



# 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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[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

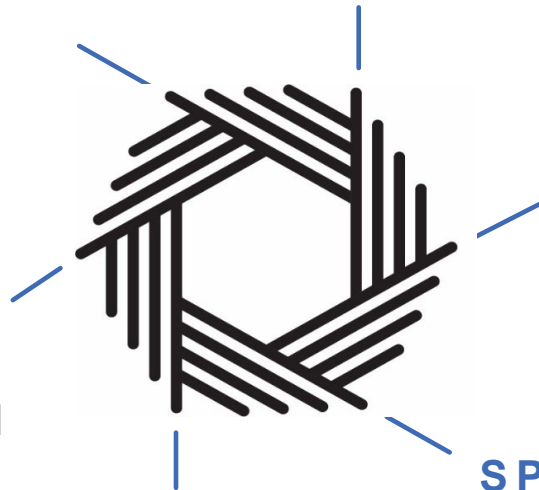
Munite® | investor intelligence & outreach | analytics | customized dashboards

## FINANCIAL MODELING

powered by Synario™

## SPECIALIZED SERVICES

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





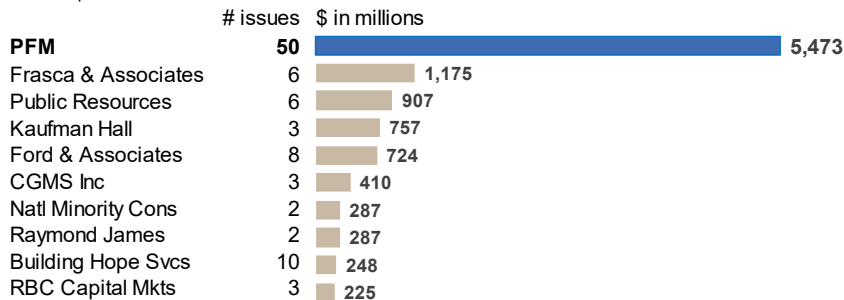
# PFM provides both National and Florida Experience

