



AGENDA
CITY OF LAKE WORTH BEACH
SPECIAL CITY COMMISSION MEETING
BY TELECONFERENCE
THURSDAY, MAY 21, 2020 - 6:00 PM

ROLL CALL:

PLEDGE OF ALLEGIANCE: led by Commissioner Herman Robinson

UNFINISHED BUSINESS:

NEW BUSINESS:

- A. [Ordinance No 2020-04 – authorizing the incurrence of debt obligations to fund cash flow deficits related to the COVID-19 pandemic and setting the second reading and public hearing for June 2, 2020](#)

ADJOURNMENT:

If a person decides to appeal any decision made by the board, agency or commission with respect to any matter considered at such meeting or hearing, he or she will need a record of the proceedings, and that, for such purpose, he or she may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. (F.S. 286.0105)

EXECUTIVE BRIEF SPECIAL MEETING

AGENDA DATE: June 2, 2020

DEPARTMENT: Financial Services

TITLE:

Ordinance No 2020-04 – authorizing the incurrence of debt obligations to fund cash flow deficits related to the COVID-19 pandemic and setting the second reading and public hearing for June 2, 2020

SUMMARY:

Authorization to issue temporary debt backed by City non-ad valorem revenues for the purpose of providing a funding source for potential cash flow deficits resulting in diminished revenue collections created by the Covid-19/Corona Virus pandemic.

BACKGROUND AND JUSTIFICATION:

As the result of the Covid-19/Corona Virus pandemic, the City has, and is expected to continue experiencing significant decreased revenue collections. Additionally, there is no certainty to the depth or duration of the impact, or how many cycles the City may experience as a result of the pandemic. Therefore, to mitigate potential working capital shortages, the City needs to be in a position to access an available funding source if/or when needed. It is expected that these funds will cover both operating and capital budget expenditures, including funding to initiate capital projects waiting on issuing other debt series.

Generally speaking, impacted revenue sources can be characterized as either timing differences, or lost revenue. For example, although the percentage of utility payments may be low as compared to historical experience, it is anticipated that these receivables will be collected over time. As such, the recognition of these revenues result in timing differences. On the other-hand, the late fees and penalties associated with these late payments are not expected to be collected, therefore these revenue streams are categorized as lost revenue.

It is important to understand that all funds do not share the same revenue streams and are therefore subject to varying degrees of timing versus lost revenue pressure. Based on to date analysis, it is estimated that the City's total monthly revenue impact is approximately \$950,000; \$585,000 timing and the remaining \$365,000 lost revenue. If there is a prolonged shut-down, it is expected that the monthly impact will increase as it becomes increasingly difficult for customers to stay current. It is also important to understand that when, what time of year, a shut-down occurs this too will impact revenue collections. For example, beach and golf course revenues will be impacted greater during peak season versus non-peak months.

In order to maximize the use of funds the City is considering a taxable component of the working capital debt. Since interest rates are low, there is not a significant difference between the taxable and non-taxable interest rate so the annual debt service would not be materially impacted. However; taxable bonds allow for a broader use of funds thereby avoiding potential IRS compliance issues. Under consideration are different debt structures which will depend on final loan approvals and underwriting constraints, but at currently it is expected that the bond will

have a ten to twelve-year maturity with a balloon payment and semi-annual interest payments with no pre-payment penalties thereby allowing the City to pay the loan off prior to term if able.

Dependent on the borrowing process, the principle being considered is between \$10 to \$20 million thereby providing opportunity to fund capital projects. The annual debt service, interest payment, for each \$10 million at 3% is \$300,000, which will be allocated between each fund based on its use of proceeds. Additionally, I would recommend creating a sinking fund if the debt is structured with a balloon payment. This would equal \$1million per year also allocated by fund.

MOTION:

Move to approve/disapprove – Ordinance 2020-04 - authorizing the incurrence by the City of debt obligations to fund cash flow deficits related to the COVID-19/Corona Virus Pandemic and setting the second reading and public hearing for June 2, 2020.

ATTACHMENT(S):

Fiscal Impact Analysis
Ordinance 2020-04

FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2020	2021	2022	2023	2024
Sinking Fund	\$0	\$0	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00
Operating Expenditures	\$ 150,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00
External Revenues	0	0	0	0	0
Program Income	0	0	0	0	0
In-kind Match	0	0	0	0	0
Net Fiscal Impact	\$ 150,000.00	\$ 300,000.00	\$1,300,000.00	\$1,300,000.00	\$1,300,000.00
No. of Addn'l Full-Time Employee Positions	0	0	0	0	0

B. Recommended Sources of Funds/Summary of Fiscal Impact:

Account Number	Account Description	Project Number	FY20 Budget	Current Balance	Agenda Expenditure	Balance
	Non-Ad Valorem Revenue					

