

## COMMISSION

### MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Alina T. Hudak, City Manager

DATE: March 9, 2022

SUBJECT:

**RESOLUTIONS OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA (1) ACCEPTING THE RECOMMENDATION OF THE CITY MANAGER AND APPROVING THE SELECTION OF BOFA SECURITIES AS SENIOR MANAGER AND ESTRADA HINOJOSA AS CO-MANAGER TO PROVIDE UNDERWRITING SERVICES FOR THE MIAMI BEACH STORMWATER REFUNDING REVENUE BONDS, SERIES 2022 THAT THE CITY ANTICIPATES WILL BE ISSUED IN 2022; AND (2) ACCEPTING THE RECOMMENDATION OF THE CITY MANAGER AND APPROVING THE SELECTION OF WELLS FARGO SECURITIES AS SENIOR MANAGER AND SIEBERT WILLIAMS SHANK AS CO-MANAGER TO PROVIDE UNDERWRITING SERVICES FOR THE MIAMI BEACH PARKING REVENUE AND REFUNDING BONDS, SERIES 2022 THAT THE CITY ANTICIPATES WILL BE ISSUED IN 2022.**

#### **Background**

Given the current interest rate environment and the need for funds for capital improvements, the City's Finance Department, in conjunction with the City's Financial Advisor, RBC Capital Markets, LLC (the "Financial Advisor"), has identified financing options and opportunities to achieve debt service savings from lower interest rates.

The Administration proposes that the City Commission approve the selection of underwriters for the issuance by the City of its Stormwater Refunding Revenue Bonds, Series 2022 (the "Stormwater Series 2022 Bonds") and its Parking Revenue and Refunding Bonds, Series 2022 (the "Parking Series 2022 Bonds") (together, the "Series 2022 Bonds"). The details of the proposed Series 2022 Bond issues are discussed more fully below.

On May 8, 2020, the Finance and Economic Resiliency Committee ("FERC") reviewed the potential refunding of outstanding stormwater bonds and recommended that the Administration proceed with the refinancing as the bonds came closer to their call dates and sufficient savings could be generated.

On January 20, 2022, the City Commission approved moving forward with the parking garage for the 72nd street complex, which will require bonds issued to provide approximately \$19.5 million in proceeds for construction. In addition, the City has the opportunity to refinance a portion of its Series 2015 Parking Bonds which financed the parking garage for the Convention Center. In a separate agenda item, the Administration is requesting Commission approval to refer this financing to the FERC to be heard at the FERC meeting on March 30, 2022.

Municipal bond underwriting firms assist the City through the bond issuance process and serve as a liaison between the City and investors in the sale of its bonds. The underwriters' main role is to generate investor demand and to market, price and sell the City's Series 2022 Bonds to retail and institutional investors. This Resolution is only to select the underwriters from the City's underwriting pool for the Series 2022 Bonds.

To seek proposals for a pool of underwriters, on June 7, 2017, the Mayor and City Commission authorized the issuance of Request for Qualifications (RFQ) 2017-163-WG for Underwriter Services. The RFQ sought statements of qualifications from underwriting firms to establish a team of underwriters to provide Underwriter Services to the City for the issuance of various municipal bonds. On June 8, 2017, RFQ No. 2017-163-WG for Underwriter Services was issued. RFQ responses were received on July 13, 2017. On January 17, 2018, the Mayor and City Commission approved a resolution authorizing the Administration to establish a pool of 14 underwriters to provide underwriting services to the City for the issuance of bonds.

The selected firms participate in the bond issues by assisting the City, its City Manager, its Chief Financial Officer and its Financial Advisor with the development of financing structures, preparation of preliminary and final official statements, bond resolutions, and other documentation as may be required.

### **Analysis**

#### **Stormwater Series 2022 Bonds**

The City's Finance Team and Financial Advisor have identified the following savings opportunity, which was discussed by the FERC on May 8, 2020, and the FERC recommended that Administration move forward with the refinancing when market conditions provided sufficient savings.

