

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: May 1, 2018

[] Consent [X] Regular
[] Ordinance [] Public Hearing

Department:

Submitted By: Facilities Development & Operations

Submitted For: Tourist Development Council & OFMB

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve:

- A) Budget Transfer of \$6,984,225 within the 68M Public Imp Rev Bond 15A CP, Conv Ctr Garage & Airport Ct Fund;
B) Budget Amendment of \$3,064,105 in the 65M NAV 15 DS, Pub Imp Rev Bd, Conv Ctr Gar & Airport Ctr Fund (Debt Service) to i) recognize the transfer from the 68M Public Imp Rev Bond 15A CP, Conv Ctr Garage & Airport Ct Fund; ii) decrease debt service revenue from TDC 1st Cent Fund; and iii) reimburse TDC 1st Cent Fund for prior year debt service costs;
C) Budget Amendment of \$3,064,105 in the TDC 1st Cent Fund to: i) recognize the increase in funds from the 68M NAV 15 DS, Public Imp Rev Bd 15A CP, Conv Ctr Garage & Airport Ct Fund; ii) recognize the decrease in the debt service expense; and iii) increase the expense to the TDC Bldg Renewal and Replacement Fund;
D) Budget Amendment in the amount of \$6,984,225 in the TDC Bldg Renewal & Replacement Fund to recognize increased transfer from the TDC 1st Cent Fund and allocate budget to Convention Center (R/R) Projects; Convention Center Expansion Project; and Roger Dean (R/R) Projects.

Summary: On April 7, 2015, the Board approved a bond entitled "68M Public Imp Rev Bond 15A CP, Conv Ctr Garage & Airport Ct" providing proceeds for the Airport Center Building II renovations and the Convention Center Parking Garage. The Airport Center Building II project is complete, with no significant funds remaining. However, the Convention Center Parking Garage account is projected to have approximately \$9,300,000 remaining at the completion of the project. The amount of the funding remaining is primarily due to the garage being 90 spaces less than originally planned, value engineering and sales tax savings, and not having to use as much of the project contingency as originally planned. Since the remaining proceeds can only be used for the Parking Garage, Staff is recommending that \$6,984,225 of the remaining proceeds be used to fund debt service and bond interest expenses with the equivalent amount of 1st Cent Bed Tax used to fund other 1st Cent projects. Bond counsel has approved the use of the proceeds to fund debt service. The \$6,984,225 in TDC 1st Cent funding will be allocated to two projects: Convention Center Renewal/Replacement in the amount of \$2,873,000 and Convention Center Expansion in the amount of \$4,111,225. The difference between the remaining funds and the \$6,984,225 is anticipated to be sufficient to fund the Convention Center Parking Garage R/R throughout the life of the facility. The remaining action items transfer monies from; 1) the 1st and 4th Cent Special Reserves to the Convention Center Expansion Project (\$913,974) and Roger Dean R/R (\$618,274) projects, and 2) Convention Center Parking Garage R/R to Convention Center Expansion (\$5,000,000).

(Continued on Page 3)

Attachments:

- 1. Letter from Locke Lorde dated 2/21/18
2. Allocation Certificate dated 4/4/18
3. Budget Amendments/Transfers

Recommended by: [Signature] Department Director Date 4/10/18

Approved by: [Signature] County Administrator Date 4/30/18

SUMMARY (Cont'd)

These amendments and transfers essentially reconstitute the “pool” R/R funding approach of the Special Reserve approved by the Board on 3/17/09 to a project specific approach which will better serve the TDC into the future by strategically allocating available proceeds amongst forecast projects and expenses. When the Special Reserve was first established, it was thought to be sufficient for the R/R expenses at the Convention Center and Roger Dean through 2014. Through proper management of these two facilities, the Special Reserve and the proceeds from the Convention Center and Convention Center Parking Garage construction projects; the County has not only funded the R/R for the two original projects through 2020, but also now has sufficient funding to establish the Convention Center Expansion project account with a starting balance of \$10,025,199. **(FDO Administration) (Countywide/District 7) (DB)**

Background & Policy Issues: Prior to issuing bonds, Staff makes every attempt to carefully review the assumptions used for the cost estimate to ensure that they are reasonably likely to cover the projects expenses but not over inflating the bond amount. This review takes into account County historical costs, current market conditions, the timing of the estimate vs. design status, site specific conditions and regulatory environment, and user change risk. The primary reasons for the excess bond proceeds (compared to the assumptions at the time the bond was sized) in the Convention Center Parking Garage are due to; 1) actual construction of 2,650 spaces as opposed to the 2,740 planned (approx. \$2,000,000 cost differential), 2) design changes (approx. \$1,000,000 less), 3) sales tax savings (approx. \$400,000 saved), value engineering savings (approx. \$150,000 saved), 4) a low CM fee (approx. \$500,000 less than projected), 5) and lack of use of the project contingency (\$6,300,000 line item). Upon completion of remaining punch list items at the garage itself as well as the art project related to the garage’s development order, Staff is estimating that \$9,500,000 of proceeds will remain. Of the \$9,500,000 remaining, \$2,500,000 will remain allocated to fund future R/R projects in support of the Parking Garage throughout the life of the facility.

