



City of Key West
Debt Management Policy

APPROVED ON

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Debt Management Policy

The City of Key West, Florida

I. PURPOSE

The purpose of the Debt Management Policy (hereinafter “Policy”) is to establish comprehensive guidelines and a consistent framework for the issuance and management of debt for the City of Key West, Florida (hereinafter “City”). The City is committed to strong financial management practices that support its long-term financial viability and ensure the full and timely repayment of all borrowings.

This Policy sets forth specific standards to promote sound financial practices whenever the City considers or incurs debt. City staff and the City Commission should reference this Policy when evaluating and recommending the issuance of debt.

This Policy governs any financial obligation of the City secured by City revenues incurred to finance capital improvements, equipment or facilities, unfunded liabilities, working capital, judgments, settlements and/or hurricane or emergency-related expenses, including but not limited to bonds, notes, certificates of indebtedness, commercial paper, lease purchase agreements subject to annual appropriation, loan agreements, interlocal agreements whereby the City incurs a financial obligation to pay annual amounts to another governmental entity, public-private partnership agreements to repay a private party’s cost of capital, and any other form of indebtedness. Section 8.03 of the City of Key West Charter requires referendum approval for such financial obligations except in limited circumstances involving public emergencies.

As a “living document,” this Policy should be reviewed regularly and updated as necessary to reflect evolving financial conditions, best practices, and the City’s strategic priorities.

The goals and objectives of this Debt Management Policy are:

- a) To establish a management structure to facilitate sound and efficient management of City debt to include acceptable debt limits or acceptable ranges originating from legal, public policy, and financial and budgetary considerations.
- b) To enhance the City's ability to access credit markets and to maintain or improve its credit ratings across all financing programs.
- c) To provide guidelines that ensure all liabilities are managed in alignment with the City’s established business and financial objectives.
- d) To offer direction on integrating traditional governmental debt practices with proven corporate debt management techniques, utilizing the best elements of both whenever possible.
- e) To establish a policy framework to allow the City to manage and monitor its Debt Program over time in a manner that facilitates equity between fiscal years and generations of citizens; and
- f) To encourage and require communication between the City Commission, City Manager, City Attorney, Finance Director, Municipal Advisor, Bond Counsel, and Underwriter(s).

This Policy was developed in accordance with generally accepted practices as outlined by the Government Finance Officers Association (GFOA) and national rating agencies.

II. POLICY STATEMENT

Under the governance and guidance of federal and state laws, as well as the City's charter, ordinances, and resolutions, the City may periodically enter debt obligations to finance the construction or acquisition of infrastructure, and other assets, unfunded liabilities, working capital or emergency-related expenses, or to refinance existing debt, in order to meet its governmental responsibilities to the community. The City is committed to ensuring that all debt obligations are issued and managed in a manner that secures the best long-term financial advantage for the City and its residents, while striving to maintain and improve the City's bond ratings and its reputation within the investment community.

This Debt Management Policy Statement is intended to promote the effective and efficient administration of the City's debt program by:

- Providing a clear, written framework for how the City accesses the credit markets;
- Establishing limitations, parameters, and restrictions on the use of debt;
- Identifying preferred debt structures and practices for issuing debt;
- Creating guidelines for the refunding or restructuring of previously issued debt; and
- Setting limits and restrictions on the use of derivative products for risk management purposes.

A significant portion of a City's capacity to influence and/or encourage economic development is reflected in the adequacy of its infrastructure and its capacity to support growth. It is the mission of the Mayor, City Commission, City Manager and appointed staff to ensure that the City's infrastructure – including roads, parks, and other public facilities – and its physical plant such as buildings, structures, pumping stations, are sufficient to meet the demands of the essential service delivery as well as future economic growth and development.

To systematically achieve this mission, the City must:

- Maintain existing systems, structures and facilities, preserving their service delivery capacity while adding new components – such as additions, modifications and expansions - as needed and, when feasible, in reasonable anticipation of future change.
- Ensure that the costs of infrastructure investment are distributed equitably among generations of taxpayers, ratepayers, users, and other beneficiaries so that the financial burden is fairly allocated across time.
- Use debt strategically, employing it to complement – but not replace – significant recurring commitments of annual appropriations for capital purposes.
- Maintain the City's sound financial position, maintaining reasonable reserves and an attractive debt profile, thereby enhancing the City's public image, creditworthiness, financial flexibility, and overall capacity to meet the challenges facing each new administration.