The City has \$44.6 million in outstanding Stormwater Series 2017 Bonds that were issued with a 5-year optional call on September 1, 2022 to allow additional refinancing flexibility due to the elimination of the ability to issue tax-exempt advance refunding bonds after 2017. This portion of the Series 2017 Bonds consists of a term bond maturing in 2047, which has sinking fund payments due in 2042 through and including 2047 and bears interest at a rate of 5.00%. The federal tax law allows for tax-exempt refunding bonds to be issued within 90 days of the call date of September 1, 2022, so the refunding can be closed as early as June 3, 2022.

The City's Series 2015 Stormwater Bonds have a call date of September 1, 2025. Due to the inability to issue tax-exempt advance refunding bonds, many municipalities are issuing taxable advance refunding bonds to achieve savings. The City can combine a taxable advance refunding of a portion of the Stormwater Series 2015 Bonds with a tax-exempt current refunding of a portion of the Stormwater Series 2017 Bonds as one issue with two series.

Following is a summary of City's outstanding Stormwater Debt with the refunding candidates highlighted.

Outstanding Stormwater Revenue Debt							Total Potential Refunding Candidates
	Series 2015		Series 2017		SRF (Subordinate)		
<b>Original Par</b>	\$99,590,000		\$156,550,000		\$6,954,057		
<b>Dated</b>	08/05/2015		12/22/2017				
<b>Due</b>	September 1		September 1				
<b>Earliest Call</b>	9/1/25 @ 100		9/1/22 & 9/1/27 @ 100		Anytime without Penalty		
<b>Insurer/Rating</b>	None		None		None		
<b>Underlying Ratings</b>	Aa3/AA-		Aa3/AA-		None		
<b>Purpose</b>	New Money		New Money and Ref Series 2011AB		Planning Loan - New Money		
	<b>Principal</b>	<b>Coupon</b>	<b>Principal</b>	<b>Coupon</b>	<b>Principal</b>	<b>Coupon</b>	<b>Principal</b>
2022	330,000	2.250	4,920,000	5.000	190,193	1.620	
2023	345,000	2.500	5,160,000	5.000	345,267	1.620	
2024	350,000	3.000	5,420,000	5.000	350,883	1.620	
2025	360,000	3.000	5,690,000	5.000	356,590	1.620	
2026	375,000	3.000	5,970,000	5.000	362,390	1.620	
2027	380,000	3.125	6,275,000	5.000		1.620	
2028	395,000	3.250	6,585,000	5.000		1.620	
2029	405,000	3.375	6,920,000	5.000		1.620	
2030	420,000	3.500	7,265,000	4.000		1.620	
2031	3,920,000	3.500	4,070,000	4.000		1.620	
2032	4,060,000	3.500	4,230,000	4.000		1.620	
2033	4,200,000	3.625	4,400,000	4.000		1.620	
2034	4,355,000 *	3.750	4,575,000	4.000		1.620	
2035	1,000,000	5.000	4,760,000	4.000		1.620	1,000,000
2035	3,515,000 *	3.750				1.620	
2036	4,695,000 T	3.750	4,950,000	5.000		1.620	
2037	4,875,000 *	5.000	5,195,000	5.000	4,837,024	1.620	4,875,000
2038	5,115,000 *	5.000	5,460,000 *	5.000		1.620	5,115,000
2039	5,375,000 *	5.000	5,725,000 *	5.000		1.620	5,375,000
2040	5,640,000 *	5.000	6,015,000 *	5.000		1.620	5,640,000
2041	5,925,000 T	5.000	6,315,000 T	5.000		1.620	5,925,000
2042	9,715,000 *	4.000	3,135,000 *	5.000		1.620	3,135,000
2043	10,100,000 *	4.000	3,300,000 *	5.000		1.620	3,300,000
2044	10,505,000 *	4.000	3,460,000 *	5.000		1.620	3,460,000
2045	10,925,000 T	4.000	3,635,000 *	5.000		1.620	3,635,000
2046			15,180,000 *	5.000		1.620	15,180,000
2047			15,940,000 T	5.000		1.620	15,940,000
<b>Outstanding</b>	<b>\$ 97,280,000</b>		<b>\$ 154,550,000</b>		<b>\$ 6,442,347</b>		
<b>Callable</b>	<b>\$ 95,895,000</b>		<b>\$ 121,115,000</b>		<b>\$ 6,442,347</b>		
<b>Potential 2022 Refunding Candidates</b>	<b>\$ 27,930,000</b>		<b>\$ 44,650,000</b>		<b>\$ -</b>		<b>\$ 72,580,000</b>

