



City of Miami Springs, Florida

The Miami Springs City Council held a **WORKSHOP MEETING** in the Council Chambers at City Hall on Wednesday, May 21, 2008, at 7:30 p.m.

1. Call to Order/Roll Call

The meeting was called to order at 7:33 p.m.

The following were present:

Mayor Billy Bain
Vice Mayor Zavier Garcia
Councilman Bob Best
Councilman Paul C. Dotson
Councilman Rob Youngs

Also Present:

City Manager James R. Borgmann
Assistant City Manager Ronald K. Gorland
City Attorney Jan K. Seiden
Finance Director Leacroft E. Robinson
Interim Comptroller Alicia E. González
City Clerk Magalí Valls

2. Invocation: Mayor Bain offered the invocation.

Salute to the Flag: The audience participated.

Councilman Best stated that it is unfortunate that some citizens fail to appreciate the potential of a state of the art Community Center for the City. Having reviewed volumes of material on the subject, spoken to numerous citizens, both pro and con, and sought professional counsel, including engineering, construction and legal, it is his unbiased observation that to move forward with the project is the logically credible option.

Councilman Best continued saying that he is perfectly comfortable with dissent on the issue and that he welcomes further observations from those inclined to offer insight which he has never opposed. What concerns him, however, is the outright misrepresentation of the project and pretensions thereof which characterize and subscribe dubious intent.

Councilman Best stated that since the last meeting he has listened to and read a myriad of opinions on Council's decision to proceed. As is always the case, in an attempt to counter an argument, certain fallacies become included in any opposing venue and that is the nature of the art. He added that some people are more passionate than others and thus fortify their positions accordingly, and that too, is the nature of the art. In a more perfect world, these energies could be applied to a much more proactive position toward joining the City in moving forward as a collective entity. Since it is not a perfect world, one must recount and diffuse the differences through logical ways and means. Accordingly, one must do what is right for the community in the best interest of a functional government. He believes they have achieved that and in doing so, they have addressed the greater good of all citizens they are charged to represent.

Councilman Best continued to say that he has no misgivings concerning the propensity of politicizing the project. In doing so, he implores all parties to spin the facts, not the fantasy, analogize the equivalent bullet points, respect the process, and do their own research, not listening or reading opinions and handouts describing drastic fiscal shortcomings or the second coming of Hal Bop in Miami Springs. Nostradamus was good at that, and most others are weak impostors.

Councilman Best wanted to remind the citizens that the project is not a new issue, and the Council as a governing body has for three years held the building project on top of the budgetary list and accordingly taxed the Administration to find a way to bring it to fruition. In between those deliberations, Council was able to fund and collectively agree on some lesser but well served projects, recreational in nature, like the baseball diamond dugouts and the restroom/food stand buildings and the "Let's Build It" playground and poolside shadings. Council authorized the Administration to conduct a study with Pistorino Engineering. Simultaneous to this, the ideas regarding steel structures came into play and for the first time it became a reality that the City was going in the right direction and could find a way to economically proceed. The Pistorino report came with favorable results, except for one thing, it included only the footprint of the gymnasium or one basketball court, and there was no mention of the remainder of the complex.

Councilman Best said that during this period the Administration continued to explore options. This ultimately led to the bids which were studied and witnessed on Wednesday, May 7th during a Special Meeting. The design/build firms that made presentations that evening supplied a costing element for the entire complex that more than doubles the existing structure and at the same time addresses the rest of the facility. He indicated that he has asked the City Manager to request an all-green philosophy inclusive of nearly self-sufficient solar technology capable of handling the aquatic center and eligible for federal and utility compensation as a showpiece to Miami-Dade County. For the monies alone, Council would be remiss not to recognize the logic of which way to go, but further, it would be remiss in not completing the complex for the community.

Councilman Best stated that he asked his colleagues to convene the Workshop Meeting on May 21st and by unanimous consensus, Council is ready to tackle the next hurdle, which is funding. His hope is that Council addresses this aspect in a resourceful fashion and collectively arrive at a proactive remedy on the funding issue.

Councilman Best said that if Council emerges successful from this endeavor, it will undoubtedly necessitate the pooling of outside concerns and the work will be hard, and he is on board to help affect the success. If the initial thrust is to pursue a referendum bond to proceed, the people of Miami Springs will exercise their due diligence by law, much like the Golf Course or the building of the water and sewer infrastructure.

