



May 27, 2021

Recommendation Memorandum

To: Steve Kennedy, City Manager
Marlena Guthrie, Finance Director

From: Jeremy Niedfeldt, Director – PFM Financial Advisors LLC

Re: Recommendation Memo – Electric Utility Revenue Refunding Note, Series 2021

PFM Financial Advisors LLC (“PFM”) was engaged by the City of Green Cove Springs, Florida (the “City”) to serve as financial advisor for the City’s proposed issuance of a Electric Utility Revenue Refunding Note, Series 2021 (the “2021 Note”) to refund, on a current basis, the Electric Utility Revenue Note, Series 2018 (the “2018 Note”) in an amount not to exceed \$9,800,000. Based on the desire to move in an expediated manner to take advantage of historically low interest rates, bank qualified status, reduced cost of issuance and recent aggressive bids received from banks for comparable transactions, PFM recommended the City pursue a privately placed direct bank loan, which in today’s market was expected to be an efficient and cost-effective method of financing.

At the City’s direction, PFM distributed a request for proposals (“RFP”) on April 21, 2021 to a list of local, regional and national financial institutions to identify the qualified financial institution that could provide the City with a fixed rate, bank qualified term loan at the lowest overall borrowing cost, pursuant to certain conditions as determined by the City. Due to the City having \$1.5 million in unspent proceeds from the 2018 Note at the time the RFP was released, the City also included the option for the banks to structure the loan with 12-months of drawdown flexibility on \$1.5 million of the 2021 Note. Prior to the submittal deadline (2:00 pm on May 21, 2021) the City received seven (7) proposals from the following institutions: BankUnited, CenterState, Key Government Finance, Regions, Signature Public Funding, Synovus, and Truist. A summary of each proposal is included as **Exhibit A**.

Based on PFM’s review and discussions with the City staff and Note Counsel, it was determined that Key Government Finance provided the best combination of interest rate and terms most favorable to the City. Key Government Finance offered a fixed interest rate of 1.712%, which would be locked for the entire term of the 2021 Note. The interest rate is held through a closing date on or before June 21, 2021, thus eliminating any risk associated with rising interest rates. Their proposal also includes the ability to prepay the 2021 Note in whole at any time at par. CenterState offered a fixed interest rate of 1.85% as well as 12-months of drawdown flexibility, but this added flexibility would cost the City approximately \$94,000 in more in interest over the life of the loan. A copy of Key Government Finance’s proposal is included as **Exhibit B**

Based on the fixed interest rate, flexible prepayment, and acceptable terms and conditions provided in their proposal, PFM recommends selecting Key Government Finance as the loan provider for the 2021 Note. If approved, we estimate the City will realize approximately \$921,000 of net present value debt service savings or over 9.5% of the Refunded Bonds par amount, resulting in approximately \$70,000 in savings annually through 2033. We anticipate bringing the Ordinance to the City Council for 2nd reading at the June 15, 2021 meeting. If you have any questions, please feel free to contact me at (407) 949-2248 or niedfeldtj@pfm.com.



Exhibit A
Summary of Proposals



City of Green Cove Springs, FL
 Electric Utility Revenue Refunding Note, Series 2021
 RFP Summary

