



April 23, 2021

Memorandum

To: City of Riviera Beach, Florida
From: PFM Financial Advisors LLC
RE: Capital Improvement Projects – Financing Fire Stations

The purpose of this memorandum is to briefly summarize the preliminary financing analysis prepared at the request of the City of Riviera Beach (“City”) Administration. PFM recently prepared an analysis of the City’s capacity to finance up to \$50 million of improvements to fire stations throughout the City (the “Project”). It is our understanding that the City is considering alternative delivery methods for the fire station projects, including design-build-finance and long-term lease structures. As such this memorandum briefly describes a more traditional financing approach utilizing the City’s ability to issue tax-exempt bonds to fund public infrastructure projects such as a fire station.

The City currently maintains two strong credit ratings (Standard & Poor’s and Fitch) in the AA credit category. At the same time, interest rates for tax-exempt bonds remain near historical lows. As a result of the combination of high-category ratings and attractive market conditions, the City is likely to achieve low-cost borrowing should it determine to self-finance the Project. Based on current market conditions for municipal financing, we estimate that the City can issue 20 year financing for \$50 million of projects using the existing Public Improvement Security (covenant to budget and appropriate from non-Ad valorem revenue) at an interest cost between 2.50% and 2.85%, depending on the ultimate structure of the financing. For purposes of the preliminary estimates we provided two alternate structures; the first provided for equal debt service payments in each year, inclusive of the City’s already outstanding bonds. The second provided for a more gradual amortization that reduced the debt service payment over the first ten years and remaining level after that period. The purpose of the second alternative was again, to mitigate the near-term budgetary impact to the City.

It is our understanding that the City would utilize these alternative delivery methods and data points to compare the most efficient form to finance and deliver the needed Projects. We also understand that the City is evaluating potential long-term lease agreements for the various stations. These types of lease agreements may require certain commitments of the City and may necessitate higher payments in instances where the private sector lending from their balance sheet or arranging third-party funding. In such an evaluation we feel it is also important to note that any long-term lease obligation is viewed akin to a bond financing from the perspective of credit agencies, investors, and many times, auditors. As such the City is appropriately evaluating the various delivery alternatives for cost efficiency in order to reduce budgetary impact and maintain future budgetary flexibility.

We would be pleased to continue to assist the City in evaluating the various delivery alternatives once more information is available in terms of the lease-financing structure, cost of funds, and other relevant points are made available. Please do not hesitate to contact us with any questions in the meantime.

**Preliminary financing results are for discussion only as they are based on current market conditions and credit ratings.*