

November 2, 2011

Mr. Jim Scholl, City Manager
The City of Key West
525 Angela Street
Key West, Florida 33040

Re: Proposed issuance of Sewer System Revenue Note, Series 2011

Dear Jim:

On October 25, 2011, you requested that we respond to certain questions regarding the issuance of the referenced debt, the proceeds of which would be used to finance a payment by the City to the State of Florida Department of Emergency Management in the amount of \$6,268,629.46 for funds that FEMA de-obligated for sewer system purposes.

In response to the first question, the authority to borrow \$23 million authorized by the City Commission Bond Referendum Resolution 99-346 and the voter approval thereof (the "Bond Referendum") survives the passage of time until the point that the issuance of debt reaches the \$23 million debt limitation.

The loan to the City from the Department of Environmental Protection (State Revolving Fund) constitutes a borrowing that must be approved by voters and the amount borrowed thereunder applies against the authority provided under the successful Bond Referendum. However, we understand that no other debt has been issued that would apply against such authority. Therefore, sufficient authority exists under the Bond Referendum to allow for the issuance of the Series 2011 Note.

The City Commission Bond Anticipation Notes Ordinance No. 00-6 may not be used to authorize the Series 2011 Note. At the request of the City, we are drafting an ordinance to authorize the issuance of the Series 2011 Note.

Please let me know if you need any further review.

Sincerely,


George A. Smith, Jr.