

# THE BOND BUYER

## PortMiami readies the biggest municipal bond sale in its history

By Chip Barnett August 11, 2021

Miami-Dade County, Florida, is set to issue up to \$1.4 billion of bonds for PortMiami in the largest port transaction since the COVID-19 pandemic began. Next week's issuance will also be the biggest bond deal in the port's history.

The subordinate revenue refunding bonds are being priced by Wells Fargo Corporate & Investment Banking the week of Aug. 16 for the county on behalf of the port.

"The port is taking advantage of current interest rates to put into place a new master ordinance that will allow it to refund all of its outstanding seaport revenue bond debt as well as direct debt issued by the county for the benefit of the port," John Generalli, managing director and lead banker at Wells Fargo, told The Bond Buyer Wednesday.



*A ship docked before departure from PortMiami in June on a shakedown cruise before its return to post-pandemic service. Bloomberg News*

The transaction will also take out some of the commercial paper the port has outstanding by converting some variable-rate debt to fixed-rate debt and by issuing refunding bonds for savings.

“We’re very pleased to be doing this transaction — with the timing of this transaction to take the risk out of variable-rates at historically low and attractive fixed rates,” Andy Hecker, managing director and CFO at PortMiami, told The Bond Buyer.

The par amount of the deal is expected to be between \$1.3 billion and \$1.4 billion, Generalli said, with the transaction seeing proceeds of more than \$1.35 billion.

The deal will be priced by Wells Fargo with Blaylock Van, Siebert Williams Shank, Citigroup, Goldman Sachs, Janney, Mischler Financial Group and UBS Financial Services as co-managers. HilltopSecurities is the financial advisor. Hogan Lovells and the Law Offices of Steve E. Bullock, P.A., are the co-bond counsels.

The deal is tentatively structured as Series 2021A revenue refunding bonds and Series 2021B subordinate revenue refunding bonds. The Series 2021A bonds will consist of various subseries that are composed of bonds subject to the alternative minimum tax, non-AMT and taxables while the Series 2021B bonds will consist of subseries that are AMT, non-AMT private activity bonds and taxables.

For reserves, the Series 2021A bonds have a senior revenue bond reserve subaccount while the Series 2021B bonds have a subordinate 2021 subaccount and a county pledge to replenish debt service draws from a reserve fund.

“We are continuing to move forward with our capital improvement plan, which over the next 12 years is about \$1.7 billion,” Hecker said.

“The economic payoff for this particular bond issue for PortMiami is huge and timely,” John Boyd Jr., principal at The Boyd Company, told The Bond Buyer. “In Miami-Dade, the cruise industry generates some \$7 billion in economic activity and employs over 40,000 people. Timing is a friend here as all the cruise companies serving the port are poised and prepared for a post-pandemic rebound.”

Boyd noted the deal would be an enormous benefit to the local economy as a whole.

“The transaction provides a pretty significant reduction in debt service costs over the next few years,” Hecker said. “Shortly we’re going to be issuing a \$200 million commercial paper program to continue with our capital improvement plan.”

The Series 2021A bonds are rated A3 by Moody's Investors Service with a stable outlook and A by Fitch Ratings with a negative outlook. The Series 2021B bonds are rated Aa3 by Moody's and AA-minus by Fitch, both with stable outlooks.

On Aug. 5, Moody's revised its outlook on the port to stable from negative.

The revised outlook reflects "expectations that cruise operations will ramp-up over the next 12 months and that PortMiami has sufficient liquidity to manage the transition period until credit metrics will return to a senior debt service cover ratio (DSCR) of 2.0 times and total DSCR of at least 1.0 times the latest by 2023," according to Moody's.

"In March 2020, when the pandemic became official, and the cruise industry was brought to a screeching halt, we lost about 65% of our revenues," Hecker said. "We've been able to manage through that quite successfully with a number of austerity measures and ended the fiscal year with about the same amount in unrestricted cash reserves and as of July that was about \$126 million."

After being idle for over a year, cruises returned to PortMiami this summer.

