VILLAGE OF KEY BISCAYNE

Office of the Village Manager

Village Council
Robert L. Vernon, *Mayor*
Jorge E. Mendia, *Vice Mayor*
Michael Davey
Enrique Garcia
Steve Liedman
Thomas Thornton
Patricia Weinman

Village Manager
Genaro "Chip" Iglesias

June 2, 2008

MEMORANDUM

TO: Honorable Mayor and Members of the Village Council

FROM: Genaro "Chip" Iglesias, Village Manager

RE: Water and Sewer Revenue Notes

BACKGROUND

The Village of Key Biscayne has approved the Sanitary Water and Sewer project for which the Village will receive partial funding from various sources. The sources and amounts are as follows: Miami Dade Water and Sewer Department- $6,000,000, Miami Dade GOB - $5,170,000 Million, Environmental protection Agency - $964,300, and the Department of Environmental Protection- $500,000. Although the Village is able to fund the majority of the project with these monies, there will be a shortfall of approximately $4,600,000.

The Village therefore seeks to borrow interim financing from a qualified financial institution for one year, until the Village can secure long term financing from the State Revolving Fund Program recommended that the project be inserted into the contingency portion of the list.

RECOMMENDATION

It is recommended that the Village Council approve this ordinance to borrow funds not to exceed $5,000,000.

88 West McIntyre Street • Suite 210 • Key Biscayne, Florida 33149 • (305) 365-5500 • Fax (305) 365-8936
MISSION STATEMENT: "TO PROVIDE A SAFE, QUALITY COMMUNITY ENVIRONMENT FOR ALL ISLANDERS THROUGH RESPONSIBLE GOVERNMENT."
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ORDINANCE NO. _____

AN ORDINANCE OF THE VILLAGE OF KEY BISCAYNE, FLORIDA AUTHORIZING THE ISSUANCE OF NOT EXCEEDING $5,000,000 OF WATER AND SEWER REVENUE NOTES OF THE VILLAGE OF KEY BISCAYNE, FLORIDA; PROVIDING FOR A SUPPLEMENTAL RESOLUTION SETTING FORTH THE DETAILS OF SAID NOTES; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Village Council (the "Council") of the Village of Key Biscayne, Florida (the "Village") desires to authorize the issuance of not exceeding $5,000,000 of notes for the purpose of financing a portion of the costs of water and sewer system improvements within the Village, financing architectural, engineering, environmental, legal and other planning costs related thereto, and paying costs of issuance of the notes; and

WHEREAS, the Council desires that the notes be secured by legally available non-ad valorem revenues of the Village, as further specified by subsequent resolution of the Council.

NOW, THEREFORE, BE IT ORDAINED BY THE VILLAGE COUNCIL OF THE VILLAGE OF KEY BISCAYNE, FLORIDA, AS FOLLOWS:

Section 1. In accordance with the provisions of the Charter of the Village of Key Biscayne, Florida and Chapter 166, Florida Statutes, there are hereby authorized to be issued Water and Sewer Revenue Notes (the "Notes") of the Village, in an aggregate principal amount not to exceed $5,000,000, in one or more series, for the purpose of financing a portion of the costs of water and sewer system improvements within the Village, financing architectural, engineering, environmental, legal and other planning costs related thereto, and paying costs of issuance of the Notes. The Notes shall be designated "Village of Key Biscayne, Florida Water and Sewer Revenue Notes" (with appropriate series designation), or such other designation as may be approved by supplemental resolution, shall be dated such date, shall be in such denominations, shall be stated to mature in such year or years not later than one (1) year from their date of issuance, shall bear interest from their dated date at a rate or rates not exceeding the maximum rate permitted by law at the time of issuance of the Notes, shall be subject to redemption at the option of the Village at such times and prices, and shall have such other details, all as shall hereafter be determined by the Council by supplemental resolution. The supplemental resolution may be adopted, and the Notes may be issued, at any time after the effective date of this Ordinance.

Section 2. The Village Manager, the Village Finance Director and the Financial Advisor for the Village are each hereby authorized to negotiate with banks or other financial institutions for the purchase of the Notes and with respect to the terms of the Notes. The Village Attorney and Bond Counsel to the Village are hereby authorized to draft documents and to do all other things necessary to accomplish the issuance and sale of the Notes.