III. LEGAL CONSIDERATIONS

The primary use of debt by the City has been to fund capital projects; however, other debt may be issued as necessary and appropriate. Because public facilities are used over many years, it is sometimes appropriate to allocate the cost of these facilities over the useful life of the financed projects. The following guidelines apply, in each instance subject to compliance with the borrowing limitations set forth in Section 8.03 of the City of Key West Charter:

- a) For bonds issued to finance capital improvements, including infrastructure and

equipment, the useful life of such improvements shall be in excess of ten years unless equipment with a useful life under 10 years is viable for shorter term financing, in conjunction with projects with a longer useful life, or unless there are extenuating circumstances approved by the City Commission.

- b) The term of any bonds shall not exceed the useful life of the expenditure being financed and should not exceed 30 years unless there are extenuating circumstances, approved by the City Commission, that justify a longer term consistent with the useful life of the financed asset.
- c) The City shall publish and distribute an official statement for each publicly traded bond issue.
- d) The City should consider the purchase of municipal bond insurance at the time of issuance, if it is financially beneficial to the transaction.
- e) The City shall routinely monitor existing bond issues for refunding opportunities that may reduce costs or improve financial flexibility.
- f) The City shall seek to maintain the highest practical bond rating to minimize borrowing costs and preserve access to credit markets.
- g) The City shall not issue General Obligation debt secured by ad valorem taxation without voter approval when required by applicable law. Revenue debt and other non-ad valorem obligations shall be authorized in the manner permitted by law and the City of Key West Charter and City Ordinances.
- h) The City shall not issue debt without enacting an authorizing ordinance or resolution after providing an opportunity for public comment.

In most cases, bond issues shall be structured to produce level annual debt service requirements, either on a series or aggregate basis, so that borrowing costs are minimized. This structure may be adjusted, when appropriate, to distribute improvement costs more evenly over an extended period so that future residents share in the responsibility for funding long-term capital investments.

IV. IMPLEMENTATION AND WAIVER

The City Manager shall be responsible for implementation of the policies set forth in this Policy. To the extent permitted by law, the City Commission may waive all or any part of this Policy with respect to a particular debt issuance if it determines that such waiver would result in a benefit to the City.

V. DEBT CAPACITY

The determination of how much indebtedness the City can afford begins by assessing the sufficiency of future revenues through the use of a long-term financial projection. Factors such as debt service coverage requirements outlined in the bond indentures, the impact on the residents' tax or utility rates, and any impact on the bond ratings shall be carefully considered.

Measurement of Future Flexibility

The City continually evaluates ongoing needs; therefore, it is prudent to ensure that future elected officials shall have the flexibility to meet the capital needs of the City. Since neither state law nor the City charter provides any limits on the amount of non-General Obligation debt which may be incurred, this Policy (Appendix A) establishes targets for debt, as well as spending to ensure future flexibility.

VI. CAPITAL IMPROVEMENT PLAN AND DEBT ISSUANCE

Pursuant to the charter, code, and state statutes, the City Commission utilizes a five-year Capital Improvement means and methods of meeting such capital needs through funding sources such as cash on hand or proceeds from the issuance of debt. The CIP guides capital expenditures and

funding requirements, and generally includes:

- a) All capital projects, including outside funding sources such as grant funding, and those proposed to be financed, as available.
- b) The fiscal impact these capital projects, once completed, will have on the City's operating budget.

The City shall issue debt obligations for acquiring, constructing, or renovating community investments in accordance with applicable law, including voter approval where legally required.

Prior to issuing debt for capital projects, the City Manager shall submit the estimated current market interest rates and projected debt service schedules. The submittal shall include:

- a) Estimated current market interest rates provided by the City's Municipal Advisor.
- b) Projected annual interest and principal payments on the proposed debt.
- c) Total annual debt service payments on all outstanding debt that have a prior or equal lien on the revenues that are being pledged to support the proposed new parity debt.
- d) Projected debt service coverage on the combined total debt service for the proposed debt, and any outstanding parity debt (excluding General Obligation debt paid by ad valorem taxes, which instead will project millage requirement..