	BankUnited	CenterState	Key Government Finance	Regions
Contact Information	Blair Swain Senior Vice President 480-688-4064 BSwain@BankUnited.com	Garry R. Lubi Senior Vice President 386-597-8142 glubi@southstatebank.com	Daniel Bild Vice President 720-904-4262 Daniel.Bild@Key.Com	Karen Song VP 407-246-8977 Karen.Song@Regions.com
Tax-Exempt Bank Qualified Interest Rate	2.20%	1.850%	1.712%	Option 1) 1.79% Option 2 (Drawdown Option) 1.84%
Final Maturity Date	7/1/2033	7/1/2033	7/1/2033	7/1/2033
Interest Rate Fixed or Indicative?	Fixed	Fixed	Fixed	Indicative
Rate Locked to Closing, or Date to be Set	Rate held through anticipated closing date of 6/21/21	Rate held through anticipated closing date of 6/25/21	Rate held through anticipated closing date of 6/21/2021 if recommended for award by 5/27/2021	Set upon notification of award
Prepayment Provisions	Prepayable in whole or in part any time after 7/1/2027 at a price equal to 102%	1% prepayment penalty in 1st 3 years	Prepayable in whole, but not in part, anytime at par	Option 1) Prepayable in whole or in part after 7 years Option 2) Prepayable in whole or in part after 8 years
Drawdown Option	BankUnited will work with the City to make the draw down of \$1.5 million of unspent proceeds included in this transaction	Draw at closing of \$8,150,000, with option to draw on remaining \$1,650,000 in funds in one draw or multiple (not to exceed 4 draws) over the next 12 months	None	Option 2) Draws subject to below schedule: At Closing (June 21, 2021): \$8,300,000 October 1, 2021: \$375,000 January 1, 2021: \$375,000 April 1, 2021: \$375,000 July 1, 2022: \$375,000
Legal/Other Fees	\$8,000	\$5,000	\$0	\$8,000
Other Conditions & Notes	A) Prepayment option subject to negotiation B) Taxability gross up if results from County's actions or inactions C) Rate Covenant & ABT: 1.20x D) BankUnited reserves right to transfer loan E) City to provide CAFR within 210 days of each FY end	A) Rate Covenant & ABT: 1.20x B) Late Fee: 5% C) Acceleration in the event of default D) Default Rate: Note Rate + 6% E) City to provide CAFR within 270 days of each FY end and budget within 60 days of adoption F) Taxability gross up if results from County's actions or inactions G) CenterState is willing to effect the transaction through an amendment to the existing loan documents F) Draw option assumes principal balance is reduced from current balance of \$9,611,000 to \$8,150,000 prior to closing	A) City to provide financial statements within 270 days of each FY end B) Default Rate: 3% above the current interest rate C) ABT & Rate Covenant: 1.20x D) Term sheet expires within 10 business days	A) Regions willing to agree to alternative draw schedule B) Default Rate: Interest Rate + 6% C) Taxability gross up if results from County's actions or inactions D) City to provide financial statements within 270 days of each FY end and budget within 30 days of adoption E) Rate Covenant & ABT: 1.20x F) Regions reserves right to transfer loan G) Term sheet expires 6/30/2021



City of Green Cove Springs, FL
 Electric Utility Revenue Refund
 RFP Summary

	Signature Public Funding	Synovus	Truist
Contact Information	Dennis M. McDermott Executive Sales Officer 470-597-9280 dmcdermott@signatureny.com	Jim Mitchell Sr. Director 239-552-1819 JIMMITCHELL@synovus.com	Christina Tinker 704-417-4004 Christina.Tinker@truist.com
Tax-Exempt Bank Qualified Interest Rate	1.995%	Option 1) 1.84% Option 2 (Drawdown Option) 1.86%	1.890%
Final Maturity Date	7/1/2033	7/1/2033	7/1/2033
Interest Rate Fixed or Indicative?	Fixed	Fixed	Fixed
Rate Locked to Closing, or Date to be Set	Rate held through anticipated closing date of 7/21/2021	Rate held through anticipated closing date of 6/27/2021	Rate held through 7/5/2021
Prepayment Provisions	Prepayable in whole on or after: 7/1/2026 at 103% 7/1/2027 at 102% 7/1/2028 at 101% 7/1/2029 at par	Prepayable, in whole or in part, at any time at par	Prepayable in whole at any time with a 1% penalty OR Non-callable for first half of the term and callable at par thereafter
Drawdown Option	None	Option 2) Draw of \$8,300,000 at closing, with option to drawdown remaining \$1,500,000 during the 1st 12 months	None
Legal/Other Fees	\$5,000	\$7,500	\$7,500
Other Conditions & Notes	A) Documentation shall include all standard representations, warranties, and covenants typically associated with a transaction of this nature B) Taxability gross-up if results from City's actions or inactions	A) DSC & ABT: 1.20x B) City to provide financial statements within 270 days of each FY end and budget within 60 days of adoption C) Acceleration in event of default D) Default Rate: Lesser of Bank's Prime Rate + 5% and max rate allowed by law E) Taxability gross-up if results from City's actions or inactions	A) DSC & ABT: 1.20x B) Default Rate: Interest rate + 2% C) Financial statements to be delivered within 270 days after the conclusion of each fiscal year-end



Exhibit B
Key Government Finance Term Sheet



City of Green Cove Springs, Florida
Electric Utility Revenue Refunding Note, Series 2021
Summary of Terms and Conditions
May 20, 2021

This Financing proposal is provided for discussion purposes only and does not represent a commitment from Key Government Finance, Inc. (“KGF”). This proposal and its terms are submitted on a confidential basis and shall not be disclosed to third parties (other than the Borrower’s officers, directors, employees and advisors charged with reviewing and/or implementing the transactions contemplated hereby) without KGF’s consent. This proposal is intended as an outline of certain material terms of the Facility and does not purport to summarize all the conditions, covenants, representations, warranties and other provisions which would be contained in definitive documentation for the Facility contemplated hereby.

