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Title: APPROVAL OF RESOLUTIONS TO ACCEPT, AS TO FORM, THE PRELIMINARY OFFICIAL STATEMENT AND ASSOCIATED DOCUMENTS AND APPROVAL FOR A CAPITAL IMPROVEMENT 2019 BOND ISSUE PLEDGING STATE SHARED HALF-CENT SALES TAX

Sponsors:

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Attachments: 1. Agenda 042319 - Bond Resolution (01468516).pdf, 2. Agenda 042319 - Supplemental Resolution (01469209).pdf, 3. Agenda 042319 Martin Co Half-Cent Rev Bond Series 2019 Rating Presentation Draft 4-12-19.pdf

Date	Ver.	Action By	Action	Result
4/23/2019	1	Board of County Commissioners	approved	Pass
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PLACEMENT: Departmental

TITLE:

APPROVAL OF RESOLUTIONS TO ACCEPT, AS TO FORM, THE PRELIMINARY OFFICIAL STATEMENT AND ASSOCIATED DOCUMENTS AND APPROVAL FOR A CAPITAL IMPROVEMENT 2019 BOND ISSUE PLEDGING STATE SHARED HALF-CENT SALES TAX

EXECUTIVE SUMMARY:

On February 12, 2019 the Board of County Commissioners (Board) authorized staff to proceed with obtaining financing for various capital projects which totaled roughly \$45 million. The most cost-effective approach is through the issuance of a bond. The debt service for most of the projects had been previously approved in Martin County's (County) FY19 adopted budget.

DEPARTMENT: Administration

PREPARED BY: **Name:** Taryn G. Kryzda
Title: County Administrator

REQUESTED BY:

PRESET: **11:30 AM**

PROCEDURES: None

BACKGROUND/RELATED STRATEGIC GOAL:

At the February 12, 2019 Board meeting, approval was given for staff to proceed with numerous capital projects: Replacement of Fire Station 14 on Hutchinson Island, Replacement of Fire Station 33 in Ridgeway, Renovation of Fire Station 36 on County-Line Road, Renovation of Fire Station 18 on Britt Road, Building a Public Safety Training, Burn, and Tower Facility, Relocation of Public Works & General Services Facilities, Golf Course Clubhouse & Course Modifications, Facility for K-9s, Generators, Jail Pod Renovation and a Warehouse for the Sheriff. The only way that the projects could proceed was to secure financing for them, which the Board approved moving forward with.

The County determined the most cost-effective financing would be to issue a Capital Improvement Revenue Bond pledging the State Shared Half-Cent Sales Tax. When issuing a bond for debt service, a dedicated revenue source is to be identified. The main reason for this is to demonstrate that the revenue source identified is sufficient to cover the debt service for the life of the loan, similar to when you finance your home, and the banks require the buyer to demonstrate sufficient income to cover the debt service, taking into account any other obligations that the buyer may have that would also reduce net income. The only revenue source that cannot be pledged without a voter referendum, is ad valorem. All other major revenues are eligible to be pledged, the least restrictive, is the state shared revenue for the half-cent sales tax.

In Martin County, there is a state-imposed sales tax of six-cents. Of the six-cents paid on each applicable dollar spent, the County receives from the state the equivalent of one-half cent based upon a formula developed by the State. The amount can fluctuate slightly from year to year, but for the past several years, has been on a steady increase. The FY19 adopted budget anticipates receiving an estimated \$15.3 million in state shared half-cent sales tax, so there is acceptable capacity in this revenue source to be pledged toward the debt service. The Bond Resolution authorizes the issuance of not to exceed \$45,000,000 in aggregate principal amount of Half-Cent Sales Tax Revenue Bonds, Series 2019 for the purpose of financing, refinancing and/or reimbursing the costs of the acquisition, construction, reconstruction, expansion and equipping of various capital projects within the County, as more particularly described above; pledging Half-Cent Sales Tax Revenues to secure payment of the principal of and interest on such Bonds; establishing a monthly flow of funds to pay debt service and make other payments; and authorizing Additional parity bonds based on a 1.50 coverage test.