VII. TYPES OF SECURITY TO BE USED FOR DEBT SERVICE

The City shall utilize one or more of the following types of security when it incurs debt. The security shall be based on the nature of the capital projects to be financed:

- a) *Ad Valorem Revenues* - These are property tax revenues generated from a millage rate assessed against all taxable real property in the City which have been approved by the voters. Any debt secured by such ad valorem revenues constitutes a general obligation of the City (General Obligation debt).
- b) *Enterprise Revenues* - Non-ad valorem revenues derived from fees and charges set by the City with respect to its Enterprise Operations (i.e. stormwater and wastewater revenues, etc.) which can only be used for Enterprise Operation purposes such as security for revenue bond/debt issued to finance capital projects for the related Enterprise Operation including as security for revenue debt issued to finance capital projects for the related Enterprise Operation.
- c) *Non-Enterprise Revenues* - Legally available non-ad valorem revenues derived from specific sources other than Enterprise Revenues such as communications services tax, sales tax, public service tax, and traffic fees which are pledged individually or debt issued to finance the needs of the City which may be pledged individually or in combination to finance lawful City purposes.
- d) *Covenant to Annually Budget and Appropriate Legally Available Non-Ad Valorem Revenues* - A covenant by the City to appropriate in its annual budget a sufficient amount of legally available non-ad valorem revenues from all sources to pay the debt service on debt issued for capital projects (Covenant Debt). Generally, legally available non-ad valorem revenues are all revenues other than ad valorem revenues on deposit in the City's General Fund (or any successor fund), including any excess Enterprise Funds transferred to the General Fund that are unrestricted and available after all direct obligations with respect to the lien on specific non-ad valorem revenues (such as sales tax, public services taxes, franchise taxes, gas taxes, etc.) have been satisfied, and all essential services of

the City have been addressed. City ordinances and/or resolutions authorizing the issuance of Covenant Debt may further refine the description of legally available non-ad valorem revenues.

VIII. DEBT ISSUANCE POLICY

The City shall consider the recommendations of the City Manager or Finance Director, and its Municipal Advisor when contemplating the type of debt to incur, (short term, medium term, and long term debt).

- a) *Short Term Debt* - Short term debt has a maturity that ranges from 1 day to 365 days.

Short Term Debt Issuance Criteria

1. Short-term debt can be used to diversify a debt portfolio, reduce interest costs, provide interim funding for capital projects, and improve the match of assets to liabilities.
2. The City may issue commercial paper, other forms of variable rate debt and synthetic variable rate debt from time to time, but its use will generally be restricted to providing interim financing for capital projects.
3. The amount of unhedged variable rate debt will generally not exceed 20 percent of all outstanding debt.

- b) *Medium and Long Term Debt* - Long term debt has a maturity of more than 365 days (one year), but less than the maximum permitted by law. The actual maturity is dependent upon the useful life of the capital projects being financed with debt proceeds.

Long Term Debt Issuance Criteria

1. Long term debt may be used to finance capital improvements, equipment and facilities, or unfunded liabilities where it is cost effective and prudent.
2. Except as otherwise contemplated in this Policy, long term debt, which includes lease financings, will not be used to fund the City's operations.
3. The useful life of a financed asset or project shall meet or exceed the payout schedule of any debt issued by the City.
4. The maximum amortization on any debt issue should not exceed 30 years unless there are extenuating circumstances that justify the longer term.

IX. TYPES OF DEBT

The City is authorized to issue the following types of debt, depending on market conditions, the City's cash flow needs, and the purpose for issuing the debt.

Fixed and Variable Rate Debt - The City may issue debt with either fixed or variable interest rates. Absent prior approval by the City Commission, outstanding unhedged variable rate debt should not exceed 20 percent of the City's aggregate outstanding direct debt. The City should evaluate this exposure both on a citywide basis and within each applicable Enterprise Fund.

Given the possibility that the need for project financing may not coincide with attractive market interest rates, a variable rate program to provide for the timely initiation of certain projects may be prudent. The City uses variable rate debt for the following purposes: (1) as an interim financing device (during construction periods or during periods of relatively high long-term fixed rates), (2) as an integral portion of overall long-term debt strategy, and (3) to better match shorter lived assets to liabilities. The aggregate principal amount of non-self-supporting debt bearing a variable rate will not exceed 20 percent of the aggregate principal amount of all non-

self-supporting debt.

The City may utilize a mix of fixed and variable rate debt to lower the overall cost of capital. Variable rate debt can sometimes be used as an efficient way to fund new construction requirements, and as a permanent component of a long-term funding strategy.

Tax-Exempt and Taxable Debt - The City may issue debt as tax-exempt debt or taxable debt. Taxable debt shall only be approved by the Commission upon a favorable recommendation from the City Manager, the Municipal Advisor, and a demonstration by the City Manager that there is an economic benefit to the City from issuing taxable debt, or there is no other economically feasible alternative. Taxable debt may include debt such as Direct Subsidy Bonds, or any other taxable debt structure permitted under existing or future U.S. tax legislation.

