


## **Attachment 5 – City Background Memo on Financing Documents for Civic Facilities and Draft Financing Documents**

To: City Commission of the City of Pompano Beach, Florida and Board of Directors of the Pompano Beach Finance Corporation

From: Suzette Sibble, Assistant City Manager 

Date: April 23, 2025

Re: Certificates of Participation (Civic Facilities Master Lease Program)

### **Overview**

#### **General**

The City of Pompano Beach, Florida (the “City”), together with the Pompano Beach Community Redevelopment Agency, and the master developer named therein (the “Master Developer”) have previously entered into a written public/private development agreement dated June 24, 2024 (the “Master Development Agreement”), together with related written arrangements, to provide for the implementation, in phases, of the downtown master redevelopment project described in the Master Development Agreement (the “Downtown Master Redevelopment Project”). The City will seek to lease-purchase finance and refinance, all or in part, the acquisition, construction and installation of all or a portion of such facilities as part of the Civic Facilities Master Lease Program described below, unless it elects to have the Master Developer finance one or more of the civic facilities that are described in the Master Development Agreement.

The specific components of a project be lease-purchase financed, all or in part, as part of the Civic Facilities Master Lease Program is referred to as a “Series Project.” Each potential Series Project is more fully described below; however the Civic Facilities Master Lease Program must include sufficient essential projects, such as the City Hall (hereinafter defined), to be marketable.

#### **Matters Relating to the Corporation**

The Pompano Beach Finance Corporation (the “Corporation”) was formed solely for the purpose of facilitating lease-purchase arrangements. The sole member of the Corporation is the City. The sole members of the Board of Directors of the Corporation are, ex-officio, the members of the City Commission of the City from time to time. The Mayor serves as the President of the Corporation, the Vice-Mayor serves as the Vice-President of the Corporation, the Finance Director serves as the Treasurer of the Corporation and the City Clerk serves as the Secretary of the Corporation. The Corporation only has a nominal role in any lease-purchase financing. It is required to have an annual meeting to elect Board members and officers. In addition, the Corporation, by resolution, is required to approve the various documents to which it will be a party in connection with the financing of any project. The administrative costs associated with the Corporation are nominal. The outstanding Taxable Refunding Certificate of Participation (Parking Garage Project), Series 2022 (Federally Taxable)

represent the only lease-purchase financing arrangement currently involving the Corporation. The arrangement is unrelated to the master lease-purchase financing structure described below.

### **Series Projects**

The proposed Series Projects consist of the following:

(i) a new City Hall, which is part of the Downtown Master Redevelopment Project, consisting of a new municipal headquarters for the City, including offices and a City Commission meeting chamber and other related uses, together with all appurtenant and ancillary equipment (the “City Hall”);

(ii) a public community facility, which may be undertaken as renovations to the City’s existing E. Pat Larkins Community Center located in the downtown area of the City, or instead as a new E. Pat Larkins Community Center that is part of the Downtown Master Redevelopment Project and which includes space for meetings, events and other community uses, and which may include classroom space to provide vocational culinary and hospitality training primarily to high school students and young adults, offices and related uses, and space to provide college resource support services to high school students, in either case, together with all appurtenant and ancillary equipment (the “Community Facility”);

(iii) a new public parking garage, which is part of the Downtown Master Redevelopment Project, consisting of approximately 600 spaces to be located adjacent to the new City Hall, together with all appurtenant and ancillary equipment (the “Parking Garage”);

(iv) public roadways adjacent to or near any Buildings included in a Series Project, and related improvements, including landscaping, signage and traffic signals, water utility lines in the Roadways to provide fire connections, sewer utility lines in the Roadways, master storm drainage, and any surface or street parking spaces on the Roadways that will be operated as part of the City’s parking system, which shall be all or a portion of a Project to the extent described in a Lease Schedule (the “Roadways”); and

(v) a new facility located in the City’s downtown area with classroom space to provide vocational training primarily to high school students and young adults, offices and related uses, and space to provide college resource support services to high school students, together with all appurtenant and ancillary equipment (the “Vocational Training and College Resource Center”).

### **Master-Lease Purchase Financing Structure**

To facilitate the lease-purchase financing of one or more Series Projects, the following structure is proposed (all capitalized terms not otherwise defined herein have the meanings ascribed thereto in the hereinafter defined Master Lease and Master Trust Agreement, forms of which are attached to the hereinafter defined Authorizing Ordinance):

- The City and the Corporation enter into a Ground Lease with respect to the land owned by the City on which a related Series Project will be located. Pursuant to each Ground Lease, the City will lease the related land to the Corporation.