Amount shown in 2037  
 consists of maturities in  
 2026-2037

\* = Sinking fund payment      T = Final maturity of term bond       = Non-Callable

Based on current market conditions, the net present value savings from refinancing portions of the Stormwater Series 2015 and Series 2017 Bonds would be approximately \$16 million, which is 23% of bonds refunded. The total savings through 2047 would be approximately \$24 million. The final maturity of the refunding will not be later than 2047, which is the final maturity of the Stormwater bonds being refunded. The tax-exempt market has been extremely volatile in the past several weeks due to concerns over inflation, rising interest rates and global tensions. The savings are subject to change until pricing, which is estimated in early May 2022, and the amount of bond refunded may vary based on market conditions. Following is a summary of the savings from a combined Stormwater refunding.

**Tax-Exempt Refunding of Series 2017 Term Bond Maturing 2047  
 and Taxable Advance Refunding of Series 2015 Bonds**

	<b>Tax-Exempt Current Refunding of 2017 Term Bond</b>	<b>Taxable Advance Refunding of Portion of 2015 Bonds</b>	<b>Total</b>
Amount Refunded	\$ 44,650,000	\$ 27,930,000	\$ 72,580,000
Maturity	2047	2035, 2041	-
Call Date	09/01/2022	09/01/2025	-
Assumed Pricing Date	05/10/2022	05/10/2022	05/10/2022
Closing Date	06/03/2022	06/03/2022	06/03/2022
All-In True Interest Cost	3.12%	3.46%	2.87%
Arbitrage Yield	2.87%	2.87%	-
Negative Arbitrage	\$ 301,874	\$ 1,212,963	\$ 1,514,838
Refunding Efficiency	97.88%	68.28%	91.62%
Net Present Value Savings	\$ 13,940,633	\$ 2,610,712	\$ 16,551,346
Net PV Savings as a % of Bonds Refunded	31.22%	9.35%	22.80%
<b>Total Savings</b>	<b>\$ 20,787,372</b>	<b>\$ 3,392,745</b>	<b>\$ 24,180,117</b>

Market conditions as of 2/7/22. Preliminary and subject to change.

**Annual Savings**

<b>Year</b>	<b>Tax-Exempt Current Refunding of 2017 Term Bond</b>	<b>Taxable Advance Refunding of Portion of 2015 Bonds</b>	<b>Total</b>
09/01/2022	\$ 160,722	\$ 41,504	\$ 202,226
09/01/2023	657,500	174,441	831,941
09/01/2024	657,500	176,781	834,281
09/01/2025	657,500	174,391	831,891
09/01/2026	657,500	177,610	835,110
09/01/2027	657,500	176,144	833,644
09/01/2028	657,500	175,153	832,653
09/01/2029	657,500	174,501	832,001
09/01/2030	657,500	174,361	831,861
09/01/2031	657,500	174,527	832,027
09/01/2032	657,500	175,029	832,529
09/01/2033	657,500	175,877	833,377
09/01/2034	657,500	177,191	834,691
09/01/2035	657,500	178,986	836,486
09/01/2036	657,500	177,362	834,862
09/01/2037	657,500	179,446	836,946
09/01/2038	657,500	175,016	832,516
09/01/2039	657,500	177,662	835,162
09/01/2040	657,500	178,746	836,246
09/01/2041	657,500	178,018	835,518
09/01/2042	1,357,500		1,357,500
09/01/2043	1,353,150		1,353,150
09/01/2044	1,354,950		1,354,950
09/01/2045	1,357,550		1,357,550
09/01/2046	1,355,600		1,355,600
09/01/2047	1,355,400		1,355,400
	<b>\$ 20,787,372</b>	<b>\$ 3,392,745</b>	<b>\$ 24,180,117</b>

**Parking Series 2022 Bonds**


The Parking Series 2022 Bonds will provide \$19.5 million in proceeds for the 72nd street complex parking garage and refinance portions of the Parking Series 2015 Bonds if market conditions allow. The Parking Series 2015 Bonds have a call date of September 1, 2025. The City can combine a taxable advance refunding of a portion of the Parking Series 2015 Bonds with the new money borrowing for the parking garage. The borrowing for the 72nd street complex parking garage may be issued as tax-exempt or taxable depending on the City's plans for the parking garage and the opinion of Bond Counsel. If referred by the Commission to the FERC as requested in a separate agenda item, the Parking Series 2022 Bonds will be discussed at the FERC meeting on March 30, 2022.

