



City of Key West, FL Overview of General Obligation Bonds

January 11, 2024

PFM Financial Advisors LLC

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Coral Gables, FL
33134

www.pfm.com



PFM has Provided a Full Scope of Services to Municipalities for over 40 years

FINANCIAL ADVISORY

capital planning | rating strategies | transaction management & bond pricing

CONSULTING

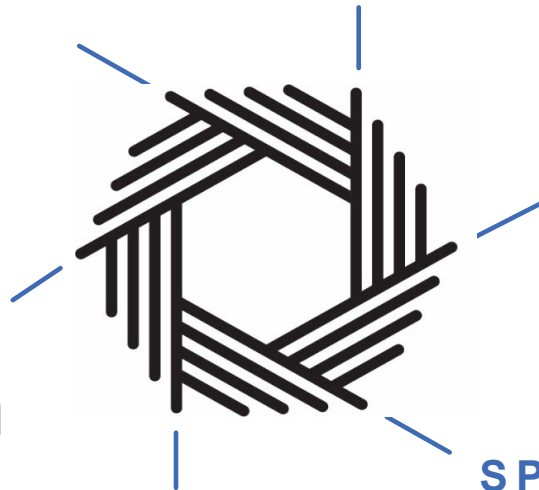
fiscal planning & budgeting | organizational efficiency & effectiveness | policy & program analysis | workforce strategy & negotiation support

ECONOMIC DEVELOPMENT

public-private partnerships & economic development | developer selection & negotiation | asset & real estate portfolio analysis and monetization | tax credit & incentive policies

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Munite® | investor intelligence & outreach | analytics | customized dashboards



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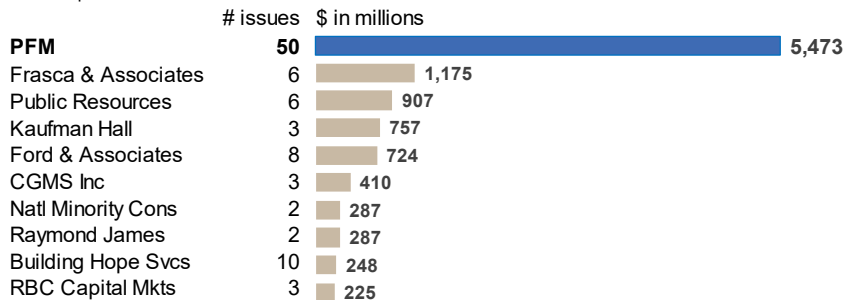
PFM provides both National and Florida Experience

- PFM has been serving Florida clients for over 30 years and has 15 professionals covering the state, with offices in Orlando and Miami
- In 2022, PFM served as financial advisor on 50 Florida transactions totaling nearly \$5.5 billion

