

**Lee County Board Of County Commissioners  
Agenda Item Summary**

**Blue Sheet No. 20090400**

**1. ACTION REQUESTED/PURPOSE:**

1) Board direction for approved borrowing program for site acquisition/design/construction of a baseball stadium for the Boston Red Sox. Amounts borrowed will be repaid from Tourist Development Tax revenues. 2) Approve Reimbursement Resolution allowing costs for the stadium to be reimbursed from bond proceeds if the Board elects to issue bonds in the future.

**2. FUNDING SOURCE:**

Per Board direction.

**3. WHAT ACTION ACCOMPLISHES:**

Establishes program to provide loan source for site and stadium design/construction costs.

**4. MANAGEMENT RECOMMENDATION:** 1) Approve Funding Option 4 (Internal Loan/Bond option), with an interest rate fixed for three years, and reviewed every three years based on revenues and market conditions. 2) Approve Reimbursement Resolution.

**5. Departmental Category: A4B**

**6. Meeting Date: 4/29/2009**

**7. Agenda:**

Administrative

**8. Requirement/Purpose: (specify)**

- Statute
- Ordinance
- Admin Code
- Other

**9. Request Initiated**

**Commissioner:**

**Department:** ADMINISTRATIVE SERVICES

**Division:** Budget Services

**By:** Dinah Lewis

**10. Background:**

The County entered into a Spring Training Facility Development Agreement on October 28, 2008 and a Spring Training Facility Lease Agreement on December 9, 2008, which collectively obligate the County to construct and maintain a baseball facility for a period of 30 years. The financial elements of these agreements are supported by the County's allocation of 20% of the Tourist Development Tax (one cent of the total five cent tax collected), which is the sole revenue stream dedicated to the facility. In order to provide the initial design/site acquisition/construction costs, a loan must be provided, which will be repaid from the Tourist Development Tax allocation. The purpose of this agenda item is to present various loan options and to receive the Board's direction on the option selected.

Generally the needed loan may be provided by an outside source, or by borrowing from County funds. A summary of these options is shown on Attachment A.

Various repayment models have been reviewed for borrowing options at the \$60 million and \$75 million levels. Using moderate growth assumptions of revenue and costs over 30 years, the one cent bed tax can support a 30 year loan with an interest rate of up to a maximum of 5% (\$60 million loan) and 3.5% (\$75 million). Modifying the revenue assumptions would allow the interest rate to increase.

Commercial Paper Option. One type of outside source is commercial paper loans, as the County usually does with construction costs for projects within communities that later are funded through MSTU's. The lender is a commercial bank (chosen through a state-wide project), with a maximum loan of \$10 million, and the payback period is five years. Currently, the commercial paper program is not available as the selected vendor withdrew last

**11. Required Review:**

<i>Dinah Lewis</i>	<i>David M. Owen</i>	<i>Emma Wolf</i>	<i>Dinah Lewis</i>	<i>Peter Winton</i>	
ADMINISTRATIVE SERVICES	County Attorney	Budget Analyst	Budget Services	County Manager	

**12. Commission Action:**

fall, and no other vendor has been identified. Therefore, under this option, the County would need to identify and select one or more banks to provide this loan. The advantage to this type of loan is no/low costs fees and flexibility in repayment terms. The disadvantages are the relative short loan duration, a relatively high interest rate compared to other options, and the likelihood that multiple lenders would be needed.

**Bonding Option.** A more common outside source for this size loan is the municipal bond market. This market has been volatile over the past six months, with bondholders demanding more assurances and creditworthiness. While Lee County has a strong bond rating, there is uncertainty about the interest rate required if only the bed tax were pledged for repayment. The most recent bond supported by bed tax was issued in 2004, with an effective interest rate of 4.69%. The advantages of this type of borrowing would be a one-time action to provide all needed cash, and a known interest rate throughout the loan period. The disadvantages include fees and costs of up to 5% of the bonds, inflexible repayment terms usually without the ability to retire the bonds early, a relatively high interest rate compared to other options, and, at higher interest rates, a reduction of monies in the tourist tax revenue stream that would be available for maintenance of all stadiums.

**Internal Funding Option.** The use of an internal loan is possible because various County funds have reserve balances that are not currently needed for planned projects. The County has a history of using this mechanism to accelerate projects that are ultimately paid for from a specific revenue stream, such as impact fees or gas taxes. The loan is established through Board action, with an interest rate and a repayment schedule. Currently several funds are potential lending sources, including the Unincorporated MSTU (up to \$75 million), Vehicle Replacement Fund (up to \$10 million), and Utilities Capital Fund (potentially). The advantages of this type of borrowing are no fees/costs, maximum flexibility on repayment terms including the ability to retire the loan early if revenues allow, and a favorable interest rate compared to outside sources. The lending fund would also receive a higher interest rate than it currently receives on its invested cash balances. The disadvantage may be that a long-term loan from internal sources may reduce the Board's flexibility in accelerating projects within the lending fund. However, with the ability to prepay the loan, this disadvantage can be minimized.

