



Contacts

Gary Akers, Director

Joel Tindal, Director

450 S. Orange Ave, Suite 460, Orlando, FL

407.426.9611 Tel

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Finance Committee Meeting
Charlotte County, Florida

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Market Update

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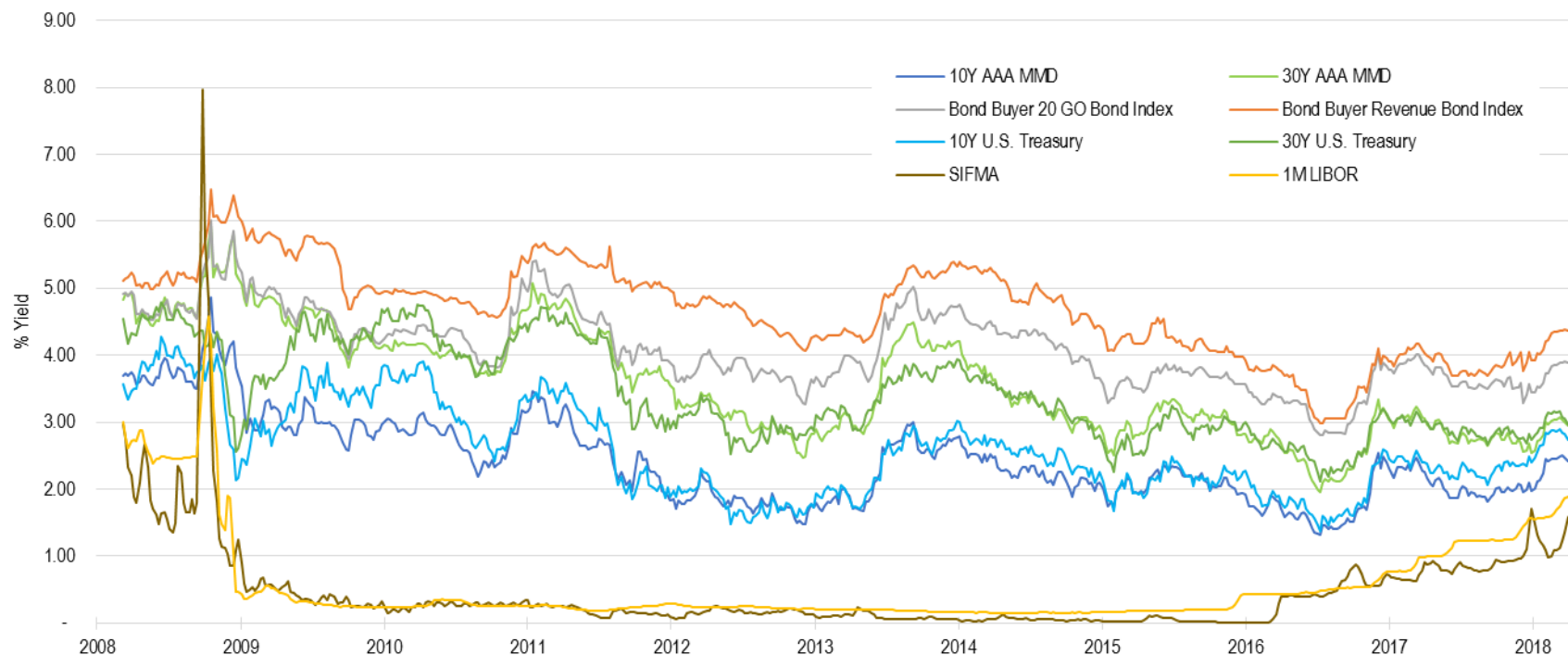
Charlotte County Capital Financing Update

