



city council minutes

MINUTES CC Regular Session and Workshop February 4, 2020 CC Regular Session 6:30 pm

The Belle Isle City Council met in a Regular Session on February 4, 2020, at 6:30 p.m. at the City Hall Chambers located at 1600 Nela Avenue, Belle Isle, FL 32809.

Present was:

Mayor Nicholas Fouraker
Commissioner Ed Gold
Commissioner Anthony Carugno
Commissioner Karl Shuck
Commissioner Mike Sims
Commissioner Harv Readey
Commissioner Jim Partin
Commissioner Sue Nielsen

Absent was:

Also present were Attorney Ardaman, City Manager Francis, Deputy Chief Grimm, and City Clerk Yolanda Quiceno.

CALL TO ORDER

Mayor Fouraker called the meeting to order at 6:30 pm.
Comm Sims led the invocation and pledge to the flag.

Mayor Fouraker welcomed the Oakridge Student Government Association (SGA) members and Professor Mark Knoll. The SGA team has a total of 60 students, of which 12 were in attendance and introduced themselves to the City Council.

CONSENT ITEMS

Mayor Fouraker called for a motion to approve Consent items,

- a) Approval of City Council minutes – January 7, 2020
- b) Approval of City Council minutes – January 21, 2020
- c) December 2019 - Finance Reports

Comm Carugno motioned to approve consent items as presented.

Comm Gold seconded the motion, which passed unanimously 7:0.

CITIZEN COMMENTS

Mayor Fouraker opened for citizen comments. There being none, he closed citizen comments.

NEW BUSINESS

Reschedule/Cancel City Council meetings on March 17th, August 18th due to the PPP/Primary Election and the use of the City Chambers

City Manager Francis reported due to the following Elections events on March 17th, August 18th and November 3rd he is requested rescheduling the meetings to the Wednesday following those days to March 18th, August 19th, and November 4th)

Comm Sims motioned to cancel the meetings on those months and have only one meeting on those months.

Comm Carugno seconded for discussion.

Motion failed 2:5 with Comm Nielsen, Comm Partin, Comm Shuck, Comm Readey, and Comm Gold, nay.

Comm Nielsen motioned to reschedule the Regular Council meeting as follows: March 17th to March 18th, August 18th to August 19th and November 3rd to November 4th.

Comm Gold seconded for discussion.

Motion passed unanimously 7:0.

ADJOURNMENT

There being no further business, Mayor Fouraker called for a motion to adjourn. The motion was passed unanimously at 6:45 p.m.

City Council Workshop

CALL TO ORDER

Mayor Fouraker called the meeting to order at 6:47 pm.

City Manager Francis said a team of the City met with Cornerstone Charter Academy (CCA) team to discuss the possibility of refinancing the current CCA bond debt approximately \$9 million and issuing an additional \$12-13 million of bond debt for the expansion of the CCA Campus. Mr. Francis explained the current revenue disbursements from the Trustee to CCA. He provided a chart "Waterfall of Payments," categorizing where the funds from the Trustee are allocated to the Bond Interest, Bond Principal, and Debt Service, Repair and Replacement reserve, and final disbursement to the school.

The City's Financial Advisors, David Moore and Nick Rocca, from PFM Financial Advisors, LLC, were introduced.

David Moore gave a summary of the current debt service structure. He said 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. The key to this structure is that the money flows through the City.

He then introduced and explained the new financing conduit payment structure proposed by CCA. He said the City would not be a party to the financing in the proposed new financing structure; 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. The key to this structure is that the City is removed from the flow of funds.

A summary of the new proposed project was introduced as follows,

- | | |
|-----------------------|---|
| Financial Covenants: | <ul style="list-style-type: none"> I. Debt Service Coverage Ratio: The Borrower shall maintain a Debt Service Coverage Ratio equal to 1.10 II. Cornerstone shall maintain at least 100 days of Unrestricted Liquidity tested annually II. 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 |
| Redemption Provision: | - Bonds will be callable in whole on 12/1/2029, and each payment date thereafter |
| Disclosure: | <ul style="list-style-type: none"> - The refunding of the Series 2012 Bonds through a bank loan would result in the City no longer having public market debt outstanding - No future ratings or public continuing disclosure requirements |
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Mr. Moore gave summary of new financing documents between FDFC and CCA. He said the Series 2020 financing require Cornerstone Charter Academy and Cornerstone Charter High School to enter into various agreements. This is the time when the City has the opportunity to add any agreements that would govern the relationship between the City and CCA. Because CCA is asking to be responsible for the facility maintenance, he recommends

- the City agree to ensure a check-and-balances and have an agreement with an Engineer to visit the location every 2-5 years to access the property.
- Create a Master Site Plan to maintain the integrity of the agreement and ensure that the property is built-out as agreed.
- By-Laws cannot be amended without Council approval.

He provided a list of Core decision points for Council consideration before moving forward as follows,

- 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 the third party with reserves required to cover major capital
 - Site plan – develop a site plan including future expansion considerations now
 - Amendments require City agreement
- Governance
 - City role will likely be limited to Board seats
 - The city should have a 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

Mayor Fouraker opened for Council questions.

Comm Readey

Q. How will the Insurance change/increase in the event of a default with the loan?

A. That issue will no longer be a challenge for the City because the debt will be direct with a bank, and the City is no longer part of the financing.