State Revolving Loan Fund Program - The Florida Department of Environmental Protection operates a federally funded, below-market interest rate loan pool. This program provides funds for projects involving water supply and distribution facilities, storm water control and treatment projects, air and water pollution control, and solid waste disposal facilities. Whenever financially beneficial to the City, this program should be considered since the costs associated with issuing the notes are low and local agencies benefit from the strength of the state's credit.

Bank Term Loan Program - this program provides for the funding of projects over a prolonged period of time, up to 10 years or longer.

Lease purchases - Lease/Purchase (LPs) agreements are commonly used by U.S. municipal entities to finance equipment purchases. LPs contain an appropriation clause – meaning that the agreement is subject to annual appropriation of funds by the Lessee. With an appropriation clause, the lease purchase agreement is not a general obligation and the Lessee's ad valorem taxing power is not pledged to the Lessor. Instead, the Lessee agrees to voluntarily return the leased equipment to the Lessor in the event of non-appropriation. LPs are commonly issued as a direct financing between the Lessee and Lessor (the lender).

The term of an LP is agreed upon by the Lessee and Lessor and is typically based on the useful life of the equipment, but the term could be considerably less based on the financing objectives of the Lessee. Maximum permissible terms under IRS requirements apply if the transaction is tax-exempt.

X. FINANCING STRUCTURES FOR ISSUING CITY DEBT

The City shall utilize various debt structures to accomplish its financing goals, including the use of premium bonds, discount bonds, capital appreciation bonds, and capitalized interest when appropriate. The City shall not utilize interest rate swap transactions or other derivative products unless specifically authorized by the City Commission pursuant to a separate derivatives policy.

The financing structure of City debt includes consideration of factors such as principal amortization, call provisions, coupons/yields, and credit enhancement. The structure of each debt issuance shall be developed with input from the Municipal Advisor and will include consideration of the capital projects or unfunded liabilities to be financed, the security being pledged, debt service coverage requirements, and market conditions. The goal is to provide the lowest effective financing cost while providing the greatest flexibility to realize added value as market conditions change over time. Some conditions that affect the structure of any debt issuance include the following:

Debt Service Payments - The City shall structure its long-term debt with level debt service payments, either on a series or aggregate basis, unless the City's assigned Municipal Advisor recommends an alternative structure. An alternate structure may be a preferred course of action due to factors such as the projected growth in revenues pledged to service the debt, the nature of the capital projects being financed and current cash flow positions.

Maturity - The City's obligations on long term debt shall mature no later than the limitation set forth in Florida law, or the useful life of the capital projects being financed as required by the code and related regulations.

Premium and Discount Bonds - The City may sell both Premium and Discount Bonds depending on market conditions and the City's needs. These bonds shall only be issued upon the recommendation of the Municipal Advisor, and upon a determination by the City Manager that such sale shall not negatively impact the amount of bond proceeds available to fund the capital projects approved for funding. The amount of the premium associated with Premium Bonds counts toward the not-to-exceed or maximum bond amount limit approved by referendum.

Bond Insurance/Credit Enhancement - Bond insurance will be used when it provides an economic savings for the City and does not limit the City's financing flexibility. The City may purchase bond insurance and/or reserve fund surety policies which guarantee timely debt service payments on debt to be issued to enhance the attractiveness of the debt to the financial markets. Such credit enhancement shall only be used if the City Manager can demonstrate that at the time the debt is priced, there is an economic benefit to the City which exceeds the cost of the credit enhancement.

Call Provisions - Call provisions for the City's bond issues shall be made as short as possible, consistent with the lowest interest cost to the City. When possible, all of the City's bonds shall be callable only at par.

Debt Service Coverage Targets and Limits - For the City to issue new bonds or bonds on a parity basis, the City shall need to demonstrate that revenues shall be sufficient to cover the existing and new debt service by a comfortable coverage ratio:

- A. Limits for direct and non-self-supporting debt
 - Less than four (4) percent of taxable valuation
- B. Target for direct and non-self-supporting debt
 - Less than three (3) percent of taxable valuation
- C. Debt Service Safety Margin (DSSM)
 - DSSM at or above the standard rating agency median
- D. Debt Ratio
 - Debt Ratio at or above the standard industry median

XI. DEBT REFUNDING

The City staff and the Municipal Advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt.