Tab B

Market Update

Tab A

Weekly Benchmark Interest Rates



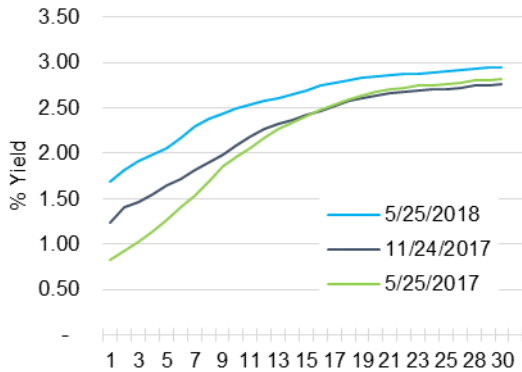
Rates Analysis Since January 2008

	10Y AAA MMD	30Y AAA MMD	Bond Buyer 20 GO Bond Index	Bond Buyer Revenue Bond Index	10Y U.S. Treasury	30Y U.S. Treasury	SIFMA	1M LIBOR
Current	2.49	2.95	3.90	4.39	2.93	3.09	1.20	1.98
Maximum	4.86	5.92	6.01	6.48	4.27	4.79	7.96	4.59
Minimum	1.31	1.95	2.80	2.98	1.37	2.11	0.01	0.15
Average	2.44	3.58	4.09	4.67	2.60	3.44	0.50	0.64
% Time Lower	61%	28%	46%	39%	72%	43%	90%	93%

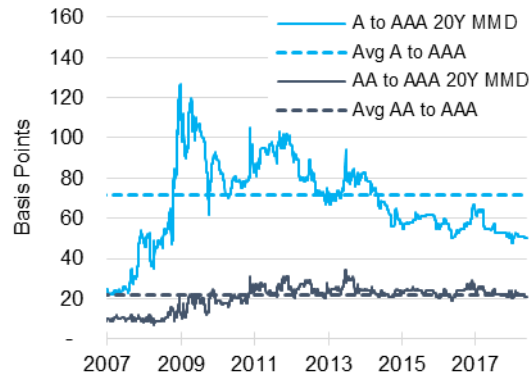
Source: Thomson Reuters Municipal Market Data, U.S. Treasury and Bloomberg

Tax-Exempt Market Overview | MMD

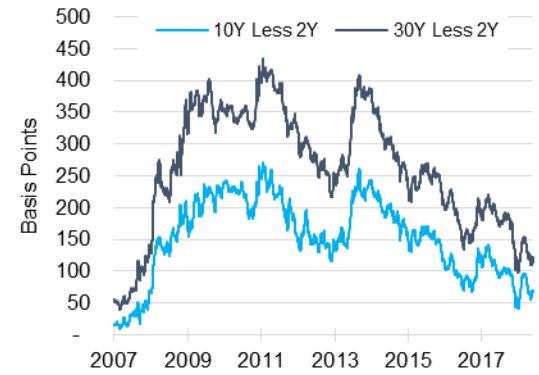
AAA MMD Historical Yield Curve Comparison



