

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Rickelle Williams, Interim City Manager

DATE: June 26, 2024

TITLE: A RESOLUTION OF THE MAYOR AND CITY COMMISSION ACCEPTING THE RECOMMENDATION OF THE FINANCE AND ECONOMIC RESILIENCY COMMITTEE AT ITS MAY 23, 2024 MEETING TO AUTHORIZE THE ADMINISTRATION TO EXECUTE A DECLARATION OF OFFICIAL INTENT TO ISSUE THE SECOND TRANCHE OF GENERAL OBLIGATION (G.O.) BONDS, NEIGHBORHOODS AND INFRASTRUCTURE CATEGORY, IN THE AMOUNT OF \$20.03 MILLION INCLUDING ISSUANCE COSTS.

RECOMMENDATION

It is recommended that the Mayor and City Commission adopt the Resolution.

BACKGROUND/HISTORY

The General Obligation Bond (G.O. Bond) program was approved by the voters of Miami Beach in November 2018. Residents voted to approve the \$439.0 million bond program, which includes \$169 million for parks, recreation facilities, and cultural facilities; \$198 million for neighborhoods and infrastructure; and \$72 million for police, fire, and public safety. All 3 related ballot measures passed with a support rate of ~70%. The first tranche of new money funding (Tranche 1) in the amount of \$152 million (net of cost of issuance related expenses) was approved by the City Commission with the goal to advance as many projects as possible. An additional \$6.2 million was appropriated from earned interest income to assist in covering additional eligible project costs. A total of 43 out of the 57 voter approved projects have either been completed or are in some form of active status. The funding allocated as part of Tranche 1 in the 3 separate bond categories were:

- Parks, Recreation & Cultural Facilities: \$87.1 million
- Neighborhoods & Infrastructure: \$28.2 million
- Police, Fire & Public Safety: \$36.7 million

The program is approaching its 5th year in May 2024 and the time has come to determine the possibility of either issuing Tranche 2 in the Neighborhoods and Infrastructure category, or an alternative funding vehicle to keep those projects moving forward. Approximately 80% of the funds in this category have been spent to date and several projects will soon require additional funding beyond what is currently available.

ANALYSIS

The G.O. Bonds will be repaid through the assessment, levy, and collection of ad valorem tax on all taxable property within the City and the full faith, credit, and taxing power of the City will be pledged to the payment of the principal and interest of the bonds. Issuance costs and expenses will be paid from G.O. Bond proceeds. In accordance with the provision of Section 2-278(b) (Exhibit A) procedures governing the issuance of bonds with respect to bonds subject to a

referendum, the Administration's compliance with paragraphs 1 and 2 of Section 2-278(a) was completed with the adoption of Resolution 2019-30754.

The portion of the projects for which the bonds are to be issued is \$19,830,000, as described in Chart 1 below. The City to date has not committed any proceeds for future projects that are to be funded from future bond proceeds.

CHART 1

GOB PROJECT	TOTAL GOB BUDGET	TRANCHE 1	TRANCHE 2 PROPOSED	FUTURE TRANCHEs
GO#33: STREET TREE MASTER PLAN	5,000,000	2,770,000	2,230,000	0
GO#37: SIDEWALK IMPROVEMENTS	13,000,000	3,960,066	3,500,000	5,539,934
GO#38: STREET PAVEMENT	30,000,000	5,800,000	8,600,000	15,600,000
GO#39: SEAWALLS & SHORELINES	10,000,000	5,000,000	5,000,000	0
GO#42: TRAFFIC CALMING	2,000,000	1,500,000	500,000	0
TOTAL	60,000,000	19,030,066	19,830,000	21,139,934

Declaration of Official Intent

Currently, the Administration is not recommending the immediate issuance of G.O. bonds but to instead request the Commission to authorize for the Administration to execute a Declaration of Official Intent defined as:

“Declaration of Official Intent” means a declaration of intent, in the form, manner and time contemplated in the Reimbursement Regulations, that the advances for expenditures referred to therein are reasonably expected to be reimbursed from the proceeds of Bonds to be issued after those expenditures are paid.”

Issuing G.O. bonds with a prior Declaration of Official Intent can be a cost-effective strategy. A prior Declaration of Official Intent is a legal mechanism that allows an issuer to use its own funds initially for project expenses and later reimburse itself with the proceeds from the sale of tax-exempt G.O. bonds. In this case, the General Fund's reserves would be utilized to provide the interim funding of the projects.

The Declaration of Official Intent will not be effective unless the bonds providing moneys for the reimbursement are issued and the reimbursement for the projects described in Chart 1 above is made within the applicable period prescribed in the Treasury Regulations – generally, 18 months after the later of the date of the expenditure or the date the Project is placed in service, but in no event later than three years after the date of the expenditure. See attached Exhibit B for Resolution 2016-29612 which authorizes Declarations of Official Intent. The Administration may return at a future date to request an increase in the Tranche 2 authorization as additional projects are ready to proceed.

Some advantages to this approach include:

- Timing and Flexibility: Delaying the issuance of bonds provides the City with flexibility in terms of timing. It allows the City to initiate and fund a project using the City's reserves while waiting for the most opportune moment to issue long-term bonds. This can be advantageous in instances where market conditions are not favorable or when the project timeline is uncertain.

- Reduced Interest Costs: By using internal funds initially, the City can avoid incurring interest costs associated with long-term debt during the early stages of projects. Taxpayers will not be taxed at this time. Debt service millage will not be increased until after the actual issuance of the Bonds.
- Market Conditions: Delaying the issuance allows the City to monitor and take advantage of favorable market conditions. If interest rates are expected to decrease or if there is increased demand for bonds, the City may be able to secure more favorable terms, ultimately lowering the overall cost of financing.
- Project Initiation Assessment: The delay provides the City with additional time to assess when certain project milestones are reached. This may involve confirming that the project is progressing as planned.

On April 11, 2024, the G.O. Bond Oversight Committee passed a motion endorsing the Administration's strategy, and on May 24, 2024, the Finance and Economic Resiliency Committee (FERC) moved the item to the City Commission with a favorable recommendation to execute a Declaration of Official Intent to issue the second tranche of General Obligation Bonds, Neighborhoods and Infrastructure Category, in the amount of \$19.83 million. The amount required for cost of issuance was not discussed at FERC. Cost of issuance (COI) for a debt issuance for this size is estimated at \$200,000. This would bring the total issuance size to \$20.03 million.

FISCAL IMPACT STATEMENT

N/A

FINANCIAL INFORMATION

N/A

CONCLUSION

Based on the foregoing, the Administration recommends that the Mayor and City Commission of the City of Miami Beach adopt the Resolution authorizing the Administration to execute a Declaration of Official Intent (attached as Exhibit C) to issue the second tranche of General Obligation Bonds, Neighborhoods and Infrastructure Category, in the amount of \$20.03 million, including issuance costs.

Applicable Area

Citywide

Is this a "Residents Right to Know" item, pursuant to City Code Section 2-17?

No

Is this item related to a G.O. Bond Project?

Yes

Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481, includes a principal engaged in lobbying? No

If so, specify the name of lobbyist(s) and principal(s):

Department

G.O. Bond Program & Finance

Sponsor(s)

Co-sponsor(s)