By and large, Councilman Best continued, with everyone pulling together to facilitate this improvement, Council would have accomplished what future generations deserve in Miami Springs, a first rate asset for a first rate community.

3. Discussion Regarding Options to Finance Construction of the New Community Center

City Manager Borgmann stated that Council received a two-page memo on the dais, which he read into the record as follows:

“Several funds exist in Florida that allow cities and counties to borrow funds without having to incur the costs (usually in the 10% range) of a bond or note. I have researched three of these for discussion for this Workshop meeting. I also met with Mr. Don Nelson, former Miami Springs Finance Director and currently the Finance Director for the City of Coral Gables. He was very helpful in describing the funds to me and showing the pros and cons of each for a city such as ours. Here is a summary of the three.

- 1. Sunshine State Fund. I won't talk too much about this fund since it requires a bond rating of "A" or above. Had it not been for the troubles of the LGIP fund, our rating probably would have made it to "A" this year. I mention this fund only because this is the fund that Coral Gables uses. They currently have \$63 million in outstanding debt in variable interest rate accounts. Don said he has been fortunate that his timing has given them extremely low interest rates that on average have proved to be lower than fixed rate loans available at the time of borrowing. This fund offers fixed and variable rates.*

- 2. Florida Municipal Loan Program. This is a fixed rate loan program based on revenue bonds issued through the Florida League of Cities. The following quotes about this fund were copied from the Florida League of Cities web page. "The Florida League of Cities administers this fixed rate fund. The program was established in response to numerous requests from small and medium sized cities. The proceeds from this program can be used for a variety of purposes including; capital improvements, renovations, additions, and refinancing existing debt. The minimum loan is \$1 million. The financing will be structured as an insured fixed rate issue and have final terms up to 30 years."*

“By achieving economies of scale, the program offers many advantages to the borrower. Your city will receive a higher credit rating on their bonds, longer amortization schedules, lower cost of insurance and carrying costs, and your rate will be fixed. The bottom line is that your debt service payments will be lower than if you had issued the bonds on your own.” (emphasis mine)

I spoke with Melanie Gillespie, the contact person for this fund at the Florida League offices. I informed her of the need to borrow about \$2 - 3 million for the community center project. She informed me that the fund is on hold right now, but they are doing “private placement” loans in the market. I had hoped to get more information from her before our meeting this evening but she was not able to get it to him. We might be able to do better on our own per Alternative 4 below.

City Manager Borgmann stated that the reason the fund is on hold has to do with the availability of insurance that is required to cover the notes. Ms. Gillespie did say that a loan of this size could be found quite easily in the market, they could help the City with a private placing in the 4-1/2% range for twenty years. He continued to read the remainder of his memorandum into the record.

Don Nelson recommended this fixed rate alternative for Miami Springs.

3. *Florida Local Government Finance Program. This program was developed by the Florida Association of Counties seventeen (17) years ago. This is strictly a variable/adjustable rate loan program plus fees (about half a percent). Interest rates are established monthly, based on the going rate of the underlying commercial paper upon which these loans are developed. Wachovia Bank makes the determination of the stability of the borrower. The agreement for the loan is drafted and approved by Nabors, Giblin & Nickerson, P.A., Tampa, Florida. Both of these companies know Miami Springs through our current banking practices and past bond activities.*

Payments are made monthly and the term and conditions can be tailored to the needs of the borrower. For instance, we could set any term limit for payback, up to 20 years. We could pay the interest payments monthly and the principal payment at the end of the loan (i.e., a balloon). You could even float a new loan to pay the balloon. This program is extremely flexible.

Currently the City of Hollywood is using this fund, according to Don Nelson.

4. *Traditional Bank Loan. In speaking with our former Finance Director William Alonso, I was informed that this is the route Miami Gardens is taking right now to build their new community center. We approached a bank with a local branch to see how such a loan would work for us. Lee Robinson will walk us through his conversation and the amortization schedule for such a loan. If we went this route, we would shop local banks for rates and terms.*

All of these methods are based on a single factor, and that is that the money pledged for this debt is not derived from ad valorem (property) taxes. The use of property tax dollars for such debt requires a vote of the residents of the jurisdiction, both by the language of our Charter and State Statutes. However, as you are aware, nearly 75% of our revenue is derived from sources other than property taxes. I have attached a list of all our revenue sources for your information. The "Big 3" on this list that would be available and legal for this purpose are the Utility, Franchise, and Local Communications Taxes (\$2.47 million), the Half-cent Sales Tax (\$943,000) and the State Revenue Sharing (\$304,000).

