



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 17-65

City Council

10/12/2017

LEGISLATIVE ACTION ITEM

SPONSOR: Ashton J. Hayward, III, Mayor

SUBJECT:

RESOLUTION NO. 17-65 - AUTHORIZING A FINANCING IN THE PRINCIPAL AMOUNT OF \$25,000,000 TO FINANCE CAPITAL IMPROVEMENTS ELIGIBLE TO BE FINANCED FROM THE LOCAL GOVERNMENT INFRASTRUCTURE SURTAX.

RECOMMENDATION:

That City Council adopt Resolution No. 17-65.

A RESOLUTION AUTHORIZING THE ISSUANCE BY THE CITY OF PENSACOLA, FLORIDA OF AN INFRASTRUCTURE SALES SURTAX REVENUE BOND, SERIES 2017, IN THE PRINCIPAL AMOUNT OF \$25,000,000 TO FINANCE INFRASTRUCTURE CAPITAL IMPROVEMENTS WITHIN THE CITY; PLEDGING THE PLEDGED REVENUES FOR THE PAYMENT OF SAID SERIES 2017 BOND; PROVIDING FOR THE PAYMENT OF THE SERIES 2017 BOND AND THE EXECUTION OF THE RELATED FINANCING DOCUMENTS IN CONNECTION THEREWITH; AUTHORIZING THE AWARD OF THE SALE OF THE SERIES 2017 BOND; AUTHORIZING FURTHER OFFICIAL ACTION IN CONNECTION WITH THE DELIVERY OF THE SERIES 2017 BOND; PROVIDING FOR SEVERABILITY; PROVIDING FOR REPEAL OF INCONSISTENT PROVISIONS; AND PROVIDING AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

On August 21, 2014, the Board of County Commissioners of the County enacted Ordinance No. 2014-32 authorizing the County to levy a one percent infrastructure sales surtax for a period commencing January 1, 2018 and concluding December 31, 2028 (referred to as LOST series IV), and provided that the distribution of the proceeds of the surtax to the incorporated municipalities of the County shall be as set forth in Section 218.62, Florida Statutes. Such levy was approved by referendum of the County's electorate on November 4, 2014.

On February 11, 2016, City Council approved Resolution 01-16 establishing its intent to reimburse certain capital expenditures incurred in connection with various capital projects eligible to be financed from the local government infrastructure surtax with proceeds of a future tax exempt financing.

On September 20, 2017, City Council approved Resolution 17-63 adopting a final budget for fiscal year beginning October 1, 2017. As part of the fiscal year 2018 budget, the LOST Series IV plan was amended and approved. In order to provide funding for the projects over the next thirty-six (36) months, in addition to projected revenues, \$25 million is projected to be needed.

Request for Proposals for Non-Bank Qualified Tax-Exempt Bank Loans were sent to thirteen (13) banks. Five (5) proposals were received. The City's Financial Advisor, Mitch Owens with RBC Capital Markets, recommended BBVA Compass Bank as the best response with a fixed rate of 2.15% and \$5,000 in bank fees.

The loan will be an eleven (11) year financing at a fixed interest rate of 2.15%. Interest will be paid semi-annually on October 1 and April 1 of each year commencing on April 1, 2018 and principal payments will be paid annually on October 1 commencing on October 1, 2018 and maturing on October 1, 2028. The pledged revenues will be the local government infrastructure surtax.

The financing team consists of Mitch Owens, the City's Financial Advisor with RBC Capital Markets, LLC and Randy Clement, Esq., with Bryant Miller Olive, the City's Bond Counsel.

PRIOR ACTION:

February 11, 2016 - City Council approved Resolution 01-16 establishing its intent to reimburse certain capital expenditures incurred in connection with various capital projects eligible to be financed from the local government infrastructure surtax with proceeds of a future tax exempt financing.

September 20, 2017 - City Council approved Resolution 17-63 adopting a final budget for the fiscal year beginning October 1, 2017. As part of the fiscal year 2018 budget, the LOST Series IV Plan was amended and approved.

FUNDING:

N/A

FINANCIAL IMPACT:

Bond proceeds are estimated to be \$25,000,000. Estimated closing cost of \$85,000 will be paid from bond proceeds resulting in total estimated project funds of \$24,915,000. The eleven (11) year bond will have semi-annual interest payments on October 1 and April 1 each year commencing on April 1, 2018. Principal payments will be due October 1 each year with the first payment due on October 1, 2018 and final maturity of October 1, 2028. Loan term assumes a fixed interest rate of 2.15% with total interest expense of \$3,324,382, a budgetary savings of \$360,864. The pledged revenues include the local government infrastructure surtax. Debt service will be appropriated in the Local Option Sales Tax Fund and paid from infrastructure sales surtax revenues.

CITY ATTORNEY REVIEW: Yes

9/28/2017

STAFF CONTACT:

Eric W. Olson, City Administrator
Richard Barker, Jr., Chief Financial Officer

ATTACHMENTS:

- 1) Resolution No. 17-65

PRESENTATION: No