Key Government Finance, Inc., (“Lender”) is pleased to provide the following term sheet for a direct purchase financing structure to the City of Green Cove Springs, Florida.

- Lender:** Key Government Finance, Inc. (“KGF”).
- Borrower/Issuer:** City of Green Cove Springs, Florida (the “City”).
- Issue:** Electric Utility Revenue Refunding Note, Series 2021 (the “2021 Note” or the “Note”).
- Facility:** Tax-Exempt Bank Qualified Direct Purchase of the Note by the Lender.
- Amount:** \$9,800,000. The full amount of the Facility shall be advanced on the closing date.
- Use of Proceeds:** The 2021 Note is being issued by the City for the purpose of (i) refunding, on a current basis, the Electric Utility Revenue Note, Series 2018 and (ii) paying the related costs of issuance of the 2021 Note.
- Facility Terms:** The anticipated closing date for this Facility is June 21, 2021 (“Anticipated Closing Date”). The final maturity date for this Facility is July 1, 2033 (“Final Maturity”). KGF will purchase the Facility through Final Maturity.
- Repayment:** Annual principal payments commencing July 1, 2021 through Final Maturity. Semi-annual interest payments commencing July 1, 2021 through Final Maturity. Any amortization that differs from the debt service schedule in the RFP and increases the average life of the financing for the option below may result in an adjustment to the interest rate provided.
- Interest Rate:** Based on market conditions as of May 20, 2021, the interest rate is 1.712%. This interest rate needs to be accepted by the Borrower no later than May 27, 2021 and would be valid for closing on or before the Anticipated Closing Date.
- Interest Day Count:** 30/360
- Costs of Issuance:** Borrower will be responsible for costs related to this financing including but not limited to Bond, Issuer’s, Trustee’s, and Borrower’s Counsel fees. Lender plans to use Kutak Rock LLP as outside legal counsel (***Lender to pay their fee***). Attorney contact information is provided below:

Andrew P. Romshek | Partner
Kutak Rock LLP
1650 Farnam Street
Omaha, NE 68102-2186
D (402) 231-8797
O (402) 346-6000
Andrew.Romshek@KutakRock.com
www.KutakRock.com

- Prepayment:** The Facility may be prepaid in whole, but not in part, anytime at par plus accrued interest.
- Security:** The 2021 Note is payable solely from and secured solely by a senior pledge of the net revenues of the City's Electric Utility System.
- Financial Reporting:** Borrower shall provide to the Lender or post on EMMA:
1. Annual audited financial statements including operating statistics within 270 days of Borrower's fiscal year end or if the audit has not been completed, a copy of the unaudited financial statements, and the annual audited financial statements within 30 days of availability.
 2. Other financial reports as Lender may reasonably request.
- Default Rate:** 3% above the current interest rate for any outstanding payments in default (the "Default Rate"), upon the occurrence of a default that is not cured within 90 days, the Default Rate shall apply to all outstanding principal, until the default has been cured.
- Financial Covenants:** Additional Bonds Test: 1.20X as currently defined.
Rate Covenant: 1.20X as currently defined.
- Any amendment, modification and/or waiver will require the consent in writing by the Lender.
- Documents:** All documents shall be attorney prepared and in form and substance acceptable to the Lender and its legal counsel, including legal opinions customary for transactions of this nature. Documentation must include the following: "No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation under this Facility shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation". Bond counsel will provide a Validity Opinion regarding the legality, validity, and enforceability of the Facility and a Tax Opinion regarding the tax-exempt nature of the interest earnings on the financing.
- Credit Approval:** The Facility has been credit approved.