Section 3. This Ordinance will become effective immediately upon adoption on second reading.

PASSED AND ADOPTED on first reading this _____ day of _____, 2008.

PASSED AND ADOPTED on second reading this _____ day of _____, 2008.

_____
MAYOR ROBERT L. VERNON

ATTEST:

_____
CONCHITA H. ALVAREZ, CMC, VILLAGE CLERK

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

_____
VILLAGE ATTORNEY

{M1714933_1}

REQUEST FOR PROPOSAL – RFP No. 2008-#

The Village of Key Biscayne, Florida (the "Village") seeks to borrow an amount not to exceed $**5,000,000** from a qualified financial institution for the purpose of financing a portion of the costs of construction of the Water and Sewer Project, financing, architectural, engineering, environmental, legal and other planning costs related thereto, and paying costs of issuance of the Bonds or Notes.

THE PROPOSAL MUST BE SUBMITTED OR DELIVERED BY 3:00 P.M., ON WEDNESDAY, JUNE 18, 2008, AT WHICH TIME THEY WILL BE PUBLICLY OPENED. PROPOSALS RECEIVED AFTER THAT TIME SHALL BE CONSIDERED LATE, AND NOT OPENED.

PREPARATIONS OF PROPOSALS

The proposal should include the following information:

1. Name of financial institution, address, telephone number, name, title, and signature of person authorized to submit proposal.

2. Describe the internal credit approvals and timetable that would be required to approve the proposed lender loan. Describe the lender's ability to obtain all approvals necessary to facilitate a closing date no later than the first week of August, 2008.

CONDITIONS AND LIMITATIONS

The Village will select the proposal that is, in its sole opinion, in the best interests of the Village considering the interest rate, terms, loan closing costs, and general covenants of the proposals and the acceptability of the Village and respondents of the necessary documentation. The Village reserves the right to further negotiate the terms and conditions of any proposal or to select one loan proposal individually.

The Village reserves the right to reject any and all proposals, to waive any informalities or irregularities in any proposal received, to re-advertise for proposals, to request clarification of information or take any other such actions that may be deemed in the best interest of the Village.

COSTS ASSOCIATED WITH THE PREPARATION AND SUBMISSION OF ANY PROPOSAL WILL NOT BE REIMBURSED.

SUBMISSION OF PROPOSALS

Three (3) copies of the proposal shall be submitted to the Village Clerk, Village of Key Biscayne, 88 West McIntyre Street, Key Biscayne, Florida 33149. The Village expects to make a decision the fourth week of June, 2008.

INQUIRIES

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Mr. Randolph G. White
Randolph G. White, P.A.
371 NW 45th Avenue
Deerfield Beach, Florida 33442
Telephone (954) 304-2445

or

Ms. Lourdes R. Abadin
Estrada Hinojosa & Company, Inc.
201 So. Biscayne Blvd., Suite 2826
Miami, Florida 33131
(305) 913-4600

INTRODUCTION

This proposal is for the Water and Sewer Project and related site and street improvements.

SITE PLAN

The sanitary sewer and water improvement project has as its primary objective the provision of public sanitary sewer service to approximately 700 single-family homes which currently rely on individual septic tanks for their wastewater needs. As part of this project, the area's old very brittle cement-asbestos water lines are being replaced with new modern ductile iron water mains.

The scope of work includes

- installation of the sanitary sewer system (sewer laterals, gravity sewers, manholes, pump station construction (Zone 2/3) and upgrades (Zone 1) and other components) in Zones 1, 2/3 and 4
- replacement of the old concrete-asbestos water pipes within the sanitary sewer improvement area, and
- restoration of pavement, landscaping and other areas affected by the work.

Status of Cost Estimates and Financing

Updated costs is $16,500,000 for simultaneous construction of both sewers and water pipes.

Confirmed outside funding for the sewer element consists of $5,170,000 (Miami-Dade County GOB), $964,300 (US EPA grant) and $500,000 (State of FL DEP grant). The estimated funding shortfall is $3,875,800. The County has committed to pay $6,000,000 for water pipe replacement which should cover the cost.

