

City of Coral Gables City Commission Meeting
Agenda Item J-2
April 10, 2018
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Raul Valdes-Fauli
Vice Mayor Pat Keon
Commissioner Vince Lago
Commissioner Frank Quesada
Commissioner Michael Mena

City Staff

City Manager, Cathy Swanson-Rivenbark
Assistant City Manager, Peter Iglesias
City Attorney, Miriam Ramos
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia

Public Speaker(s)

Agenda Item J-2 [0:00:00 p.m.]

A Resolution of the City of Coral Gables, Florida, authorizing the negotiation of two loans, one in a not to exceed amount of \$50,000,000 for the construction of a new public safety building, and one in a not to exceed amount of \$36,000,000 to refinance the Series 2012 Refunding Revenue Bonds, in an aggregate principal amount not to exceed \$86,000,000 from the Sunshine State Governmental Financing Commission; to finance and refinance certain capital improvements within the City of Coral Gables; approving the execution and delivery of one or more loan agreements; approving the form of the Preliminary Official Statement; providing certain other matters in connection with the making of such loans.

(The City is refinancing, in part, for more favorable loan terms).

Mayor Valdes-Fauli: We have a time certain, 11 o'clock, Item J-2.

City Attorney Ramos: J-2 is a resolution of the City of Coral Gables, Florida, authorizing the negotiation of two loans, one in a not to exceed amount of \$50,000,000 for the construction of a new public safety building, and one in an not to exceed amount of \$36,000,000 to refinance the Series 2012 Refunding Revenue Bonds, in an aggregate principal amount not to exceed \$86,000,000 from the Sunshine State Governmental Financing Commission; to finance and refinance certain capital improvements within the City of Coral Gables; approving the execution and delivery of one or more loans -- loan agreements; approving the form of the Preliminary Official Statement; providing certain other matters in connection with the making of such loans.

City Manager Swanson-Rivenbark: Before the Finance Director speaks, as you remember, we've been to you 19 times on the public safety building. Each time we do a step, we acknowledge that, at some point, we're going to be coming back to you and -- with a notice of intent to borrow. We did that at the -- two meetings ago. And now, we're coming back to you with the actual borrow. And because we've been able to get some favorable terms on the refinance, we're also refinancing a portion of a debt from 2012. So...

Mayor Valdes-Fauli: Good.

City Manager Swanson-Rivenbark: We're going to ask -- Diana is prepared to walk through the entire process, including how it's going to be paid for over the period of time.

Mayor Valdes-Fauli: Diana.

Finance Director Gomez: Yes. So, the public safety building debt is -- we're requesting permission to issue a not to exceed \$50,000,000. We anticipate it's going to be somewhere

around \$48.5 million, \$49 million, with fees. What we had done a while back, in November of 2016, we had proposed an increase to the parking rates so that we could start funding -- we can start generating enough revenue in order to cover the debt service for this debt. So, this debt will be covered with parking rate -- parking fees, which is a special revenue, which will be what we will use to cover the debt service on this debt.

City Manager Swanson-Rivenbark: And that's all parking revenue, on-street and...

Finance Director Gomez: Correct.

City Manager Swanson-Rivenbark: It is not just the parking that -- in fact, it doesn't even deal with proposed Parking Garage 7. It is -- but we did postpone, in the streetscape zone, the implementation of that increased rate until the streetscape was completed.

Finance Director Gomez: Right. And it is the increase that's going to be covering this. So, the regular revenues that came from parking still go to fund operations as normal in the budget. This is the additional increase that, when we raised the rates, will cover the debt service on this. And we will also have some additional -- in later years, to cover the Parking Garage 7, when we move forward with that project. That's the public safety debt. It is a 30-year bond that we're doing. It will be competitively issued, and it'll be issued through the Sunshine State Financing -- Sunshine State Governmental Financing Commission. The refunding bonds will refinance the Series 2012 bank loan, which is currently held with SunTrust. That is a -- approximately \$36,000,000. That loan had a interest rate that was favorable, but in January 1, the -- with tax law changes, the corporate tax rate increased, and therefore -- or was lowered, rather, which increased our rate from 2.67% to a 3.25% on this debt. By refinancing now, we are able to receive a better rate. We anticipate a 2.94% rate, which is higher than the original, but less than what it is now because of the corporate tax rate change. Additionally, there is -- since that was a bank loan, they added -- at the ten-year mark, there was a put option, which means that, at that point in time, which is in 2022, the bank could decide to change your rates at the rates that would be in 2022,

and we don't know where that's going to be, so we'd rather refinance now, get rid of that put option and have fixed rate -- or bonds for the duration of this loan. We are not extending the durations on any of them, so it's just a refinance for removing the put option and for getting better rates, as well as there's an acceleration clause in that bank loan that it's -- it's just a covenant that we don't necessarily need to have, so it's -- we also get rid of that. So, it's a win on that situation.

Commissioner Lago: Quick question. In reference...

Finance Director Gomez: Yes.

Commissioner Lago: To the life of the loan, how many years were left on that loan?

Finance Director Gomez: 13, on the refunding one. There was 13 and there's going to be 13.

Commissioner Lago: Okay.

Finance Director Gomez: So, we're not changing the loan...

Commissioner Lago: And when you use the word put -- is it a common...

Finance Director Gomez: That's a financing term...

Commissioner Lago: Is a common synonym would be like a floating rate that...

Finance Director Gomez: I'm going to ask Sergio.

Commissioner Lago: No, I want to learn.

Finance Director Gomez: Yeah. No, no. Sergio Masvidal, from PFM, to explain a put.

City Manager Swanson-Rivenbark: So, you'll remember, there are financial advisors. They're partners with us also when we went for the bond ratings. We presented the intent to borrow as -- this and other projects as a part of that. So, deciphering Diana's language, they'll be well-versed to do.

Vice Mayor Quesada: And that was in 2012, right? And you were also the one presented to us in 2012 in the analysis for us, correct?

Sergio Masvidal: That's correct.

Vice Mayor Quesada: Yeah, okay.

Mr. Masvidal: So, again, Sergio Masvidal.

Commissioner Lago: So...

Mr. Masvidal: Public Financial Management. I heard your question, Commissioner. A put option is nothing more than basically a put feature -- early redemption feature, so the banks, at that point in time, can put that loan back to the City and you'd have to pay off the balance of the loan. More likely what would have happened is you'd refinance at that point in time for the same term -- for the remaining term.

Commissioner Lago: So, it's not like a five- or seven-year arm that floats after five years...

Mr. Masvidal: No.

Commissioner Lago: And basically adjusts to the rates of that moment.

Mr. Masvidal: No, the only adjustment would be whatever you refinance to at that point in time.

Commissioner Lago: Thank you.

Mayor Valdes-Fauli: Alright. Any other questions? This is a public hearing. Anybody wishes to speak?

Vice Mayor Quesada: I'll move the item.

Commissioner Mena: Second.

Mayor Valdes-Fauli: Will you call the roll, please?

Commissioner Lago: Yes.

Commissioner Mena: Yes.

Vice Mayor Quesada: Yes.

Commissioner Keon: Yes.

Mayor Valdes-Fauli: Yes.

(Vote: 5-0)

Finance Director Gomez: Thank you.