



## COMMISSION MEMORANDUM

TO: Mayor David Dermer and Members of the City Commission

FROM: City Manager Jorge M. Gonzalez

DATE: January 11, 2006

SUBJECT: **REPORT OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE (COMMITTEE) MEETING OF DECEMBER 21, 2005.**

Chairman Saul Gross recognized former City of Miami Beach Commissioner Nancy Liebman.

Vice-Chairman Richard L. Steinberg recognized Village of Pinecrest Councilmember Gail D. Serota.

### **OLD BUSINESS**

- 1. Discussion regarding the City of Miami Beach and Miami City Ballet (Ballet) proposed Term Sheet.**

### **ACTION**

**The Committee approved the proposed Term Sheet as amended on December 20, 2005 by the Planning Board.**

**The Administration was also instructed to bring back to the Committee, in January 2006, a listing of public benefits offered by the Miami City Ballet to residents of the City of Miami Beach.**

Chief Financial Officer Patricia D. Walker and First Assistant City Attorney Raul Aguila introduced the item. Ms. Walker and Mr. Aguila summarized the proposed Term Sheet incorporated with the Planning Board's (Board) comments from their December 20, 2005 meeting.

Mr. Aguila described the following terms recommended by the Board:

- Section 2 of the Term Sheet: criteria (as negotiated between the City and the Ballet) should be added to the renewal terms of the lease, so that renewal terms are not exercised automatically without Administrative review of any criteria;
- Section 5 of the Term Sheet: the term "restaurant" should be deleted from permitted uses for the building, but operating and maintaining a café as an ancillary or accessory use to the facility (i.e. similar to the Bass Museum of Art and the Wolfsonian Museum) is permitted;

- Section 6 of the Term Sheet: the Capital Maintenance and Replacement Fund \$90,000 Ballet contribution for the first three (3) years should not be waived, but could be apportioned over the initial forty (40) year term of the Lease with an annual CPI adjustment;
- A provision be included in the proposed Lease that, in the event of destruction of the Building as a result of a force majeure (hurricane, fire, or other Act(s) of God), the City would have no obligation to rebuild the Building; and,
- Upon the City's purchase and closing of the Building (and hence upon the Building becoming a City asset and therefore "City property"), it comply with the City's Ordinance for Naming of Public Facilities, Monuments, and Memorials.

Chairman Gross recommended that public benefits proposed or currently offered by the Ballet to the City should be incorporated into the Term Sheet.

Mr. Aguila stated that the next step for the City would be to set a public hearing on January 11, 2006 and return to the City Commission on February 8, 2006 for final approval of the Term Sheet.

The Administration was instructed to bring back, in January 2006, after the initial setting of a public hearing on January 11, 2006 and before the February 8, 2006 Commission meeting, a listing of public benefits offered by the Ballet to residents of the City of Miami Beach.

## **2. Discussion regarding the proposed issuance of City of Miami Beach Water and Sewer Bonds.**

**The Committee approved the proposed refinancing of the Series 1995 Water and Sewer Revenue Bonds and the issue of approximately \$9.1 million in new money through a loan agreement with the Gulf Breeze Florida Local Government Loan Program.**

**The Administration was instructed to return to the Committee with a sequencing schedule of water and sewer projects and a schedule outlining the funds anticipated to be needed in order to complete the capital program.**

Ms. Walker summarized and introduced the item. Ms. Walker stated that the Administration is continuously seeking to develop financing plans which will generate savings for the City. Ms. Walker added that an opportunity to refund the Series 1995 Water and Sewer Revenue Bonds, as well as, allow the City to finance new water and sewer projects on a tax-exempt basis is available through a loan agreement with the Gulf Breeze Florida Local Government Loan Program. She added that the proposed transaction will generate net present value savings of approximately \$600 thousand.

Ms. Walker additionally stated that the Committee, approximately one year ago, approved a proposed refinancing and new issue of Water and Sewer Revenue Bonds. She further stated that, at the time, Bond Counsel recommended against the proposed Water and Sewer Revenue Bonds because of existing three-year spend down rules and regulations. Ms. Walker stated that projects are now under way, existing water and sewer funds are being utilized for projects, and Bond Counsel is recommending the City proceed with the proposed loan agreement.

Ms. Walker added that under the City's current water and sewer rate structure, no rate increases are anticipated as a result of this proposed loan agreement.

Ms. Walker stated that the proposed agreement would refinance approximately \$37 million, generating a present value savings of \$600,000. Ms. Walker additionally stated that an additional \$9.1 million is now available for new projects and an additional \$13 million will be available in April 2006.

Assistant City Manager Tim Hemstreet and Capital Improvement Program Director Jorge E. Chartrand addressed the Committee and spoke about project sequencing. Mr. Hemstreet stated that the proposed new money would cover the gap for the sequencing of the projects until the year 2008, when the City would most likely need to secure additional funding to cover the remaining water and sewer capital projects.

Mr. Richard Montalbano, Managing director for RBC Capital Markets (Financial Advisor to the City) addressed the Committee. Mr. Montalbano stated that for the past six years his firm (formerly William R. Hough & Co.) has served as the remarketing agent to the Gulf Breeze Program. He further stated that in this capacity, he has assisted the City in financing several of its projects through the Gulf Breeze Program and the City has significantly benefited by financing several of its projects through the Gulf Breeze Program.

Mr. Montalbano added that prior to his firm's appointment as the City's financial advisor in November, 2002, his firm served as one of the City's investment bankers. He added that in 2000 his firm arranged for the City to borrow \$30 million for General Obligation related projects for which substantially all of the financing costs were paid for by excess investment earnings of the Gulf Breeze Program. He also stated that in 2001, his firm arranged the \$47,145,000 annual appropriations financing which allowed the City to finance certain projects, such as the golf course renovations.