THE LOAN

A. **Principal Amount: Not to exceed $ 5,000,000.00 USD**

B. **Form of the Note:** The Note would be funded to the Village in full upon closing for a period of one year from the date of settlement upon one day notice to the Lender. The Village will not entertain any form of swap arrangement.

C. **Interest Rate:** A fixed interest rate for the term of the loan.

1. **Interest Calculation.** Interest on the Note shall be paid semi-annually based on a 360-day year consisting of 12, 30-day months for the actual number of days elapsed.

2. **Taxable Rate.** The interest rate on the Note during any period in which interest on the Note is taxable will yield the same return to the Note holder as the proposed tax free rate.

3. **Default Rate.** The default rate under the Note, the Loan and Security Agreement and the default rate on overdue payments of principal or interest will be the note rate plus not more than 2%.

4. **Maximum Rate Provision.** The Lender will not charge any interest rate higher than permitted by law, and the Village will be entitled to a refund of all unearned interest in excess of the maximum rate allowed by law.

D. **Regular Payment Schedule.** Interest will be payable on February 1, 2009 and upon the maturity of the note. Principal will be due in full upon maturity of the note.

E. **Early Prepayment.** The note will not be subject to prepayment prior to maturity.

F. **Security.** During the term of this Note the Village pledges non-ad valorem revenues as a source of repayment. The Village intends to covenant and agree in the Bond Resolution to appropriate in its annual budget, by amendment, if necessary, lawfully available funds in each fiscal year, amounts sufficient to pay the principal and interest due on the Note in accordance with their terms during such fiscal year.

Such covenant and agreement on the part of the Village to budget and appropriate such amounts of lawfully available funds shall be cumulative to the extent not paid, and shall continue until such revenue or other legally available funds in amounts sufficient to make all such required payments shall have been budgeted, appropriated and actually paid.

G. **Other Financial Covenants.** Other than the conditions specified herein, the Note as proposed by the Lender shall not impose other financial or non-financial covenants or conditions that may restrict or otherwise impact the Village's ability to borrow and refinance its debts, set and collect its revenues, or conduct other parts of its municipal business.

TAX-EXEMPT STATUS/GROSS UP

If the interest on the Note is subject to Federal income tax in any period, then the Note will bear interest at the Taxable Rate during that period. If the Note fails to qualify as a "qualified tax exempt obligation" under Section 265 of the Internal Revenue Code, the Note becomes subject to a minimum tax or alternative minimum tax, or the economic tax advantage of the Note to the Lender is otherwise altered, then the interest rate on the Note will be adjusted to give the Lender an after tax yield equal to the after tax yield that the Lender would otherwise have enjoyed on the Note.

QUALIFIED TAX EXEMPT STATUS

The Village anticipates that the financing will be a "Qualified Tax Exempt" obligation under Section 265(b) (3) of the Internal Revenue Code of 1986. At closing, the appropriate certificates will be provided addressing the excludability from gross income for Federal income tax purposes of interest on the Lender loan.

ADDITIONAL PROVISIONS

1. All financed amounts are approximate and will be finalized based on the closing date. For purposes of calculating when interest begins to accrue to the Village, assume a closing date no later than the first week of August, 2008 and loan amount not to exceed $5,000,000.00.

2. Identify the interest rate or interest rates to be used for the Lender loan and calculate the total interest payable over the life of the loan.

3. Provide the schedule of payments, including the principal and interest portion of the debt service requirements for the Lender loan.

4. Indicate the fees and expenses to be paid by the Village, if any, other than interest on the outstanding loan amounts for the Lender loan, including counsel fees and any other closing fees.

5. Describe the terms of any gross-up provisions that would be required in the Lender loan documents.

6. Describe any additional covenants and that may apply to the loan.

7. The Village shall not be required to waive trial by jury in the event of any litigation ensuing as a result of the loan.

8. The Village shall not be required to indemnify the Lender for all loss, claims and expenses incurred by the Lender arising from or relating to the Village's proposed or actual use of the proceeds of the loan, any commitment of the Lender to loan or any matter relating to the documentation of this loan, including but not limited to, reasonable legal fees.

