



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

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capital planning | rating strategies
| transaction management & bond pricing

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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

INVESTOR RELATIONS

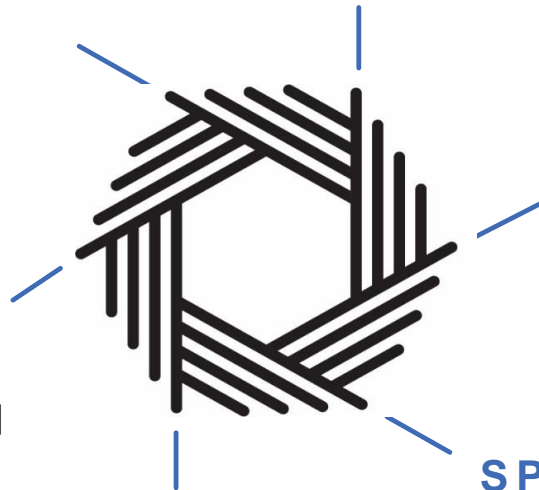
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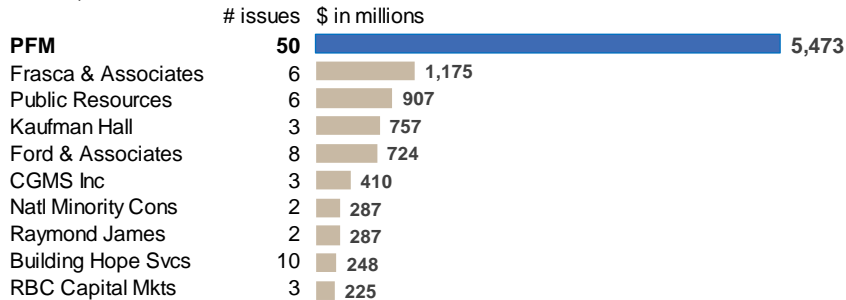
PFM provides both National and Florida Experience

