VILLAGE OF KEY BISCAYNE

Office of the Village Manager

MEMORANDUM

Village Council
Franklin H. Caplan, *Mayor*
Mayra P. Lindsay, *Vice Mayor*
Michael W. Davey
Theodore J. Holloway
Michael E. Kelly
Ed London
James S. Taintor

Village Manager
John C. Gilbert

DATE: October 8, 2013

TO: Honorable Mayor and Members of the Village Council

FROM: John Gilbert, Village Manager

RE: Refunding and New Money Stormwater Utility Revenue Bonds, Series 2013

RECOMMENDATION

It is recommended that the Village Council authorize the Village Manager to enter into negotiations with Pinnacle Public Finance, Inc. ("Pinnacle") to purchase the $6,575,000 Stormwater Utility Refunding and Improvement Revenue Bonds, Series 2013 to refinance the Stormwater Utility Revenue Bonds, Series 2011 and to fund improvements and replacements of drainage wells and outfalls for the stormwater utility in the amount of $3.4 million (the "2013 Project") without utilizing a new request for proposals.

BACKGROUND

The Series 2011 Bonds are not subject to optional redemption prior to October 1, 2014. Pinnacle, the owner of the Series 2011 Bonds has offered to waive the restriction on the optional redemption and permit the current refunding of the Series 2011 Bonds, provide the financing for the 2013 Project and extend the term of the Series 2011 Bonds, which mature on October 1, 2019, until October 1, 2030.

Even including the new money for the 2013 Project this proposed financing will reduce the average annual debt service by approximately $59,000 which will provide debt relief to cover ongoing maintenance and provide approximately $3.4 million for the 2013 Project.

Mr. Jeff De Carlo from Weiss Serota Helfman Pastoriza Cole & Boniske provided the Ordinance and attests to form and legal sufficiency.

ORDINANCE NO. 2013-_____

AN ORDINANCE OF THE VILLAGE OF KEY BISCAYNE, FLORIDA AUTHORIZING THE ISSUANCE OF NOT EXCEEDING $6,575,000 OF STORMWATER UTILITY REFUNDING AND IMPROVEMENT REVENUE BONDS OF THE VILLAGE OF KEY BISCAYNE, FLORIDA; PROVIDING FOR A SUPPLEMENTAL RESOLUTION SETTING FORTH THE DETAILS OF SAID BONDS; DETERMINING COMPETITIVE BIDDING FOR SALE OF THE BONDS TO BE IMPRACTICABLE; AUTHORIZING THE VILLAGE MANAGER TO NEGOTIATE WITH PINNACLE PUBLIC FINANCE, INC. TO PURCHASE THE BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, on January 28, 1999, the Village of Key Biscayne, Florida (the "Village") issued its $7,200,000 Stormwater Utility Revenue Bonds, Series 1999 (the "1999 Bonds") for the purpose of providing permanent financing for the expansion and improvement of the Stormwater Utility System within the Village (the "1999 Project"); and

WHEREAS, on July 18, 2011, the Village issued its $4,450,000 Stormwater Utility Revenue Refunding Bonds, Series 2011 (the "Prior Bonds") for the purpose of refunding the 1999 Bonds; and

WHEREAS, the Village needs to finance improvements and replacements of drainage wells and outfalls for its stormwater utility (the "2013 Project"); and

WHEREAS, the Village Council (the "Council") desires to authorize the issuance of not exceeding $6,575,000 of bonds (the "2013 Bonds") for the purpose of refunding the Prior Bonds, financing the 2013 Project and paying costs of issuance of the 2013 Bonds; and

WHEREAS, the Prior Bonds are not subject to optional redemption prior to October 1, 2014; and

WHEREAS, Pinnacle Public Finance, Inc. ("Pinnacle"), the owner of the Prior Bonds, has offered to (i) waive the restriction on the optional redemption of the Prior Bonds and permit the current refunding of the Prior Bonds, (ii) provide the financing for the 2013 Project and (iii) extend the term of the Prior Bonds, which mature on October 1, 2019, until October 1, 2030; and

