

STATEMENT OF BUDGET IMPACT
(Policy Number 94-45)
Budgetary Review of Proposed Resolution &
Ordinances with Financial Implication.

Date: May 23, 2014

BIS 14-156

File: TMP-2014-00305

Proposed Legislation:

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF HOLLYWOOD, FLORIDA, AUTHORIZING THE NEGOTIATION OF A LOAN IN AN AGGREGATE AMOUNT NOT TO EXCEED \$8,000,000.00, TO REFINANCE PRIOR LOANS MADE BY THE FIRST FLORIDA GOVERNMENTAL FINANCING COMMISSION TO THE CITY; APPROVING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT WITH THE FIRST FLORIDA GOVERNMENTAL FINANCING COMMISSION AND PINNACLE PUBLIC FINANCE, INC.; APPROVING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT AND CONTINUING DISCLOSURE CERTIFICATE; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION WITH THE MAKING OF SUCH LOAN; AND PROVIDING AN EFFECTIVE DATE.

Statement of Budget Impact:

1. ☐ No Budget Impact associated with this action;
2. ☒ Sufficient resources are identified /available;
3. ☐ Budgetary resources not identified/unavailable;
4. ☐ Potential Revenue is possible with this action;
5. ☒ Will not increase the cost of Housing;
6. ☐ May increase the cost of Housing; (CDAB review required)

Explanation:

The City has previously entered into loan agreements with the First Florida Governmental Financing Commission to finance various capital projects. The First Florida Governmental Financing Commission ("First Florida") was created through an Interlocal Agreement among the various members. In addition to the City of Hollywood, the current members of First Florida include the cities of St. Petersburg, Sarasota, Gainesville, and Boca Raton and Broward County. The City of Hollywood joined First Florida in June 1994.

The proposed Resolution authorizes the City to enter into a loan agreement with First Florida to refinance prior loan agreements entered into in 2004 and 2005. As part of the proposed refinancing, the Resolution authorizes the appropriate City officials to make necessary changes and execute the Loan Agreement, Continuing Disclosure Certificate, and Escrow Deposit Agreement.

Similar to the First Florida refinancing that occurred in September 2012, this proposed refinancing will be set up as a private placement with a bank. Given the short duration of the refinancing (approximately 10 years), bank loans are a cheaper alternative to a typical public offering made in conjunction with an underwriter.

To initiate the refinancing, the Financial Advisor for First Florida (Public Financial Management, "PFM"), sent an RFP to 37 banks in April seeking proposals for the refinancing of the City's outstanding First Florida loans. The City received five responses to the RFP from the following institutions:

Capital One Public Funding, LLC
JP Morgan Chase
Pinnacle Public Finance Inc.
PNC Bank
SunTrust

The best response was received from Pinnacle Public Finance Inc. Based on a loan of \$7,965,000.00 at an interest rate of 2.37 percent, the proposed refinancing will generate gross debt service savings of approximately \$893,725 over the next 10 years without any extension of the existing loans. On a net present value basis, the proposed refinancing will generate debt service savings of approximately \$797,500 or 10.2 percent of the refunded bonds.

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