



**CITY OF BELLE ISLE, FLORIDA  
CITY COUNCIL AGENDA ITEM COVER SHEET**

**Meeting Date:** February 18, 2020

**To:** Honorable Mayor and City Council Members

**From:** B. Francis, City Manager

**Subject:** Follow-up Workshop for Cornerstone Charter Academy (CCA) Debt Refinancing

**Background:** The City Council held a workshop on February 4, 2020 to receive information and discuss issues and suggestions on the request of CCA to refinance the 2012 bond issue and to take on additional debt for the CCA campus expansion. During the workshop, the Council heard a presentation for the City's Financial Consultant. In closing the workshop, the Council agreed to review the issues discussed and to forward their most important issues to the City staff to collect. The Council further agreed to have a follow-up workshop in the near future to further discuss each issue and provide further direction.

As the Council stressed that it is important to have this follow-up workshop in the near future to move forward to a decision, the staff is looking at Wednesday, February 26, 2020 for the workshop date.

**Staff Recommendation:** Schedule the follow-up workshop for February 26, 2020

**Suggested Motion:** I move we schedule a workshop for February 26, 2020 to further discuss the issues involved in the CCA Bond Refinancing.

**Alternatives:** Choose a different date.

**Fiscal Impact:** TBD

**Attachments:** February 4 Workshop Presentation  
City Manager Memorandum dated February 10, 2020



**pfm**

# **City of Belle Isle, Florida**

## **Workshop on Cornerstone Charter Academy**

**February 4, 2020**

PFM Financial  
Advisors LLC

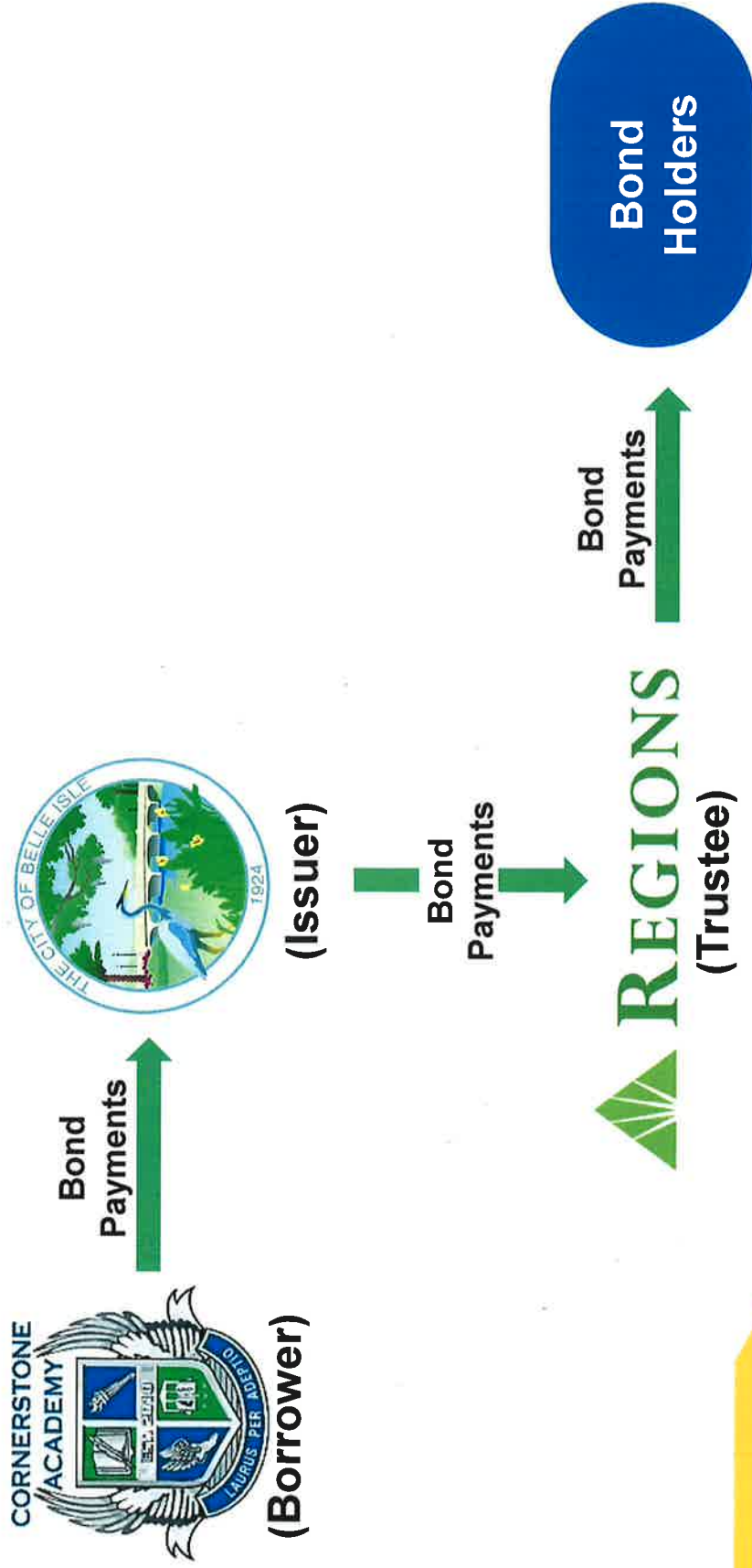
300 S. Orange Avenue,  
Suite 1170  
Orlando, FL 32801