2022 Full Year Florida Overall Long Term Municipal New Issues

Municipal Financial Advisory Ranking - Full Credit to Each Financial Advisor

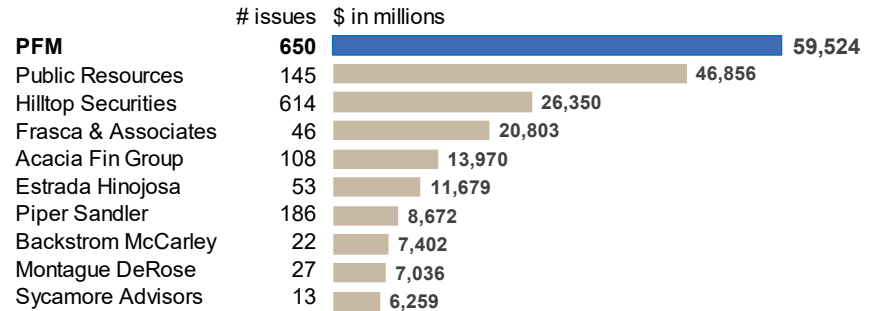
Source: Ipreo



2022 Full Year Overall Long Term Municipal New Issues

Municipal Financial Advisory Ranking - Full Credit to Each Financial Advisor

Source: Ipreo



*Ranked by Ipreo in terms of par amount as of December 31, 2022

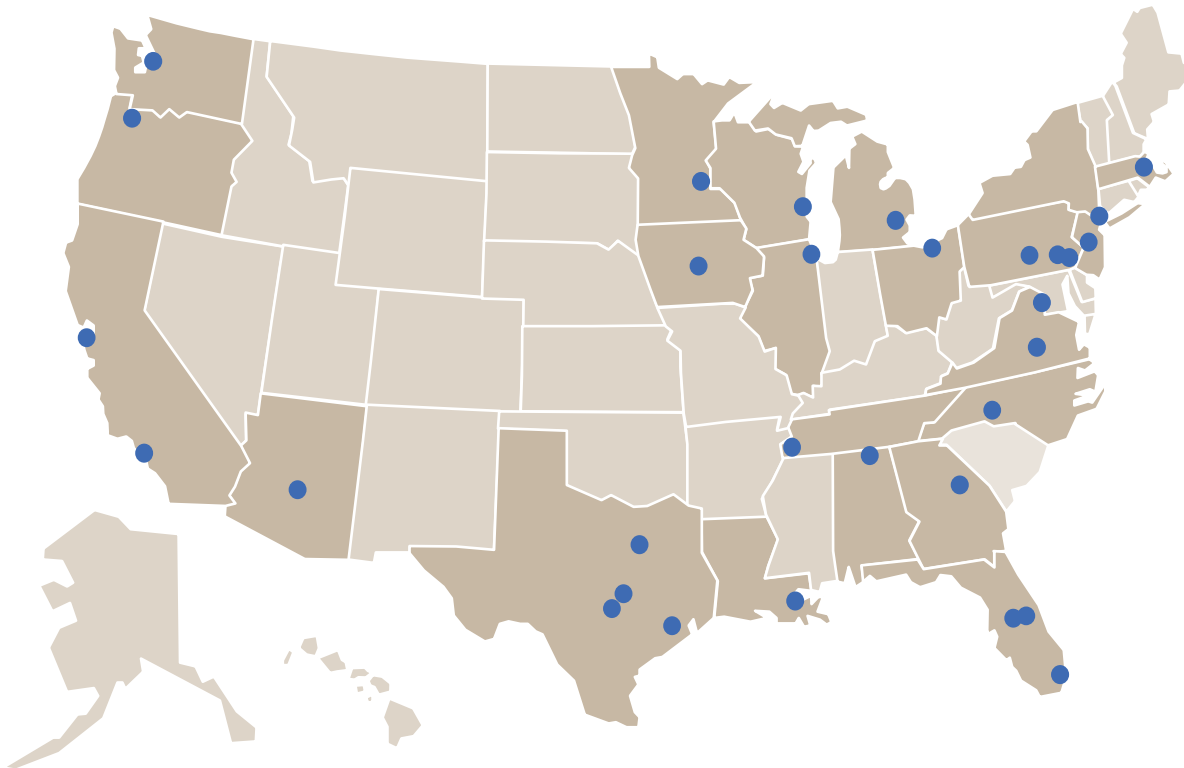


*Ranked by Ipreo MuniC in terms of par amount as of December 31, 2022



PFM's National Presence Offers Insight into National Trends

◆ National presence includes over 350 professionals operating from 32 offices across the U.S.



PFM Offices

Ann Arbor
Arlington
Atlanta
Austin
Boston
Chandler
Charlotte
Chicago
Dallas
Des Moines
Harrisburg
Houston
Huntsville
Los Angeles
Malvern
Memphis

Miami
Middleburg
Heights
Milwaukee
Minneapolis
New Orleans
New York
Orlando
Orlando East
Philadelphia
Portland
Princeton
Richmond
San Antonio
San Francisco
Seattle



PFM Has a Long-Standing Commitment to Florida

PFM's Florida Clients

CITIES

Alachua • Belle Isle
Boca Raton • Boynton Beach
Bradenton • Clermont • Cocoa Beach
Coconut Creek • Coral Gables
Coral Springs • Daytona Beach
DeBary • DeFuniak Springs
DeLand • Delray Beach • Deltona
Doral • Fort Lauderdale
Fort Meade • Fort Walton Beach
Gainesville • Green Cove Springs
Groveland • Haines City
Hallandale Beach • Hialeah
Jacksonville • Jupiter Island
Key Biscayne • Key West
Lakeland • Leesburg • Margate
Madeira Beach • Marco Island
Melbourne • Miami • Miami Beach
Miramar • North Palm Beach
North Bay Village • North Miami Beach
North Port • Oldsmar
Orlando • Ormond Beach • Palatka
Palm Beach • Palm Beach Gardens
Panama City Beach • Plantation
Pompano Beach • Port St. Lucie
Riviera Beach • Sebring
Satellite Beach • St. Augustine
St. Petersburg • Sunrise
Surfside • Tallahassee
Tamarac • Temple Terrace
Titusville • Umatilla
Vero Beach • West Palm Beach
Winter Haven • Winter Garden
Winter Park • Winter Springs