- 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

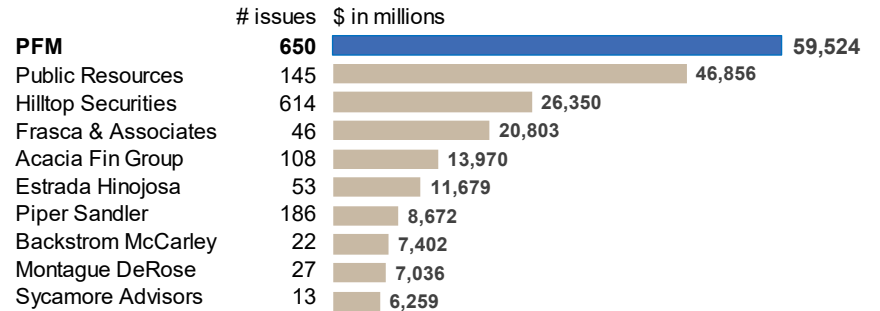
Source: Ipreo



## 2022 Full Year Overall Long Term Municipal New Issues

Municipal Financial Advisory Ranking - Full Credit to Each Financial Advisor

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

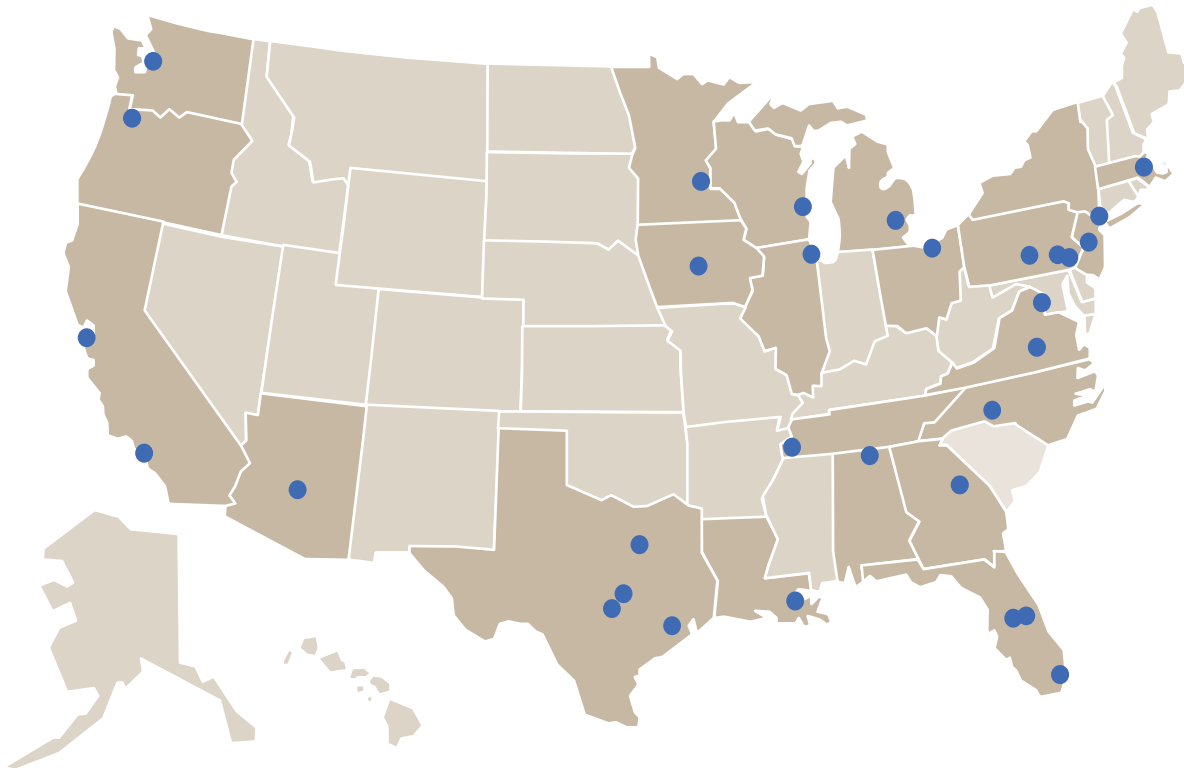


\*Ranked by Ipreo MuniC in terms of par amount as of December 31, 2022



## 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

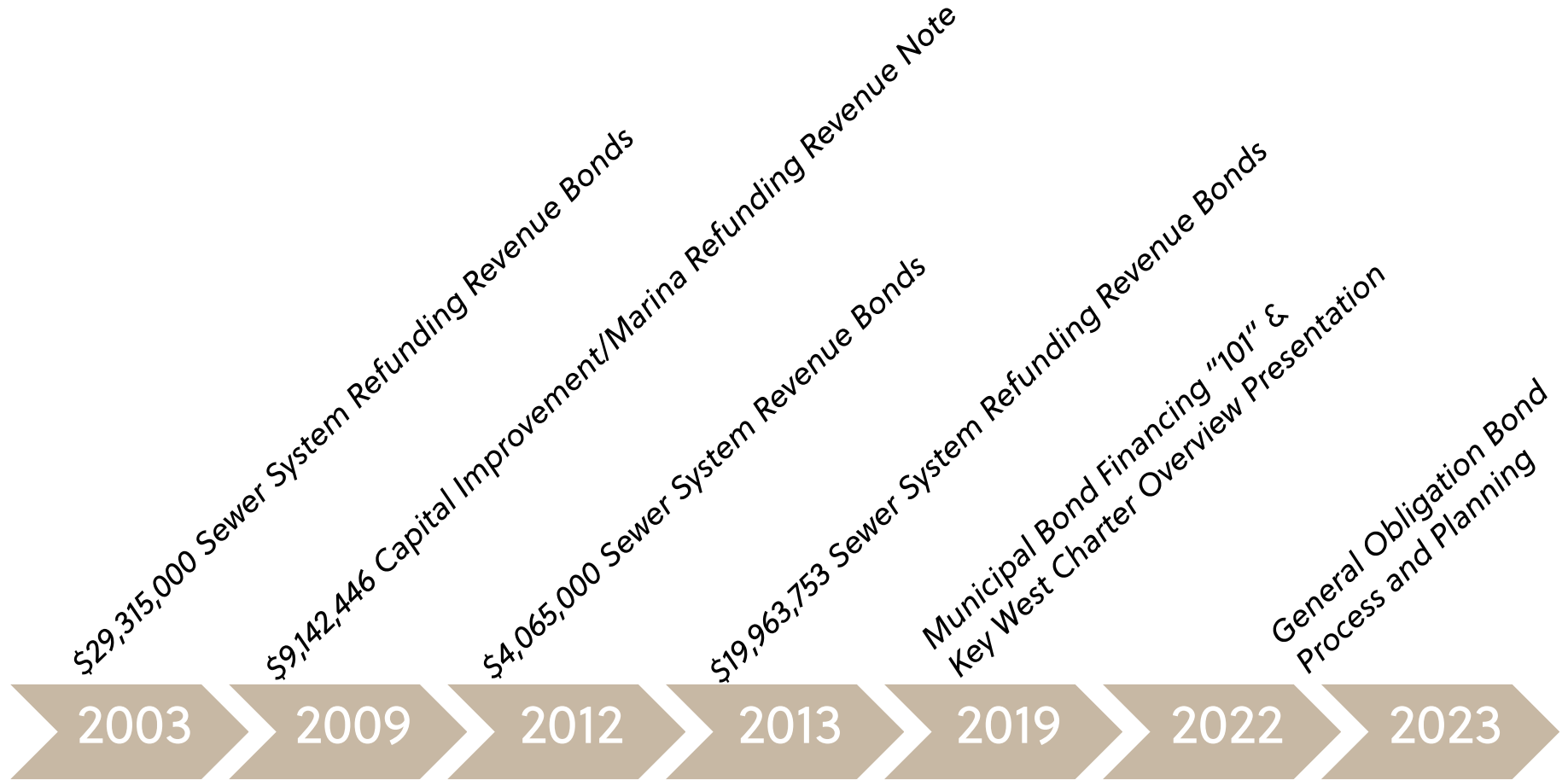
Brooks Rehabilitation  
Jackson Health System  
LifeSouth Community Blood Centers  