Staff will be utilizing other available revenues for the debt service to alleviate the allocation of the state shared one half-cent sales tax. The FY19 adopted budget contemplated debt service being allocated toward the projects previously identified, for instance, ambulance fees collected for ambulance transports, is the primary source of revenue for the Fire Rescue related projects, which represent almost two-thirds of the funding being financed. Other projects, like the Golf Course, once operational and generating revenues, any excess revenues that can be used for debt service will be identified accordingly.

The Supplemental Resolution approves the form and authorizes execution of the Bond Purchase Agreement, Preliminary Official Statement, and Continuing Disclosure Certificate subject to satisfying these parameters: (a) the aggregate principal amount of the Bonds (taking into account any net premium) is not in excess of \$45,000,000, (b) the final maturity of the Bonds is not later than July 1, 2039, (c) the underwriting discount is not greater than 0.4% of the original principal amount of the Bonds, and (d) the true interest cost rate on the Bonds is not greater than 3.90%.; Names the underwriters: senior manager RBC Capital Markets, LLC and co-manager Merrill Lynch, Pierce, Fenner & Smith Incorporated, and any successor firm or assignee, pursuant to a negotiated sale; and

appointing a Paying Agent and Registrar, The Bank of New York Mellon Trust Company, N.A.

The County's Financial Advisor and Bond Counsel along with finance and legal staff have drafted the documents for this bond issue. Once all documents have been approved by the Board and executed, a final closing on the bond issue is anticipated the first week in May 2019.

On April 17, 2019 all parties involved had a conference meeting with Standard & Poor's (S&P) to present information on Martin County and the County's financial information for the purpose of evaluating the County and providing a positive bond rating for this bond issue. That presentation, from our Financial Advisor, is included for informational purposes only. The presentation provides basic information on the County, financial information, half-cent sales tax revenue analysis and detail of the projects to be funded and how they are being funded. The pledge of the State Shared Half-Cent Sales Tax, based upon current collections, has a very strong debt service coverage. The County should receive a very positive bond rating from S&P which is planned to be released on April 25, 2019. S&P were impressed with the County's fiscal policies, debt ratios and reserve policies demonstrating responsible spending and positive management of resources.

ISSUES:

None.

LEGAL SUFFICIENCY REVIEW:

Reviewed by the County Attorney's Office.

RECOMMENDED ACTION:

RECOMMENDATION

- 1) Move that the Board of County Commissioners (Board) approve a resolution authorizing the issuance of not to exceed \$45,000,000 in aggregate principal amount of Martin County, Florida Half-Cent Sales Tax Revenue Bonds, Series 2019 for the purpose of financing, refinancing and/or reimbursing the costs of acquisition, construction, reconstruction, expansion and equipping various capital projects within the County;
- 2) Move that the Board approve a supplemental resolution approving the Bond Purchase Agreement, Preliminary Official Statement and the Continuing Disclosure Certificate subject to satisfying these parameters: (a) the aggregate principal amount of the Bonds (taking into account any net premium) is not in excess of \$45,000,000, (b) the final maturity of the Bonds is not later than July 1, 2039, (c) the underwriting discount is not greater than 0.4% of the original principal amount of the Bonds, and (d) the true interest cost rate on the Bonds is not greater than 3.90%;
- 3) Move that the Board authorize the Chairman to sign all related documents to effectuate the issuance of the Half-Cent Sales Tax Revenue Bonds, Series 2019.

ALTERNATIVE RECOMMENDATIONS

None

FISCAL IMPACT:

RECOMMENDATION

The FY19 adopted budget was approved with most capital projects defined above, having debt service included. There may be some additional monies needed to finalize the debt service payments, if that is the case, staff will include in the FY20 tentative budget request.

ALTERNATIVE RECOMMENDATIONS

None

DOCUMENT(S) REQUIRING ACTION:

- ☐ Budget Transfer / Amendment ☐ Chair Letter ☐ Contract / Agreement
☐ Grant / Application ☐ Notice ☐ Ordinance ☒ Resolution
☒ Other: 2 Resolutions

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