

Back up is voluminous and
may be reviewed in the Office
of the County Attorney

Agenda Item # 4 D

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: October 18, 2011 [] Consent [] Regular
[X] Public Hearing

Department

Submitted By: COUNTY ATTORNEY

Submitted For:

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to: (A) conduct a TEFRA public hearing as required by the Internal Revenue Code regarding the request concerning the issuance of Industrial Development Revenue Bonds in an amount not to exceed \$4,600,000 (Classical South Florida Project), Series 2011 (the "Bonds"); and (B) approve the application of Classical South Florida, Inc. for the issuance of the Bonds.

Summary: Classical South Florida, Inc., a Florida non-profit corporation, an entity described in Section 501(c)(3) of the Internal Revenue Code (the "Company") has applied for the issuance of industrial development revenue bonds by the County in an amount not to exceed \$4,600,000. The Bond proceeds will be used to refinance conventional debt incurred by the Company to acquire the assets (transmitter site, 6075 SR 7, Lake Worth, FL 33467; studio site, 3401 South Congress Avenue, Boynton Beach, FL 33426, and translator site, 525 South Flagler Drive, West Palm Beach, FL 33401) of radio station WPBI (90.7 FM) in order to achieve debt service savings and to finance capital expenditures of the Company. The Bonds will be payable from revenues derived from the Company. **Neither the taxing power nor the faith and credit of the County, nor any County funds, shall be pledged to pay principal or redemption premiums, if any, or interest on the Bonds.** Districts 3, 4 & 7 (PFK)

Background and Policy Issues: Prior to the issuance of private activity bonds, the Internal Revenue Code requires that the County conduct a public hearing known as the "TEFRA" hearing. In connection with the TEFRA hearing, the Company is also requesting the County approve its application for the issuance of the Bonds. The Company will request final approval for the issuance of the bonds at a later date.

Attachments:

1. The Application of the Company is available for review in the County Attorney's Office.
2. Memo from the Office of Financial Management & Budget.
3. Memo from Economic Development Office.

Recommended by: _____


County Attorney

10/7/11
Date

Approved by: _____

N/A

Date

**Industrial Development Revenue Bond application is voluminous
and may be reviewed
in the Minutes Department or
the County Attorney's Office**

September 30, 2011

To: Paul King, Assistant County Attorney

From: John A. Long, County Debt Manager



**SUBJECT: Industrial Development Revenue Bond Application
Classical South Florida**

We are recommending that the Board adopt a resolution expressing the County's preliminary approval and authorization for the issuance of approximately \$4.6 Million Industrial Development Revenue Bonds, Series 2011. The financing will refinance the external line of credit incurred by the radio station to finance the purchase of Radio License, equipment and leasehold improvements. The Bonds will be secured by a Guaranty provided by American Public Media Group, the borrower's parent corporation, whereby the Guarantor guarantees the payment of principal and interest on the Bonds. The financing will take the form of a private placement with US Bank National Association ("the Bank"). Since the bonds will be purchased by the Bank and are not being sold in the open market, we recommend approval of the application for the issuance of the bonds. It is our understanding that any future purchaser of the bonds will be a sophisticated investor and clearly understands the security of the Bonds.

The bonds shall be payable solely from the revenues of the project and neither the taxing power nor the faith and credit of the County nor any County funds shall be pledged to pay the principal of, redemption premium, if any, and interest on the bonds.



Economic Development Office

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INTEROFFICE MEMORANDUM

TO: Paul King
Assistant County Attorney

FROM: Sherry Howard
Director, Economic Development Office

DATE: October 3, 2011

RE: Industrial Revenue Bond Application
Classical South Florida

The Palm Beach County Economic Development Office (EDO) has reviewed the Industrial Revenue Bond Application submitted by Classical South Florida for refinancing the purchase of a non-commercial public radio station, related fees and future capital expenditures.

The Application requests Palm Beach County to issue up to \$4,600,000 in Industrial Revenue Bonds (IRB) for the refinancing of Classical South Florida's acquisition of WXEL, currently WPBI – 90.7 FM and 101.9 FM in addition to related legal and brokerage fees, bond issuance fee not to exceed 2% of the \$4.6 million IRB and future capital expenditures to improve the radio station.