Following is a summary of City's outstanding Parking debt (including 2020 Promissory Note secured by CBA and paid by Parking) with refunding candidates highlighted.

	Outstanding Parking Revenue Debt		Covenant to Budget and Appr. Debt Paid by Parking		Total Parking Principal
	Series 2015		Portion of Series 2020 Promissory Note (JP Morgan Chase)		
<b>Original Par Dated Due</b>	\$58,825,000		\$39,587,000		
<b>Earliest Call</b>	12/15/2015		08/04/2020		
<b>Insurer/Rating</b>	September 1		September 1		
<b>Underlying Ratings Purpose</b>	9/1/25 @ 100		10 year bullet in 2030		
	None		None		
	A2/A+/NR		None		
	Parking Facility Improvements		Refund 2010 Parking Bonds		
	<b>Principal</b>	<b>Coupon</b>	<b>Parking Principal</b>	<b>Coupon</b>	<b>Principal</b>
2022	200,000	4.00	2,284,793	1.85	2,484,793
2023	1,110,000	5.00	1,425,461	1.85	2,535,461
2024	1,165,000	5.00	1,452,232	1.85	2,617,232
2025	1,220,000	5.00	1,481,599	1.85	2,701,599
2026	1,280,000	5.00	1,509,364	1.85	2,789,364
2027	1,345,000	5.00	1,536,644	1.85	2,881,644
2028	1,415,000	5.00	1,562,116	1.85	2,977,116
2029	1,485,000	5.00	1,590,746	1.85	3,075,746
2030	1,560,000	5.00	1,622,362	1.85	3,182,362
2031	1,635,000	5.00	1,651,788		3,286,788
2032	1,715,000	5.00	1,683,847		3,398,847
2033	1,805,000	5.00	1,712,998		3,517,998
2034	1,895,000	5.00	1,744,188		3,639,188
2035	1,990,000	5.00	1,777,206		3,767,206
2036	2,090,000 *	5.00	1,811,834		3,901,834
2037	2,195,000 *	5.00	1,842,853		4,037,853
2038	2,300,000 *	5.00	1,880,196		4,180,196
2039	2,415,000 *	5.00	1,913,479		4,328,479
2040	2,540,000 T	5.00	1,947,629		4,487,629
2041	4,900,000 *	5.00			4,900,000
2042	5,140,000 *	5.00			5,140,000
2043	5,400,000 *	5.00			5,400,000
2044	5,670,000 *	5.00			5,670,000
2045	5,955,000 T	5.00			5,955,000
<b>Outstanding Callable</b>	<b>\$ 58,425,000</b>		<b>\$ 32,431,335</b>		<b>\$ 90,856,335</b>
	<b>\$ 54,730,000</b>				

\* = Sinking fund payment

T = Final maturity of term bond

 = Non-Callable

Fixed rate through 2030, bullet.  
 Note will need to be extended or refinanced in 2030.

Based on current market conditions, the net present value savings from refinancing portions of the Parking Series 2015 Bonds would be approximately \$4.9 million, which is 9% of bonds refunded. The total savings through 2045 would be approximately \$6.8 million. The final maturity of the refunding will not be later than 2045, which is the final maturity of the bonds being refunded. While there is currently significant negative arbitrage in escrow, this could improve if the Federal Open Market Committee increases the Fed Funds rate in March 2022 and short term Treasury rates increase while long-term Treasuries remain in the same range. The savings are subject to change until pricing, which is estimated in early May 2022, and the amount of bond refunded may vary based on market conditions. Following is a summary of the Parking Series 2022 new money and refunding savings.