North Broward Hospital District  
Orange County Health Facilities Auth.  
Winter Park Health Foundation

### 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

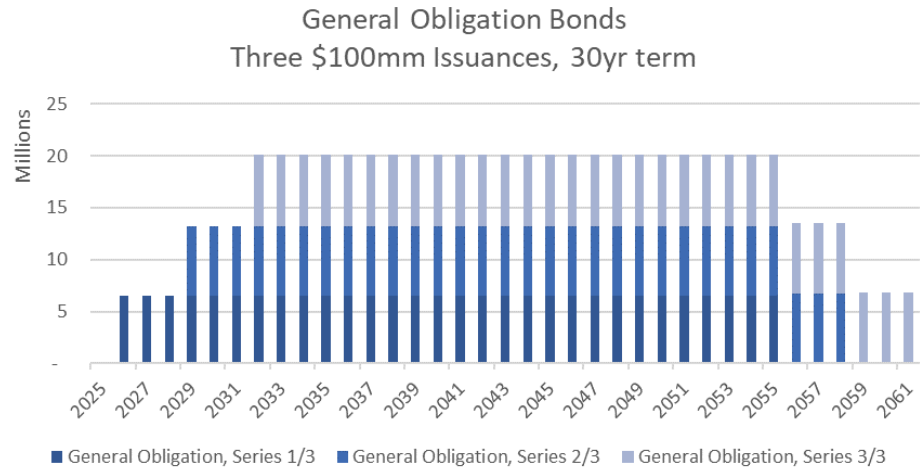
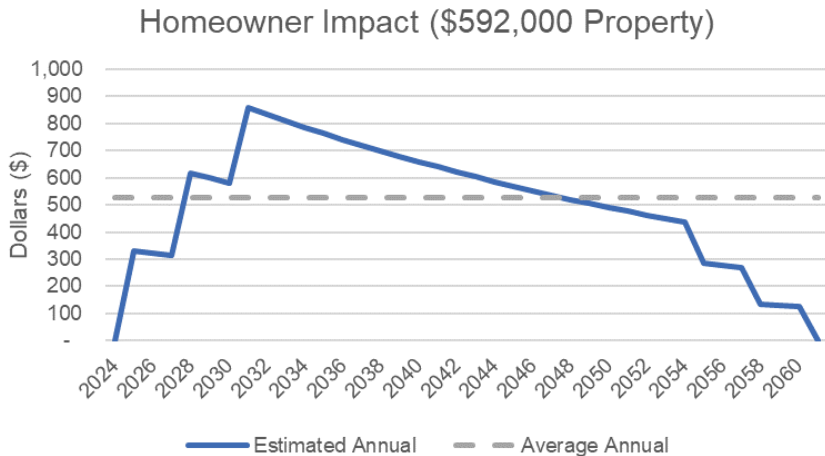
- Publicly offered bonds typically require one or more credit ratings from a nationally recognized rating service.
  - Moody's, Standard & Poor's, and Fitch Ratings are three widely-recognized credit agencies
  - A credit score is meant to measure risk to bondholders and an issuers ability to repay debt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

