

**Lee County Board Of County Commissioners
Agenda Item Summary**

Blue Sheet No. 20031005

1. REQUESTED MOTION:

ACTION REQUESTED: Authorize Chairman to sign document selecting SunTrust Bank for a Term Loan-Assessment Program of \$5,000,000 for a three year period that will be used to provide permanent financing for MSBU Projects and authorize execution of master loan agreement.

WHY ACTION IS NECESSARY: Allows the continuation of a Long Term Debt Financing for MSBU Projects without pledging the Non-Ad Valorem Debt Capacity of the County.

WHAT ACTION ACCOMPLISHES: Provides Private Placement Financing for MSBU Projects.

**2. DEPARTMENTAL CATEGORY:
COMMISSION DISTRICT #**

A1A

3. MEETING DATE:

09-30-2003

4. AGENDA:

- CONSENT
- ADMINISTRATIVE APPEALS
- PUBLIC WALK ON
- TIME REQUIRED:

**5. REQUIREMENT/PURPOSE:
(Specify)**

- STATUTE
- ORDINANCE
- ADMIN. CODE
- OTHER

6. REQUESTOR OF INFORMATION:

- A. COMMISSIONER
- B. DEPARTMENT County Administration
- C. DIVISION

BY: Antonio Majul, Budget Director

[Signature]

7. BACKGROUND: On September 28, 1999 the Board of County Commissioners approved execution of a commitment letter with SunTrust Bank for a Term Loan Assessment Program in the amount of \$5,000,000 for a three-year period to provide permanent financing for MSBU Projects. The effective date did not begin until the first loan was initiated. That occurred with the University Overlay MSBU in August 2000. The three-year period expired in August 2003.

On June 18, 2003 Public Financial Management Inc, (PFM) on behalf of the county issued an RFP for a continuation of the Assessment Term Loan Program to thirteen (13) banks. Two banks responded – Fifth Third Bank and SunTrust Bank. Analysis of the proposals indicated that SunTrust provided the most favorable proposal for the Program. SunTrust provided

8. MANAGEMENT RECOMMENDATIONS:

Recommend Acceptance of SunTrust Bank for participation in the Assessment Term Loan Program.

9. RECOMMENDED APPROVAL:

A Department Director	B Purchasing or Contracts	C Human Resources	D Other	E County Attorney	F Budget Services				G County Manager
<i>[Signature]</i> 9/16/03				<i>[Signature]</i> 9/17/03	OA <i>[Signature]</i>	OM <i>[Signature]</i> 9/17/03	Risk <i>[Signature]</i> 9/16/03	GC <i>[Signature]</i> 9/16/03	<i>[Signature]</i> 9/16/03

10. COMMISSION ACTION:

- APPROVED
- DENIED
- DEFERRED
- OTHER

Rec. by CoAtty
Date: <i>9/17/03</i>
Time: <i>11:40 am</i>
Forwarded To:

RECEIVED BY COUNTY ADMIN:
<i>9/17 12:30</i>
COUNTY ADMIN FORWARDED TO: <i>HS</i>
<i>9/18 2:00</i>

Blue Sheet 20031005
Background (Continued)

rate structures (percentages of the Treasury Note Yield) for both Bank Qualified and Non-Bank Qualified for term loans ranging from three years to twenty years with no prepayment penalty. Using the Treasury Note Yield (2.139% on September 12, 2003), the three-year bank qualified rate would be 2.37% and the non-bank qualified rate would be 2.99%. Fifth Third's estimated rate for the same time period was bank qualified 3.01% and non-bank qualified 4.64% for up to \$1,000,000 with a possible termination penalty. Non-Bank qualified rates are based upon customers that issue greater than \$10 million in debt in one calendar year.

Fifth Third ties much of its loan proposal to a Swap Rate, which could cause some additional costs to the County if a prepayment is made prior to maturity. Fifth Third also would not make loans for less than \$1,000,000 in excess of 5 years. Many of the loans made under the program during the first three-year period were for less than \$1,000,000.