Mr. Montalbano stated that for each of the City's existing Gulf Breeze loans his firm served as the remarketing agent to the Gulf Breeze Program. He added that at the time Mr. J. W. Howard, who is now with Bear Stearns, served as the City's financial advisor. Mr. Montalbano further stated that since RBC Capital Markets currently serves as the financial advisor to the City and also serves as the sole remarketing agent to the Gulf Breeze Program, proceeding in these capacities for the proposed water and sewer refunding and new money financing plan described above would result in a conflict of interest.

Mr. Montalbano added that it should be understood that his firm will be serving as underwriter to Gulf Breeze and not the City of Miami Beach. He stated that he would like to provide the City with full disclosure regarding the proposed change in his role from financial advisor to underwriter.

Mr. Luis Reiter, from the firm of Squire, Sanders & Dempsey, bond counsel to the City stated that in order to avoid any conflicts of interest, he would recommend that the City consider granting a waiver which will allow RBC Capital Markets to continue to serve as the remarketing agent to the Gulf Breeze Program as it relates to the above referenced financing plan and since Mr. Howard of Bear Stearns has previously served as the City's financial advisor for each of its prior Gulf Breeze Program loans and is familiar with the loan documents and remarketing procedures, that the City engage Bear Stearns, which currently serve on the City's team of investment bankers, as its financial advisor specifically for this proposed Gulf Breeze Program transaction.

Mr. Montalbano stated that RBC Capital Markets would continue to serve as the City's financial advisor as outlined in our Financial Advisory Agreement dated November 15, 2002 for all other financial advisory services.

### **3. Discussion regarding the Internal Audit Plan for Fiscal Year 2005/06.**

#### **ACTION**

##### **No Action Necessary**

Office of Budget and Performance Improvement (OBPI) Director Kathie G. Brooks and Internal Auditor James Sutter introduced and summarized the item. Ms. Brooks stated that this item was previously heard at the Committee's October 12, 2005 meeting in which the Administration was asked to bring back a schedule listing which departments and/or functions are subject to internal audit review and when they were last audited.

Ms. Brooks explained that the Internal Audit Division of the OBPI is responsible for performing audits and reviews as required by City Code, state agreements, or as routinely scheduled.

Mr. Sutter summarized the Internal Audit plan for Fiscal Year 2005/06.

Vice-Chairman Steinberg reiterated, as stated at the October 12, 2005 meeting, in future years the proposed audit plan should not be published and should be brought to the Committee at the end of the Fiscal Year for a review of the year's findings.

Ms. Brooks and Ms. Walker stated that the City's external auditors, KPMG, also conduct an annual audit of the City's financials and internal controls which is made available to the City Commission and general public.

#### **NEW BUSINESS**

### **4. Discussion regarding the proposed land exchange of City-owned property located at 1833 Bay Road for the privately owned property located at 1825 West Avenue.**

#### **ACTION**

**The Committee instructed the Administration to obtain an appraisal which takes into account the value added to the Goldwater assemblage of parcels by obtaining the City-owned property located at 1833 Bay Road.**

**The Administration was also instructed to hold community meetings in Sunset Harbour and the Flamingo Park area where input from residents could be obtained before bringing the proposed transaction back to the Committee for review.**

Assistant City Manager Tim Hemstreet introduced and summarized the item. Mr. Hemstreet stated that the City has been looking at alternatives to relocate the Property Management Facility (PMF), currently located within Flamingo Park, in order to free up park space and find a more practical location for the PMF outside of the park boundaries at a reasonable cost.

Mr. Hemstreet added that difficulties in relocating the facility include:

- The PMF needs a sizeable replacement facility to reasonably operate;
- Necessity to be within Miami Beach; and,
- Area of relocation must have suitable zoning and land use.

Mr. Hemstreet stated that in January 2005 the City purchased the property located at 1833 Bay Road. He added that the property currently houses a division of the Parking Department with two adjacent city-owned parcels used as a parking lot.

Mr. Hemstreet stated that the three parcels are 24,000 square feet (8,000 each) and are collectively known as 1833 Bay Road. He further stated that the site has been deemed to be too small to meet the PMF's requirements without demolishing the existing building and constructing a parking garage with warehouse and office space.

Mr. Hemstreet added that in May 2005 the City was approached by Mr. Zalman Fellig and Mr. Solomon Fellig, of Goldwater Realty, to obtain the City's three parcels.

Mr. Zalman Fellig and Mr. Solomon Fellig addressed the Committee and spoke about their proposal regarding the proposed land exchange of City-owned property located at 1833 Bay Road for their privately owned property located at 1825 West Avenue. The Fellig brothers stated that if the proposed transaction is approved they have no intention to change the zoning.

The Fellig brothers described their property which includes four continuous parcels totaling 32,000 square feet within the I1 district and includes two 6,000 square foot warehouses for a total of 12,000 square feet of warehouse space.

Public Works Director Fred Beckmann stated that City staff has inspected the proposed site and have determined that the PMF could relocate to the Goldwater site and the existing warehouse buildings could be adapted to Property Management's needs.

Mr. Hemstreet added that due to a differential in value between the City-owned property and the Goldwater property, a recent appraisal calculated that the City would owe the Fellig brothers approximately \$4 million in cash to complete this transaction.

The Committee discussed the pros and cons of the proposed land exchange.

Vice-Chairman Steinberg expressed his concerns with the \$4 million additional asking price. He stated that he believes the City-owned property is being undervalued in the appraisal because the appraisal does not take into account the value the Fellig's will obtain by assembling numerous parcels if they obtain the City-owned property.

JMG/PDW/mm