The \$6,984,225 is comprised of the TDC’s share of the current year’s debt service as well as the bond interest expense incurred from the time the bonds were issued until the date that the garage was put into service. All together the five (5) accompanying documents; 1) transfer the unspent proceeds from the bond construction funds to the debt service, 2) reduce the annual budgeted TDC 1st Cent Fund and increase the bond interest expense to the TDC 1st Cent Fund, 3) reduce the annual budgeted TDC debt service transfer to the TDC 1st Cent Fund and budget the transfer of the TDC annual debt service, and 4) budget the \$6,984,225 from the TDC 1st Cent Fund to the TDC Renewal/Replacement Fund and Convention Center Expansion Fund. As a result no bond proceeds will remain without a dedicated purpose in the years ahead.

February 21, 2018

VIA E-MAIL MBRAUN@PBCGOV.ORG

Mr. Mark Braun, CPA
Debt Manager
Palm Beach County, Florida
Palm Beach County Administrative Center
301 North Olive Avenue, 7th Floor
West Palm Beach, FL 33402

Re: Palm Beach County, Florida Public Improvement Revenue Bonds (Various Public Improvements Project), Series 2015A

Dear Mark:

This letter is in response to questions you have raised regarding the proper application of potential unspent proceeds of the referenced Bonds (the "Bonds").

Background:

On May 20, 2015, Palm Beach County, Florida (the "County") issued its the Bonds to finance the construction, equipping and improvement of a public parking garage (the "Garage") adjacent to the County's Convention Center in West Palm Beach and the renovation, equipping and improvement of a portion of the County-owned office building known as the "Airport Center Office Building" (collectively, the "Project").

Resolution No. R-2015-0414 (the "Bond Resolution") adopted by the Board of County Commissioners of the County on April 7, 2015 defines "Costs" or "Costs of the Project" to include, *inter alia*, "...interest on the Series 2015A Bonds prior to, during and for not exceeding one year after the completion of the Project..." Section 9(c) of Article III of the Bond Resolution provides that, "[A]ny amounts in the Construction Fund shall be applied by the County to pay the Costs of the Project (other than the costs of issuing the Series 2015A Bonds, which shall be paid from moneys on deposit in the Cost of Issuance Account)." Section 125.011(4) of the Florida Statutes allows "Costs" for "interest during construction; and, if deemed advisable, for 1 year after completion of construction..." These Costs for interest during

ATTACHMENT 1

construction for the periods indicated are allowable "Capitalized Interest," payable from Bond proceeds under the Bond Resolution.

You informed us that, to date, the County has not applied any Bond proceeds to pay interest on the Bonds.

Application of Remaining Bond Proceeds:

Treasury Regulation Section 1.148-6(d)(3)(ii)(A)(3) provides that in the case of governmental bond issues, including the Bonds, bond proceeds may be applied to pay:

Interest on the issue for a period commencing on the issue date and ending on the date that is the later of three years from the issue date or one year after the date on which the project is placed in service.

Treasury Regulation Section 1.150-1(c) states that:

"Placed in service means, with respect to a facility, the date on which, based on all the facts and circumstances -

- (1) The facility has reached a degree of completion which would permit its operation at substantially its design level; and
- (2) The facility is, in fact, in operation at such level."

It appears that a temporary certificate of occupancy ("TCO") for the operation of the Garage was issued on or about February 17, 2017, and that would likely be viewed as the date the Project was placed in service. We understand that approximately \$3,000,000 has been previously paid by the County to date in interest on the Bonds, which may be classified as "Capitalized Interest" within the parameters outlined.

With respect to such interest previously paid on the Bonds from other County moneys, Treasury Regulation Section 1.148-6(d)(1)(iii) permits the County to make its allocation of Bond proceeds to expenditures not later than 18 months after the later of the date the expenditure is paid or the date the project is placed in service. Hence, at this time, the County has the ability to re-allocate a portion of the Bond proceeds toward the earlier interest payments as Capitalized Interest; provided that this allocation is made within 18 months of February 17, 2017 (*i.e.*, before August 17, 2018). To accomplish this re-allocation, the County should transfer Bond proceeds (in an amount equal to the interest paid to date which is the amount that can now be allocated to Capitalized Interest) from the Construction Fund to the Debt Service Fund. The County must make a record of this re-allocation, and we attach a form of certificate in this regard.