407-648-2208  
pfm.com



## Current Debt Service Payment Structure

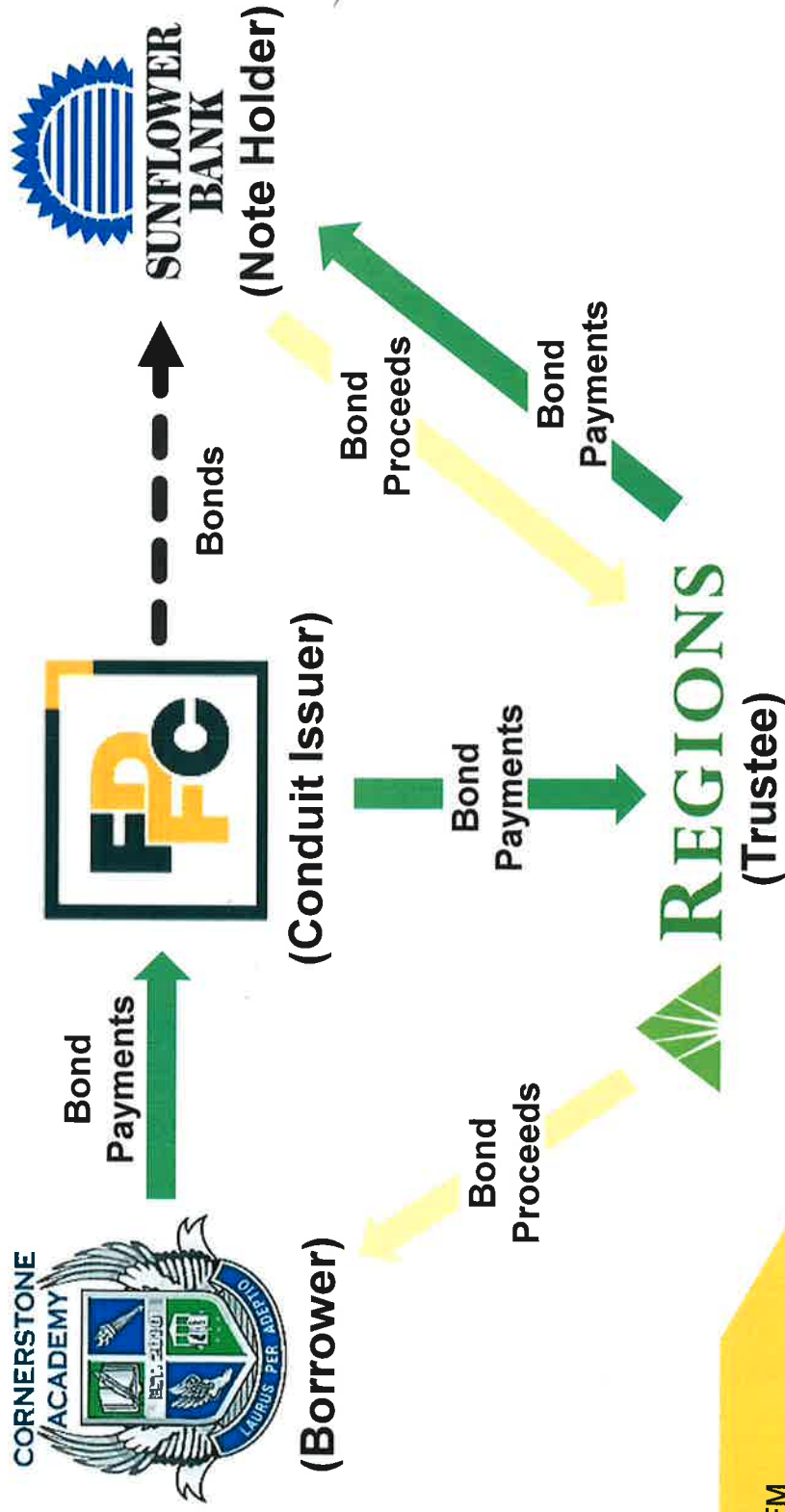
- Under the current payment structure for the Cornerstone Charter Academy Series 2012 Bonds the City of Belle Isle does not have any legal obligation to contribute City funds for the debt payments
- However, the City is the “issuer” and is a part of the payment structure