**Parking Combined New Money and Taxable Advance Refunding of Series 2015 Bonds**

	<b>Taxable Advance Refunding of Callable</b>		
	<b>New Money</b>	<b>2015 Bonds</b>	<b>Total</b>
Par Amount	\$ 17,345,000	\$ 61,620,000	\$78,965,000
Project Amount	\$ 19,500,000	\$ -	\$19,500,000
Amount Refunded	\$ -	\$ 54,730,000	\$54,730,000
Call Date	-	09/01/2025	-
All-In True Interest Cost	3.17%	3.38%	3.35%
Arbitrage Yield	3.19%	3.19%	3.22%
Negative Arbitrage	\$ -	\$ 3,148,419	\$ 3,148,419
Refunding Efficiency	-	60.87%	60.87%
Net Present Value Savings	\$ -	\$ 4,898,291	\$ 4,898,291
Net PV Savings as a % of Bonds Refunded	-	8.95%	8.95%
Total Savings	\$ -	\$ 6,853,800	\$ 6,853,800

Market conditions as of February 1, 2022. Preliminary and subject to change.

**Annual Savings**

<b>Year</b>	<b>Taxable Advance Refunding of Portion of 2015 Bonds</b>
09/01/2022	\$ 206,476
09/01/2023	290,903
09/01/2024	287,484
09/01/2025	290,005
09/01/2026	289,025
09/01/2027	289,433
09/01/2028	290,995
09/01/2029	287,375
09/01/2030	290,165
09/01/2031	287,090
09/01/2032	288,564
09/01/2033	289,439
09/01/2034	290,675
09/01/2035	287,452
09/01/2036	288,868
09/01/2037	289,811
09/01/2038	290,337
09/01/2039	287,608
09/01/2040	287,251
09/01/2041	288,941
09/01/2042	288,309
09/01/2043	286,575
09/01/2044	289,875
09/01/2045	291,150
	<b>\$ 6,853,801</b>

**Underwriters for the Series 2022 Bonds**

Because of the character of the Series 2022 Bonds, the volatile market conditions, the economic conditions due to inflation and the recommendations of the Financial Advisor, it was determined that a negotiated sale of the Series 2022 Bonds rather than a sale through competitive bids is in the best interest of the City.

A firm appointed as the senior managing underwriter is required to provide the services listed below throughout the bond issuance process. Co-managing underwriters provide assistance as requested and support in the marketing, distribution and underwriting of the assigned transaction. The City, at its sole discretion, may select one or more firms to serve as senior manager or co-manager from the underwriting team for each of its bond financings. The City reserves the right to assign less than all of the members of the underwriting pool for a particular financing, and reserves the right to remove any underwriter from participation in the underwriting syndicate if the underwriter and the City are unable to agree on any provision of the bond purchase contract. All fees are contingent upon the issuance of the proposed bonds. The required services include, but are not limited to, the following:

1. Participate in drafting of all bond documents, including the Official Statement.
2. Assist in preparation and discussions with rating agencies and bond insurers, if requested.
3. Make recommendations for the proposed financing, including, but not limited to, the timing of the sale, the overall sales approach, the structure of the bonds, the call provisions, and the use of credit enhancement.

4. Lead the underwriting team in marketing and distributing the bonds to both retail and institutional investors.
5. Underwrite the financing based upon terms and conditions agreed to by both the City, financial advisor, and the underwriters in the Bond Purchase Agreement.
6. Assist with the closing of the financing, including reviewing all closing documents and providing a post-financing report to the City which highlights the key characteristics of the financing.

The underwriters in a negotiated sale pre-market the bonds to retail and institutional investors in the weeks prior to pricing. A negotiated sale process enables the underwriters to premarket as they know that they are part of the underwriting team and will have bonds to sell to investors. For an issuer such as Miami Beach, which has many residents who would likely be interested in purchasing the Series 2022 Bonds, premarketing allows retail investors to prepare for the bond sale and be ready to place orders for the bonds. The City can instruct the underwriters for the bonds to fill resident orders before orders from other investors in a negotiated sale. For example, the City posted information on its website prior to the pricing for the GO Bonds and convention center bonds and orders from residents were filled first before other retail and institutional orders. The City can post information on the Series 2022 Bond sales on its website and place advertisements in local newspapers to inform residents of the upcoming negotiated sale. During a negotiated new issue order period, all investors pay the same price for the bonds, whether they are an individual purchasing a \$5,000 bond or an institutional investor purchasing millions of dollars in bonds. The negotiated sale ensures that City taxpayers and residents who place orders for the bonds during the new issue order period will have the highest priority to purchase the bonds.

