



# City of Key West, FL Overview of General Obligation Bonds

January 11, 2024

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PFM Financial Advisors LLC

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Coral Gables, FL  
33134

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[www.pfm.com](http://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

## INVESTOR RELATIONS

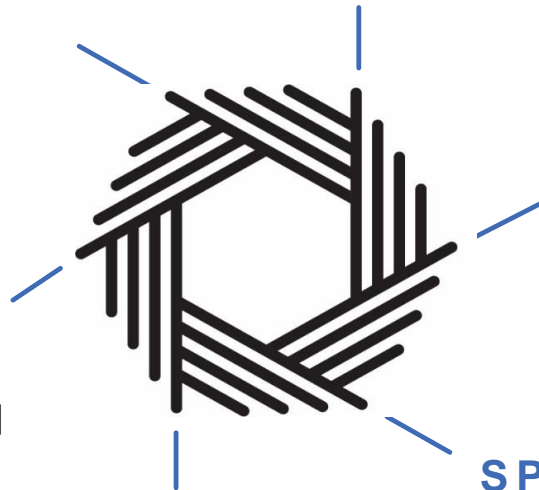
Munite® | investor intelligence & outreach | analytics | customized dashboards

## FINANCIAL MODELING

powered by Synario™

## SPECIALIZED SERVICES

treasury management consulting | environmental finance | retirement finance | derivatives advisory





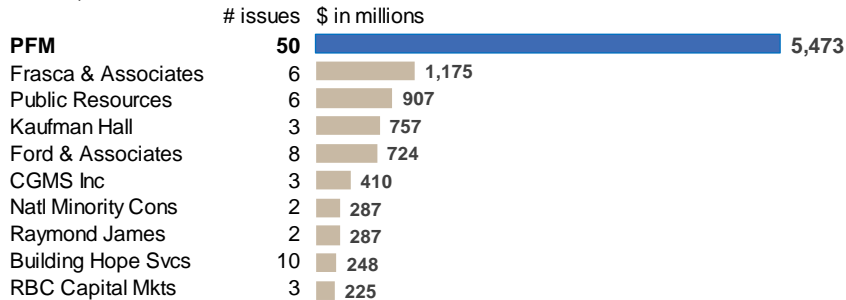
# PFM provides both National and Florida Experience

