

THE BOND BUYER

Miami Beach moves up GO bond projects to take advantage of low rates

By

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The Miami Beach City Commission has voted to revise the schedule for 12 years of general obligation bond-funded projects after taking advantage of low interest rates.

The commission met on May 12 and voted on the capital budget amendment for the changes after giving it preliminary approval on April 21. Mayor Dan Gelber also approved the [revised plan](#), which will cut the number of planned GO bond issuances to three from four and let the city appropriate funds faster and start projects sooner.

The changes also realign some projects based on updated cash flow projections.



A view of Miami Beach, Florida, in March. The city is rearranging its capital plans to take advantage of low interest rates.

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The capital budget is now divided into 35% in Tranche 1, for \$151.1 million, 47% in Tranche 2 for \$206 million) and 18% in Tranche 3 for \$78 million.

It was originally divided into 35% in Tranche 1, 24% in Tranche 2, 22% in Tranche 3 and 19% in Tranche 4.

The program funds 57 separate improvement projects in the North Beach, Middle Beach and South Beach areas and will run until 2031.

The \$439 million plan [was approved](#) by 70% of the voters in 2018 in a three-piece general obligation bond referendum. Previously, voters had approved a \$92 million GO bond program in 1999 that also funded 57 projects across the city.

Under the revised plan, the next anticipated GO sale has been moved out to 2023 from 2022.

In April 2019, Miami Beach sold \$162 million of GO and GO refunding bonds to fund public safety, neighborhoods and infrastructure, parks and recreation and cultural facilities projects. JPMorgan Securities priced the bonds, which were and remain rated Aa2 by Moody's Investors Service and AA-plus by S&P Global Ratings.

"Due to lower than originally anticipated costs of borrowing, we are reducing the number of tranches from four to two for parks and public safety and from four to three for infrastructure," John Woodruff, Miami Beach's chief financial officer, told The Bond Buyer.

"For example, the original interest rates used during community outreach for the GO bond were 4.25%," he said. "The actual interest rates for Tranche 1 in 2019 were lower at 3.5%. Our best estimate regarding potential rates for Tranche 2 are currently about 1.7%."

Woodruff said that thanks to the lower costs of borrowing it's now estimated the revised implementation plan will save around \$21 million in debt service costs compared to the originally anticipated costs.

With the revised plan, two projects that were originally scheduled to start in the later years of the program will be advanced.

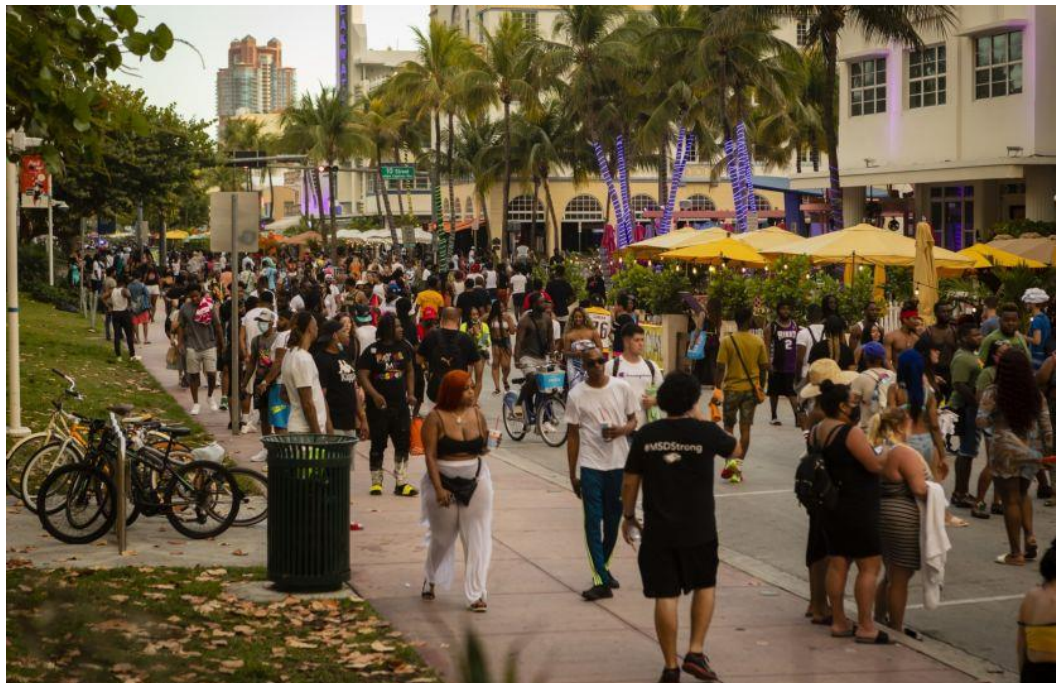
"Now that we have reached the second year of implementation of Tranche 1, the GO bond team proactively planned for Tranche 2 of the GO bond program that was originally planned for 2022," Woodruff said.

“To determine the approximate timing of Tranche 2, we updated projected cash flows for all projects in Tranche 1,” he said. “Based on slower burn rates than originally anticipated in some projects in Tranche 1, we anticipate having an opportunity to move up funding of various projects in each category, such as infrastructure, public safety and parks.”

Moving up future projects helps the city increase “the burn rate” in Tranche 1 and get more projects completed faster, he said.

“A good example is the Ocean Drive Improvements project, which is a \$20 million project that was funded in future tranches,” Woodruff said. “We anticipate being able to move up design of the project so that construction can commence much sooner at the beginning of Tranche 2.”

The \$20 million infrastructure project for Ocean Drive was originally expected to receive its funds in Tranche 2, but it will now receive \$2 million to begin design plans in Tranche 1, he said. The remaining \$18 million will be appropriated in Tranche 2, which allows the city to break ground on the streetscape project as soon as 2023.



*Spring break crowds on Ocean Drive in Miami Beach in March. The city is moving up the schedule for a bond-funded project to improve the thoroughfare. **Bloomberg News***

This project's goal is to upgrade and update the entire look of Ocean Drive and officials expect it to spearhead the transformation of the Art Deco Cultural District, previously known as South Beach’s Entertainment District.

Additionally, the Flamingo Park project is being moved up from Tranche 3 to Tranche 1 so that construction can now begin in 2022.

The \$15 million project includes renovations to the baseball stadium and softball fields, a new butterfly garden, new pedestrian pathways and an upgraded historic lodge facility.

The permitting process has now begun for the softball fields, which is the first part of the project set to break ground early next year.

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