As a general rule, the net present value savings of a particular refunding should exceed:

- Three (3) percent of the refunded maturities and \$250,000 for current refundings.

- At least Five (5) percent of the refunded maturities and \$250,000 for advance refundings.

The City shall only issue debt or refund existing debt obligation when the net present value savings meets the net present value savings criteria or more, and the final maturity of the proposed refunding obligations is no longer than the maturity of the debt obligations to be refunded. If the net present value savings is less than the stipulated net present value savings criteria or will result in a present value loss and/or the maturity is greater than the maturity on the debt obligations to be refunded, a determination must be made that a compelling public policy objective would be achieved by the refunding, such as eliminating restrictive bond covenants or providing additional financial flexibility.

XII. CONTINUING DISCLOSURE

The City is committed to providing continuing disclosure of financial and pertinent credit information relevant to City's outstanding securities and shall abide by provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.

Disclosure (Primary and Secondary Market) - The City shall provide the annual financial information, and any material disclosure notices pursuant to the provisions of the secondary disclosure requirements of Rule 15c2-12, and other applicable provisions of the Securities and Exchange Commission as amended from time to time.

Report to Bondholders

Annually, the City shall provide continuing disclosure information in the manner required by SEC Rule 15c2-12, the applicable disclosure certificates, and any other legal requirements associated with its outstanding obligations. The City may also publish supplemental information for interested parties as appropriate.

XIII. INVESTMENT OF DEBT PROCEEDS AND DEBT FUNDS AND ACCOUNTS

The City Manager, in consultation with the appropriate Municipal Advisor and Investment Advisor, shall adhere to the written City Investment Policy, Debt Agreements, and State Section 218.415, Florida Statutes when investing the proceeds from issued debt, and when managing moneys on deposit in funds and accounts set aside to pay debt service on City debt. For tax-exempt debt, the City shall comply with federal law and regulations, and covenants set forth in the bond documents, regarding arbitrage and rebate requirements, and City staff shall consult with Bond Counsel regarding any questions concerning compliance requirements and upon receipt of any related notifications from the IRS.

XIV. CREDIT CONSIDERATIONS

The City shall obtain a rating from one or more national credit rating agencies each time the City issues publicly offered bonds, if advisable when, in the judgment of the City Manager and Municipal Advisor, such rating is appropriate for the transaction. The City shall not issue bonds with a rating of less than investment grade without the City Manager's recommendation to the City Commission demonstrating a compelling reason to issue bonds that are below investment grade. Accordingly, the City shall exercise prudence and diligence in preparing its budget and managing its finances to maintain satisfactory credit ratings. The City shall seek to maintain the highest bond ratings that are practical.

XV. PROFESSIONAL CONSULTANTS

The City shall work with financial consultants to advise the City, structure, price and sell city debt. The City shall employ the following financial professionals to assist with debt management:

- a. *Municipal Advisors* - The City shall utilize qualified firms, selected from time to time through a competitive process, to serve as Municipal Advisor to the City. The City shall select all other ancillary services (paying agents, registrars, escrow agents, printers, etc.) in accordance with the City's policies and ordinance for each debt issuance. Professional service costs may be paid from debt proceeds to the extent permitted by law and the applicable financing documents; otherwise, such costs shall be paid from other legally available funds.
- b. *Bond Counsel and Disclosure Counsel* - The City shall utilize law firms as Bond Counsel and Disclosure Counsel to represent both the City and its peripheral authorities.
- c. *Underwriters* - In all Negotiated Sales, the City shall appoint Underwriters pursuant to Section 2-10.6 of the City Code, as amended from the City established Underwriters Pool, which shall be established from time to time pursuant to a qualification process.

Appendix A

CITY OF KEY WEST, FLORIDA

Measure of Future Flexibility

<u>Description</u>	<u>Targets</u>
<u>General Government</u>	
Debt Service as a percentage of General Government expenditures:	
Debt Limit	20% max
Goal/Target	10% - 15%
<hr/>	
Pay-as-you-go funding for Capital (adj. annually for CIP growth):	
Capital Improvement Plans (i.e. building(s)/structure(s), maintenance, roads, curbs, and sidewalks)	1% min
<hr/>	
General Fund Balance Reserve as a percentage of operating expenditures:	
City Resolution	20% - 25%
Goal/Target	

APPENDIX B

GLOSSARY OF TERMS

Advance/Current Refunding - A procedure whereby outstanding debt is refinanced with the proceeds of new debt provided that a current refunding occurs within 90 days of the next call date of the debt being refunded and an advance refunding occurs more than 90 days from the next call date of the debt being refunded.