Comm Nielsen

Q. What effect on the ownership does it have that the loan shall constitute a direct obligation of the bondholder payable to the first mortgage on its facilities

A. It is a lien on the revenues. It is not a mortgage like a resident would have on a house. The bondholders have the right to step in and take over the lease and place another school at the location.

Q. The document states that the bank is not currently a qualified banking institution.

A. The statement is referring to a bank that is also doing traditional residential banking. Banks that are not doing traditional commercial/retail banking can still lend money to corporate entities. They are not qualified under the State of Florida to operate as a traditional bank (i.e., SunTrust, BOA) but are allowed to lend money to corporations.

Q. In general, is this proposal a better arrangement.

A. Yes, it is more typical. It eliminates the financial liability that the City has relating to the existing debt. It takes a lot of the day-to-day off the City staff.

Comm Partin

Q. Comm Partin clarified that it alleviate the additional responsibility off the City Manager and staff.

A. Yes, that is the structure CCA is proposing. It also eliminates the debt of the City's books/

Q. What is the downside to this proposal?

A. The deal in 2012 is different from the current proposal. Part of the 2012 agreements was structured to keep the City involved. The new financing structure is more common and more appropriate. The other question is how the Council wants to govern the relationship (i.e., maintenance, Bylaws).

Q. What type of security can City create if the school fails to operate, file bankruptcy, or walk away?

A. The City should start the discussion and agreement requiring that the replacement be another education entity and not a commercial business. The City also the option to pay off the bond.

Mayor Fouraker

Q. What would stop the school now from raising the \$12 million through a new bond.

A. There are a few options available. All the money currently flows through the City. If they were to borrow somewhere else, that entity will get paid after the current bondholders and creates a very weak credit, which is the biggest impediment. Also, the City is a party of some of the underlying financing documents that exist and will continue to have a stand.

PFM's recommendation is to move forward because it is a better structure for the City. As part of that, every document is part of the negotiations (i.e., the nomination of board seats). The specifics would be better answered by the City Attorney.

Comm Carugno

Q. Is this a good deal for the City?

A. City Manager Francis said he trusts that CCA will be able to make the payments. His concern, however, is that the City must have a voting seat on the table for build-out of the Master Plan moving forward. Also, he would like to know how the school will go about funding the \$22 million bond debt in 10 years.

City Attorney Ardaman said this is an opportunity to effectively start concerning the relationship between the City and the school. The Council would like to do all the work on the front end with the Site Plan, Master Plan and how the City will continue their involvement.

Council discussed the following talking points for consideration during negotiations,

- Require three voting seats on the Board including the Mayor
- Term limits for the Chairman and Board members
- Have a voting member on the planning sessions for the Master Plan
- Raise the rent and make it 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
- Ask the CCA team how the school will go about funding the \$22 million bond debt in the short run of 10 years.
- Council should submit the top three items or more they would like to have accomplished and forward to City Manager Francis before the next workshop meeting

After further discussion, Council consensus was in favor of the proposed refinancing debt and using the nugget of leverage to write an agreement and promote the welfare and progress of the school. City Manager Francis said he would like Council to take the Core Decision Points discussed and submit an outline for their requests for the future.

City Manager reported that the CCA team was invited to walk through the Bank of America (BOA) building to see if the building can possibly be used fairly quickly by CCA when purchased. He does not believe they have settled on any decision as of yet. If the school is interested and going to rent the BOA building for the long term, the City should ask if it can be included in the proposed financing. If the school does not want to utilize the BOA building, he will provide the Council with other options.

The Lancaster House is not germane to this conversation and will be discussed at a future meeting. Mayor Fouraker reported that the CCA Chairman said, at the last Board meeting, that the Board will be pleased to share the cost to relocate the building instead of salvaging it.

City Manager Francis asked if CCA defaults on the loan does all the property now get turned over to Orange County Public School because it is on a bond, State money and not City money. It is also referenced in the Charter.

Attorney Ardaman said the Statute and the Charter both talk about termination or non-renewal of the Charter not the dissolution of the entity. City monies and properties under control of CCA should come back to the City. Assets that have been acquired with public funds provided by the State or OCPS will go back to those properties. Federal monies will go back to the Federal Government. Any funds that solely belong to CCA will be allocated under the distribution plan for a 501c3 entity. Attorney Ardaman said he would provide a formal response after researching the request in its entirety.

ATTORNEY REPORT - NA

CITY MANAGER REPORT

City Manager Francis reported on the following Issues Log update,

- Legislative Update: (1) Short Term Rentals controlled by the State, and (2) Considering cutting of the Communication Tax down to 5% and 4% in 2022. Elected Officials should be talking to their State Legislators and share their concerns.
- Cross Lake Issued – Board of County Commissioners Public Hearing scheduled for February 25th
- CCA – Approved the Use Agreement – working towards a site plan.
- Hoffner Project – Working with Traffic consultants
- Strategic Plan – The Council should send their 2020 Priorities to the City Manager for consideration
- Candidate Forum Request – The City, was approached by a candidate to schedule a Candidate Forum. Typically the League of Woman Votes or Kiwanis Club usually sponsors these types of events. He suggests that the candidates go to those organizations and ask for their assistance. Council consensus was to have the City not participate in a forum and agreed with the recommendation.

ADJOURNMENT

There being no further business, Mayor Fouraker called for a motion to adjourn. The motion was passed unanimously at 8:10 p.m.

Yolanda Quiceno, CMC, City Clerk