



# Agenda Report

2725 Judge Fran Jamieson  
Way  
Viera, FL 32940

## Consent

F.10.

7/11/2023

### Subject:

Status of the Solid Waste Management Department's Financing Plan for its Capital Improvement Plan (CIP)

### Fiscal Impact:

Based on the Solid Waste Management Department's CIP for FY 2023 - 2028, the Department is estimated to need financing to fund approximately \$168 million of capital needs. The Department's current rates will be sufficient to fund the debt services payments for the following publicly issued bonds (estimated principal amounts and dates): FY 2023, \$54 million; FY 2025, \$53 million; FY 2026, \$47 million; and FY 2028, \$14.4 million (amounts include funding of debt service reserve fund).

### Dept/Office:

Solid Waste Management Department

### Requested Action:

It is requested that the Board confirm the County Financial Advisor's recommendation that the County undertake a negotiated sale of the Solid Waste Revenue Bonds, Series 2023 (the "Series 2023 Bonds"). The County Manager will bring back the Bond Resolution and accompanying documents for such Series 2023 Bonds for the Board's approval at its August 8, 2023, meeting.

### Summary Explanation and Background:

On April 19, 2022, the Board authorized staff to research the most efficient financing method for the Solid Waste Management Department's Capital Improvement Project (CIP) needs, including a third-party engineering study that is required for the publicly issued bonds needed to fund the Department's CIP.

County staff (County Manager's Office, County Attorney's Office, Budget Office, County Finance, and the Solid Waste Management Department) have been working with the third-party Engineer, Neel-Schaffer, Inc.; the County's Bond Counsel, Nabors, Giblin, and Nickerson; County's Financial Advisor, PFM Financial Advisors LLC; and County's Disclosure Counsel, Bryant Miller Olive, P.A., to develop a financially feasible plan to fund the Department's CIP. The Department plans to fund the below projects with approximately \$12.9 million from cash available within the Solid Waste Enterprise Fund and an estimated \$168 million in publicly issued bonds to fund the below CIP projects.

The Department's CIP consists of the following projects:

- U.S. 192 South Class III Disposal Facility, \$79,923,450
- Titusville Transfer Station & Mockingbird Recycling Facility, \$16,899,000
- Central Disposal Facility Class I, Cell 2 Construction, Cell 3-5 Permitting, Design & Bid, Cell 3 Base, and Phase I Active Landfill Gas Collection System \$69,785,000

- Sarno Road Transfer Station Tipping Floor Replacement, \$1,050,000

Neel-Schaffer, Inc., the County's third-party Engineer, is preparing an Engineering Report ("Report"). The purpose of this Report is to provide information to prospective bond investors and bond rating agencies on pertinent information regarding the County's current operation and maintenance of the Solid Waste Management System (the "Disposal System") that serves Brevard County, and a capital expansion program to enable the Disposal System to continue providing environmentally safe and economically efficient solid waste management service for the County. Under the enabling legislation by which the Disposal System was created, Chapter 67-1146, Laws of Florida, as amended by Chapter 70-594, Laws of Florida, the Board of County Commissioners is provided the authority to require all lands, buildings, and premises in both the unincorporated and incorporated areas capable of generating refuse to use the County's operated solid waste disposal facilities. The revenues of the Disposal System that will be pledged to the payment of the Bonds are derived primarily from an annual solid waste disposal assessment imposed by the Board on all improved property in the County that generates or is capable of generating solid waste, as well as tipping fees. The Report further describes the System's capital facilities and the projects funded with publicly sold revenue bonds.

PFM Financial Advisors LLC ("PFM"), the County's Financial Advisor, works with the County to develop a plan of finance that results in a cost-effective financing structure. An important element of the plan of finance is the method by which the Series 2023 Bonds will be sold. Given the need for a 30-year repayment schedule, publicly offered bonds will be required. The Board has two options for the sale of the Series 2023 Bonds via either a competitive or negotiated sale process. Since the County hasn't issued Solid Waste System Bonds as a public offering since 1997, and the CIP calls for multiple series of bonds over the next five years, PFM is recommending the County undertake a negotiated sale of the Series 2023 Bonds. This will allow the County to competitively procure an underwriter(s) team that can work with the County to establish the most favorable structure for the Series 2023 Bonds and present a comprehensive description of the Solid Waste Management System and ample time to market the Series 2023 Bonds to investors. Attached is PFM's Memorandum recommending the method for the sale of Series 2023 Bonds.

Nabors, Giblin, and Nickerson, the County's Bond Counsel, has recommended that the Board amend and restate its entire November 25, 1997, Solid Waste Management System Revenue Bond Resolution. County staff and outside professionals are reviewing the amended and restated bond resolution and will bring this to the Board's August 8, 2023, meeting.

