



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Members of the Finance and Economic Resiliency Committee

FROM: Alina T. Hudak, City Manager

DATE: March 31, 2023

SUBJECT: **A DISCUSSION WITH POSSIBLE ACTION AS NEEDED REGARDING THE G. O. BONDS FOR ARTS AND CULTURE APPROVED BY THE VOTERS ON NOVEMBER 8, 2022**

BACKGROUND

At the July 20, 2022 Commission meeting, the Mayor and Commission approved Resolution 2022-32261, authorizing a special election, submitting to the electorate of the City of Miami Beach the question asking whether the City shall be authorized to issue general obligation bonds (GOB) , not exceeding \$159,000,000, to improve facilities for resiliency of arts and cultural institutions throughout the City, including museums, performance venues, artistic playgrounds, senior/cultural centers, botanical garden, aquatic sculpture park, and related artist/workforce housing.

On November 8, 2022, the voters of the City of Miami Beach approved the issuance of \$159 million in Arts and Culture Bonds as follows:

For Bonds	15,142	64.80%
Against Bonds	8,226	35.20%

Since November 8, 2022, City staff has been working internally and with the institutions to be funded from the proposed 2023 Arts and Culture bonds proceeds to evaluate and refine roles and responsibilities, timing of funding needs, etc., while at the same time, preparing the documents needed by Bond Counsel to evaluate the taxable versus tax-exempt status of each project. The latter is essential as to whether the bonds to be issued will be taxable, tax-exempt or a combination.

On November 16, 2022, the Commission referred a "Discussion With Possible Action As Needed Regarding The G. O. Bonds For Arts And Culture Approved By The Voters On November 8, 2022". At the January 27, 2023 Finance and Economic Resiliency Committee Meeting, the Administration provided an update including the following:

- Overview of Projects
- Why this bond issue is different from other city issues
- Tax-exempt vs. taxable bond issue
- Potential issues for determining tax-exempt debt

- Potential impacts of 2 tranches
- Potential options for debt structure and number of bonds issues
- Timeline for bond issuance – Summer 2022
- Impact of the Arts and Culture GOB and other bond issues on and property owners
- Using \$1.5 million of the Miscellaneous Category to fund the Collins Park Performing Arts Venue Rotunda Project

The Committee recommended funding \$1.5 million from the Miscellaneous Category for the Collins Park Performing Arts Venue Rotunda Project, which was subsequently approved by the Mayor and Commission at their February 1, 2023 Commission meeting.

The Committee directed that this item be brought back to the Committee in March with recommendations for Tranche 1 funding and an evaluation of the breakdown between taxable and tax-exempt components.

ANALYSIS

In determining the Tranche 1 recommended funding, the Administration evaluated cash flow needs based on schedules created for each of the City owned facilities and information provided by institutions for projects that will not be managed by the City. This approach allows for only the necessary funding to be included in Tranche 1, and therefore reduces initial taxes paid by property owners with tax increases phased in over time.

The table included as Attachment 1 herein reflects the results of the analysis and recommended funding for Tranche 1.

It is important to note the New World Symphony, Holocaust Memorial, and Miami Beach Hispanic Community Center (Coral Rock House) were treated as City facilities to be managed by the City (either because they were on land leased from the City or because they were combined with a City facility as one project) and, therefore, the total costs assigned to each project included:

- General Contractor bond fees, overhead and profit
- Permit Fees
- Project Management by the City
- Program Oversight by the City
- “Owner’s” Contingency.

It has since been determined that these projects will not be managed by the City, but rather by each respective entity. As such, the recommended grant amounts have been adjusted to remove costs that are not considered capital costs such as City project management and program oversight, as they cannot be capitalized to a City project. Further, the 15% “owners” contingency, is excluded from Tranche 1, at this time, pending further analysis by bond counsel and the City’s financial advisor. By definition, use and cash flow for this contingency is unknown at this time. The total of “owner’s” contingency for all three of these grants is \$1.66 million. In the event these grantees determine a need for contingency as they implement their projects, the City may fund the determined

amount in advance of Tranche 2, as necessary, with a formally approved “Intent to Reimburse”.

Further, funding recommendations for the Miami Beach Classical Music Festival is yet to be finalized. At the February 2023 Commission meeting, the Mayor and Commission approved use of the Miscellaneous funding category for the Miami Beach Classical Music Festival but referred the determination of the amount of funding to the GOB Oversight Committee to recommend the level of funding. The GOB Oversight Committee is scheduled to review at their March 30, 2023 meeting.

In concert with the analysis of Tranche 1 funding recommendations, bond counsel has been evaluating the tax-exempt versus taxable components of the projects in the bond issue. This analysis takes into account the following factors:

- Tax-exempt Bonds – May be issued by and used to finance capital expenditures for facilities owned, operated, and used by a state or local governmental entity or qualified non-governmental entity, depending on:
 1. The type of tax-exempt bond that is issued;
 2. The type of use by non-governmental entity; and
 3. Whether the proceeds are treated as a grant to the non-governmental entity for federal income tax purposes.
- Taxable Bonds– May be issued to finance capital expenditures for facilities that do not qualify for tax-exempt bonds due to several factors such as amount of private use, private ownership or type of project being financed.
- Tax-exempt status - Dependent upon compliance with certain rules and regulations during the term of the tax-exempt bonds or bonds issued to refinance such bonds, if any. Failure to comply with such rules and regulations can cause the tax-exempt bonds to be determined as a taxable bond retroactively to the date of issuance.

After issuance, if any projects are deemed taxable, it may be difficult or expensive to refinance tax-exempt bonds.

Attachment 2 presents the estimated tax-exempt and taxable components of the Tranche 1 recommended issue. This continues to be refined and will be finalized prior to the bond issuance.

The estimated annual impact to property owners for the issuance of Tranche 1 is \$15 per \$100,000 of taxable value.

CONCLUSION

The Administration recognizes that the Art and Culture bonds projects will be transformative to Miami Beach. They will significantly elevate our museums, performance

venues, artistic playgrounds, senior/cultural centers, botanical garden, the future aquatic sculpture park and related artist/workforce housing.

As such, it is recommended that the Tranche 1 project funding be forwarded to the April 28, 2023 Commission meeting for hearing and approval. This will allow for sale of the bonds and receipt of proceeds by summer 2023, resulting in timely implementation of the projects.

Attachment 1: Tranche 1 Table

Attachment 2: Tranche 1 Tax-exempt and taxable debt