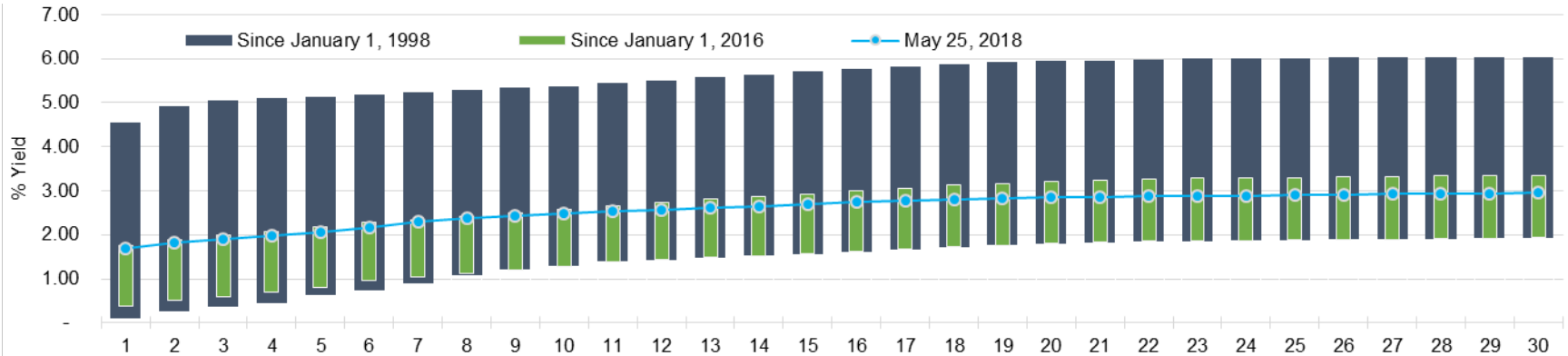
Historical MMD Credit Spreads to AAA



AAA MMD Historical Yield Curve Steepness



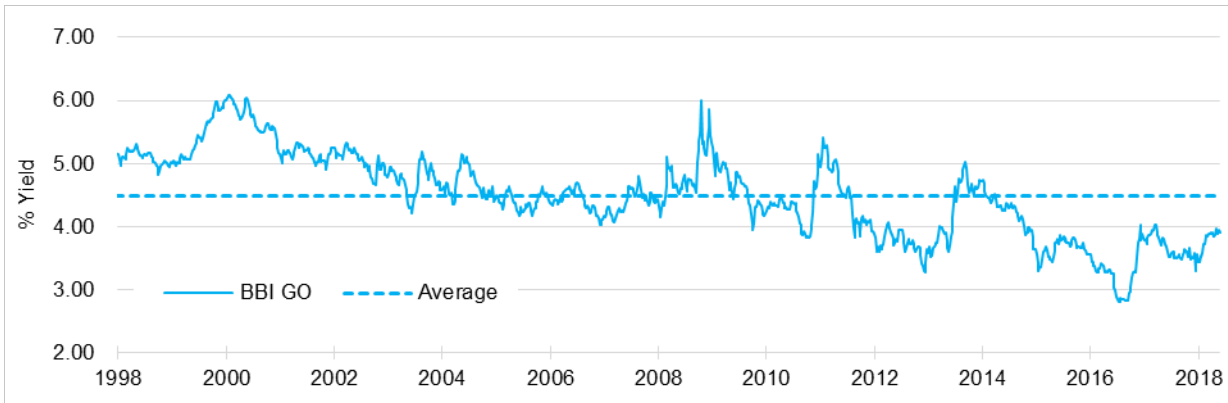
Maximum and Minimum AAA MMD Yields



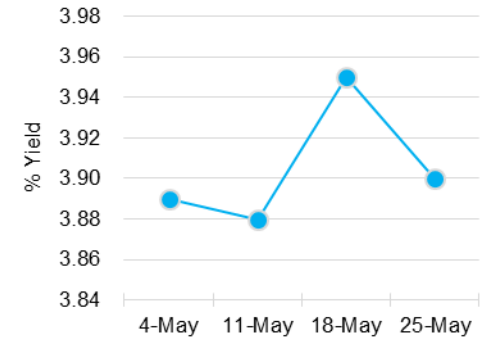
Source: Thomson Reuters Municipal Market Data

Tax-Exempt Market Overview | The Bond Buyer

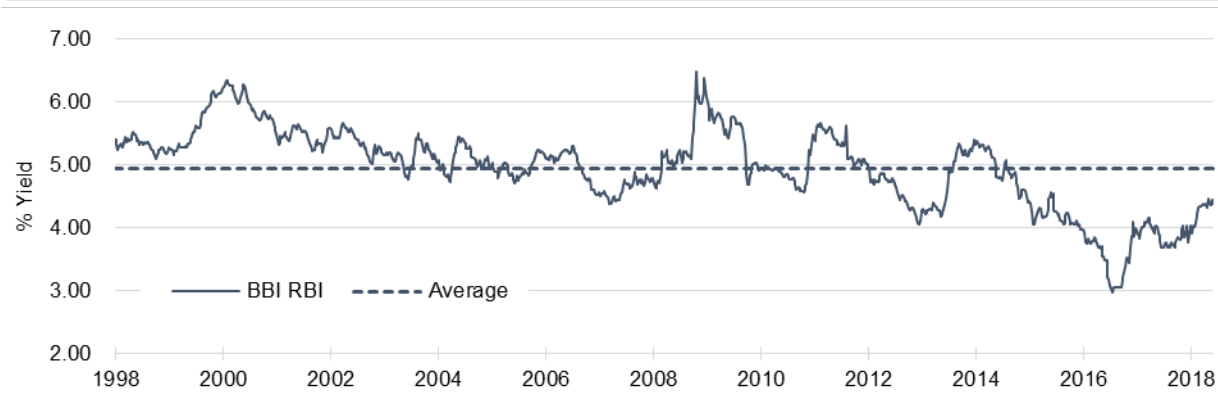
The Bond Buyer 20-Bond General Obligation Index