## Proposed New Financing Conduit Payment Structure

- In the proposed New Financing structure, the City would not be a party to the financing; the Bonds would be issued by a third party conduit, Florida Development Finance Corporation
- Ziegler would act as Placement Agent and arrange for a single note holder (Sunflower Bank) to purchase the Bond
- Once paid off, the current bonds would no longer be on the City's books





## Summary of Refinancing and New Project Opportunity

<p><b>Loan Purpose:</b></p>	<ul style="list-style-type: none"> <li>- Series 2020A: Refund existing Series 2012 Bonds and pay for issuance cost</li> <li>- Series 2020B: Fund an expansion to the existing School Site</li> </ul>
<p><b>Interest Rate:</b></p>	<ul style="list-style-type: none"> <li>- The Series 2020A Bonds will be structured as “Cinderella Bonds”             <ul style="list-style-type: none"> <li>• Cinderella Bonds are initially issued as Taxable Bonds, but convert to a Tax-Exempt interest rate when legally allowed                 <ul style="list-style-type: none"> <li>• Initial Taxable rate: 4.95%</li> <li>• Tax-exempt rate: 3.95%</li> </ul> </li> <li>• Tax-exempt rate for the Series 2020A Bonds begins on the conversion date of July 1st, 2022 for refunding</li> <li>• This results in annual savings of approximately \$93,000</li> </ul> </li> <li>- The Series 2020B Bonds will be issued as Tax-Exempt Bonds</li> </ul>
<p><b>Amortization:</b></p>	<ul style="list-style-type: none"> <li>- 22-year equal payment amortization schedule (mature on September 1, 2042)</li> </ul>
<p><b>Collateral &amp; Security:</b></p>	<ul style="list-style-type: none"> <li>(i) The Leasehold Interest on the School’s Primary Facility</li> <li>(ii) A pledge of and security interest in the Charter School Revenues</li> <li>(iii) A security interest in all other assets of the School</li> </ul>



## Summary of Refinancing and New Project Opportunity (cont'd)

Financial Covenants:	<p>(i) Debt Service Coverage Ratio: The Borrower shall maintain a Debt Service Coverage Ratio equal to 1.10</p> <p>(ii) Cornerstone shall maintain at least 100 days of Unrestricted Liquidity tested annually</p> <p>(iii) The School shall not after the date of closing, incur any additional Indebtedness that does not exist as of the date of closing, secured in whole or in part by the Facility or the Pledged Revenues. Up to 10% of Pledged Revenues shall be permitted in additional short-term indebtedness and capital leases without Lender approval</p>
Redemption Provision:	<p>- Bonds will be callable in whole on 12/1/2029, and on each payment date thereafter</p>
Disclosure:	<p>- The refunding of the Series 2012 Bonds through a bank loan would result in the City no longer having public market debt outstanding</p> <p>- No future ratings or public continuing disclosure requirements</p>