COUNTIES

Alachua • Bay
Brevard • Broward
Citrus • Clay • Collier
Columbia • DeSoto • Duval
Flagler • Highlands • Jackson
Lake • Leon • Marion • Martin
Miami-Dade • Monroe
Orange • Okeechobee
Osceola • Palm Beach
Pasco • Sarasota • Polk
Seminole • Santa Rosa • St. Johns
St. Lucie • Volusia • Walton

SPECIAL DISTRICTS

Amelia National CDD • Assembly CID
Boggy Creek CDD
Greenway Improvement District
Everest CMR CDD
Lakewood Ranch Stewardship District
Longleaf Pine CDD
Myrtle Creek Improvement District
Midtown Improvement District
Olde Florida CDD
New Port Tampa Bay CDD
North Sumter County Utility
Dependent District
Poitras East CDD
Sumter Landing CDD
Sunbridge Stewardship District
The Villages CDD
Tomoka CDD
University Park Recreation District
Village of Gulfstream Park CDD

SCHOOL DISTRICTS

Alachua • Broward
Citrus • Columbia
Duval • Flagler
Hernando • Lake
Manatee • Marion
Martin • Miami-Dade
Orange • Osceola
Palm Beach
Pasco • Polk • Putnam
Sarasota • Seminole
Volusia • Walton

STATE OF FLORIDA

Division of Bond Finance

UTILITIES

Clay County Utility Authority
East Central Regional Wastewater
Treatment Facilities Board
Florida Municipal Power Agency
Fort Pierce Utilities Authority
Gainesville Regional Utilities
Jacksonville Electric Authority
Orlando Utilities Commission
Tampa Bay Water

OTHER AUTHORITIES

Blueprint Intergovernmental Agency
Florida Development Finance Corp.
Sunshine State Governmental
Financing Commission

TRANSPORTATION

Canaveral Port Authority
Central Florida Expressway Authority
Destin-Ft. Walton Beach Airport
Hillsborough County Aviation Authority
Jacksonville Aviation Authority
Jacksonville Seaport Authority
Lee County Port Authority
Melbourne Airport Authority
Palm Beach International Airport
Sarasota Manatee Airport Authority
Tampa Hillsborough Expressway Auth.
Tampa Port Authority