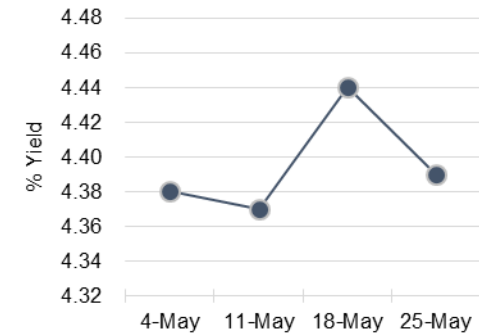
4-Week Snapshot



The Bond Buyer Revenue Bond Index



4-Week Snapshot



Source: The Bond Buyer and Bloomberg

Charlotte County Capital Financing Update

Tab B

Summary of Existing Outstanding Debt

Governmental Funds Outstanding Debt

Debt Type	Outstanding Amount (as of 3/31/2018)	Interest Rate(s)	Maturity	Underlying Ratings
Commercial paper program (FLGFC)	\$47.89	Variable	Varies	n/a
Limited general obligation bond, series 2012	\$27.64	2.11%	12/30/2026	n/a
Promissory note (Murdock Village), series 2012	\$31.98	2.95%	7/1/2022	n/a
Capital improvement refunding revenue bonds, series 2015	\$17.80	3.0 – 5.0%	10/1/2036	Aa3
Total	\$125.30			

(1) Excludes commercial paper program debt allocated to utility system.

Utility System Outstanding Revenue Debt

Debt Type	Outstanding Amount (as of 3/31/2018)	Interest Rate(s)	Maturity	Underlying Ratings
Commercial paper program (FLGFC)	\$2.67	Variable	varies	n/a
State revolving fund (SRF) loans	\$30.11	Varies	varies	n/a
Utility system revenue refunding bond, series 2008	\$21.28	3.94%	10/1/2023	n/a
Utility system revenue refunding bonds, series 2011	\$34.08	3.375-5.25	10/1/2024	Aa3/AA-
Utility system revenue refunding bond, series 2013	\$19.49	1.44%	10/1/2021	n/a
Utility system revenue refunding bond, series 2016	\$20.85	1.71%	10/1/2024	n/a
Total	\$128.49			

(1) Commercial paper program debt allocation to utility system. Debt secured by non-ad valorem covenant to budget and appropriate.

Overview of Non-Utility Capital Borrowing Plans

- A total of approximately \$46.5 million of non-utility capital projects that are anticipated to be financed in the near-to-mid term, including the following:

Project	Amount	Fiscal Year	Expected Repayment Sources
Burnt Store Road Paving	\$29 million	FY 2019	Gas Tax & Impact Fees
Manasota Key Beach Renourishment	\$14 million	FY 2019	TDT, MSBU assessments, and General Revenues
Habitat Conservation Plan (Environmentally Sensitive Lands)	\$3.5 million	TBD	Limited ad valorem (0.20 mills) and General Revenues
Totals	\$46.5 million		

- The Habitat Conservation Plan improvements anticipate the use of limited ad valorem millage revenue pursuant to the approved 0.20 mill debt service levy. However, the County's ability to utilize this levy to fund additional debt service will be constrained by property tax growth, the levy's December/2026 expiration, and further by existing debt and related covenants
- Developing a financing plan for these capital projects should include a review of factors including existing bonding capacity, timing of funding, existing debt covenants, and useful lives of financed projects among other factors

Overview of Certain Financing Types

Financing Type	General Overview
Bank Loans	<ul style="list-style-type: none">- Often utilized for shorter duration financings, or where the issue size may smaller- Typically do not require debt service reserve fund- Do not require as much documentation and may only require minimal annual reporting- May contain gross-up provisions and/or capital adequacy provision
Bond Issues	<ul style="list-style-type: none">- Allow municipalities to borrow through a payment structure of 30-years or longer- Typically carry higher issuance costs than loans, which include rating fees and underwriting fees- Longer duration and efficiency in the capital markets can help to offset the higher issuance costs- Debt service reserve funds equal to one year worth of debt service may be required
Pooled Loan Programs	<ul style="list-style-type: none">- Various programs exist to provide economies of scale for smaller borrowings- Fixed and variable rate and commercial paper programs are available- Lower rated credits have historically been subsidized by the higher credits in the pools
Commercial Paper	<ul style="list-style-type: none">- Can provide low interest, short-term or construction financing for projects- May need economies of scale in order to overcome credit and professional costs- Short-term credit ratings and liquidity are important, often requiring a letter of credit
Governmental Loans	<ul style="list-style-type: none">- SRF loans have historically provided a relatively low cost of capital to utilities in Florida- SIB loans can provide low financing costs for transportation related projects in addition to other federal type loans- TIFIA and WIFIA loans may be available as a low cost option for certain infrastructure
Leases	<ul style="list-style-type: none">- COPS can provide for an annual appropriation structure that does not receive a long-term obligation classification- Equipment lease-purchase financing may be available for certain assets- Structure introduce concept of appropriate risk to lenders and investors

