



SMALL TOWN, BIG BEACH™

DATE: March 7, 2022

To: Mayor and City Council

From: Steve Griffin, City Administrator
Cindy King, Director of Finance and Administration

RE: Truist Bank \$150,000,000 Tax-Exempt Loan
SouthState Bank \$47,000,000 Tax-Exempt Loan

ISSUE: Request that the City Council consider authorization for the Mayor to execute a \$150,000,000 Tax-Exempt Loan from Truist Bank and a \$47,000,000 Tax-Exempt Loan from SouthState Bank. These bank loan debts are intended to fund critical transportation, public safety, park and recreation and school improvements as was approved by the Council in the FY 2022 budget's 10 year capital improvement plan.

Gulf Shores has experienced exponential growth in tourism and full-time resident population over the last 10 years which has placed significant strain on the existing transportation network, public safety resources and quality of life for residents. The City Council had identified a number of capital improvement projects over the next 10 years to expand transportation capacity/connectivity, bolster public safety, foster better education opportunities and enhance the overall quality of life for residents and visitors.

RECOMMENDATION: Due primarily to projected interest rate increases over the next several months I recommend approval for the Mayor to execute documents necessary to secure the Truist bank loan in the amount of \$150,000,000 @ 2.34% interest over a 20 year term and secure the SouthState bank loan in the amount of \$47,000,000 @ 2.40% interest over a 20 year term.

BACKGROUND: On December 13, 2021 the City of Gulf Shores City Council approved a 3% lodging tax increase that is to be phased over a 2 year period as follows:

- 2% lodging tax increase effective September 1 2022 for an overall lodging tax rate of 15%
- 1% additional tax increase effective September 1 2023 for an overall lodging tax rate of 16%

NEW PROJECTS: An additional \$81,176,125 (\$38,740,000 federal and state grants / \$42,436,125 million City funded) in transportation projects have been planned in the City's 10 year capital improvement program including:

- City matching funds for the RESTORE grant funded Waterway East Boulevard expansion to create a new connection from Highway 59 south of airport to Cotton Creek Drive
- City matching funds for the RESTORE grant funded Canal Road reroute south of the Gulf Pines/Meyer Park neighborhood
- City matching funds for the BUILD/ATRIP grant funded Highway 59 capacity improvements including a new third southbound lane from Coastal Gateway Boulevard south to Fort Morgan Road

- City matching funds for the BUILD grant funded new pedestrian bridge spanning the Intracoastal Waterway connecting Waterway North (near Lulus restaurant) with Waterway South (near Tacky Jack's restaurant)
- Additional County Road 6 improvements from its intersection with Highway 59 past the Gulf Shores Sportsplex entrance
- A new two lane north-south road connecting Coastal Gateway Boulevard to County Road 6 east
- Waterway West Boulevard improvements from Highway 59 to its intersection with County Road 6 west near the Splash Island bridge
- Beach Walking District improvements that will provide new sidewalks, lighting, drainage, street trees and parking in the beach area shopping and restaurant area.

Additional City and school facility improvements planned in the City's 10 year capital plan includes:

- New Justice Center to replace the 38-year old police department building and city jail to address severe space deficiencies and provide a secure, modernized facility to support police, municipal court and emergency management operations
- New fire training tower and teaching facility
- Remodeling and fortification of the former Oyster Bay volunteer fire station on County Road 6.
- New Fire Station to enhance fire and emergency response for residents in the northeast quadrant of the community and Jack Edwards Airport.
- New Coastal Gateway Community Park to enhance quality of life amenities available for residents north of the Intracoastal Waterway
- New Open Space, Parkland and Beach Access land acquisitions
- New school facilities to support continued student enrollment growth and provide collaborative learning environments at existing and future school campuses as identified in Gulf Shores City School's "The Next Wave" master plan

BUDGET IMPLICATIONS: The phased 3% lodging tax increase is projected to generate \$8.2 to \$10.2 million annually beginning 2024. These new lodging tax revenues together with an estimated \$4.9 million additional projected revenues from existing revenue sources are projected to fully fund the approximately \$9.48 million annual debt service needed to serve the TRUIST loan (first payment due March 2023) and the full debt service required to serve the SouthState loan will be \$3,246,000 (interest only on principal drawn for first 2 years).

ATTACHMENTS: February 4, 2022 Truist commitment letter, Bond summary & Bond debt service schedule. February 10, 2022 SouthState non-binding proposal

DEPARTMENT: Finance & Executive

STAFF CONTACTS: Cindy King & Steve Griffin