

1. Requested Motion:

Meeting Date: August 18, 2014

Direct staff to work with STI Institutional & Government Inc. (SunTrust) to secure Series 2014 financing in an amount not to exceed \$7.7 million for the next phase of the water utility project.

Why the action is necessary:

The Town is in the process of rehabilitating the water utility system and needs funding to complete the next phases of the project.

What the action accomplishes:

This action approves the next phase of water utility financing Series 2014

2. Agenda:

- Consent
- Administrative

3. Requirement/Purpose:

- Resolution
- Ordinance
- Other:

4. Submitter of Information:

- Council
- Town Staff – Finance
- Town Attorney

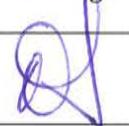
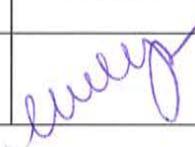
5. Background:

The Town contacted SunTrust to determine if the bank would be interested in financing the next phase of the Town's water project. The proposal is attached. The bank qualified tax exempt loan Series 2014 will be used to fund the current Water Utility Project. This loan is based upon a 20-year straight line principal schedule. The fixed rate is equal to 1.86%. A no pre-payment penalty is also included in the proposal.

6. Alternative Action:

7. Management Recommendations:

8. Recommended Approval:

| Town Manager | Town Attorney | Finance Director | Public Works Director | Community Development Director | Parks & Recreation Director | Town Clerk |
|---|---------------|---|-----------------------|--------------------------------|-----------------------------|------------|
|  | |  | | | | |

9. Council Action:

- Approved
- Denied
- Deferred
- Other

Proposal to:



Town of Ft. Myers Beach, Florida

Bank Term Loan

August 5, 2014

Proposals presented by:



STI Institutional & Government, Inc.
A SunTrust Company

THIS TERM SHEET:

- IS FOR DISCUSSION PURPOSES ONLY**
- IS NOT AN OFFER TO EXTEND CREDIT**
- IS NOT A COMMITMENT TO LEND**
- IS NOT AN AGREEMENT TO ISSUE A COMMITMENT**

Municipal Advisor Rule Disclosure:

SunTrust Bank (Lender) is a regulated bank and makes direct purchase loans to Municipal Entities and Obligated Persons as defined under the Municipal Advisor Regulation, and in this term sheet is providing information regarding the terms under which it would make such a purchase for its own account.

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

Borrower: Town of Fort Myers Beach, Florida

Lender: STI Institutional & Government, Inc.

Contact: Joshua A. McCoy
Vice President
STI Institutional & Government, Inc.
1777 Main Street, FL-Sarasota-3061
Sarasota, FL 34236
Email: joshua.a.mccoy@suntrust.com
Phone: 941-951-3005

Facility Type: Bank Qualified Loan in the form of a tax-exempt loan (the "BQ Bond")

Purpose: The proceeds from the Public Utilities Revenue Bond, Series 2014 will be used to fund current Water Utility Project.

Amount: Up to 7,700,000

Terms: Semi-annual interest payments due October 1 and April 1 of each year through maturity with the first payment due April 1, 2015. Principal shall be payable annually on October 1 of each year commencing October 1, 2015, with a final

maturity date of October 1, 2034, based upon an 20-year year straight line principal schedule.

Put Provision:

Initially, 3-years, at which time the Lender, in its sole discretion, has the right to "put" the BQ Loan to the Borrower; provided, that the Lender may give written notice to the Borrower not later than 120 days prior to such put date that it will, in its sole discretion, extend the term for an additional mutually agreeable time period; provided further, that the failure to give any notice shall mean that the term has not been extended and the Borrower shall be obligated to pay or purchase the Bond in full on such put date.

Security:

The proposed Utility System Revenue Refunding Note, Series 2014, will be secured by a senior lien of Net Revenues of the Town's Public Utility System. "Net Revenues" is defined as Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance. Payment of the Loan will also be secured by a covenant to budget and appropriate from legally available non-ad valorem revenues of the Borrower.

Interest Rate Options:

A BQ fixed rate equal to 1.86% as of the date of this proposal held for two business days.

Rate Lock Option: For the above mentioned rates, a rate lock is available for thirty (30) days from the date of this letter at an additional cost of 3 basis points.

Acceptance of Rate:

To maintain this rate quote, the Borrower must notify the Lender of their acceptance of the general terms and conditions of this Term Sheet before close of business on August 25, 2014 and this transaction most close by October 1, 2014.