Major Sources of Non-Ad Valorem Revenue & Estimated Bonding Capacity

- Estimated bond capacity for major sources of non-ad valorem County revenues is as follows

Non-Ad Valorem Revenue (\$ amounts in millions)	Annual Revenue	Coverage Req. Used	Revenue @ Coverage	15-Year Bonding Capacity ⁽²⁾	30-Year Bonding Capacity ⁽³⁾
Constitutional Gas Tax (80% / 20%)	\$2.3	1.50x	\$1.5	\$14.4	\$20.0
Local Option Gas Tax (5 Cents) ⁽⁴⁾	\$3.9	1.50x	\$2.6	\$16.5	\$16.5
Local Option Gas Tax (6 Cents) ⁽⁵⁾	\$5.2	1.50x	\$3.4	\$32.8	\$41.0
County Gas Tax (1 Cent)	\$1.0	1.50x	\$0.7	\$6.4	\$8.8
1/2 Cent Sales Tax	\$14.2	1.30x	\$10.9	\$103.7	\$144.1
Infrastructure Sales Surtax ⁽⁶⁾	\$25.5	1.30x	\$19.6	\$32.3	\$32.3
Tourist Development Tax ⁽⁷⁾	\$2.3	1.50x	\$1.6	\$14.8	\$20.6
State Revenue Sharing ⁽⁸⁾	\$2.4	1.35x	\$1.8	\$16.8	\$23.3
FPL Franchise Fees ⁽⁹⁾	\$9.3	1.35x	\$6.9	\$65.3	\$79.2
Local Communications Service Tax ⁽¹⁰⁾	\$5.4	1.30x	\$4.2	\$25.3	\$35.5
Totals	\$71.3		\$53.0	\$328.2	\$421.3

(1) Analysis is preliminary and subject to change based upon annual revenues for fiscal year 2017.

(2) Represents estimated project funding capacity at 4.5% interest cost, and is net of assumed 2% for issuance expenses and a cash fund debt service reserve fund.

(3) Represents estimated project funding capacity at 5.5% interest cost, and is net of assumed 2% for issuance expenses and a cash fund debt service reserve fund.

(4) Bonding capacity shown based upon term of 9 years due to initial collection term expiration.

(5) Bonding capacity shown based upon term of 24 years due to collection term expiration.

(6) Bonding capacity shown based upon term of 2 years due to collection term expiration.

(7) Annual revenue represents three (3) cents of TDT levy amount only.

(8) Annual revenue represents lower of 50% of the State Revenue Sharing Revenues or the Guaranteed Entitlement portion.

(9) Bonding capacity shown based upon term of 19.5 years due to agreement expiration.

(10) Bonding Capacity shown is in addition to the Capital Improvement Refunding Revenue Bonds, Series 2015 currently outstanding.

- Bond under certain non-ad valorem revenues is limited by ability to use certain revenues for particular projects (ex. Gas taxes and tourist development taxes).

Existing County Anti-dilution Test

- Bond capacity on non-ad valorem revenues is additionally constrained by anti-dilution covenants under its existing debt obligations. Based upon the County's most recent calculation of available non-ad valorem revenues, additional debt service would be limited to increasing calculated maximum annual non-ad valorem debt service by approximately \$4 million

Existing Anti-Dilution Test	
Average Legally Available Non Ad Valorem Revenue (FY 2016 & FY 2017)	\$27.2 million
Maximum Annual Debt Service (MADS) Requirement	\$14.2 million
Ratio (minimum 1.50x)	1.91x
Estimated Bonding Capacity Under Test	
Maximum Annual Debt Service Allowed at 1.50x	\$18.2 million
Maximum Annual Debt Service (MADS) Requirement	<u>\$14.2 million</u>
Additional Annual Debt Service Allowed (increase in MADS)	\$3.9 million
30-Year Bonding Capacity on Additional Debt Service (level debt service)	\$55.8 million
30-Year Bonding Capacity on Additional Debt Service (wrap debt service)	\$69.9 million

-Analysis is preliminary and subject to change.