The process to select firms to serve as a senior or co-manager for a particular issue involves a review of work assigned to the firms in recent years, experience in and commitment to Florida municipal finance, the size of the bond issue to be sold, the credit of the offering, and the various markets that the firm has access to for marketing and distribution. A firm's response to other business requests, such as lines of credit and bank loans, and resulting commitment to the City is also considered. The team of firms for a particular issue is recommended by the City Manager following consultation with the City's Chief Financial Officer and Financial Advisor.

The City anticipates the issuance of both Series 2022 Bond issues in June 2022 to provide new money for the parking garage and refund outstanding obligations if market conditions allow. The firms recommended for the Series 2022 Bonds, based on a combination of the above considerations, are as follows:

Stormwater Series 2022 Bonds

Senior Manager: BofA Securities, Inc.

Co-Manager: Estrada Hinojosa & Co., Inc.

Parking Series 2022 Bonds

Senior Manager: Wells Fargo Securities, LLC

Co-Manager: Siebert Williams Shank & Co., LLC

A list of the underwriters' recent transactions with the City and the resulting total participation in the City's bond financings based on this recommendation are provided on the following page.

The City and its Financial Advisor will work with the underwriters to provide information on how City taxpayers and residents can purchase the Series 2022 Bonds through the new issue order period.

The Resolutions for the issuance of the Series 2022 Bonds will delegate to the City Manager, relying

Commission Memorandum

March 9, 2022

Page 8

upon the recommendation of the Chief Financial Officer and the City's Financial Advisor, the determination of various terms of the Series 2022 Bonds, including the payment of all related costs and expenses in connection with the issuance of the Series 2022 Bonds and all other actions necessary or desirable in connection with the issuance of the Series 2022 Bonds.

**Conclusion**

The Administration recommends that the Mayor and City Commission of the City of Miami Beach, Florida approve the City Manager's recommendation of underwriters for the Series 2022 Bonds.

AH/JW/ AW/js



City of Miami Beach, Florida  
 Current Team of Investment Banking Firms  
 As of 2/15/22

Firm	Underwriting History w/ City					Recommended Underwriters for Stormwater Refunding		Recommended Underwriters for Parking Financing		Total After Stormwater and Parking Transactions				
	2015 - 2021 Transactions					Senior Manager	Co Manager	Senior Manager	Co Manager	Senior Manager	Co Manager	Total		
	#	Year	#	Year	#									
	Issues	Year	Issues	Year	Issues									
1 BofA Securities	1	2015	2	2015	3	1	-	-	-	2	2015	2	2015	4
2 Citigroup	1	2017	1	2015	2	-	-	-	-	1	2017	1	2015	2
3 Estrada Hinojosa	-		2	2015	2	-	1	-	-	-		3	2015	3
4 Goldman <sup>1</sup>	-		-		-	-	-	-	-	-		-		-
5 Hilltop <sup>3</sup>	-		1	2021	1	-	-	-	-	-		1	2021	1
6 Jeffries <sup>1</sup>	-		1	2019	1	-	-	-	-	-		1	2019	1
7 JP Morgan	2	2015	1	2015	3	-	-	-	-	2	2015	1	2015	3
8 Loop Capital Markets	-		2	2015	2	-	-	-	-	-		2	2015	2
9 Morgan Stanley	1	2015	1	2015	2	-	-	-	-	1	2015	1	2015	2
10 PNC <sup>1</sup>	1	2021	1	2019	2	-	-	-	-	1	2021	1	2019	2
11 Raymond James Morgan Keegan	1	2017	1	2015	2	-	-	-	-	1	2017	1	2015	2
12 Siebert Williams Shank	-		2	2015	2	-	-	-	1	-		3	2015	3
13 Stifel, Nicolaus & Company, Inc <sup>2</sup>	-		1	2017	1	-	-	-	-	-		1	2017	1
14 Wells Fargo Securities	1	2015	2	2015	3	-	-	1	-	2	2015	2	2015	4

<sup>1</sup>New to pool in 2018.

<sup>2</sup>Was previously Sterne Agee. Stifel acquired Sterne Agee in 2015. Stifel is no longer active in Florida general governmental finance.

<sup>3</sup>Was previously First Southw est. First Southw est resigned from City's underw riting pool during the Investment Advisor procurement process in 2014.