Over the past several years, the city has had a surplus each year. This past year, 2006-07, we ended the year with an unrestricted, undesignated fund balance surplus of \$1.6 million. (We will be presenting this subject to Council at your May 28 meeting.) Any or all of this surplus could be applied to this project, thereby reducing the amount we would need to borrow. This surplus also indicates that we would have more than enough revenue from the sources listed above to support the debt service for any of these loan alternatives. There are also possibilities for additional grants and fundraising from private sources."

City Manager Borgmann referred to a chart that was provided outlining the proposed funding. He explained that the original bid proposal received from Link was \$5,779,792 and there is other equipment that the City would purchase in order to save money. There would also be a cost involved in hiring a project manager to watch out for the City's best interest during the project construction. Looking back at past paperwork, the bleachers, scoreboards, baskets and miscellaneous items, plus project management totaled up to \$320,000, according to Mr. Borgmann. He estimated \$400,000 to be on the high side and this brings the total estimated project cost to \$6,179,792.

City Manager Borgmann stated that \$1.5 million was received from the Building Better Communities General Obligation Bonds. There is a \$1 million commitment from Commissioner Sosa and the Federal Grant from Lincoln Diaz-Balart will be \$100,000 less 1% for administrative costs. He said that last year's fund balance designation totaled \$560,000 and the Administration is proposing to apply \$500,000 from the \$1.6 million undesignated fund balance at the end of Fiscal Year 2007.

City Manager Borgmann stated that there would be a shortfall of just under \$2.5 million, which is probably the number that would be considered for financing. He said that Finance Director Lee Robinson would distribute information showing a private bank amortization schedule for different amounts and times.

Finance Director Robinson stated that the informational packet included several items, as well as the amortization schedule proposal from a local bank on a fixed rate loan for twenty years with a principal of \$2.5 million. He requested several proposals, but timing did not allow the receipt of all three, but should Council decide to move forward he would obviously look for the best interest rates.

Finance Director Robinson referred to the SunTrust Bank proposal and the amortization schedule outlining the total annual debt service and total interest over the life of the loan. He also referred to a recent letter that was drafted in conjunction with the Government Finance Officers Association, National Association of Counties, National Association of State Auditors, Comptrollers and Treasurers, National Association of State Treasurers, National League of Cities and U. S. Conference of Mayors dated March 11, 2008. He said that the letter bears relevance as far as bond issuance and the problems that municipal governments are facing now with the issuance of tax exempt bonds.

Councilman Youngs commented that the letter outlines the pros and cons of issuing City bonds and tax exempt bonds might offer a lower interest rate than an investor would make on the market. He added that if the City issues its own bonds that it would have to pledge the ad valorem taxes as well, which would be a fifth option, whether desirable or not.

Finance Director Robinson stated that there are three different alternatives outlined in a summary based on \$3.5 million for various terms, showing the overall costs. There is another analysis based on \$2.5 million for 120, 240 and 360 months with rates varying from 4.1% to 4.75%.

City Manager Borgmann said that the interest rate varies according to the term of the loan. A ten year note would be 4.1%, a twenty year note would be 4.5% and a thirty year note would be 4.75%.

To answer Councilman Youngs' question, Mr. Robinson clarified that the rates are realistic based on today's market.

City Manager Borgmann stated that the information shows the annual payment based on \$2.5 million. The annual payments on a ten year note would be \$300,000 and a twenty year note would reduce the annual payment to \$190,000, while a thirty year note would drop to \$157,000.

Councilman Dotson asked if there is a comparative analysis indicating the most and least expensive terms.

City Manager Borgmann explained that the rates for the bank loan would be very similar to the Florida League of Cities program, within ¼ point, plus or minus. The variable note would start low, but there is no guarantee what the rate will be in the future. Going back to 1991, the highest variable rate was approximately 4.0% plus .57%. Don Nelson indicated that the City of Coral Gables had been doing very well with this, but his recommendation was to consider fixed financing.