## Summary of New Financing Documents Between FDFC and Cornerstone

- In 2012, Cornerstone Charter Academy and Cornerstone Charter High School used City of Belle Isle, Florida as conduit issuer; the proposed new conduit issuer for the Series 2020 financing is the Florida Development Finance Corporation (FDFC)
- The Series 2020 financing will require Cornerstone Charter Academy and Cornerstone Charter High School to enter into various agreements, including but not limited to:
  - Loan Agreement
  - Trust Indenture
  - Long-term Land Lease
  - Tax Certificate and Agreement
  - Escrow Deposit Agreement
  - Certificate of Borrower Officer (including exhibits)
  - Certificate of Borrower
  - Certificates Re: Authorized Borrower Representative
  - Letter of Representation of Borrower



## Core Decision Points

- Financing – City should strive to move the financing off the City’s balance sheet
- Facility Management
  - Elements – Maintenance, Repairs & Expansion
  - Most likely a “triple net” approach – Cornerstone is responsible for everything
  - City/Cornerstone agreement should address maintenance standards and require periodic review by third party with reserves required to cover major capital
  - Site plan – develop site plan including future expansion considerations now
    - Amendments require City agreement
- Governance
  - City role will likely be limited to Board seats
  - City should have formal vetting process for candidates
  - Cornerstone By-laws should ensure allocation and power/responsibility of Board seats; can not be altered without City consent
- Other – to come based on City preferences and document negotiation





# CITY OF BELLE ISLE, FL

1600 NELA AVENUE, BELLE ISLE, FL 32809 \* TEL 407-851-7730

## MEMORANDUM

From the Desk of Bob Francis, City Manager

**To:** Mayor and Council  
**Date:** February 10, 2020  
**Re:** Workshop for Refinancing Cornerstone Debt

---

As a result of the Council Workshop on February 4, 2020, the Council was to review their notes and the presentation then provide the City Manager with a list of their top three or so points to consider for another workshop in the near future (time and date TBD). During the workshop, the Council discussed three broad core issues:

1. CCA Board Composition
2. Site Plan
3. Facility Monitoring

In discussing the three core issues, following points were discussed for future consideration:

- Require three voting seats on the Board including the Mayor
- Term limits for the Board members
- Have City representation in the Master Plan planning sessions
- Consider a rent structure consistent with the market
- Wallace Field should not be included in the negotiations
- The new proposal will assume 100% of the maintenance. The City will need to have a 2-3 year agreement with an Engineering Firm to schedule periodic checks on the building for compliance.
- Dissolve the current CCA Board and have the public choose their Board, or have the CCA Board represent the areas of where the greatest student populations come from.
- Ask the CCA team how the school will go about funding the \$22 million bond debt in the short run of 10 years.
- How the BoA property be used.

In reviewing how the BoA property fits in this equation, if CCA wants to include the property in the Master Plan, then the cost of the building should be rolled up in the school project financing. The advantage to the City is that we would not be carrying this debt. If CCA does not want to use the property, then the City will consider renovating the building for a police station and the City will finance the BoA purchase. The City and CCA could also consider leasing this property to CCA for a few years which may be attractive to CCA while

other construction is being done on the main campus. If the City might also consider closing Fairlane Avenue, this will add to usable space for CCA either in the short-term or long-term.

Since the Council agreed that time is of the essence, I was thinking to set up the follow-up Workshop for Wednesday, February 26, 2020 so the Council could have a firm list of conditions to send to CCA and this will also give the City Attorney guidance on what documents to draft.

Please let me know as soon as possible what you would like to do. I will bring this up again at the February 18 Council Meeting.