



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMISSION MEMORANDUM

TO: Honorable Mayor Dan Gelber and Members of the City Commission

FROM: Alina T. Hudak, City Manager

DATE: May 17, 2023

**SUBJECT: A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$101,700,000 IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF MIAMI BEACH, FLORIDA GENERAL OBLIGATION BONDS (ARTS AND CULTURAL FACILITIES), IN ONE OR MORE SERIES, TO PAY COSTS OF A PORTION OF ARTS AND CULTURAL FACILITIES PROJECTS; PROVIDING THAT SUCH GENERAL OBLIGATION BONDS SHALL CONSTITUTE GENERAL OBLIGATIONS OF THE CITY AND THAT THE FULL FAITH, CREDIT AND TAXING POWER OF THE CITY SHALL BE IRREVOCABLY PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF AND THE INTEREST ON SUCH GENERAL OBLIGATION BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING CERTAIN DETAILS OF THE BONDS; DELEGATING CERTAIN MATTERS IN CONNECTION WITH THE ISSUANCE OF THE BONDS TO THE CITY MANAGER; AUTHORIZING THE NEGOTIATED SALE OF THE BONDS TO THE UNDERWRITERS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT; APPOINTING A PAYING AGENT AND A BOND REGISTRAR; PROVIDING FOR A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT; COVENANTING TO PROVIDE CONTINUING DISCLOSURE IN CONNECTION WITH THE BONDS IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 AND APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A DISCLOSURE DISSEMINATION AGENT AGREEMENT WITH RESPECT THERETO AND APPOINTING A DISCLOSURE DISSEMINATION AGENT THEREUNDER; AUTHORIZING A BOOK-ENTRY REGISTRATION SYSTEM FOR THE BONDS; AUTHORIZING CERTAIN OFFICIALS AND EMPLOYEES OF THE CITY TO TAKE ALL NECESSARY RELATED ACTIONS; AND PROVIDING AN EFFECTIVE DATE.**

## **ADMINISTRATION RECOMMENDATION**

The Administration recommends adoption of the resolution. This is the first reading; the second reading is scheduled to be heard at the June 28, 2023 City Commission meeting.

## **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 City of Miami Beach, Florida General Obligation Bonds – Arts and Cultural Facilities (Arts & Culture 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 a not to exceed amount of \$159 million in Arts & Culture GOB as follows:

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

On November 21, 2022, the Commission adopted Resolution No. 2022-32416 certificate of results of the November 8, 2022 Special Election. At the January 27, 2023, FERC meeting, the Administration provided an update on the Arts & Culture GOB. The Committee directed that this discussion returns to the Committee in March 2023 with recommendations for Tranche 1 funding and an evaluation of the breakdown between taxable and tax-exempt components.

At the March 31, 2023, FERC meeting, the Committee heard input from staff and various grantees. The Committee approved a recommendation for the Arts & Culture GOB Tranche 1 of \$101,700,000.

On April 28, 2023, the Commission adopted Resolution No. 2022-32592 approving the FERC recommendation for Tranche 1.

## **ANALYSIS**

At the February 22, 2023, Commission meeting, the Mayor and City Commission approved the selection of investment banking firms to provide underwriting services for the Arts & Culture GOB. It was recommended that the Mayor and City Commission approve the issuance of the Arts & Culture GOB through a negotiated sale with Wells Fargo Bank, N.A., as the senior manager along with Goldman Sachs & Co., LLC and Estrada Hinojosa & Company, Inc. as co-managers.

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 cultural 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.

Projects funded by the Arts & Culture GOB proceeds will be completed or placed in service over a period of approximately 3-8 years, and rather than issuing all the bonds at once, the Administration anticipates issuing an additional tranche in 3 years to facilitate the cash flow needs. Currently, 2 tranches are anticipated in the following approximate amounts: \$101,700,000 in Fiscal Year 2023 and \$57,300,000 in Fiscal Year 2026. As such, the necessary millage rate increases will be gradually phased in after the initial issuance to cover the debt service costs associated with the bond issuances.

Tranche 1 will include both taxable and tax-exempt debt. The distinction between them is described below.

- 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.

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

The 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. At the February 22, 2023 Commission meeting, Resolution No. 2023-32511 with a budget amendment for \$1,500,000 was approved to fund the bond issuance costs and related expenses. A draft of the Preliminary Official Statement (POS), Disclosure Dissemination Agreement, and Bond Purchase Agreement are included with the attached Resolution.

## **CONCLUSION**

The Administration recommends the adoption of this resolution approving the issuance of the Arts & Culture GOB consisting of the first tranche of the \$101,700,000 of the approved \$159,000,000 of Arts & Culture GOB approved by the voters in November 2022.

ATH/JDG