To answer Councilman Dotson's question, City Manager Borgmann clarified that ad valorem taxes could not be used to pay the debt for the notes and pledging ad valorem taxes would require a vote of the people.

Councilman Dotson stated that the Florida League of Cities program would involve a revenue bond to the pool, but not a revenue bond to the City.

City Attorney Seiden explained that they would be considered revenue bonds and if the security is other than ad valorem taxes they would not be general obligations of the City.

Councilman Dotson stated that the City Charter provision for general obligation bonds does not mention anything about ad valorem taxes. He said that the Charter defines a revenue bond and it involves no pledge of security from the City. He explained that the debt is paid from a fee the same as the water and sewer system. The Charter is very detailed, specific and even redundant.

Councilman Dotson said that he would like to know what classification the bond would bear if the City were to obtain financing through the Florida Municipal Loan Program pool.

City Manager Borgmann responded that it would be classified as a revenue bond.

Councilman Dotson added that the City would have to provide security, which would be an obligation that the City would have to pay, which in his opinion would be a bond as outlined in the City Charter Section 9.06.

City Attorney Seiden advised Councilman Dotson that any questions would certainly be clarified before Council makes a decision, but as long as no ad valorem taxes are pledged, it would not constitute a general obligation of the City.

Councilman Dotson felt that the only way would be to pay the loan in cash.

City Manager Borgmann stated that the loan would be paid from the revenues derived from other non-ad valorem sources.

Councilman Dotson stated that the security for the loan would be an obligation and under the definition of revenue bond, according to the Charter, it cannot be called a revenue bond.

City Attorney Seiden said that in his opinion, it would not require a vote of the people because it is not a general obligation of the City. He stated that as long as the ad valorem taxes of the City are not pledged as security and some other source of revenue is pledged it is called a revenue bond. He explained that a pure revenue bond is defined in the Charter and one example would be the Marlin Stadium. He said that if enough revenue could be generated from the new stadium to pay for the operation it would be a revenue bond, but he does not believe that relates to the loan program and subsequently this would be clarified.

Councilman Dotson stated that the City must obligate sources of revenue to pay back the money that is borrowed. He does not accept the opinion that it is not an obligation bond because the language is clear in the Charter.

Councilman Youngs said that before going forward the City Attorney or outside counsel could review the Charter and determine whether or not it would be a revenue bond or a general obligation bond as those legal terms are defined and interpreted by the municipalities in the State of Florida.

Councilman Youngs commented that a revenue bond is anything other than a general obligation bond, which means it would not be funded from ad valorem taxes. He asked if there would be an accounting mechanism to segregate the non-ad valorem revenues.

City Manager Borgmann responded that the revenues are pooled in the General Fund. A debt service line item for \$190,000 would be set in the budget and the revenue source could be utility taxes, franchise fees, local communication tax, state revenue sharing or the half cent local sales tax, all of which are not property tax related.

Councilman Youngs stated that he would want to make certain, from an accounting standpoint, that no ad valorem taxes would be spent to pay for the carrying charges on the loan. He questions what would be the mechanism for making sure this does not happen.

City Manager Borgmann said that a separate fund could be created to show the revenue source coming in and the expense going out.

To address Councilman Youngs' concern, City Manager Borgmann clarified that for the past couple of years there had been budget surpluses and this year the projection is \$1.6 million surplus of revenues over expenditures.

Councilman Youngs stated that Councilman Dotson's point needed to be made and addressed. The funds will be spent from the City budget, whether or not by definition it is technically a revenue bond or general obligation bond or whether or not ad valorem taxes are pledged.

Councilman Dotson would like to see case law indicating that in this case there is a term that defines a general obligation bond and pledges other revenue besides ad valorem taxes. This would persuade him to believe that it was left out, but it was still intended to be in the Charter. He said that it is very clear there is no indication that the obligation has to come from a source such as ad valorem taxes.

Councilman Dotson felt that the Charter's definition of revenue bonds is very clear. The City currently has two types of bonds, which are the revenue bonds for the water and sewer that is paid from user fees and the general obligation bond for the Golf Course that specifies a certain source of revenue to pay off the Golf Course.

