



City of Key West, FL

Proposal Summary Presentation

\$4,065,000 Sewer System Revenue Bonds, Series 2012

presented by
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Proposal Terms and Conditions

- The City of Key West, FL received four bids before the due date of November 22, 2011.
- Below is a summary of the Terms and Conditions proposed by each bidder.

<u>Proposers</u>	<u>BB&T</u>	<u>First State Bank</u>	<u>JP Morgan Chase</u>	<u>SunTrust Bank</u>
Optional Terms (years)	10, 15 & 20	10, 15 & 20	10, 15 & 20	10, 15 & 20
Include Yield Adjustment Language?	No	No	Yes	Yes
Includes “Gross Up” Language?	Yes	Yes	Yes	Yes
Other Conditions	BB&T to hold DSR (removed)	---	20 Year structure has a “Put” feature exposing the City to future interest rate risk	20 Year structure has a “Put” feature exposing the City to future interest rate risk
Call Provisions	1% Prepayment Penalty for first half of the term*	No prepayment penalty	Par Call on select options	Various (Make whole and par call)

*BB&T agreed to let the City call the bonds without a penalty starting after the first half of the term as part of the final financing term negotiations.

Loan Proposal Summary


- JPM and SunTrust both had onerous provisions that could change the future interest rate on the loans based on factors beyond the City's control.
- BB&T proposed the lowest rate of the firms that did not require the broad interest rate change language (rate changes if IRS determines the bonds are taxable and/or not "bank qualified").

<u>Proposers</u>	<u>BB&T</u>	<u>First State Bank</u>	<u>JP Morgan Chase</u>	<u>SunTrust Bank</u>
Financing Options				
10-Year Rate	2.07%	3.60%	1.92% (Non-Call) 2.00% (Call)	2.24% (MW) 2.37% (No MW)
15-Year Rate	2.65%	3.95%	2.30% (Non-Call) 2.48% (5-yr Call) 2.37% (10-yr Call)	2.39% (MW) 2.62% (No MW)
20-Year Rate	3.58%	4.40%	2.50% (Non-Call)* 2.63% (10-yr Call)* 2.58% (15-yr Call)*	2.37% (MW)** 2.61% (No MW)**
Prepayment Option	1% Prepayment Penalty for first half of the term	No prepayment penalty	Call options detailed above	Make Whole call or callable @ par after 3 years
Fees & Expenses	\$4,500	\$54,750	\$5,500	\$7,500

* 15-year Bank Put Option

** 10-year Bank Put Option

MW = Contains a Make Whole Call provision

 = Recommended Financing Option



BB&T Proposal Analysis

- The first step in the financial evaluation was to determine whether a 10, 15 or 20 year financing was optimal. Factors considered:
 - Impact on sewer rates
 - Total cost

- The annual debt service for the 10 year financing option would be a good selection since annual payments are below the original budgeted amount. The 15 and 20 year financings have lower annual payments, but materially higher interest rate and total payments.
 - Therefore, staff and financial advisor recommend a ten year term.

Proposers	Interest Rates	Annual Debt Service (2013-Maturity)	Total Payments	City Contribution for Debt Service Reserve
10-Year Rate	2.07%	\$500,000	\$4,551,443	\$500,143
15-Year Rate	2.65%	\$350,000	\$4,987,589	\$351,013
20-Year Rate	3.58%	\$298,000	\$5,767,099	\$295,765

 = Recommended Financing Option

Summary of the 2012 Bonds

- \$4,065,000 Sewer System Revenue Bonds, Series 2012
- Purpose of Issue: (i) provide funds for the financing of sewer projects originally funded through the State of Florida Department of Emergency Management; (ii) fund a debt service reserve fund; and (iii) to pay the associated cost of issuance.
- Interest paid semi-annually on April 1 and October 1, commencing April 1, 2012.
- Principal paid annually on October 1, commencing October 1, 2013 through October 1, 2021.
- The 2012 Bonds are subject to redemption at the option of the City prior to the stated date of maturity on any interest payment date. If the Bonds are redeemed prior to 10/1/2016 there will be a 1% prepayment penalty, otherwise the Bonds will be callable without penalty.
- Below is a graphic summarizing the City's outstanding Sewer System Debt Service.