HEALTHCARE

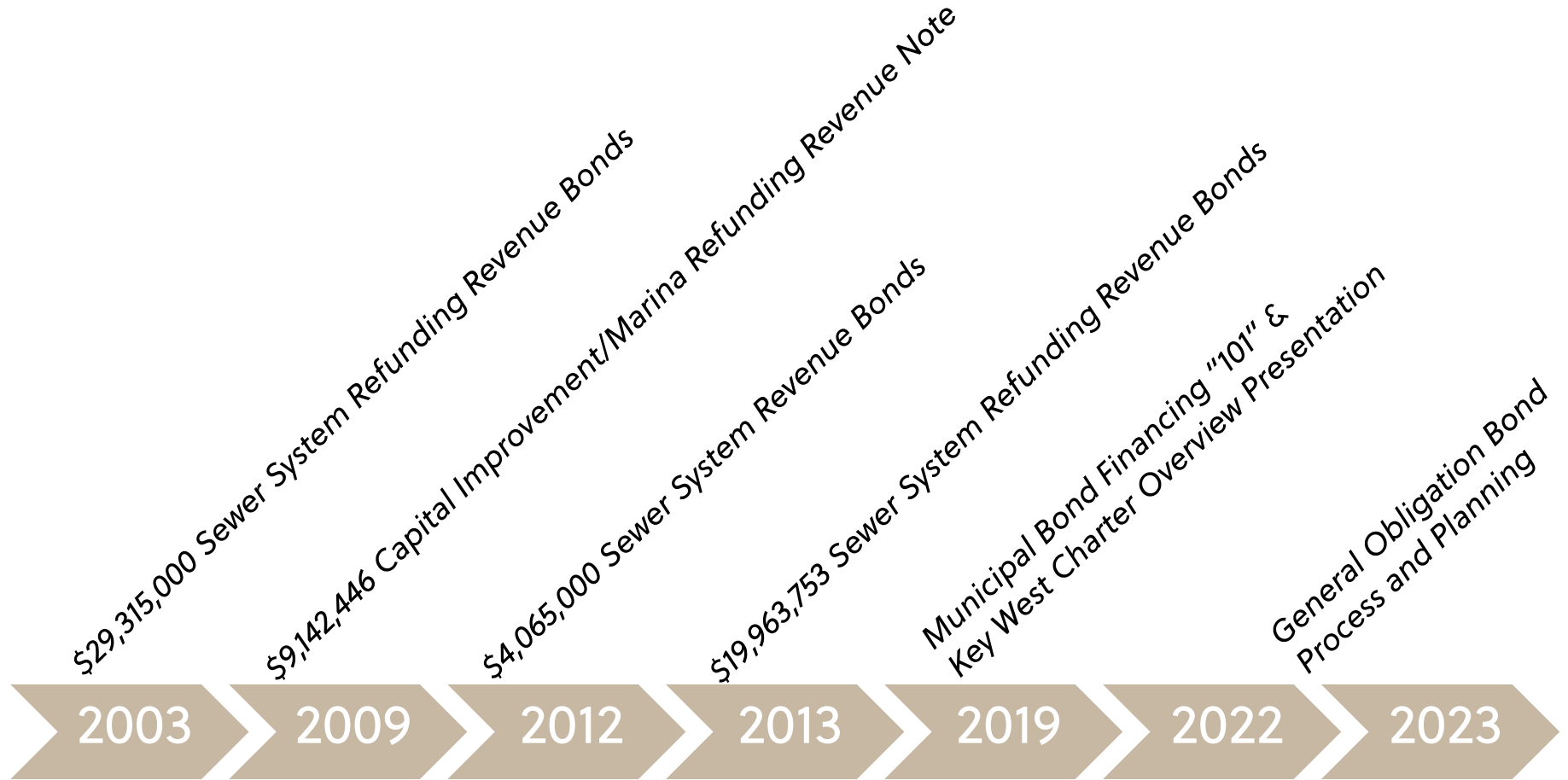
Brooks Rehabilitation
Jackson Health System
LifeSouth Community Blood Centers
North Broward Hospital District
Orange County Health Facilities Auth.
Winter Park Health Foundation

HIGHER EDUCATION

Flagler College
Florida Gulf Coast University
New College
Nova Southeastern University
Stetson University
St. Leo University
University of Florida Athletic Assn.
University of North Florida
University of South Florida



PFM has worked with the City of Key West for over two decades





What are General Obligation Bonds?

- General Obligation (“GO”) Bonds are a financing mechanism to fund improvements immediately
 - Bonds are backed by the full faith and credit of the issuing municipality
 - Repaid through the imposition of a dedicated debt service millage levy (Ad Valorem tax)
 - A city-wide voter referendum is required prior to the issuance of GO Bonds
- Projects financed with GO Bonds typically have broad community benefits, such as parks, police/fire facilities, or bridge and street related projects
 - Bond financing allows “Generational Equity” for infrastructure projects as it spreads the cost of the capital project over time
 - The cost of the capital project isn’t only borne by the current tax payers, but future ones as well



Outline of Steps Required for Issuance of General Obligation Bonds

- 1. Develop Project List and Estimate Financial Impacts:** City Commission, Administration, and Community stakeholders participate in developing the project list; Quantify preliminary millage estimates
 - **Community Educational Outreach program (step 1)**
- 2. Finalize project list:** City Commission finalizes the project list based on initial steps
- 3. Authorizing Resolution:** City Commission directs City administration to proceed, City Attorney and Bond Counsel draft resolution authorizing bond referendum
- 4. City Commission Meeting:** Approves and adopts the resolution and specifies the ballot question(s). Includes scope of projects, ballot language, and referendum date
- 5. Educational outreach program (step 2):** Hold community charettes and other informational sessions about the specific infrastructure investments and estimated millage impact

GENERAL OBLIGATION BOND REFERENDUM DATE

6. Clerk performs canvas of referendum results
7. City Commission accepts results of the referendum at regularly scheduled Commission meeting
8. Bond Counsel prepares draft Bond Documents (Ordinance, Resolution) for bond validation (if required).
9. File Referendum Validation, City Clerk publishes certain notices, Validation hearing, 30-day appeal, Validation complete
10. Secure Financing: Seek credit ratings, finalize bond structure, notice bond sale, issue bonds, receive funds



