MEMORANDUM

Date: January 7, 2025 City Commission meeting

To: The City Commission for the City of Key West

From: Christopher Roe, Esq. City's Bond Counsel

Via: Ron Ramsingh, City Attorney

Subject: Bond Ordinances related to General Obligation Bonds to finance capital improvements for (i) Parks and Recreation, (ii) Transportation, (iii) Police and Fire, and (iv) Adaptation

Sponsors: Ron Ramsingh, City Attorney

Background

General obligation (GO) bonds are secured by the levy of an annual ad valorem tax which is dedicated and set aside solely for payment of the principal and interest due on the bonds each year. The ad valorem tax imposed to repay GO bonds is in addition to general operating millage. Referendum approval is required for the issuance of GO bonds by state law and the City Charter.

On July 24, 2024, the City Commission adopted the following ordinances providing for referenda to determine whether the electors of the City of Key West approved the issuance of general obligations bonds to finance four categories of capital improvements: Ordinance No. 24-15 (Parks and Recreation), Ordinance No. 24-16 (Transportation), Ordinance No. 24-17 (Police and Fire), and Ordinance No. 2014-18 (Adaptation) (such ordinances are collectively referred to herein as the "Referenda Ordinances"). The Referenda Ordinances approved the respective ballot questions to be presented to the electors in each referendum and scheduled the referenda for November 5, 2024, to be held in conjunction with the general election.

The referenda were held as scheduled by the Supervisor of Elections and issuance of the general obligations for each category of capital improvements was approved by the City electors as follows. Parks and Recreation, 57%; Transportation, 63%; Police and Fire, 60%; and Adaptation, 69%.

The ordinances presented for consideration on January 7, 2025 (the "Bond Ordinances") are the next step toward issuing the elector-approved general obligation bonds. The Bond Ordinances authorize issuance of the GO bonds, in one or more series, in amounts not to exceed those approved by the Referenda Ordinances and respective ballot questions. They also specify other parameters regarding the bonds and their repayment over time, and provide that the details, terms and conditions of each series of bonds shall be set forth in supplemental resolutions to be adopted by the City Commission in the future. By issuing bonds in separate series, the City is not required to issue the full amount of bonds all at once but may instead issue an initial series to finance initial projects or improvements, then issue additional series later to finance more projects or improvements, subject to the limitation that the total amount of bonds issued in a given improvement category may not exceed the aggregate principal amount for such category approved by the electors at the referenda. The ordinances do not obligate the City Commission to issue bonds in any set amount, and no bonds will be issued without additional City Commission approval by supplemental resolution.

The Bond Ordinances also authorize and direct the City's Bond Counsel, together with the City Attorney, to commence bond validation proceedings. Bond validation is a legal procedure by which a city can seek judicial confirmation of its authority to incur a debt obligation before the bonds are issued. Once the court confirms and validates the bonds, all questions concerning city authority to issue the bonds, the source of revenue pledged to repayment, and the authorizing referendum are resolved with finality, thereby precluding future legal challenges and making the bonds more marketable. Bond validation typically takes between 60 and 120 days to complete following filing of the validation complaint, depending on the court calendaring system. While the bond validation is pending, other steps associated with issuing the bonds can occur. Such steps may include commencing the process for selecting the underwriter(s) and preparing disclosure materials required for public offering of the bonds. Bond Counsel and the City Attorney will initiate the bond validation by filing the complaint following second reading and adoption of the Bond Ordinances.

City Ordinance No. 24-26 took effect on October 11, 2024 and created Section 2-801 in the City Code of Ordinances. Such section requires that any expenditure of funds available from a general obligation bond requires a supermajority vote of the City Commission prior to expenditure, and defines supermajority vote to mean a minimum of a simple majority plus one vote of the quorum present. The Bonds Ordinances therefore require supermajority approval for enactment pursuant to Section 2-801 of the City Code.

Cost

As noted above, no bonds will be issued and therefore no debt incurred until additional steps are completed, including completion of bond validation and thereafter presentation of supplemental resolutions to the City Commission for approval. Costs and expenses associated with the issuance of general obligation bonds, including bond validation, may be paid by the City (or reimbursed to the City) through proceeds of the bonds.

Options:

1. PASS the proposed ordinances which would commence the next steps associated with issuing the general obligation bonds, including bond validation.
2. DENY the proposed ordinance.

Recommendation:

Pass the proposed ordinances.