The Village of Key Biscayne
Debt Cap Calculations
Present Situation With Sanitary Water & Sewer

	Actual 2003/2004	Actual 2004/2005	Actual 2005/2006	Actual 2006/2007	Budgeted 2007/2008	Estimated 2008/2009	Estimated 2009/2010	Estimated 2010/2011	Estimated 2011/2012
Projected Debt									
Civic Center #1	$9,270,000	$8,880,000	$8,470,000	$8,040,000	$7,585,000	$7,110,000	$6,610,000	$6,085,000	$5,535,000
Civic Center #2	$10,000,000	$9,620,000	$9,220,000	$8,800,000	$8,360,000	$7,895,000	$7,405,000	$6,890,000	$6,350,000
Civic Center #3	$9,891,895	$9,500,609	$9,095,086	$8,674,807	$8,239,235	$7,787,815	$7,319,970	$6,835,101	$6,332,589
Civic Center #4	$0	$2,800,000	$2,771,654	$2,655,550	$2,534,972	$2,409,745	$2,279,692	$2,144,626	$2,004,354
Crandon Blvd Project Phase 2	$0	$3,500,000	$3,442,042	$3,322,559	$3,198,165	$3,068,656	$2,933,821	$2,793,442	$2,647,291
Crandon Blvd Project Phase 3	$0	$0	$0	$4,000,000	$3,802,305	$3,596,425	$3,382,022	$3,158,743	$3,188,549
Sanitary Water & Sewer					$ 60,000	$5,060,000			
Total	$29,161,895	$34,300,609	$32,998,782	$35,492,916	$33,779,677	$36,927,641	$29,930,505	$27,906,912	$26,057,783
Debt Cap Limit									
Assessed Value	$3,661,114,546	$3,875,335,514	$4,287,674,948	$5,630,046,023	$6,514,112,802	$6,937,530,134	$7,388,469,593	$7,868,720,116	$8,380,186,924
x 1%	$36,611,145	$38,753,355	$42,876,749	$56,300,460	$65,141,128	$69,375,301	$73,884,696	$78,687,201	$83,801,869
(Under) Cap	($7,449,250)	($4,452,746)	($9,877,967)	($20,807,544)	($31,361,451)	($32,447,660)	($43,954,191)	($50,780,289)	($57,744,086)

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VILLAGE OF KEY BISCAYNE, FLORIDA

$5,000,000

Sanitary Water and Sewer Project Note, Series 2008

Timetable of Events

APRIL							MAY							JUNE							JULY					
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F
		1	2	3	4	5					1	2	3	1	2	3	4	5	6	7			1	2	3	4
6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11
13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18
20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25
27	28	29	30				25	26	27	28	29	30	31	29	30						27	28	29	30	31	

April 14, 2008	(Monday)	Financial Advisor distributes preliminary timetable
May 30, 2008	(Friday)	Financial Advisor with the assistance of Bond Counsel prepares a preliminary financial structure and obtains Village Manager's approval of preliminary Plan of Finance, Timetable and RFP for Bank Qualified Loan.
June 3, 2008	(Tuesday)	Financial Structure, timetable and RFP are provided to Village Clerk for inclusion in the June 10th Council Meeting Agenda
June 10, 2008	**(Tuesday)**	**Present preliminary Plan of Finance, timetable and RFP to Village Council for approval. Village Council introduces Ordinance to sell the Note *[First reading of Bond Ordinance]* and authorizes the publication of the notice of intent to issue a Bank Qualified Loan.**
June 11, 2008	**(Wednesday)**	**Publish Notice of Intent to issue Certificates of Obligation**
June 11, 2008	(Wednesday)	Financial Advisor distributes RFP for private placement providers due by 06/18/2008.
June 18, 2008	(Wednesday)	Proposals due from private placement providers by 2:00PM.
June 23, 2008	(Monday)	Financial Advisor provides summary of bids to Village staff. Verbal award given to winning bidder pending contractual obligation agreement and Village Council approval.
July 1, 2008	(Tuesday)	Obtain approval of the contractual obligations from Bond Counsel and submit to Village Clerk for inclusion in
July 8, 2008	**(Tuesday)**	**Village Council adopts Ordinance to sell Note [*Second reading of Bond Ordinance*] and award winning bidder**
August 8, 2008	**(Friday)**	**Closing.**