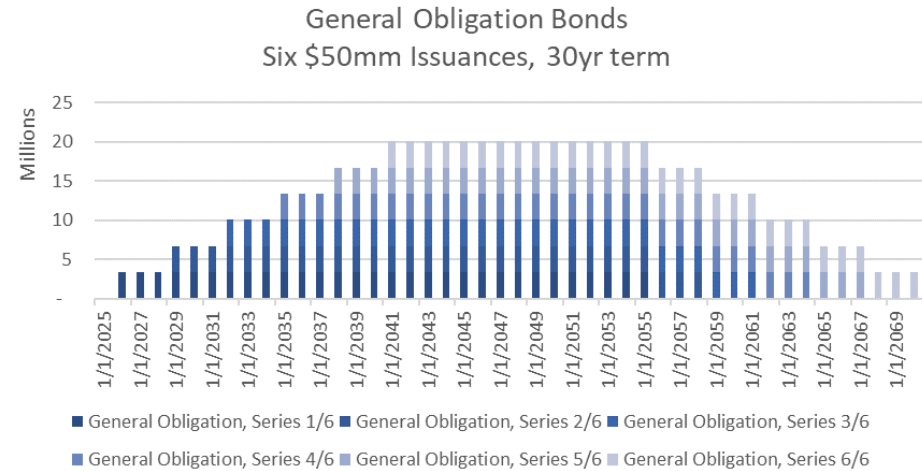
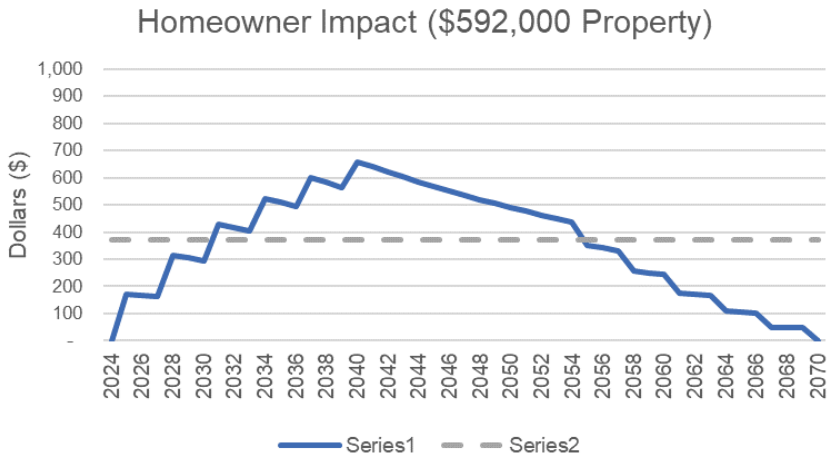
\*Median Key West homestead residential taxable value of \$592,000

\*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



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**