Bond or Bonds - Tax exempt or taxable municipal bond or bonds issued by the City as evidence of the City's obligation to repay a debt obligation.

Bond Counsel - An attorney who writes an official opinion stating that a local government is legally permitted to issue a municipal bond. A new issue of a municipal bond is required to have this statement from a Bond Counsel.

Bond Insurance - A municipal insurance policy purchased by the City which guarantees the timely payment of principal of, and interest on debt.

Bond Purchase Agreement/Purchase Contract - An agreement/contract between the City and the Senior Underwriter setting forth the terms of a negotiated sale of city debt, including the price of the debt, the interest rate or rates which the debt are to bear, and the conditions of closing.

Callable - Means debt that is eligible to be called prior to maturity, with or without payment of a Call Premium.

Call Premium - A dollar amount stated as a percentage of the principal amount of the debt called before maturity paid to the holder of the debt at the time the debt is redeemed.

Capital Project(s) - Any capital project or capital projects of the City or its Enterprise Operations that the City Commission deems to be for a public purpose.

Closing Date - The date on which the debt is delivered to the purchaser and all or a portion of the sales proceeds are received by the City.

Capital Improvement Plan - Annually prepared summary plan and list of capital improvement projects proposed during the next five fiscal years, such as street or park improvements, building construction, and various kinds of major facility maintenance.

Continuing Disclosure - The requirement by the Securities and Exchange Commission that the City make certain annual filings.

Credit Enhancement - Means bond insurance, Debt Service Reserve Fund surety, letter of credit or any other third party guaranty of the debt.

Debt or Debt Obligation - Means any financial obligation of the City secured by City revenues incurred to finance capital improvements, equipment or facilities, unfunded liabilities, working

capital, judgments, settlements and/or hurricane or emergency-related expenses, including but not limited to bonds, notes, certificates of indebtedness, commercial paper, lease purchase agreements subject to annual appropriation, loan agreements, interlocal agreements whereby the City incurs a financial obligation to pay annual amounts to another governmental entity, public-private partnership agreements to repay a private party's cost of capital, and any other form of indebtedness. Section 8.03 of the City of Key West Charter requires referendum approval for such financial obligations except in limited circumstances involving public emergencies.

Debt Service - Required principal and interest payments due on debt at any point in time before such debt is retired.

Debt Service Reserve Fund - The fund into which moneys or a credit facility are deposited which may be used to pay debt service on debt if pledged revenues are insufficient to satisfy the debt service requirements when due.

Defeasance - The termination of the rights and interests of the holders of the debt in the pledged revenues because the City has deposited sufficient revenues with an escrow agent to be used to pay principal and interest on the debt as it becomes due and/or to redeem the debt on a specific date.

Direct City Debt - Means General Obligation debt, Special Obligation debt and Covenant debt less all self-supporting debt, any sinking funds and short-term debt.

Direct Subsidy Bonds - Taxable municipal bonds that feature tax credits and/or federal subsidies for bondholders and state and local government bond issuers.

Discount - Amount (stated in dollars or as a percentage) by which the selling or purchase price of a bond is less than its face amount and/or amount bid for a bond that is less than the aggregate principal amount of that bond.

Discount Bond - A bond that is sold at less than its principal amount.

General Obligation Bonds – G.O. bonds are backed by the full-faith and credit of the City and are secured by secondary property taxes. G.O. bonds are referred to the voters for approval.

Investment Advisor - Any person or group that makes investment recommendations or conducts securities analysis in return for a fee, whether through direct management of client assets or via written publications.

Municipal Advisor - A consultant who advises and makes recommendations to the City on matters pertinent to debt including compliance, issuance and market conditions.

Parity Debt - Debt issued or to be issued with equal and ratable claim on the same underlying security and source of repayment for debt service as other outstanding debt.

Premium - Amount (stated in dollars or as a percentage) by which the selling or purchase price of a bond is more than its face amount and/or amount bid for a bond that is more than the aggregate principal amount of that bond.

Premium Bond - A bond that is sold at more than its principal amount.

Revenue Bonds - Revenue bonds are supported solely from fees generated from non-ad valorem revenue. The City's various enterprise funds: sewer, storm water, solid waste, transit, and marinas issue bonds backed by revenues of the enterprise. According to the City of Key West Charter, revenue bonds are referred to the voters for approval.

Underwriter(s) - Are investment banking firms and/or dealers which purchase bonds for resale.