Mark Braun, CPA
February 21, 2018
Page 3

Also, the County should review any preliminary expenditures¹ made with respect to the Project from moneys other than Bond proceeds. These expenditures would be eligible for reimbursement, freeing up moneys to be used for such other permitted purposes. To the extent such preliminary expenditures were made, reimbursement should be accomplished by transferring a like amount of Bond proceeds from the Construction Fund to the fund from which such preliminary expenditures were paid.

Finally, you have provided us with spreadsheets that the County prepared in 2015 in anticipation of the Bonds setting forth the County's estimate of the Project cost. These spread sheets indicate that the County expected the cost of the Project to be significantly in excess of the amount of Bond proceeds received. However, the County unexpectedly experienced a cost "underrun" on the Project. Based on the foregoing, the County should reasonably be able to take the position that any remaining unspent bond proceeds (after the applications described above) constitute "unexpected excess sale proceeds" and apply such moneys to the payment of principal of or interest on the Bonds as authorized by Treasury Regulation §1.148-6(d)(3)(ii)(A)(6).

If you have any questions with regard to the foregoing, please do not hesitate to contact us.

Sincerely yours,



Richard J. Miller

RJM

cc: Ms. Sherry Brown
Ms. Audrey Wolf
Mr. Richard Iavarone
David C. Behar, Esq.
Mark-David Adams, Esq.

AM 67964533.1

¹ Architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project, other than land acquisition, site preparation, and similar costs incident to commencement of construction. Please note that the amount of preliminary expenditures reimbursed may not exceed 20% of the issue price of the Bonds.

ALLOCATION CERTIFICATE
PALM BEACH COUNTY, FLORIDA
PUBLIC IMPROVEMENT REVENUE BONDS
(Various Public Improvements Project)
SERIES 2015A

In connection with the referenced Bonds (the "Bonds"), pursuant to the provisions of Resolution No. R-2015-0414 (the "Bond Resolution") adopted by the Board of County Commissioners of Palm Beach County, Florida on April 7, 2015 and Treasury Regulation §1.148-6(d)(1)(iii), the County hereby allocates \$3,064,104.12 of Bond proceeds held in the Construction Fund created under the Bond Resolution to the payment of interest on the Bonds that accrued during the period commencing on the date of issuance of the Bonds (May 20, 2015) through the date that the Project (as defined in the Bond Resolution) was placed in service (February 17, 2017). Additionally, the County hereby allocates \$0 of Bond proceeds held in the Construction Fund to reimburse the County's General Fund for certain preliminary expenditures (as defined in Treasury Regulation §1.150-2(f)(2)) made in connection with the Project.

Dated: April 4, 2018

PALM BEACH COUNTY, FLORIDA

By: 

Mark Braun
Debt Manager

ATTACHMENT 2

2018 - 0611

BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY, FLORIDA
BUDGET TRANSFER

Fund 3076 - 68M Public Imp Rev Bond 15A CP, Conv Ctr Garage & Airport Ct

BGEX 032418*1102

ACCOUNT NAME AND NUMBER	ORIGINAL BUDGET	CURRENT BUDGET	INCREASE	DECREASE	ADJUSTED BUDGET	EXPENDED/ ENCUMBERED as of 03/15/2018	REMAINING BALANCE
<u>Expenditures</u>							
411-B572-6502 Building Construction - CIP	11,077,473	10,902,031	0	6,984,225	3,917,806	2,108,054	1,809,752
821-9000-9743 Tr To 68M Pub Imp Rev Bond 15A DS Fund 2076	0	0	6,984,225	0	6,984,225	0	6,984,225
TOTAL APPROPRIATIONS & EXPENDITURES	13,033,775	12,612,603	6,984,225	6,984,225	12,612,603		

Office of Financial Management and Budget

Signatures & Dates

BY BOARD OF COUNTY COMMISSIONERS

INITIATING DEPARTMENT/DIVISION

Administration/Budget Department Approval

OFMB Department - Posted

Boleyn Raus 4/23/18
Smith 4/23/18

AT MEETING OF

May 1, 2018

Deputy Clerk to the

Board of County Commissioners

2018 - 0609

BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY, FLORIDA
BUDGET AMENDMENT