- 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

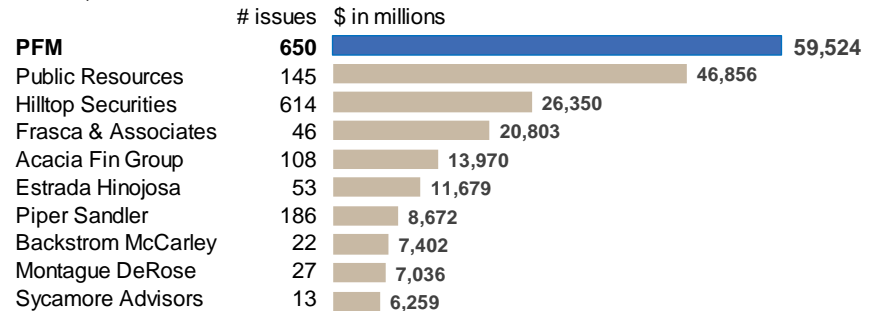
Source: Ipreo



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

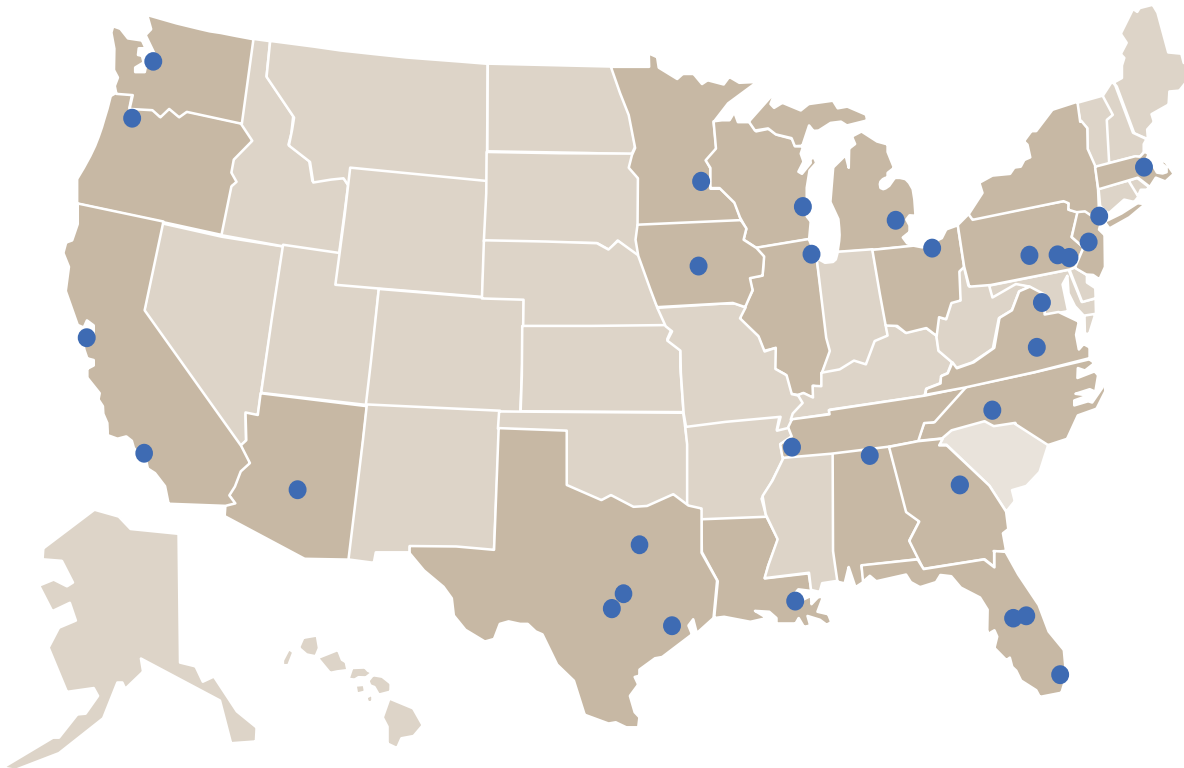


*Ranked by Ipreo MuniC in terms of par amount as of December 31, 2022



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
 Lingleaf 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