- 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

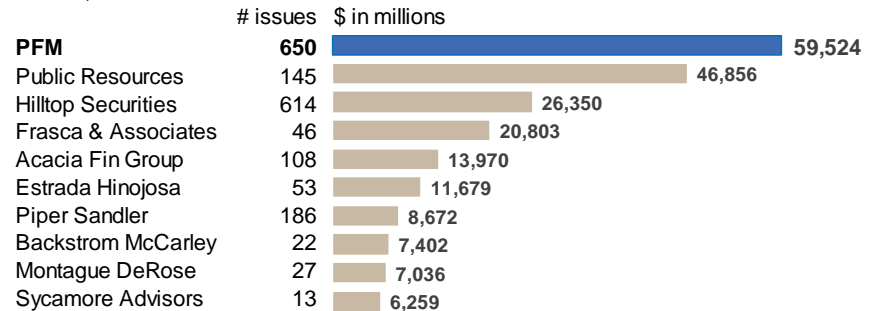


\*Ranked by Ipreo in terms of par amount as of December 31, 2022

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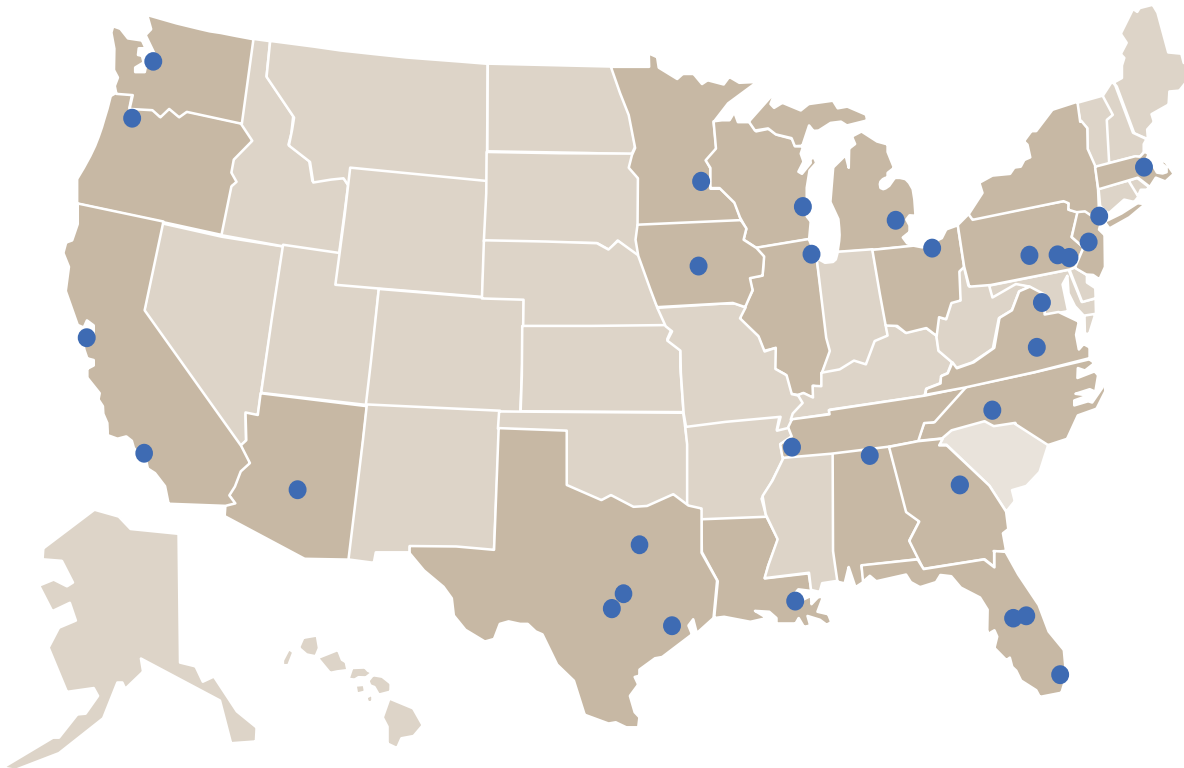


\*Ranked by Ipreo MuniC in terms of par amount as of December 31, 2022



## 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   | <b>Miami</b>        |
| Arlington   | Middleburg Heights  |
| Atlanta     | Milwaukee           |
| Austin      | Minneapolis         |
| Boston      | New Orleans         |
| Chandler    | New York            |
| Charlotte   | <b>Orlando</b>      |
| Chicago     | <b>Orlando East</b> |
| Dallas      | Philadelphia        |
| Des Moines  | Portland            |
| Harrisburg  | Princeton           |
| Houston     | Richmond            |
| Huntsville  | San Antonio         |
| Los Angeles | San Francisco       |
| Malvern     | Seattle             |
| Memphis     |                     |



