will help reduce insurance costs.
- Estimated savings of \$15,000 annually or \$150,000 over 10 years.
- Essential to preserve iconic historic Coral Gables building.

25% Emergency Reserves

- Represents years of savings to create a fund to cover the cost of cleanup and asset restoration following destructive events.
- The 25% reserve amount is designed for two purposes:
 - to cover the cost of 2 minor or 1 major hurricane.
 - to cover 3 months of lost revenues during a major economic downturn/event.

Emergency Reserves

- The 3 AAA ratings were awarded to Coral Gables because of the City's:
 - Sound financial planning
 - financial integrity and stability
 - fiscal sustainability
- Residents and businesses come here for the prestige the City has due in large part to its financial strength.

Lost Funds Due to Line of Credit

Unused Line of Credit

Carry for 10 years

Carrying Cost: \$250,000 - \$400,000

Lost Interest Income: \$5,430,000

Total: \$5,680,000 - \$5,830,000

Used Line of Credit

Pay Off in 5 Years

Interest Cost: \$2,300,000 - \$2,650,000

Total: \$2,300,000 - \$2,650,000