WHEREAS, Pinnacle has provided a term sheet, a copy of which is attached hereto as Exhibit "A" (the "Term Sheet"), to purchase the 2013 Bonds; and

WHEREAS, the Village desires to accept the Term Sheet and negotiate with Pinnacle for the purchase of the 2013 Bonds directly and without utilizing a new request for proposals for the following reasons: (i) the Prior Bonds would not be able to be refunded prior to October 1, 2014 without the approval of Pinnacle; (ii) Pinnacle is willing to extend the term of the Prior Bonds to

match the term of the financing needed for the 2013 Project, thereby reducing the annual debt service payments; and (iii) the ability to move quickly is critical to achieving maximum debt service savings; and

WHEREAS, for the reasons stated above, the Council hereby determines that award of the 2013 Bonds pursuant to competitive bids received through a request for proposals process is impracticable; and

WHEREAS, the Council desires that the 2013 Bonds be secured in the same manner as the Prior Bonds, primarily by a pledge of the Stormwater Utility Fees and secondarily by a covenant to budget and appropriate Non-Ad Valorem Revenues of the Village, all 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. Each of the above-stated recitals is hereby adopted and confirmed.

Section 2. 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 the 2013 Bonds, in an aggregate principal amount not to exceed $6,575,000, in one or more series, for the purpose of refunding the Prior Bonds, financing the 2013 Project and paying costs of issuance of the 2013 Bonds. The 2013 Bonds shall be designated "Village of Key Biscayne, Florida Stormwater Utility Refunding and Improvement Revenue Bonds, Series 2013," 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 no later than October 1, 2030 and 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 2013 Bonds, 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, and in substantial compliance with the Term Sheet. The supplemental resolution may be adopted, and the 2013 Bonds may be issued, at any time after the effective date of this Ordinance.

Section 3. The Village Manager, the Village Finance Director and the Financial Advisor for the Village are each hereby authorized to negotiate with Pinnacle for the purchase of the Bonds and with respect to the terms of the Bonds. 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 Bonds.

Section 4. This Ordinance will become effective immediately upon adoption on second reading.

PASSED AND ADOPTED on first reading this 8th day of October, 2013.

PASSED AND ADOPTED on second reading this _____ day of _____, 2013.

_____
MAYOR FRANKLIN CAPLAN

ATTEST:

_____
CONCHITA H. ALVAREZ, MMC, VILLAGE CLERK

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

_____
VILLAGE ATTORNEY

EXHIBIT "A"

PINNACLE TERM SHEEET

Pinnacle Public Finance
A BankUnited Company

October 1, 2013

VIA Electronic Mail

Lourdes Reyes Abadin
Estrada Hinojosa & Company, Inc.
2937 SW 27th Avenue, Suite 200B
Miami, FL 33133

RE: Refinancing Stormwater Utility Refunding Bonds

Dear Ms. Abadin,

Pinnacle Public Finance, Inc., a BankUnited Company, is pleased to respond to your financing request.

Corporate Overview: In October 2010, BankUnited acquired the municipal finance business from Koch Financial Corporation and now operates it under the name Pinnacle Public Finance, Inc. Pinnacle is headquartered in Scottsdale, Arizona and is a market leader in providing tax-exempt financing directly to its state and local government clients and through its vendor programs and alliances. With more than $6 billion in financing and transactional experience in every state in the U.S., our team has the knowledge and the resources to fund complex programs that require innovative and flexible financing solutions.

As Koch Financial Corporation, our group managed a portfolio in excess of $1 billion and 2,600 municipal leases. Since beginning operations as Pinnacle, we have funded 640 municipal transactions totaling over $ 670 million.