# 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

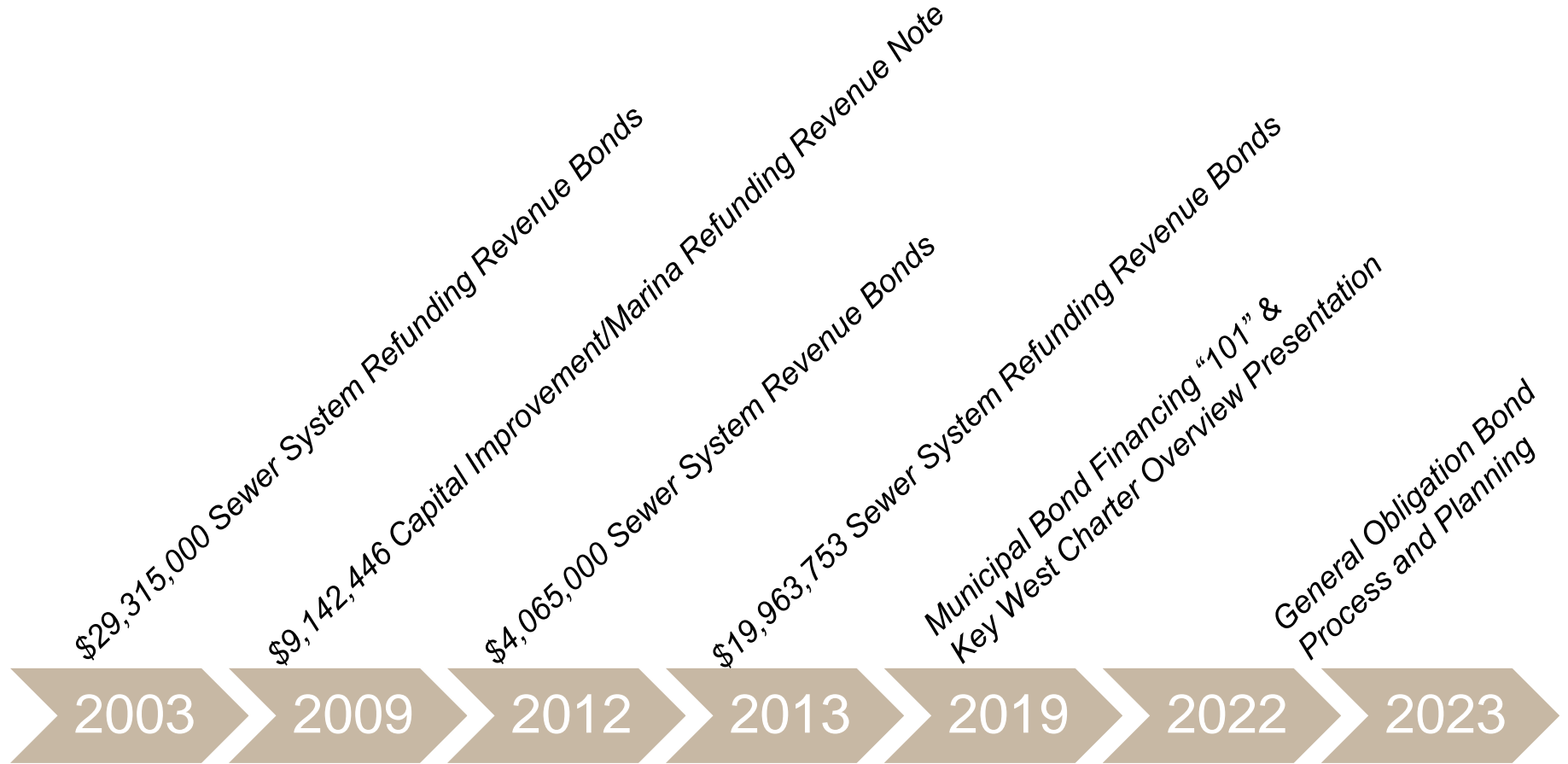
Brooks Rehabilitation  
 Jackson Health System  
 LifeSouth Community Blood Centers  
 North Broward Hospital District  
 Orange County Health Facilities Auth.  
 Winter Park Health Foundation