Credit Rating Process and Methodology

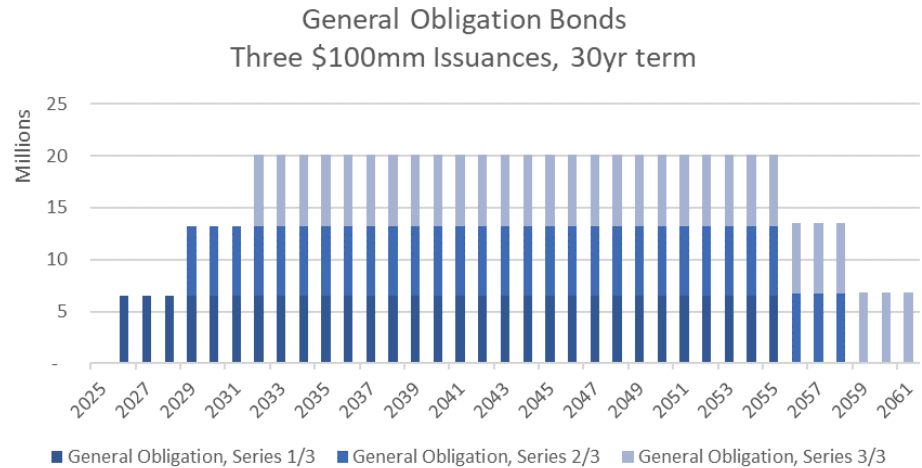
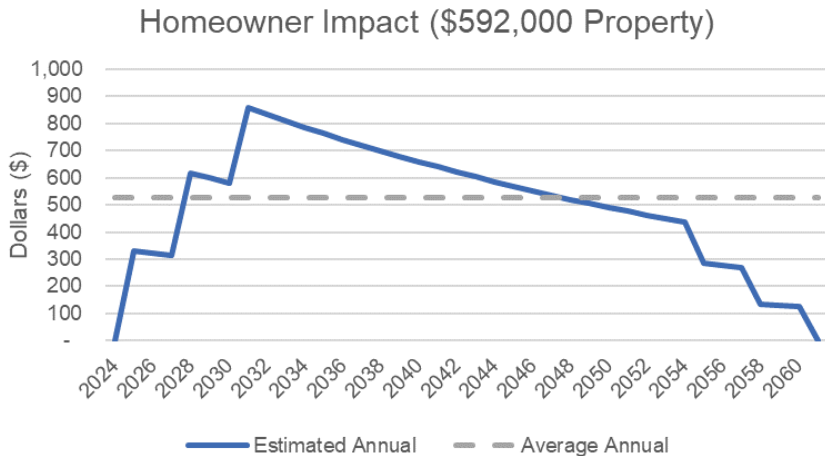
- Publicly offered bonds typically require one or more credit ratings from a nationally recognized rating service.
 - Moody's, Standard & Poor's, and Fitch Ratings are three widely-recognized credit agencies
 - A credit score is meant to measure risk to bondholders and an issuers ability to repay debt
 - Investment-Grade Credit scores range from AAA to BBB
 - ***The City does not currently have a public credit rating***

S&P	Fitch	Moody's
AAA	AAA	Aaa
AA+	AA+	Aa1
AA	AA	Aa2
AA-	AA-	Aa3
A+	A+	A1
A	A	A2
A-	A-	A3
BBB+	BBB+	Baa1
BBB	BBB	Baa2
BBB-	BBB-	Baa3
BB	BB	Ba
B	B	B
C	C	C



General Obligation Bonds – Accelerated Capital Program

- It is likely that the City will issue multiple series of bonds to meet construction requirements
 - The table below estimates three (3) \$100 million bond issuances with a 30-yr term, issued every three (3) years
 - As such, the annual impact is mitigated in the initial years until the full amount has been issued
- The table below also assumes a modest 3% annual tax base growth
 - Average homestead property tax impact would be approximately \$528/yr
 - Any new construction and subsequent increases to the City's tax base over \$10.2 billion, would reduce the impact to a homestead property