Hecker lauded the return of cruising that began again on July 2, saying the COVID-19 protocols in place seem to be working well.

The cargo sector also plays a role in the port's financial health.

In fiscal 2020, Moody's said the port's cruise business represented about 34% of its annual revenues while cargo operations represented 47% and various other revenues accounted for 19%. Moody's said the outlook for cargo operations was positive throughout the rest of this year and expects strong consumer demand will push cargo volumes up in fiscal 2021.

Hecker said cargo was up almost 20% in the pandemic.

"For cargo, we don't see a drop-off," he said. "As we get through the seasonal buildup and on for at least the next two quarters of 2022 we will continue to see cargo being extremely robust."

In February, the county signed an agreement with Carnival Cruise Lines, Disney Cruise Line, MSC Cruises, Norwegian Cruise Lines, Royal Caribbean Cruise Lines, Virgin Voyages along with Florida Power and Light to bring shore power to PortMiami.

Shore power allows cruise ships to "hook up" to electricity at the port, so that the engines do not need to operate while the ship is letting passengers off the ship and bringing new ones onboard. This results in reduced air pollution.

Since that time, Carnival and Royal Caribbean agreed to launch Phase 1 of this program and the Environmental Protection Agency announced a \$2 million grant allocation.

"The goal is to make PortMiami the first seaport in the state of Florida and the southeastern United States to provide shore power hookup — not just the cruise capital of the world but a leader in sustainability," Miami-Dade Mayor Daniella Levine Cava said in a statement.

Richard Fain, CEO of Boyd site selection client Royal Caribbean, along with the CEOs of Carnival Cruise Lines, Disney Cruise Line, MSC Cruises, Norwegian Cruise Lines and Virgin Voyages have all been very vocal in their support of bringing shore power to PortMiami.

"Above and beyond social impact, shore power will save on rising fuel costs and help improve the bottom line of cruise companies so hurt by the pandemic," Boyd said.

On Friday, the county said Carnival and Royal Caribbean would be "shore power ready" at the port by the fall of 2023. Cruise Terminal F for Carnival and Cruise Terminal A for Royal Caribbean will be the first facilities with shore power capability. Both lines have committed to retrofitting vessels within their fleet to use shore power.

Separately, the cruise division of MSC Group and Fincantieri on Monday said it signed a contract with the county to build a mega-cruise terminal at PortMiami.

The company will invest more than \$400 million in the new terminal, which will be capable of hosting as many as three of its ships at the same time while handling up to 36,000 passengers a day.

Designed by the architecture firm Arquitectonica, it will be built by Fincantieri Infrastructure Florida and is expected to be completed by December 2023. In line with PortMiami's plans to enable shore power connectivity, the company said its ships will be ready to plug into the local power grid at its berths.

The port has also gotten some financial help from the state and federal government.

In July, PortMiami received \$66.9 million to support its economic recovery from impacts of the COVID-19 pandemic.

Gov. Ron DeSantis and the Florida Legislature allocated the money as part of a \$250 million payout to the state's 14 deep-water ports through the federal government's American Rescue Plan Act and Coronavirus State Fiscal Recovery Fund.

"These funds will replenish PortMiami's cash reserves to pre-pandemic levels and provide the financial foundation for critical port projects to be funded on schedule including shore power," Levine Cava said

Generalli noted the county, state and federal governments had all provided infrastructure investments that resulted in improvements, such as building a tunnel to provide better access to the port and a major dredging project to provide a better water draft at the port.

Hecker said the support from the mayor and the board had been crucial in keeping all the port's projects on track.

"You would think they would say 'cancel new projects, shut down, we don't know when cruising's going to come back.' They were saying the exact opposite, they had the exact same vision about the future and they supported us in 2020. They issued a \$335 million capital asset bond that was all county backed to continue with all these projects," Hecker said.

Hecker believes the port's economic situation will be "very healthy in 2022 and we're going to be extremely healthy in 2023 going forward, even if it's reasonably normal from what we called normal back in 2019."