### 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

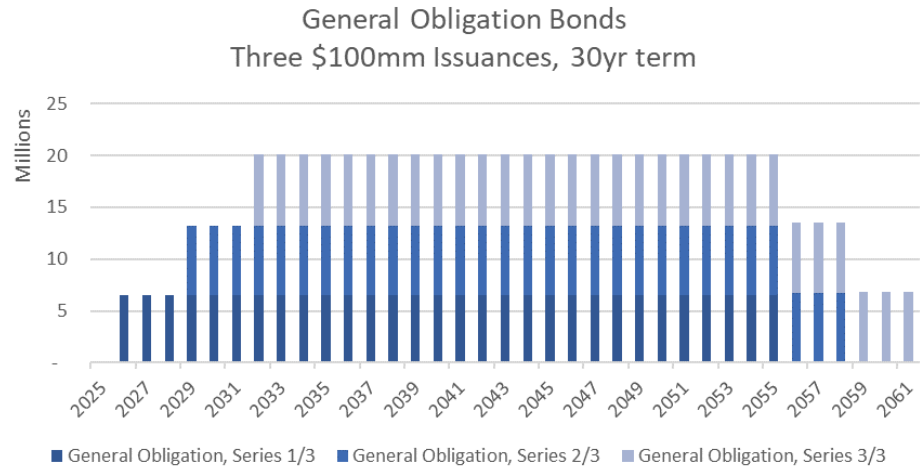
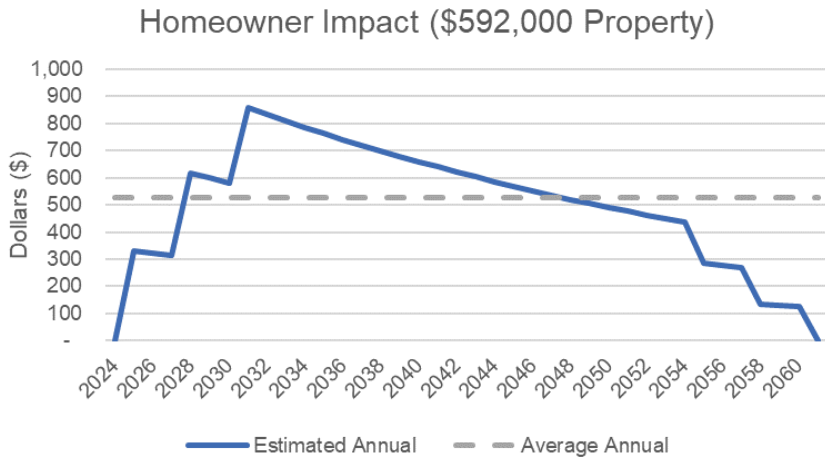
- Publicly offered bonds typically require one or more credit ratings from a nationally recognized rating service.
  - Moody's, Standard & Poor's, and Fitch Ratings are three widely-recognized credit agencies
  - A credit score is meant to measure risk to bondholders and an issuers ability to repay debt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

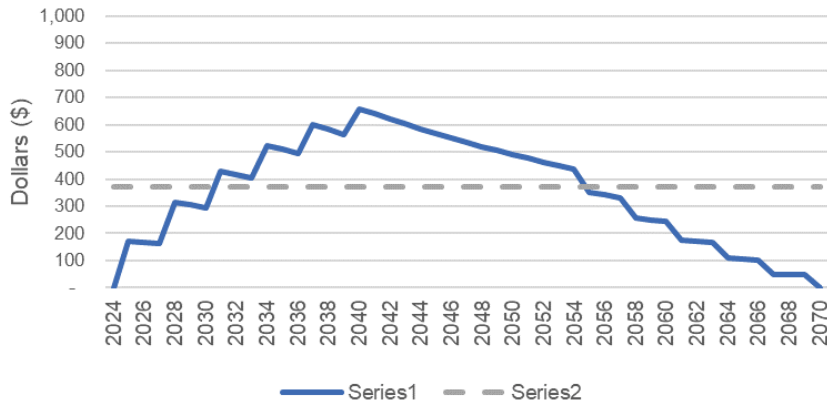
- Preliminary.** For discussion purposes only. Numbers are subject to change depending on market conditions at the time of sale.
- \*Estimated based on a \$100M every three years starting in FY 2025. Assumes average borrowing rates of 5.25%
- \*Median Key West homestead residential taxable value of \$592,000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



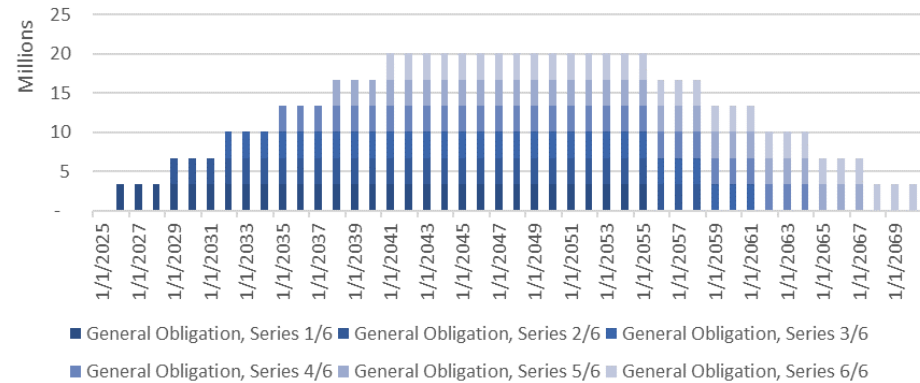
# General Obligation Bonds – Three Sequenced Bond Issuances

- 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**