Economic Analysis

The Application states that of the six full-time and two part-time employees, four full-time employees were retained and a fifth employee (engineer) is in the process of being hired, representing a net loss of one full-time employee and two part-time employees who worked on a contractual basis. The average full-time salary for these five employees (direct employment) is \$52,500 per year plus benefits. The EDO conducted a Regional Economic Models Inc. (REMI) analysis showing the following economic impact for the project which reflects direct, indirect and induced employment/jobs as well as GDP which represents both compensation and profits.

The availability of high quality public radio contributes substantially to the quality of life in a community and enhances the ability to attract and retain jobs. The target demographic who listens to broadcast radio station programming such as that offered by WPBI, is key to reach, as it is this

demographic who regularly attends cultural events. It is characterized as having a higher education level than the norm, typically involved in the community, often runs its own business, typically votes, and is considered a life-long learner.

Recognizing the economic value of the cultural offerings advertised by public radio is important. In 2010, 20 major cultural organizations drew in more than 3.8 million persons, generating nearly \$39 million in revenue. These cultural organizations filled 13,536 hotel room nights, with more than 230,000 people staying in hotel rooms attending a cultural activity. Of the total attendees, 34% were tourists. Even with the economic downturn beginning in 2008, the 2010 estimates represent a 12.1% increase from 2008. This increase is accomplished in multiple ways. One way is through the use of broadcast radio promotion. (1)

	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016
Employment	-2	12	+13	+14	+14
Earnings	-\$122,100	+\$616,100	+\$721,000	+\$797,300	+\$854,500
Economic Impact (GDP)	-\$305,200	-\$305,200	\$1,670,800	\$1,808,200	\$1,892,100
Taxes	\$0	\$0	\$0	\$0	\$0

REMI results indicate there is a positive economic impact after the initial job losses in year 2012. There is no impact on taxes as the Applicant is a non-profit.

Financial Overview

- Classical South Florida (CSF) is a not-for-profit, non-commercial, public radio broadcasting company which is set up as a 501(c) (3).
- American Public Media Group (APMG) is the not-for-profit parent support organization of Classical South Florida and the other member of the APMG. APMG's primary purpose is to provide financial and management support services to its supported organizations. APMG is headquartered in Minneapolis, Minnesota and will guarantee the bonds.
- Initially the acquisition of the radio station, WPBI (90.7) was financed with an external line of credit from US Bank National Association. A portion of the bond proceeds will be used to repay this loan, (3.6 million).
- Other uses of the bond proceeds include approximately \$300,000 in leasehold improvements with the balance to be used to fund the bond issuance costs.

(1) Palm Beach County Cultural Council – 2010 Annual Report

- CSF and US Bank National Association will enter into an Agreement, in which US Bank will agree to initially purchase these bonds directly from the issuer for a defined period of time.

Summary of 2010 Financial Statements

Classical South Florida Financial Statements were audited and they received an unqualified opinion from McGladry & Pullen, meaning the financials are fairly stated. Classical South Florida has incurred losses for 2010 and 2009. However, the parent company, American Public Media Group has committed to continue to provide funds to support the operating activities of Classical South Florida throughout fiscal 2011.

Because APMG is subsidizing the operations and guaranteeing the bonds, their consolidated financial statements for 2010 and 2009 were reviewed.

- Statement of Financial Position
 - APMG's current portion of long-term debt is \$2.5 million with total liabilities of \$99.2 million. Shown are current assets of \$41.5 Million and total assets of \$200 Million. They are in a very strong position to handle additional debt. And they will have an interest savings because their current debt will be replaced with a more favorable interest rate.
- Statement of Activities
 - Change in net assets for 2010 was \$10.4 Million and (\$38.2M) for 2009 which was mainly due to long term activities, not operations.

Contribution of Project to Palm Beach County

Local Governance. Classical South Florida is a Florida nonprofit corporation governed by a Board of Trustees with the majority residing in Palm Beach County.

Local programming and initiatives. WPBI has reported that the local production resources focus on four regularly scheduled programs that air on both stations. *Florida Forum* with Ann Boccock addresses issues that are important to the local community; *South Florida Artsview* with Caroline Breder-Watts features performers in upcoming performances across the region; *On The Money* with Steve Pomeranz is a finance program that covers subjects ranging from investments to current market issues of interest to residents of South Florida; and *Radio Green Earth* highlights important information about the ecology and the environment of South Florida.

Recommendation

Based on the review of the Application, retained jobs, additional capital expenditures and the County's limited obligation, the Economic Development Office supports the Classical South Florida Industrial Revenue Bond Application.

Cc: Shannon LaRocque-Baas, Assistant County Administrator