C. Department Fiscal Review:

Bruce Miller, Financial Services Director

ORDINANCE NO. 2020-04 OF THE CITY OF LAKE WORTH BEACH, FLORIDA, AUTHORIZING THE INCURRENCE BY THE CITY OF DEBT OBLIGATIONS TO FUND RESERVES FOR CASH FLOW DEFICITS RELATED TO THE COVID-19 PANDEMIC; PROVIDING THAT SUCH OBLIGATIONS OF THE CITY DO NOT CREATE A GENERAL DEBT OR OBLIGATION OF THE CITY OR THE STATE BUT SHALL BE PAYABLE FROM LEGALLY AVAILABLE REVENUES APPROPRIATED FOR SUCH PURPOSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Commission (the “Commission”) of the City of Lake Worth Beach, Florida (the “City”) desires to consider a financing plan to provide for the temporary funding of reserves for cash flow deficits brought on by the financial impact upon the City of the COVID-19 pandemic; and

WHEREAS, the Commission hereby deems such financing to be for an essential public purpose and to constitute a “project” within the meaning of Section 166.111, Florida Statutes, as amended;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF LAKE WORTH BEACH, FLORIDA that:

SECTION 1. DEFINITIONS. When used in this ordinance, the following terms shall have the following meanings, unless the context clearly otherwise requires:

“City” shall mean the City of Lake Worth Beach, Florida, a municipal corporation and public body corporate and politic.

“Non-Ad Valorem Revenues” shall mean legally available revenues of the City derived from sources other than ad valorem taxation.

“Obligations” shall mean debt obligations issued by the City, the proceeds from the sale of which shall be used to finance the Project.

“Project” shall mean the establishment of reserves for and the payment by the City of costs of operation of the City government, including salaries and benefits of City employees and other municipal operating costs necessary to provide essential services to citizens of the City, for which City revenues are otherwise insufficient due to the financial impact of the COVID-19 pandemic.

The words “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, and any similar terms shall refer to this ordinance.

Words importing the singular number include the plural number, and vice-versa.

SECTION 2. FINDINGS. The City Commission of the City hereby finds and determines that:

- (a) The City faces an unprecedented and temporary strain on its finances due to the financial impacts of the COVID -19 pandemic.
- (b) It is vital to the citizens of the City that basic city services continue to be provided.
- (c) The City desires to incur short-term Obligations to continue to fund essential City services as a "Project" vital to the needs of citizens of the City.

SECTION 3. ISSUANCE OF OBLIGATIONS.

(a) The City Commission shall have the power, and it is hereby authorized to provide by resolution, to incur Obligations to finance the Project. The proceeds from the Obligations shall be used to finance the cost of the Project, establish a debt service reserve fund, if needed, pay interest on the Obligations and pay costs of issuance.

(b) The Obligations shall be payable from payments made under a covenant to budget and appropriate Non-Ad Valorem Revenues of the City, moneys in certain funds and accounts held by the City and moneys derived from any credit enhancement of the Obligations. The Obligations shall not constitute a direct obligation of the City and shall be payable solely from the Non-Ad Valorem Revenues budgeted and appropriated as provided herein.

SECTION 4. OBLIGATIONS NOT DEBT OF CITY. Obligations issued under the provisions of any resolution shall not be deemed to constitute a debt of the City or a pledge of the faith and credit of the City, but such Obligations shall be payable solely from Non-Ad Valorem Revenues. The obligation of the City to repay such Obligations is a limited and special obligation, subject to annual appropriation of the City from Non-Ad Valorem Revenues.

SECTION 5. REMEDIES OF OBLIGATION HOLDERS. Any holder of Obligations, except to the extent the rights herein given may be restricted by the resolution authorizing the issuance of such Obligations, may, either at law or in equity, by suit, action, mandamus or other proceeding, protect and enforce any and all rights under the laws of the State or granted hereunder or under such resolution, and may enforce and compel the performance of all duties required by such resolution to be performed by the City or by any officer thereto.

SECTION 6. ALTERNATIVE METHOD. This ordinance shall be deemed to provide an additional and alternative method for the doing of the things authorized hereby, shall be regarded as supplemental and additional to powers conferred by other laws, and shall not be regarded as in derogation of any powers now existing or which may hereafter come into existence. This ordinance, being necessary for the welfare of the inhabitants of the City, shall be liberally construed to effect the purposes thereof.

SECTION 7. EFFECTIVE DATE. This ordinance shall take effect immediately upon its adoption.

The passage of this ordinance on first reading was moved by Commissioner _____, seconded by _____, and upon being put to a vote, the vote was as follows:

Mayor Pam Triolo
Vice Mayor Andy Amoroso
Commissioner Scott Maxwell
Commissioner Omari Hardy
Commissioner Herman Robinson

The Mayor thereupon declared this ordinance duly passed on first reading on the 21st day of June, 2020.

The passage of this ordinance on second reading was moved by Commissioner _____, seconded by Commissioner _____, and upon being put to a vote, the vote was as follows:

Mayor Pam Triolo
Vice Mayor Andy Amoroso
Commissioner Scott Maxwell
Commissioner Omari Hardy
Commissioner Herman Robinson

The Mayor thereupon declared this ordinance duly passed and enacted on the ____ day of _____, 2020.

LAKE WORTH BEACH, CITY COMMISSION

Pam Triolo, Mayor

ATTEST:

Deborah M. Andrea, CMC, City Clerk