April 3, 2018

Memorandum

To: Diana M. Gomez, Finance Director

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

RE: Public Safety Building Financing – Recommendation Memo

As financial advisor to the City of Coral Gables, Florida (the "City"), PFM Financial Advisors LLC (PFM) assists the City with determining the most efficient and cost effective means of funding capital projects through the issuance of debt. It is our understanding that the City desires to finance a new public safety building that has an estimated construction cost of $48.5 million. As with prior long term financings completed by the City, PFM recommends that the City utilize the Sunshine State Governmental Financing Commission (SSGFC) as the issuer of the bonds. The SSGFC allows the City to access a proven financing team that includes bond counsel (Bryant Miller Olive), disclosure counsel (Nabors Giblin & Nickerson) and financial advisor (PFM). Additionally, the cost of financing for debt issued through the SSGFC is comparable to debt that would be issued directly by the City. PFM also made the following structuring recommendations:

- Competitive bond sale based on the strong underlying credit ratings
- 30 year financing based on the long term nature / useful life of the project
- Debt service payments that ramp up over initial 5 years and remain level from years 6-30

Based on current market conditions, we estimate the all in true interest cost on the public safety building financing would be approximately 3.75%. This would result in annual debt service of approximately $2.8 million once debt service levels out in years 6 - 30.

As part of the financing process, PFM also reviewed the City's outstanding debt portfolio for refunding opportunities that could lower the City's overall debt service payments and/or reduce risks. Based on this review, we recommends that the City refund the Revenue Bond, Series 2012 (the "2012 Bond") that is outstanding in the par amount of $35,285,000 with an interest rate of 3.25% and is currently callable. In addition to approximately $50,000 of annual debt service reduction, refunding the 2012 Bond will eliminate onerous bank covenants and eliminate the interest rate risk associated with a lender put option in June of 2022. The refunding will not require any extension of the final maturity of the 2012 Bond.

Based on the above factors, we recommend that the City approve the Resolution authorizing the City to move forward with the issuance of Capital Improvement Revenue Bonds, Series 2018A and Capital Improvement Revenue Refunding Bonds, Series 2018B through the SSGFC to fund the public safety building and refund existing debt. If you have any questions please feel free to contact me at 407-406-5760 or gloverj@pfm.com.