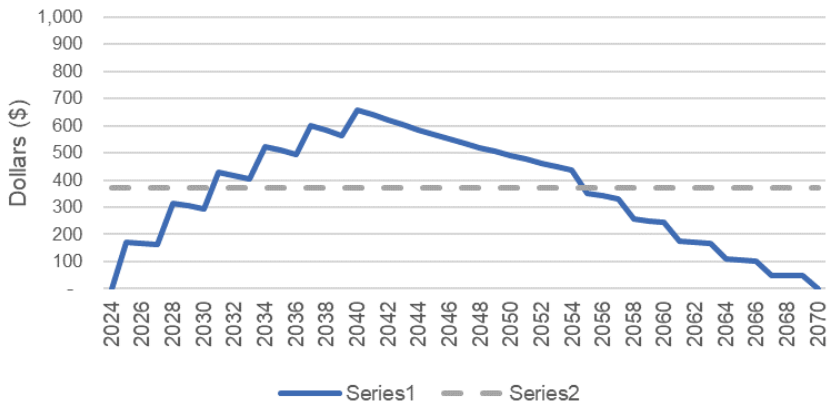
Notes:
Preliminary. For discussion purposes only. Numbers are subject to change depending on market conditions at the time of sale.
 *Estimated based on a \$100M every three years starting in FY 2025. Assumes average borrowing rates of 5.25%
 *Median Key West homestead residential taxable value of \$592,000
 *Assumes 3% annual growth to the City's Taxable Assessed Values



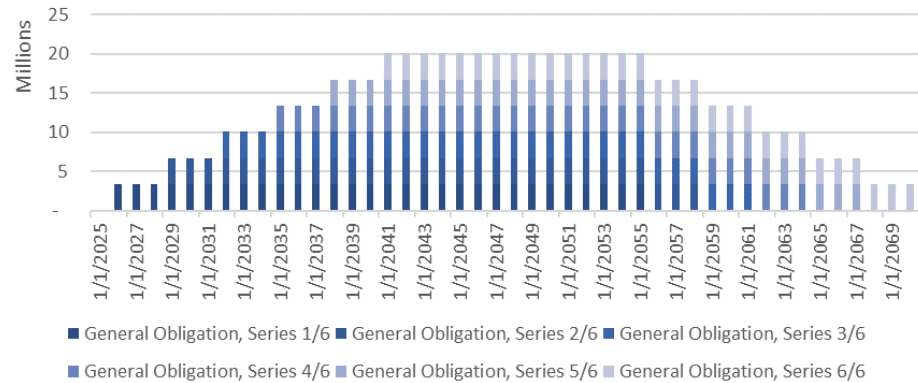
General Obligation Bonds – Three Sequenced Bond Issuances

- It is likely that the City will issue multiple series of bonds to meet construction requirements
 - The table below estimates six (6) \$50 million bond issuances with a 30-yr term, issued every three (3) years
 - As such, the annual impact is mitigated in the initial years until the full amount has been issued
- The table below also assumes 3% annual growth to the tax base
 - Average homestead property tax impact would be approximately \$373/yr
 - Any new construction and subsequent increases to the City's tax base over \$10.2 billion, would reduce the impact to a homestead property

Homeowner Impact (\$592,000 Property)



General Obligation Bonds
Six \$50mm Issuances, 30yr term



Notes:

Preliminary. For discussion purposes only. Numbers are subject to change depending on market conditions at the time of sale.

*Estimated based on a \$50M every six years starting in FY 2025. Assumes average borrowing rates of 5.25%

*Median Key West homestead residential taxable value of \$592,000

*Assumes 3% annual growth to the City's Taxable Assessed Values



Summary

- The City's contemplating up to \$300 million of capital investment towards infrastructure projects
 - Any infrastructure investment that is funded through the capital markets will require voter referendum
 - The City currently maintains a very low debt burden and we would expect to achieve a stable investment grade rating
- Preliminary figures utilized two scenarios for the issuance of bonds: a 9-10 year program, and a 15-20 year program
 - The timing of the bond financings will directly depend on the speed of the City's capital infrastructure projects
- *The financing scenarios utilize a blended interest rate of 5.25% for all borrowings*
 - *In the current market, the borrowing rate would be estimated to be below 5%*
- *Preliminary results suggest an average tax impact of \$527 for the accelerated scenario and \$373 for the normalized scenario*
 - *Any increases to the City's overall Taxable Assessed Value, including new construction and non-homesteaded properties, would further reduce the impact to homestead properties*

Thank you!

Any Questions?



pfm