

# **Agenda Packet**

## **Bellevue Estates Island Ad Hoc Committee for Undergrounding**

**Monday, October 2, 2017**

**4:30 P.M.**



**Bellevue Estates Island Ad Hoc Committee for Undergrounding Meeting**

**City of Belleair Beach, Florida  
Tuesday, September 26, 2017  
Community Center, 5:30 PM**

**PUBLIC MEETING MINUTES**

**Call to Order**

Chairman Mitchell Krach called the meeting to order.

**Roll Call:**

- Mitchell Krach
- Marvin Behm
- Jeril Cohen
- Glenn Gunn
- Vijay Lund
- Wanda Schwerer

**1. Approval of Agenda.**

**MOTION** was made by Ms. Schewere and seconded by Mr. Lund to approve the Agenda.

**Motion passed 5 to 0.**

**2. Approval of August 29, 2017, Bellevue Estates Island Ad Hoc Committee for Undergrounding Meeting Minutes.**

**MOTION** was made by Ms. Schwerer and seconded by Mr. Behm to approve the August 29, 2017, Bellevue Estates Island Ad Hoc Committee for Undergrounding Meeting Minutes.

**Motion passed 5 to 0. (Minutes were not available at time of publication of Agenda Packet)**

- 3. Update on Petition. Mr. Gunn gave an update regarding conversation with Attorney Croe. A new draft of the petition will be prepared to reflect suggested changes once questions are answered by the Finance Director (FD)**

**Bellevue Estates Island Ad Hoc Committee for Undergrounding Meeting**

**City of Belleair Beach, Florida  
Tuesday, September 26, 2017  
Community Center, 5:30 PM**

**4. Discussion of Financing. (see backup) Proposals indicating possible rates and terms for financing were discussed. Chairman Krach to contact FD to confirm no conflict with SunTrust financing.**

**Consensus was reached to include pole at the corner of 22<sup>nd</sup> and Bayshore in the project.**

**Further consult with Atty. Croe needed to determine fair treatment of all properties involved.**

**5. Discussion of Revised Timeline.**

**A revised timeline will be prepared by Mr. Gunn, anticipated to extend all by one month**

**Adjournment**

**MOTION** was made by Ms. Schwerer to adjourn.

**Motion passed 5 to 0 .**

\_\_\_\_\_  
Date Approved

APPROVED: \_\_\_\_\_  
Mitchell Krach, Chairman

## Patti Gentry

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**From:** Mitch Krach <Mkrach@blairflorida.com>  
**Sent:** Friday, September 29, 2017 2:34 PM  
**To:** Patti Gentry  
**Subject:** FW: financing question

**From:** Chris Roe [mailto:croe@bmolaw.com]  
**Sent:** Friday, September 29, 2017 10:51 AM  
**To:** 'Melanie Kruszona' <MKruszona@CityofBelleairbeach.com>; Lynn Rives <Lynn.Rives@CityofBelleairbeach.com>; Molly Button (MButton@flcities.com) <MButton@flcities.com>  
**Cc:** Mitch Krach <Mkrach@blairflorida.com>  
**Subject:** RE: financing question

Thanks, Melanie. SunTrust should confer with bank counsel. Based on my review of the SunTrust loan agreement, I see that the City has provided a covenant to budget and appropriate "Non-Ad Valorem Revenues" as security. Non-Ad Valorem Revenues are defined in the loan agreement as "all revenues of the City derived from any source whatsoever other than ad valorem taxation on real or personal property, which are legally available to make the payments required herein, but only after provision has been made by the City for the payment of all essential or legally mandated services."

Special assessments imposed by the City, whether to fund utility undergrounding, fire rescue, stormwater or any other improvement or service, are not legally available to make the payments required under the SunTrust loan agreement. Under Florida law, the proceeds of a special assessment are restricted and can only be spent for their intended purpose (they are similar in this respect to local option fuel taxes which may only be spent on transportation infrastructure). In other words, a special assessment imposed by the City to fund utility undergrounding on Bellevue Estates Island can only be spent for that purpose and would not be legally available to pay debt service on a loan to finance City Hall. So the special assessments would not constitute "Non-Ad Valorem Revenues" under the SunTrust loan agreement because they are not legally available to pay debt service on the City Hall loan, and any additional bond or note issued by the City and secured solely by the special assessments would not implicate the anti-dilution test set forth in the loan agreement.