Upon approval by the BOCC of this agenda item, an amendment to the existing master loan agreement with SunTrust Bank will be prepared and brought to the BOCC. Each MSBU project will be submitted to the BOCC for approval prior to initiation of a draw against the \$5,000,000. The three-year period will begin upon initiation of the first loan, which is not expected until January 2004.

SUNTRUST BANK, SOUTHWEST FLORIDA

Amended Term Sheet

Borrower: Lee County, Florida (the "County")

Purpose: The Term Loan –Assessment Program will be used to fund the acquisition And construction of various improvements within the boundaries of improvement areas within the County.

Amount: Up to \$5,000,000.

Maturity: The Term Loan Program will be in effect for three years, and during the three year period, the County will close various loans with minimum amounts of \$50,000 with maturity options of 3, 5, 10 or 15 years.

Terms: Interest payments for the term loans under the Term Loan Program will be payable every May 1 and November 1 of each year, and the principal payments will be payable annually on November 1.

Fixed Interest Rate: *Bank Qualified*

	<u>3 Yr Term</u>	<u>5 Yr Term</u>	<u>10 Yr Term</u>	<u>15 Yr Term</u>	<u>20 Yr Term</u>
Tax Exempt Rate as %	111%	116%	110%	111%	112%
Of Treasury Note Yield	3 Yr TN	5 Yr TN	10 Yr TN	10 Yr TN*1	10Yr TN*1

Non-Bank Qualified

	<u>3 Yr Term</u>	<u>5 Yr Term</u>	<u>10 Yr Term</u>	<u>15 Yr Term</u>	<u>20 Yr Term</u>
Tax Exempt Rate as %	140%	145%	130%	133%	135%
Of Treasury Note Yield	3 Yr TN	5 Yr TN	10 Yr TN	10 Yr TN*1	10Yr TN*1

*1 The 15 year term will have a 15 year term without a balloon and will be priced based on the 10 year Treasury Note yield for the initial 10 years of the loan and repriced based on the then 5 year Treasury Note yield on the 10th. Anniversary date of the loan for the remaining 5 years of the loan. The 20 year term loan will balloon at the end of 10 years with a 20 year amortization and will be priced based on the 10 year Treasury Note yield.

Prepayment:

The County may repay all or a portion of the outstanding principal of the term Loans at any time without incurring a penalty.

Security: The term loans will be secured by the assessments levied against property owners within the MSBU's. Additionally, the Bank has the right to review the location and structure of each MSBU to be financed under the Term Loan Program to determine whether the addition of the non-ad valorem revenue pledge shall be required. The determination of such requirement shall

be made solely by the Bank.

- Conditions:**
- 1) All matters relating to this Loan, including all instruments and documents required, are subject to the Bank's policies and procedures in effect, applicable governmental regulations and/or statutes and approval by the Bank and Bank's Counsel.
 - 2) A written opinion from the County's attorney, in form and substance acceptable to Bank and Bank's Counsel, that all documents are valid, binding and enforceable in accordance with their terms and that the execution and delivery of said documents have been duly authorized. The opinion should also address such other matters as the Bank and Bank's Counsel deems appropriate.
 - 3) The County shall submit annual audited statements within 210 days of fiscal year end, together with an annual budget within 30 days of adoption.
 - 4) The Bank shall have the right to adjust the tax-exempt interest rate in order to maintain the same after tax yield if any amendments to existing law are enacted which would adversely affect the Bank's after tax yield, including any "determination of taxability" as will be defined in the loan documentation.
 - 5) The County shall maintain compliance with all federal, state and local regulations regarding the construction of the proposed improvements.
 - 6) The County and the Bank shall agree on the final documentation content, to include events of default, resolutions from the County and all other legal documentation relating to the facility, including without limitation, bond counsel's opinion regarding the tax-exempt nature and the "non-bank qualified" nature of the facility.
 - 7) The Term Loan Program shall be classified as non-bank qualified and tax-exempt.

Fees and Expenses:

There will be no fees associated with the Term Loan Program. All documents will be prepared by the County's Bond Counsel and the Bank's Counsel will be responsible for review of such documents.