**Hybrid Funding Option.** A hybrid of internal loan and bond options is also possible, and is the staff recommended choice. Under this method, the initial loan is provided from internal funds, with the direction to monitor the bond market and convert the loan to a bond when market conditions are favorable and the tourist tax revenue improves along with the economy. Under this option the internal loan would be established as shown above with a repayment schedule (and prepayment option available) and a fixed interest rate. Until and unless the bond market stabilized, the internal loan would continue, or unless the Board determined that cash was needed for projects. At that time, a bond would be sold at the prevailing terms and interest rates. Staff recommend this option for the reasons shown in the paragraph above, and because it provides another level of flexibility to seek outside funding when in the best interest of the County.

Under either internal loan scenario, it is recommended that the interest rate be reviewed every three years to ensure that the rate is appropriate and manageable.

**Reimbursement Resolution.** Finally, it is recommended that the Board adopt the Reimbursement Resolution to allow for all costs incurred in this project to be paid back from bond proceeds in the event a bond is ever sold related to this project. The adoption of the Resolution does not commit the Board to selecting the bond option, but merely allows for the use of bond proceeds.

## STADIUM FUNDING OPTIONS SUMMARY

Lending Source	Loan Length	Interest Rate*	Repayment Terms	Other
1. Commercial paper**	Up to five years	3.5—4.5%	Variable—due in full at maturity, prepayment available	May require multiple lenders
2. Bonds**	20—30 years	4.8—6.0%	Structured repayment schedule; prepayment not available generally.	Fees and costs anticipated at 3—5% of funds borrowed
3. Internal Loan	Up to 30 years	Flexible—likely range of 1.5%--3%	Flexible; prepayment available	Maximum flexibility on terms
4. Internal Loan/Bond option	Up to 30 years	Flexible until conversion to bond	Flexible and prepayable until conversion to bond	Flexibility with added option to sell bonds when market is favorable.

Note: All options assume that the entire 1% of tourist tax is dedicated to baseball stadiums.

\*Based on average rates at 4/15/09. (Source: Yahoofinance.com)

\*\*Options severely limit excess revenues available for maintenance of other stadiums.

**RESOLUTION NO.**

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA REGARDING REIMBURSEMENT OF CERTAIN COSTS RELATING TO THE CONSTRUCTION OF A NEW SPRING TRAINING FACILITY FOR THE BOSTON RED SOX; PROVIDING AN EFFECTIVE DATE.

**WHEREAS**, Lee County, Florida (the "County") has incurred and/or will incur various costs in relation to the construction of a new spring training facility for the Boston Red Sox; and

**WHEREAS**, the County has determined it may be in its best interest to reimburse such costs from proceeds of tax-exempt debt; and

**WHEREAS**, the United States Department of Treasury has issued various regulations in regard to reimbursement of governmental costs through the issuance of tax-exempt debt;

**BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA:**

**SECTION 1.** It is anticipated that the County might reimburse various costs and expenditures relating to the construction of a new spring training facility for the Boston Red Sox. The County has paid for, and/or reasonably anticipates that it will pay for, such costs and expenditures from moneys on deposit in the Unincorporated MSTU Fund (Fund 15500) and \_\_\_\_\_ Fund(s) (Fund(s) \_\_\_\_\_) of the County. It is reasonably expected that reimbursement of such costs and expenditures shall come from the issuance of tax-exempt debt which is not expected to exceed \$80,000,000 aggregate principal amount. The expenditures to be reimbursed shall be consistent with the County's budgetary and financial policy as being the type of expenditures which shall be paid on a long-term basis.

**SECTION 2.** The County shall comply with all applicable law in regard to the public availability of records of official acts by public entities such as the County, including making this Resolution available for public inspection.

**SECTION 3.** It is the intent of the County that the purpose of this Resolution is to meet the requirements of Treasury Regulations Section 1.150-2 and to be a declaration of official intent under such Section.

**SECTION 4.** This Resolution shall take effect immediately upon its adoption.

The foregoing Resolution was offered by Commissioner \_\_\_\_\_, who moved its adoption. The motion was seconded by Commissioner \_\_\_\_\_ and, being put to a vote, the vote was as follows:

ROBERT P. JANES	_____
BRIAN BIGELOW	_____
RAY JUDAH	_____
TAMMARA HALL	_____
FRANK MANN	_____

**DULY ADOPTED** this 29th day of April, 2009.

**BOARD OF COUNTY COMMISSIONERS  
OF LEE COUNTY, FLORIDA**

(SEAL)

By: \_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Clerk

APPROVED AS TO FORM AND  
LEGAL SUFFICIENCY

\_\_\_\_\_  
County Attorney