If the City's special assessment bond had a backup covenant to budget and appropriate legally available revenues to pay any shortfall in debt service arising from assessment deficiency, then the anti-dilution test applicable to the SunTrust loan could be implicated. But it is my understanding that the City intends to secure the bond issued to finance undergrounding on Bellevue Island only by the special assessments.

Chris

**Christopher B. Roe | Bryant Miller Olive**  
101 North Monroe Street, Suite 900 | Tallahassee, FL 32301  
(850) 222-8611 (O) | (850) 445-2514 (C)

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From: Melanie Kruszona [<mailto:MKruszona@CityofBelleairbeach.com>]  
Sent: Friday, September 29, 2017 9:47 AM  
To: Lynn Rives; Chris Roe; Molly Button ([MButton@flicities.com](mailto:MButton@flicities.com))  
Cc: Mitch Krach ([mkrach@blairflorida.com](mailto:mkrach@blairflorida.com))  
Subject: FW: financing question

Good Morning All,

Based on Adam's response it would appear that if we borrowed from SunTrust, they would NOT be willing to structure the loan such that if there were insufficient funds to cover the debt service they would be out. They would require that we back the loan. What is still not clear to me, is if they would consider us in default if we borrowed more than the \$1.75 Million. I will await opinions from Molly at the FLOC and Chris at BMO.

Thanks,

Melanie M. Kruszona, MPA  
Finance Officer  
City of Belleair Beach  
444 Causeway Boulevard  
Belleair Beach, FL 33786  
Tel. (727) 595-4646 X122  
FAX (727) 593-1409  
[MKruszona@CityofBelleairBeach.com](mailto:MKruszona@CityofBelleairBeach.com)

From: Horn.Adam [<mailto:Adam.Horn@SunTrust.com>]  
Sent: Friday, September 29, 2017 9:05 AM  
To: Melanie Kruszona  
Subject: RE: financing question

Melanie –

I have not involved bank counsel at this time, so if BMO disagrees with the following I would need to reach out to our counsel for further clarification.

To clarify, I said that the bank would not consider lending more than \$1.75 million in addition to the City's existing debt. I don't know if more than that would trigger a default of the existing loan, but it is the level of additional debt the bank would be comfortable with the City borrowing. The covenant in the existing loan has several factors, and would have to be tested based on whatever terms the City receives and decides to proceed with.

The covenant formula is: Non Ad Valorem Revenue minus (General Government Expense and Public Safety Expense not covered by ad valorem revenues) all divided by the sum of existing and proposed debt service secured by a CB&A pledge and/or a pledge of any non- ad valorem revenue. You stated that the deal is backed by a special non-ad valorem assessment, which is a non-ad valorem revenue; new debt secured by any non-ad valorem revenue must meet this above test to comply with the conditions of the existing debt.

My e-mail on 9/6 outlined the basic terms the bank would consider, and included in addition to the special assessment a back-up pledge to Covenant to Budget & Appropriate from legally available non-Ad Valorem revenues should the pledged assessments be insufficient. If those special assessments were ever insufficient, the City would be obligated in the terms we outlined.

Thank you.

Adam L. Horn  
Senior Vice President, Not-For-Profit & Government Banking  
SunTrust Banks, Inc.

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From: Melanie Kruszona [<mailto:MKruszona@CityofBelleairbeach.com>]

Sent: Friday, September 29, 2017 8:40 AM

To: Horn.Adam

Subject: financing question

Adam,

I'm sorry to bother you again but I need a little more clarification on one point.

You stated that the City could not borrow more than \$1.75 Million or they would be in default of the terms of the first loan with SunTrust. I spoke with Chris Roe of Bryant Miller & Olive, bond council as well as Molly Button of the FLOC and they both stated that because the loan would be backed by a special non-ad valorem assessment that is processed through the property appraisers real estate tax bills and ultimately secured by each homeowner's property, with the City not backing the loan at all, that any borrowing of this type, regardless of amount, should not impact the City's ability to borrow, and does not impact the CB&A, as it will have a dedicated revenue source pledged for the repayment of the loan.

I do not know if I did not make it clear that this would be a special non-ad valorem assessment and that the City was not backing it. If that is the case, I apologize for not being clear. Under these terms, do you still feel that this borrowing would be subject to the anti-dilution test on the non ad-valorem revenues ("CB&A") requiring they cover 1.25 times the existing and proposed debt service?

Thank you,

Melanie M. Kruszona, MPA  
Finance Officer  
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FAX (727) 593-1409

[MKruszona@CityofBelleairBeach.com](mailto:MKruszona@CityofBelleairBeach.com)

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[ST:XCL]