

MINUTES FROM THE FIVE YEAR CAPITAL PLAN AND FUNDING WORKSHOP OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 4:00 P.M. ON WEDNESDAY, MAY 22, 2019 AT THE KEYS ENERGY SERVICES BOARD ROOM LOCATED AT 1001 JAMES STREET, KEY WEST, FLORIDA

The above referenced workshop of the Utility Board of the City of Key West, Florida, convened at 4:00 P.M., on the above date and location and was called to order by Ms. Mona Clark, Vice Chair.

Utility Board Members Present

Mona Clark, Vice Chair
Robert Barrios, Member
Timothy Root, Member
Steven Wells, Member

Staff Present

Lynne Tejeda, General Manager & CEO
Jack Wetzler, Assistant General Manager & CFO
Edee Delph, Executive Assistant to GM/CEO & Utility Board
Nathan Eden, Utility Board Attorney
Nick Batty, Legal & Regulatory Services Director
Dan Sabino, Engineering & Control Center Director
Erica Zarate, Customers Services Director
Joe Weldon, Generation Director
Cindy McVeigh, Finance Supervisor
Amy Haas, Accounting & Financial Analyst
Jessie Perloff, Accounting & Financial Analyst
Jeanette Williams, Accounting & Financial Analyst

Others Present

Craig Dunlap, Utility Board Financial Advisor

Mrs. Tejeda stated that at the April 24, 2019, Utility Board Workshop the Board asked staff to hold another workshop and provide the following information prior to Board approval:

- Provide Bond Scenarios;
- Discuss Operating Reserve Fund, Emergency Reserve Fund, and Storm Fund balances;
- Consider Hurricane Surcharge as a percentage rate as opposed to flat rate; and
- Review handout regarding Capital Projects.

Mrs. Tejeda stated that Mr. Wetzler will review Bond Scenarios and Underwriter Selections with the Board.

Mr. Wetzler provided a power point presentation and discussed the following:

- ***Items to Consider***
 - Underwriter Selection
 - Review & Selection of Bond Scenarios
 - \$50M – 20 Year Level Debt
 - \$50M – 20 Year Wrapped Debt
 - \$60M – 20 Year Level Debt
 - \$60M – 20 Year Wrapped Debt
 - \$75M – 20 Year Level Debt
 - \$75M – 20 Year Wrapped Debt
 - Forecast Effect on Rates
 - Forecast Reserve Balances
 - Use of Bond Proceeds
 - Update on FEMA – Reimbursements

- ***Request for Proposal (RFP) for Bond Underwriter***
 - Bid #14-19 was issued March 25, 2019
 - 5 Proposals were received
 - Raymond James (RJ)
 - J. P. Morgan (JPM)
 - Royal Bank of Canada (RBC)
 - Bank of America/Merrill Lynch (B of A)
 - Union Bank of Switzerland (UBS)
 - Staff & Financial Consultant, Dunlap & Assoc., Reviewed Proposals
 - Bond Proceeds to Close on August 1, 2019

- ***Underwriter Selection***
 - Dunlap & Assoc. Recommends Bank of America Merrill Lynch [Staff agrees]
 - Ranked #1 in underwriter as to the par amount of debt issued nationally and the State of Florida from 2016 - 2018. Ranked #1 nationally in Public Power from 2016 - 2018
 - Has worked with several municipal electric utilities in Florida including the City of Tallahassee, Florida Municipal Power Agency and KEYS
 - Has 4 banking centers located in Monroe County
 - Has strong institutional and retail marketing capabilities
 - Familiar with KEYS financing documents having served as the Senior Managing Underwriter on past financings and provided the \$50M Line of Credit for Storm Restoration which closed within three weeks
 - Offered the 2nd lowest cost in terms of the Underwriters Discount of the 5 responses received [\$3,600 higher than Raymond James]

- ***Selection of Bond Scenarios (Mr. Wetzler reviewed 6 scenarios)***
 - Staff and Dunlap & Associates reviewed all scenarios and chose \$60M – 20 Year Level Debt as the best scenario
 - Provides appropriate level of capital project funding
 - Reasonable Interest Expense
 - Satisfies Debt Service Coverage Calculation
 - Satisfies Cash Liquidity Requirements
 - Provides Solid Reserve Balances
 - Storm Surcharge increases residential bill – 1000 kWh - \$2.69 [1.9%]
 - Maintains rates through FY24 where small increase is forecasted
 - Will be reviewed with the FY20 Budget and Five Year Financial Plan process

- ***Use of Bond Proceeds***
 - Bond Proceeds [gross] - \$71,396,194
 - Par - \$60,000,000
 - Premium - \$11,396,194
 - Cost of issuance [estimated] - \$250,000
 - Underwriter's Discount - \$156,907
 - Bond Proceeds [net] - \$70,989,288
 - Payoff Line of Credit Balance - \$40,330,521
 - Capital Project Fund - \$30,658,767

- ***Federal Emergency Management Agency (FMEA) Reimbursements***
 - KEYS estimated Cost of restoration - \$42,137,497
 - KEYS Cost to Date - \$38,576,934
 - FEMA Reimbursements to Date - \$2,205,638

- ***Bond Issuance/Budget Timeline***
 - Issued RFP – March 25, 2019 (completed)
 - Proposals Due – April 8, 2019 (completed)
 - UB to Evaluate Scenarios and Discuss Underwriter – May 22, 2019
 - UB to Approve Issuance & Underwriter– June 6, 2019
 - UB to Approve Bond Resolution and Issuance Costs – June 26, 2019
 - BOA sell bonds – July 9, 2019
 - Report results of the sale – July 10, 2019
 - Closing – July 25 to 30, 2019
 - Proceeds Available – August 1, 2019
 - UB to Approve FY19 Amended Budget – August 14, 2019

After discussion, it was the consensus of the Board to take action at the June 6th regularly scheduled meeting to Approve Evaluation of the Electric System Revenue Bonds Series 2019 in the amount of \$60,000,000.00, for a 20-year term, using level interest payments and to Award Underwriter Services to Bank of America Securities, Inc.

(Documents provided at the meeting are available upon request)

ADJOURNMENT

Motion to Adjourn the Five Year Capital Plan and Funding Utility Board Workshop of May 22, 2019, was moved by Mr. Root and Seconded by Mr. Wells at 4:46 P.M.

APPROVE:

Peter Batty, Chairman

ATTEST:

Lynne E. Tejada, General Manager/CEO & Secretary

/ed