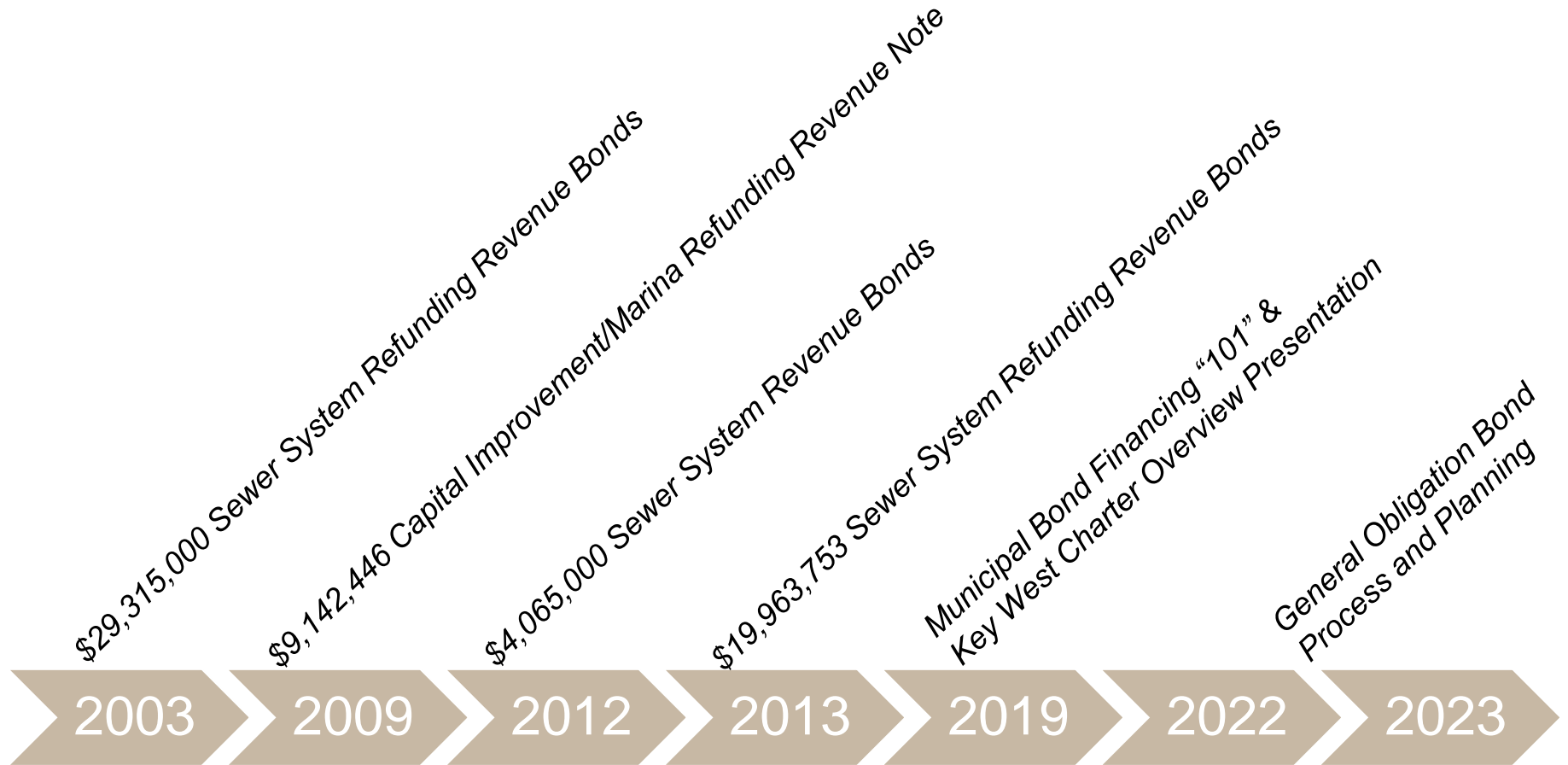
Brooks Rehabilitation
 Jackson Health System
 LifeSouth Community Blood Centers
 North Broward Hospital District
 Orange County Health Facilities Auth.
 Winter Park Health Foundation

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

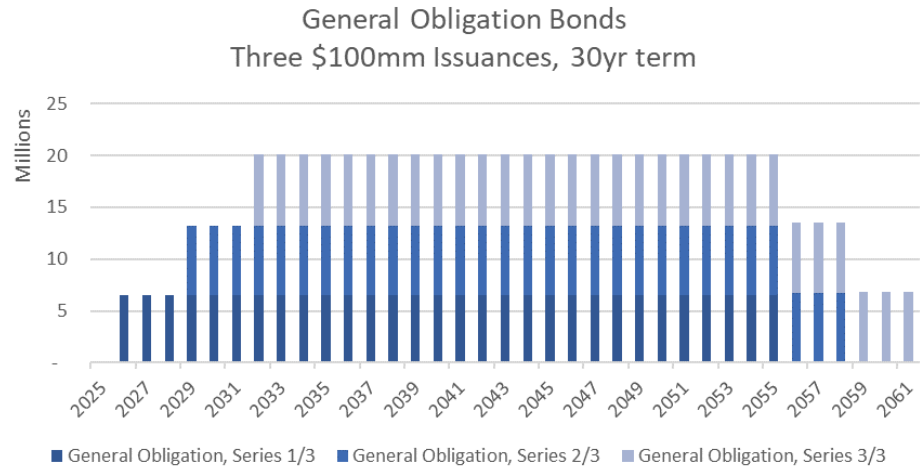
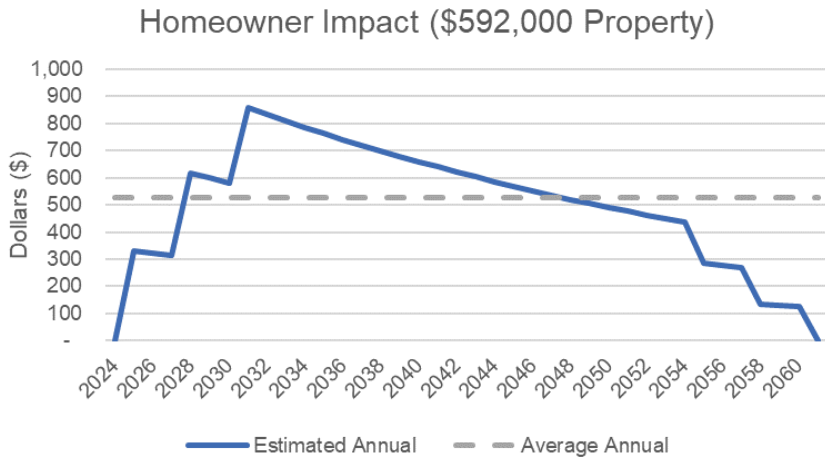
- Publicly offered bonds typically require one or more credit ratings from a nationally recognized rating service.
 - Moody's, Standard & Poor's, and Fitch Ratings are three widely-recognized credit agencies
 - A credit score is meant to measure risk to bondholders and an issuer's ability to repay debt
 - 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:

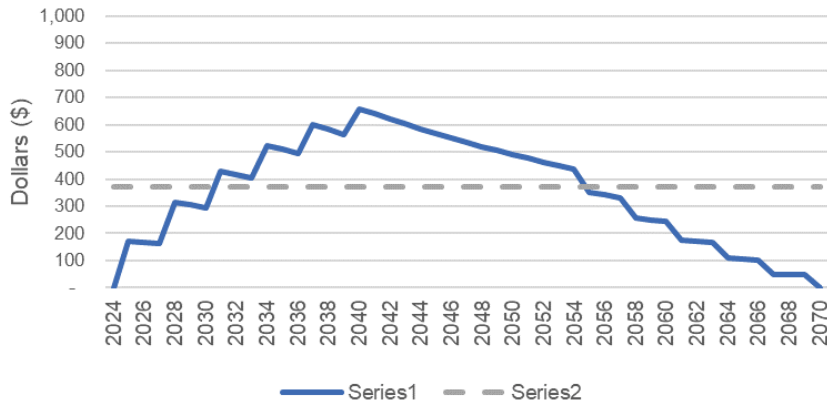
- Preliminary.** For discussion purposes only. Numbers are subject to change depending on market conditions at the time of sale.
- *Estimated based on a \$100M every three years starting in FY 2025. Assumes average borrowing rates of 5.25%
- *Median Key West homestead residential taxable value of \$592,000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



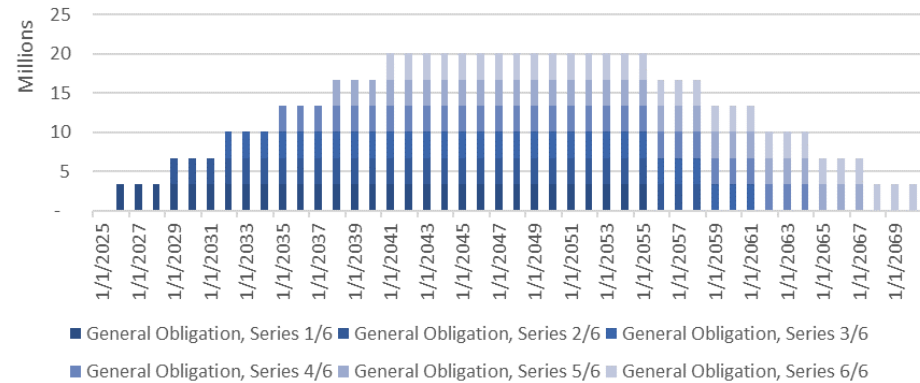
General Obligation Bonds – Three Sequenced Bond Issuances

- 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