Our proposed terms and conditions are as follows:

Lender:	Pinnacle Public Finance, Inc. ("Pinnacle")
Borrower:	Village of Key Biscayne, Florida ("Village")
Financial Advisor:	Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa)
Issue Type:	Privately placed storm water revenue note.
Amount Financed:	$6,575,000
Purpose:	Proceeds of the loan will be used to restructure/refinance a prior loan between Pinnacle and the Village and provide funding for capital improvements within the Village.
Security:	The loan will be secured by a pledge of the storm water utility revenues and all legally available funds sufficient to play the principal and interest due on the loan.
Term:	The loan will have a final maturity of October 1, 2030.
Interest Rate:	3.35%

Interest Rate Expiration: The above rate is valid for forty-five (45) days.

Projected Funding Date: On or about November 1, 2013

Payment Frequency: Interest will be paid semiannually each April 1 and October 1, commencing April 1, 2014. Principal will be paid annually each October 1, commencing October 1, 2014.

Debt Service Requirements: Please see Preliminary Debt Service Schedule attached.

Prepayment Terms: The obligation is subject to prepayment in full, but not in part, at any time at a price equal to the remaining principal balance at that time.

Fees/Closing Costs: None other than those listed herein, however the Village will be responsible for any fees or expenses with respect to its (i) issuing costs, if any, (ii) Village's legal counsel, if any, and (iii) title/registration fees. Pinnacle is willing to finance any of the Village's expenses related to closing the transaction.

Documentation: Pinnacle anticipates all transaction related documents will be prepared by the Village's Bond Counsel. Pinnacle anticipates the documentation will be in substantially the same form as the prior transaction and that Bond Counsel will provide to Pinnacle and its outside counsel a version of the documents black-lined to the original set of documents for our initial review.

This proposal is subject to review and acceptance of all documents by Pinnacle and its outside counsel, Chapman and Cutler LLP.

Assignment: If awarded the transaction, it is our present intention to hold the loan to maturity; however, we need the option to assign all rights, title, interest, and obligations to a "qualified institutional buyer(s)" as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended.

Credit Approval: This proposal is subject to final credit approval by Pinnacle.

Pre-Close Requirements: Pinnacle will require a complete executed copy of the transcript by noon the day prior to funding (a scanned copy is acceptable).

Pinnacle's Role As Purchaser: Pinnacle will be acting in this transaction solely as purchaser for its own account and not as a fiduciary for the Village or in the capacity of broker, dealer, municipal securities underwriter or municipal advisor. Pinnacle has not provided, and will not provide, financial, legal, tax, accounting or other advice to or on behalf of the Village with respect to the proposed financing. The Village will seek and obtain financial, legal, tax, accounting and other advice (including as it relates to structure, timing, terms and similar matters) with respect to the financing from its own financial, legal and other advisors (and not from Pinnacle) to the extent that the Village deems necessary or appropriate and desires to obtain such advice.

This proposal is subject to final credit approval and final documentation. Please feel free to call me at **480-419-3634** with any questions or further clarification.

Thank you for the opportunity to present this proposal.