Fund 2076 - 65.M NAV 15 DS, Pub Imp Rev Bd, Conv Ctr Gar & Airport Ctr

BGRV 032418-0381
BGEX 032418-4103

ACCOUNT NAME AND NUMBER	ORIGINAL BUDGET	CURRENT BUDGET	INCREASE	DECREASE	ADJUSTED BUDGET	EXPENDED/ ENCUMBERED as of 03/15/2018	REMAINING BALANCE
Revenues							
810-4100-8314 Tr Fr TDC 1st Cent fd 1458	3,920,120	3,920,120	0	3,920,120 ✓	0		
810-4100-8744 Tr Fr 68M Pub Imp 15A CP Fund 3076	0	0	6,984,225	0	6,984,225		
TOTAL RECEIPTS & BALANCES	4,390,831	4,390,831	6,984,225	3,920,120	7,454,936		
Expenditures							
820-7203-9314 Tr To TDC 1st Cent Fund 1458	0	0	3,064,105 ✓	0	3,064,105	0	3,064,105
TOTAL APPROPRIATIONS & EXPENDITURES	4,390,831	4,390,831	3,064,105	0	7,454,936		

Office of Financial Management and Budget

Signatures & Dates

BY BOARD OF COUNTY COMMISSIONERS
AT MEETING OF
May 1, 2018

INITIATING DEPARTMENT/DIVISION

Administration/Budget Department Approval

OFMB Department - Posted

[Signature] 4/23/18
[Signature] 4/23/18

Deputy Clerk to the
Board of County Commissioners

2018 - 0610

BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY, FLORIDA
BUDGET AMENDMENT

Fund 1458 - TDC 1ST CENT FUND

BGRV 032418-0382
BGEX 032418-1104

ACCOUNT NAME AND NUMBER	ORIGINAL BUDGET	CURRENT BUDGET	INCREASE	DECREASE	ADJUSTED BUDGET	EXPENDED/ ENCUMBERED as of 03/15/2018	REMAINING BALANCE
<u>Revenues</u>							
800-7200-8743 Tr Fr 68M Pub Imp 15A DS Fund 2076	0	0	3,064,105 ✓	0	3,064,105		
TOTAL RECEIPTS & BALANCES	17,247,654	18,505,038	3,064,105	0	21,569,143		
<u>Expenditures</u>							
820-7290-9743 Tr To 68M Pub Imp Rev Bond 15A DS Fund 2076	3,920,120	3,920,120	0	3,920,120 ✓			
820-7290-9373 Tr To TDC Bldg R&R Fd 3807	3,000,000	3,000,000	6,984,225 ✓	0	9,984,225 ⁰	0	9,984,225 ⁰
TOTAL APPROPRIATIONS & EXPENDITURES	17,247,654	18,505,038	6,984,225	3,920,120	21,569,143		

Office of Financial Management and Budget

Signatures & Dates

BY BOARD OF COUNTY COMMISSIONERS
AT MEETING OF
May 1, 2018

INITIATING DEPARTMENT/DIVISION

Administration/Budget Department Approval

OFMB Department - Posted

Debra Lawrence 4/23/18
[Signature] 4/23/18

Deputy Clerk to the

Board of County Commissioners

2018 - 0612

BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY, FLORIDA
BUDGET AMENDMENT

Fund 3807 - TDC Bldg Renewal & Replacement

BGRV 032418-0383
BGEX 040418-1152
EXPENDED/

ACCOUNT NAME AND NUMBER	ORIGINAL BUDGET	CURRENT BUDGET	INCREASE	DECREASE	ADJUSTED BUDGET	ENCUMBERED as of 03/15/18	REMAINING BALANCE
Revenues							
800-9100-8314 Tr Fr TDC 1st Cent fd 1458	3,000,000	3,000,000	6,984,225	0	9,984,225		
TOTAL RECEIPTS & BALANCES	15,059,424	14,099,789	6,984,225	0	21,084,014		
Expenditures							
411-B646-4907 Building Improvemts Noncapital (CC Exp)	0	0	10,025,199	0	10,025,199		
411-B647-4907 Building Improvemts Noncapital (CC R/R)			2,873,000		2,873,000		
411-B644-4907 Building Improvemts Noncapital 9 (CC Garage R/R)	5,000,000	5,000,000		5,000,000	0		
411-9900-9902 Operating Reserves		1,532,248		1,532,248	0		
411-B648-4907 Building Improvemts Noncapital (RD R/R)			618,274		618,274		
TOTAL APPROPRIATIONS & EXPENDITURES	15,059,424	14,099,789	13,516,473	6,532,248	21,084,014		

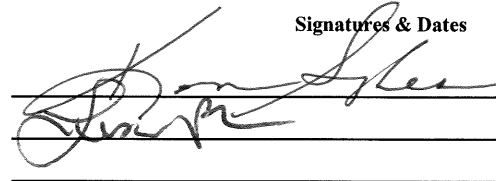
Office of Financial Management and Budget

INITIATING DEPARTMENT/DIVISION

Administration/Budget Department Approval

OFMB Department - Posted

Signatures & Dates


4/23/18

BY BOARD OF COUNTY COMMISSIONERS

AT MEETING OF

May 1, 2018

Deputy Clerk to the

Board of County Commissioners