City Attorney Seiden stated that according to the documentation on the loan program, the Florida League of Cities refers to it as a revenue bond because they send out the bond and raise the money. He understands that Councilman Dotson would like justification that any loan obtained that is outside of the pledge of ad valorem taxes constitutes a revenue issue rather than a general obligation.

City Attorney Seiden clarified that it would be a source of security for repayment, not where the money is borrowed from. Many of the documents for equipment loans include a pledge of what the security is and if it states that ad valorem taxes are pledged, then it is a general obligation situation. Pledging anything other than ad valorem taxes would not be a general obligation and he will obtain proof to show that.

City Manager Borgmann said that the City borrowed \$400,000 for the Westward Drive Beautification Project from one of the State pools and revenues were pledged against it, aside from ad valorem taxes.

City Attorney Seiden agreed that Councilman Dotson was correct about the language in the Charter.

Mayor Bain stated that Councilman Dotson wants the people to vote on the issue and he would like clarification before going forward. His personal position would be to secure a bank loan with a fixed rate. The Mayor explained that the purpose of this meeting is only for Council to direct the Administration to come up with financing options that would be brought back to Council for approval.

Mayor Bain said that in speaking with Congressman Lincoln Diaz-Balart's office he was told that they would need a sheet explaining the project to show how large scale corporations could help with funding. He mentioned that the option for appropriating funds from the \$1.6 million budget surplus would be considered at the next meeting.

City Manager Borgmann commented that Council would make the determination of how much would be allocated from the budget surplus and it could be more or less than \$500,000.

Mayor Bain added that the surplus also opens up the possibility for building the skate park based on the request of the kids who presented the idea to Council.

Councilman Best was in touch with Senator Nelson's office and would like a duplicate copy of the sheet that the Mayor requested.

City Manager Borgmann said that information was being drafted that would be circulated to potential lenders or grantors telling them about the project and requesting their help. He offered to provide copies to Council in its final form.

Councilman Dotson requested a breakdown of the City additions totaling \$400,000.

City Manager Borgmann stated he would provide detailed information breaking down the additions, which includes the bleachers, scoreboards, etc.

Councilman Dotson would also like to know the project management costs. His projection was \$150,000. He also estimated a \$250,000 contingency fund because he is afraid there could be unforeseen expenses.

City Manager Borgmann stated that Link stated three or four times in their presentation that it was a guaranteed maximum price and any change orders would be at the request of the City.

Councilman Dotson noted that the Link representative was in the audience and would be happy to hear his comments.

Mayor Bain questioned whether or not it would be appropriate for the Link representative to comment.

City Attorney Seiden asked why Council would want to give Link an opportunity to change their statement. He explained that he and the Administration would begin meeting with Link on Thursday, May 22nd and they would find out the details during negotiations.

Councilman Dotson stated that he is not a construction expert and everyone did their best to determine what would be provided in the design/build project. There is an enormous amount of detail and he felt that Council has not scratched the surface. He wonders about the soil borings, the questions that were answered during the RFP process and the City's position on those questions. He worries about the pool deck and what would happen when the gym comes down.

Councilman Dotson said that there were significant disclaimers regarding the soil borings that needed to be clarified during negotiations.

City Attorney Seiden stated that it would be a good idea for Council to make a list of any issues they would like addressed. His first question to Link is going to be about the need for more soil borings and if they say "no" then he will include a provision in the contract to say that if at some point in time additional borings are required that it would be at their expense.

City Attorney Seiden explained that the next question to Link will be about their responsibility for connecting all utilities to the facility based on their presentation. He assured Council that all issues would be addressed in the contract and Link will provide more details in the final contract based on their experience. He added that Architect Manny Perez-Vichot, the Building Official, and the proposed project manager would be consulted and nothing would be finalized until Council looks at the contract.

Mayor Bain stated that this is Council's opportunity to accomplish a project and do it right. He explained that nobody begrudges anyone for asking questions and when the contract comes back for review he will make sure that every detail is covered even if it takes three meetings. He added that he would be responsible so that the project lasts for the next fifty years and hopefully future elected officials would make sure the facility is maintained. The Mayor said that the new community center had been his goal and he would do it to the best of his ability and with the help of others because no one can do it alone.

City Attorney Seiden commented that one good aspect is that Council voted unanimously for Link based on their presentation and the representations that were made. He reiterated that the final product would come to Council for approval before the contract is signed and there would be plenty of time to review it and address all the issues.