Sincerely,

Blair Swain

Blair Swain
Vice President, Direct Markets

Preliminary Debt Service Schedule

Totals:		$8,698,132.29	$2,123,132.29	$6,575,000.00	Rate 3.3500%		$8,698,132.29
	Payment	Payment			Purchase	Outstanding	Annual
Pmt #	Date	Amount	Interest	Principal	Price	Balance	Total
	11/1/2013					$6,575,000.00	
1	4/1/2014	$91,776.04	$91,776.04	$0.00	$6,575,000.00	$6,575,000.00	
2	10/1/2014	$410,131.25	$110,131.25	$300,000.00	$6,275,000.00	$6,275,000.00	$501,907.29
3	4/1/2015	$105,106.25	$105,106.25	$0.00	$6,275,000.00	$6,275,000.00	
4	10/1/2015	$415,106.25	$105,106.25	$310,000.00	$5,965,000.00	$5,965,000.00	$520,212.50
5	4/1/2016	$99,913.75	$99,913.75	$0.00	$5,965,000.00	$5,965,000.00	
6	10/1/2016	$409,913.75	$99,913.75	$310,000.00	$5,655,000.00	$5,655,000.00	$509,827.50
7	4/1/2017	$94,721.25	$94,721.25	$0.00	$5,655,000.00	$5,655,000.00	
8	10/1/2017	$429,721.25	$94,721.25	$335,000.00	$5,320,000.00	$5,320,000.00	$524,442.50
9	4/1/2018	$89,110.00	$89,110.00	$0.00	$5,320,000.00	$5,320,000.00	
10	10/1/2018	$434,110.00	$89,110.00	$345,000.00	$4,975,000.00	$4,975,000.00	$523,220.00
11	4/1/2019	$83,331.25	$83,331.25	$0.00	$4,975,000.00	$4,975,000.00	
12	10/1/2019	$438,331.25	$83,331.25	$355,000.00	$4,620,000.00	$4,620,000.00	$521,662.50
13	4/1/2020	$77,385.00	$77,385.00	$0.00	$4,620,000.00	$4,620,000.00	
14	10/1/2020	$442,385.00	$77,385.00	$365,000.00	$4,255,000.00	$4,255,000.00	$519,770.00
15	4/1/2021	$71,271.25	$71,271.25	$0.00	$4,255,000.00	$4,255,000.00	
16	10/1/2021	$436,271.25	$71,271.25	$365,000.00	$3,890,000.00	$3,890,000.00	$507,542.50
17	4/1/2022	$65,157.50	$65,157.50	$0.00	$3,890,000.00	$3,890,000.00	
18	10/1/2022	$445,157.50	$65,157.50	$380,000.00	$3,510,000.00	$3,510,000.00	$510,315.00
19	4/1/2023	$58,792.50	$58,792.50	$0.00	$3,510,000.00	$3,510,000.00	
20	10/1/2023	$448,792.50	$58,792.50	$390,000.00	$3,120,000.00	$3,120,000.00	$507,585.00
21	4/1/2024	$52,260.00	$52,260.00	$0.00	$3,120,000.00	$3,120,000.00	
22	10/1/2024	$457,260.00	$52,260.00	$405,000.00	$2,715,000.00	$2,715,000.00	$509,520.00
23	4/1/2025	$45,476.25	$45,476.25	$0.00	$2,715,000.00	$2,715,000.00	
24	10/1/2025	$460,476.25	$45,476.25	$415,000.00	$2,300,000.00	$2,300,000.00	$505,952.50
25	4/1/2026	$38,525.00	$38,525.00	$0.00	$2,300,000.00	$2,300,000.00	
26	10/1/2026	$468,525.00	$38,525.00	$430,000.00	$1,870,000.00	$1,870,000.00	$507,050.00
27	4/1/2027	$31,322.50	$31,322.50	$0.00	$1,870,000.00	$1,870,000.00	
28	10/1/2027	$476,322.50	$31,322.50	$445,000.00	$1,425,000.00	$1,425,000.00	$507,645.00
29	4/1/2028	$23,868.75	$23,868.75	$0.00	$1,425,000.00	$1,425,000.00	
30	10/1/2028	$483,868.75	$23,868.75	$460,000.00	$965,000.00	$965,000.00	$507,737.50
31	4/1/2029	$16,163.75	$16,163.75	$0.00	$965,000.00	$965,000.00	
32	10/1/2029	$491,163.75	$16,163.75	$475,000.00	$490,000.00	$490,000.00	$507,327.50
33	4/1/2030	$8,207.50	$8,207.50	$0.00	$490,000.00	$490,000.00	
34	10/1/2030	$498,207.50	$8,207.50	$490,000.00	$0.00	$0.00	$506,415.00