- The City and the Corporation enter into a Master Lease-Purchase Agreement (the “Master Lease”) with the Corporation pursuant to which the Corporation will lease the land subject to each Ground Lease and the related Series Project back to the City, for the purpose of lease-purchasing such Series Project. Each Series Project to be lease-purchased is identified on a separate lease schedule to the Master Lease (each, a “Lease Schedule”). The Master Lease, together with all Lease Schedules, is referred to as the “Lease Agreement.”
- The Project Costs of each Series Project will be financed and refinanced with separate Series of Certificates of Participation issued under a Master Trust Agreement to be entered into among the City, the Corporation and a qualified financial institution as Trustee (the “Master Trust Agreement”), as supplemented by a Supplemental Trust Agreement related to each Series of Certificates.
- The payment obligations of the City under the Lease Agreement are subject to annual appropriation solely from non-ad valorem revenues legally available for that purpose (the “Available Revenues”). The Master Lease provides that the City shall not budget and appropriate Available Revenues for a portion of the Projects leased pursuant to the Lease Agreement and that it must budget and appropriate Lease Payments for all of the Projects described on all Lease Schedules entered into pursuant to the Master Lease or none of them.
- The City is not legally required to appropriate moneys for the purpose of making Lease Payments. Failure to appropriate funds to pay Lease Payments under any Lease Schedule will, and certain events that are an Event of Default under the Master Lease may, result in the termination of the Lease Agreement. Upon such termination and, upon certain Events of Default that do not result in termination of the Lease Agreement, the City is required to immediately surrender and deliver use, possession and control to the Trustee of the Projects financed and refinanced under the Lease Agreement, excluding Roadways and certain equipment, for the remaining term of each Ground Lease.

It should be noted that upon an event of non-appropriation under the Lease Agreement, the City may have difficulty in accessing capital markets to obtain bond or certificate of participation financing for its other projects. In this respect, even though certificates of participation are not legally considered debt, for all practical purposes, the City should treat the required Lease Agreement payments as such so as not to impede the City’s credit standing in the marketplace.

### **Authorizing Ordinance**

To facilitate the master lease-purchase financing structure, the City Commission is being requested to enact an ordinance (the “Authorizing Ordinance”) which, among other matters, provides for the following:

- The issuance, from time to time, of Certificates of Participation (Civic Facilities Master Lease Program) in one or more Series of Tax Exempt Certificates and/or Taxable Certificates (collectively, the “Initial Certificates”) in an aggregate original principal amount not exceeding \$137,000,000 (exclusive of original issue discount and original issue premium) for the purpose of financing, in the aggregate, all or a portion of the Cost of each Series Project. The not exceeding principal amount includes the anticipated cost of the applicable components of the Civic Facilities Project, estimated costs of issuance of the Initial Certificates, and the estimated amount to fund capitalized interest, if any, and/or a debt service reserve, if any. Nothing in the Authorizing Ordinance requires the Initial Certificates to be issued in more than one Series.

- The delegated negotiated sale of each Series of the Initial Certificates, subject to the Parameters specified in the Authorizing Ordinance (which include the not to exceed principal amount set forth above), to an underwriter or underwriters selected pursuant to the Authorizing Ordinance.

- The execution (where applicable) and delivery, with respect to each Series of the Initial Certificates, of the following documents, in substantially the forms attached to the Authorizing Ordinance:

Exhibit A – Form of Ground Lease relating to each Series Project or Series Projects, as described above.

Exhibit B – Forms of Master Trust Agreement and Supplemental Trust Agreement, as described above.

Exhibit C – Form of Master Lease-Purchase Agreement, including form of Lease Schedule, as described above.

Exhibit D – Form of Assignment of Lease Agreement (providing for the assignment by the Corporation to the Trustee of its interest in the Master Lease and each Lease Schedule, other than certain retained rights).

Exhibit E - Form of Assignment of Ground Lease Agreement (providing for the assignment by the Corporation to the Trustee of its interest in each related Ground Lease).

Exhibit F – Form of Certificate Purchase Contract (to provide for the sale to the Underwriter of a Series of the Initial Certificates, subject to the Parameters specified in the Authorizing Ordinance).

Exhibit G – Form of Preliminary Offering Statement (to be used to market each Series of the Initial Certificates and to become a final Offering Statement reflecting the final pricing details in the related Certificate Purchase Contract, subject to the Parameters specified in the Authorizing Ordinance).

Exhibit H – Form of Continuing Disclosure Certificate (requiring the City to provide annual updates of certain financial and operating data in the final Offering Statement for a Series of Initial Certificates and notice of certain specified material events, all as required by applicable federal securities laws).

- The execution and delivery, where applicable, of each Ground Lease, the Master Lease, each Lease Schedule, the Master Trust Agreement, each Supplemental Trust Agreement, the Assignment of Lease Agreement, and each Assignment of Ground Lease Agreement, each substantially in the respective form attached to the Authorizing Ordinance and the authorization to select a qualified financial institution to serve as Trustee under the Master Trust Agreement.

- Determining the details of each Series of Initial Certificates, subject to the Parameters specified in the Authorizing Ordinance, including the respective dates of the negotiated sale and issuance of each Series, the maturity dates, the interest rates per annum and the redemption provisions of each Series, whether to provide for capitalized interest and/or the funding of a reserve account subaccount for a Series, whether to obtain a municipal bond insurance for all or a portion of a Series and/or a Reserve Product for a Series secured by a reserve subaccount, the components of the Series Project to be financed and

refinanced by such Series, and whether such Series shall be issued as Tax Exempt Certificates and/or Taxable Certificates.

### **Corporation Resolution**

To facilitate the master lease-purchase financing structure, the Corporation is being requested to adopt a resolution (Exhibit I) on the date of enactment of the Authorizing Ordinance which, among other matters, addresses the matters in the Authorizing Ordinance and provides for the execution and delivery by the Corporation, where applicable, of the financing documents and instruments described above to which it is a party, each substantially in the respective form attached to the resolution (the same forms are attached to the Authorizing Ordinance).