Attorney Seiden stated that the issues raised by Councilman Dotson during the presentations were very good questions. The third question will be related to no change orders and to some extent that would also be the City's responsibility. He explained that everyone would work through the process together.

Councilman Youngs reiterated the comments made by the City Attorney about including language in the contract to say that additional soil borings and utility connections would be at the expense of the contractor. He will rely on the City Attorney to make sure that any additional expenses or consequences are the responsibility of Link.

Councilman Youngs requested information for the next meeting showing the current balance and carrying charges for the existing Golf Course loan.

City Manager Borgmann responded that the annual payment for the Golf Course is approximately \$400,000 for another nine years and the total balance remaining is about \$3.3 million, but he would provide an exact number.

Councilman Youngs would also like to review the unrestricted reserve balance that is carried over to make sure that the balance is sufficient for a city the size of Miami Springs. He said that each year the cash reserve is increased from the budget surplus. When considering taking \$500,000 for the project from the estimated \$1.6 million, the number could be more or less depending on the total reserves.

City Manager Borgmann explained that the Administration reviewed the history of what had been done in past years in regard to the budget surplus. He said that Council had put aside money for the Hurricane Fund and the projected \$1.6 million would be after putting aside 15% of the budget to cover a potential disaster situation. He said that an additional \$500,000 for the Hurricane Fund would bring the total to \$1 million. Also, Council has traditionally put aside funds every year for the Senior Center and there is currently \$250,000 set aside for that purpose. He added that it would be Council's decision to earmark funds from the \$1.6 million budget surplus.

Councilman Youngs asked for a rough draft of next year's budget with general categories, which is usually done in late May or June for Council's review in July or August. He would like to look at next year's projections so that Council will know if there is an ability to take a hit of \$400,000 or \$500,000.

City Manager Borgmann estimated that the expenses for next fiscal year would be similar to the current year. There are places where the Administration will try to cut expenses and there is a possibility that the City would lose the Water and Sewer system, which will take a large amount out of the equation. He explained that it would be a question of the amount of revenues and knowing how much the City would receive from ad valorem taxes.

Councilman Youngs mentioned that generally the sales tax would be down from the previous year, which would affect the component to some degree. He would like the best estimate as of June 2008 as to what the budget might look like for next year.

City Attorney Seiden asked Council to set direction for the Administration.

City Manager Borgmann knows that Councilman Dotson's questions needed to be answered. He explained that he would explore the bank note.

City Attorney Seiden added that all financing alternatives would be explored.

To answer the City Manager's question, Mayor Bain said that personally he would not be in favor of a variable loan. Councilman Best agreed.

Councilman Dotson said that a financial advisor should find the best alternative in terms of price and other factors involved. He would like to be able to look at an assortment of what costs will be for the various alternatives.

City Manager Borgmann agreed that he would do anything that Council asks. He is only asking if there is any option that Council would not care to consider, such as an adjustable rate loan.

Councilman Dotson felt that minimal research would determine that option three for a variable loan is not in contention because of the cost.

City Manager Borgmann commented that a variable loan might cost less initially, but there is no guarantee about the future.

City Attorney Seiden stated that the number one question about a variable loan is the cap that it can go to and once that number is known, it will determine whether there is any interest in this option.

City Manager Borgmann explained that a variable loan is based on commercial paper sales that go out anywhere from one day to 270 days. He does not know if there is a cap or not, but if it is based on commercial paper, there is no guarantee.

Mayor Bain stated that Council would consider the financing options at the June 9, 2008 Regular Meeting. He hopes everybody has a great Memorial weekend.

City Manager Borgmann reminded everyone of the Memorial Day ceremonies on Curtiss Parkway one block south of the Circle at 9:30 a.m. on Monday, May 26th.

City Manager Borgmann announced that the next Regular Council meeting is Wednesday, May 28th.

4. Adjourn

There being no further business to be discussed the meeting was adjourned at 8:33 p.m.

Billy Bain
Mayor

ATTEST:

Magalí Valls, CMC
City Clerk

Approved as written during meeting of: 6/9/2008

Transcription assistance provided by S. Hitaffer

Words ~~stricken through~~ have been deleted. Underscored words represent changes. All other words remain unchanged.