Conditions Precedent to Closing: Borrower's obligation will be subject to such terms and conditions that Lender may require with respect to this transaction, or as are customarily required with respect to similar credits and as set forth in the Facility documents. Without limitation, such terms and conditions shall include:

1. Absence of Default.
2. Accuracy of Representations and Warranties.
3. Negotiation and Execution of satisfactory closing documents.
4. Absence of material adverse change in financial condition of Borrower during the period from the date hereof to the Closing Date.
5. Receipt of the top 10 taxpayers.

Firm Experience: The Lender is a subsidiary of KeyBank, N.A. KGF's portfolio consists of over \$5.3 billion of tax-exempt leases, loans, and bonds for municipalities, not-for-profits, and manufacturers across the United States.

Other: The Lender will make a loan by purchasing the Facility under the following additional conditions: (i) the Facility is not being registered under the Securities Act of 1933 and is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state; (ii) the Lender will hold the Facility as one single debt instrument; (iii) no CUSIP numbers will be obtained for the Facility; (iv) no final official Statement has been prepared in connection with the private placement of the Facility; (v) the Facility will not close through the DTC or any similar repository and will not be in book entry form; and (vi) the Facility will not be listed on any stock or other securities exchange.

Paying Agent: While Lender can provide billing and servicing, Lender is unable to act as Paying Agent.

Proposal Acceptance/Expiration

This proposal is issued in reliance upon the accuracy of all information presented by you to us and is contingent upon the absence of any material adverse change in your condition, financial or otherwise, from the condition as it was represented to us at the time of this proposal. This proposal is subject to our formal approval and the execution of documentation acceptable to each of us. **IT IS NOT A COMMITMENT BY US TO ENGAGE IN THIS TRANSACTION.**

“(a) Key Government Finance (“KGF”) is not recommending an action to you as the municipal entity or obligated person; (b) KGF is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to you with respect to the information and material contained in this communication; (c) KGF is acting for its own interests; and (d) you should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.”

Key Government Finance, Inc. (i) is an entity directly or indirectly controlled by a bank or under common control with a bank, other than a broker, dealer or municipal securities dealer registered under the Securities Exchange Act of 1934, and (ii) the present intent of the Key Government Finance, Inc., is to hold the municipal securities to maturity or earlier redemption or mandatory tender. Any placement agent, broker or financial advisor may rely upon the representations and warranties contained in this paragraph.

Lender notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, as amended and supplemented) (the “Patriot Act”), that Lender is required to obtain, verify and record all information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Patriot Act.

Lender acknowledges that, in connection with Borrower’s compliance with any continuing disclosure undertakings (each, a “Continuing Disclosure Agreement”) entered into by Borrower pursuant to SEC Rule 15c2-12 promulgated pursuant to the Securities and Exchange Act of 1934, as amended (the “Rule”), Borrower may be required to file with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system, or its successor (“EMMA”), notice of its incurrence of its obligations under this Facility and notice of any accommodation, waiver, amendment, modification of terms or other similar events reflecting financial difficulties in connection with this Facility, in each case including a description of the material terms thereof (each such notice, an “EMMA Notice”). Borrower shall not file or submit or permit the filing or submission of any EMMA Notice that includes any of the following unredacted information regarding Lender or any Escrow Agent: physical or mailing addresses, account information, e-mail addresses, telephone numbers, fax numbers, tax identification numbers, or titles or signatures of officers, employees or other signatories. Borrower acknowledges and agrees that Lender is not responsible in connection with any EMMA Notice relating to this Facility for Borrower’s compliance or noncompliance (or any claims, losses or liabilities arising therefrom) with the Rule, any Continuing Disclosure Agreement or any applicable securities laws, including but not limited to those relating to the Rule.

If the outlined foregoing proposal is satisfactory, reflects an arrangement that suits the need of your organization and you would like Key to commence its due diligence process, please sign and return this proposal. The terms described in this proposal will expire in ten (10) business days if we have not received an authorized signed copy on or before such date.

Thank you for allowing us the opportunity to present this Proposal. If you have any questions, please call me at 720-904-4262.

Sincerely,

Danny Bild

Danny Bild
Vice President
Key Government Finance, Inc.
1000 S, McCaslin Blvd.
Superior, CO 80027
Daniel.Bild@Key.Com

APPROVED THIS ____ DAY OF _____, 2021

City of Green Cove Springs, Florida

By: _____

Print Name: _____

Title: _____