Prepayment Alternatives:

For the stated rates above the two Prepayment Alternatives are available for your consideration.

Standard Prepayment Make Whole Provision: Borrower may prepay the Loan in whole or in part on any Business Day upon two Business Days' prior written notice to the Lender. Such prepayment notice shall specify the amount of the prepayment which is to be made. In the event of a prepayment of the Loan under this paragraph, the Borrower may be required to pay the Lender an additional fee (a prepayment charge or premium) determined by Lender's make whole compensation provision in the loan documents, to compensate the Lender for all losses, costs and expenses incurred in connection with such prepayment. Any partial prepayment shall be applied as determined by Lender in its sole discretion.

Alternative – No Prepayment Penalty: The Lender will allow prepayment in whole or in part on any Business Day without any penalty after 24 months at an additional cost of 17 basis points as stated in the "Interest Rate Options" section above. Partial prepayment shall be applied as determined by Lender in its sole discretion

All payments shall be subject to two Business Days' prior notice to the Lender.

After-Tax Yield Maintenance:

- The interest rates quoted herein take into consideration a marginal maximum federal corporate tax rate of 35%. In the event of a decrease in the marginal maximum corporate tax rate, the Lender shall have the right to adjust the interest rate upwards in order to maintain the same after tax yield for the Lender.

***Determination of
Taxability Language:***

- The interest rate on the Facility is determined to approximate a particular percentage yield to Lender based in part (among other reasons) upon Federal tax laws and regulations currently in effect and assumes that interest on the Bond will be fully exempt from Federal income taxes. It is the Lender's policy to include language in the loan documents that will assure maintenance of such yield.
- If it is determined that the Loan does not qualify as BQ, the rate will be adjusted to a fixed rate (non-BQ) as of the date it is determined that the loan does not qualify as BQ.

Legal Fees:

- A) Our proposed counsel is Michael Wiener and Ed Vogel at Holland & Knight in Florida. Fees for our counsel for the Public Utilities Bond will be \$6,000.00 if our counsel reviews documentation prepared by the counsel to the Borrower.
- B) Borrower agrees to pay all other reasonable fees, charges, expenses and costs in connection with the transaction.

Governing Law and

Jurisdiction:

State of Florida.

Covenants and Conditions:

- A) Borrower shall submit to the Lender annual [semi-annual] audited financial statements within 270 days of fiscal year end and an annual budget within 30 days of adoption, together with any other information the Lender may reasonably request.
- B) Borrower shall be required to deliver a written opinion from Borrower's Counsel, in form and substance acceptable to the Lender and Lender's Counsel.
- C) The provisions, terms and conditions contained herein are not inclusive of all the anticipated terms that will be applicable to the credit and do not purport to summarize all of the conditions, covenants, definitions, representations, warranties, but shall include but not be limited to the waiver of jury trial, submission to jurisdiction and venue, events of default, remedies including but not limited to acceleration or other provisions that may be contained in documents required to consummate this financing. A payment or covenant default shall be subject to a default rate of the lesser of 18% or the maximum rate allowed by law. All of such terms will be set forth in the final, definitive loan documents, and all such terms must be acceptable to the Lender and its counsel. All matters relating to this loan are subject to Lender's policies and procedures in effect and applicable government statutes and regulations.
- D) The "Bank-Qualified" rate quoted herein assumes the BQ Bond is a "qualified tax-exempt obligation" as defined in Section 265(b)(3) of the Internal Revenue Service Code. Receipt of opinion from Bond Counsel in form and substance satisfactory to the Lender, which shall include, without limitation, opinion that the interest on the BQ Bond is excludable from gross income of the owners thereof for federal income tax purposes and that the BQ Bond is a qualified tax-exempt obligation under Section 265 (b)(3) of the Internal Revenue Code.
- E) The Borrower agrees to have the interest payments collected via ACH Direct Debit from a SunTrust Bank account.

- F) Parity: This debt will be on parity with all other Town of Fort Myers Beach, Florida senior debt secured by the Town's Public Utilities System Net Revenues.
- G) Rate Covenant: The Issuer will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide Net Revenues, including connection fees, in each Fiscal Year sufficient to pay one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.
- H) Anti Dilution Test: The Borrower covenants to maintain and collect non-ad valorem revenues (including net transfers from the Enterprise Funds) sufficient to cover essential government services plus 120% of the maximum annual debt service coming due each year on all outstanding debts.
- I) Additional Bonds Test: In order to issue additional parity bonds secured by Pledged Revenues, the borrower must receive prior written approval from the Bank.