### **Clerk to the Board Instructions:**



Kimberly Powell, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001  
Fax: (321) 264-6972  
Kimberly.Powell@brevardclerk.us

July 12, 2023

MEMORANDUM

TO: Tom Mulligan, Solid Waste Management Director

RE: Item F.10., Status of the Solid Waste Management Department's Financing Plan for its Capital Improvement Plan (CIP)

The Board of County Commissioners, in regular session on July 11, 2023, confirmed the County Financial Advisor's recommendation that the County undertake a negotiated sale of the Solid Waste Revenue Bonds, Series 2023 (the "Series 2023 Bonds"); and directed the County Manager to bring back to the Board the bond resolution and accompanying documents for such Series 2023 Bonds for the Board's approval at its August 8, 2023, meeting.

Your continued cooperation is always appreciated.

Sincerely,

BOARD OF COUNTY COMMISSIONERS  
RACHEL M. SADOFF, CLERK

*Kimberly Powell*  
Kimberly Powell, Clerk to the Board

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cc: Finance  
Budget



May 17, 2023

## Memorandum

**To:** Frank Abbate, County Manager – Brevard County, Florida  
**From:** Jay Glover, Managing Director – PFM Financial Advisors LLC  
**Re:** Sale Method Recommendation – Solid Waste Management System Revenue Bonds, Series 2023

It is our understanding the County is contemplating a series of financings to fund major capital improvements to the County's solid waste system. The initial financing is planned for the fall of 2023 and will result in the issuance of approximately \$50,000,000 of Solid Waste Management System Revenue Bonds, Series 2023 (the "2023 Bonds"). As financial advisor to the County, PFM Financial Advisors LLC (PFM) works with the County's finance team to develop a plan of finance that results in a cost-effective structure. An important element of the plan of finance is the method by which the 2023 Bonds will be sold.

Given the need for a 30-year repayment term, a publicly offered bond will be required, which can be sold via a competitive or negotiated sale process. Following is a brief explanation of both types of sales as well as PFM's recommendation.

- **Competitive Sale Process:** The County finance team (finance staff, bond counsel, disclosure counsel, County attorney and financial advisor) prepares the bond documents and then advertises that bids for the 2023 Bonds will be accepted on a specific date and time. The underwriter providing a bid on the day of sale to purchase the 2023 Bonds at the lowest true interest cost (TIC) is awarded the 2023 Bonds. Limited premarketing to investors is undertaken in a competitive sale because the underwriter is not certain that it will submit the winning bid.
- **Negotiated Sale Process:** The County, with assistance from PFM, undertakes a request of proposals (RFP) to procure the underwriting team at the outset of the transaction. The selected underwriter(s) work with the rest of the financing team to prepare the bond documents. In the weeks prior to pricing, the underwriter's salespeople actively market the bonds to institutional and retail investors to generate demand. On the sale date, the County (in consultation with its financial advisor) negotiates the interest rates at which the 2023 Bonds will be offered to investors. An order period is held for several hours, which is monitored by the financial advisor and the County to view the types and amounts of orders placed in each maturity. At the end of the order period, there may be more or fewer orders than the amount of bonds available in each maturity. The financial advisor and the County negotiate with the underwriter(s) to adjust the yields by maturity if needed based on investor demand. Investors may place orders to purchase all of the bonds, or the underwriter may need to purchase a portion of the bonds if there is insufficient investor demand at the agreed-upon yields.

It is important to note that in both cases, there is a competitive process to procure the underwriter(s), and the difference is the point in time when the underwriter(s) is brought onto the financing team. Historically, the County has sold bonds via the competitive sale process, primarily due to the County's strong credit ratings (AA category) and straightforward nature of the security for the bonds (non-ad valorem revenues or water and sewer revenues).

However, the County has not issued solid waste system bonds as publicly offered bonds since 1997. In addition, the capital improvement program calls for multiple series of bonds over the next five (5) years that will significantly increase the amount of debt secured by solid waste system revenues. Based on our review of the financial pro-forma, we expect that the proposed 2023 Bonds will achieve a rating in the A category.



pfm

**Recommendation**

Given all these factors, we recommend that the County undertake a negotiated sale of the 2023 Bonds. This will allow the County to procure an underwriter(s) that can work with the County to present the most favorable picture of the system and ample time to market the 2023 Bonds to investors. We believe this sale method will result in a cost-effective structure for the County and stand ready to assist with the RFP to engage the underwriter(s).

If you have any questions, please feel free to contact me at 407-406-5760 or [gloverj@pfm.com](mailto:gloverj@pfm.com).