-Average legally available non-ad valorem revenues based upon County calculation as of 9/30/2017.

-Bonding capacity based upon assumed interest rate of 5.50%, and net of assumed issuance expense of 2%.

-Existing maximum annual debt service requirement based upon definitional interpretation for calculation purposes.

Burnt Store & Beach Renourishment Projects

- The following provides alternative funding scenarios for the both the Burnt Store Road Paving and Manasota Key Beach Renourishment projects under more traditional options
- Consideration should be given to the useful life of the financed project as well as the total cost of alternative financing term lengths and options
- Changing future market may alter financing, and should be re-evaluated in the future

Burnt Store Road Paving Project

Scenario	15-Year Bank Loan	20-Year Bond Issue	30-Year Bond Issue
Project Funding Amount (\$mm)	\$29.0	\$29.0	\$29.0
Total Debt Service (\$mm)	\$39.9	\$44.6	\$55.9
Annual Debt Service (\$mm)	\$2.7	\$2.2	\$1.9

- (1) Analysis is preliminary and subject to change based upon indicative interest rates as of 5/23/2018 plus 0.50%.
 (2) Financing scenarios assume level annual debt service, and no debt service reserve fund (subject to further credit review).

Manasota Key Beach Renourishment

Scenario	5-Year Bank Loan	7-Year Bank Loan	10-Year Bank Loan
Project Funding (\$mm)	\$14.0	\$14.0	\$14.0
Total Debt Service (\$mm)	\$15.6	\$16.3	\$17.3
Annual Debt Service (\$mm)	\$3.1	\$2.3	\$1.7

- (1) Analysis is preliminary and subject to change based upon indicative interest rates as of 5/23/2018 plus 0.50%.
 (2) Financing scenarios assume level annual debt service and no debt service reserve fund.
 (3) Final term and security of beach renourishment financings subject to bond counsel review.

Habitat Conservation Project & Limited Ad Valorem Millage

- The County's ability to utilize additional ad valorem revenues generated under the existing limited 0.20 millage is constrained by existing debt service requirements, debt covenants, property tax base growth, and expiration of the millage
- The County additionally has estimated cumulative inter-fund lending through fiscal year 2018 to be approximately \$2 million to cover prior shortfalls in revenue collection versus debt service requirements, in addition to the estimated \$3.5 million anticipated for the Habitat Conservation Projects
- Under a 5% compounded growth scenario (as illustrated below), the cumulative ad valorem collection during the remaining levy will equal approximately \$2.5 million, which is marginally above the inter-fund borrowing estimate through FY 2018. In order to generate a cumulative surplus of approximately \$6 million over the remaining period, the County would need to achieve a compounded annual growth rate of approximately 7% (and greater if discounted/financed)

0.20 Millage Levy through FY 2027 Under Assumed Growth					
Fiscal Year	Assumed Growth Rate	Ad Valorem Taxes	Existing Debt Service	Revenue After Existing Debt Svc	Cumulative
2019	5.00%	2,864,939	3,226,373	(361,435)	(361,435)
2020	5.00%	3,008,186	3,224,456	(216,270)	(577,705)
2021	5.00%	3,158,595	3,226,326	(67,731)	(645,436)
2022	5.00%	3,316,525	3,221,982	94,543	(550,893)
2023	5.00%	3,482,351	3,226,372	255,979	(294,914)
2024	5.00%	3,656,468	3,224,444	432,025	137,111
2025	5.00%	3,839,292	3,226,196	613,096	750,206
2026	5.00%	4,031,256	3,221,683	809,573	1,559,780
2027	5.00%	4,232,819	3,222,319	1,010,500	2,570,280
Total		34,318,943	29,020,150	2,570,280	

Utility Capital Borrowing

- A portion of the sewer master plan projects anticipated to be financed using SRF funding, if approved, are anticipated to be funded from fiscal year 2019 through 2023 in the amount of approximately \$9 million
- Financing for these additional improvements should consider the timing of the required funding, operating and cash flow projections of the utility, liquidity, and existing debt service structure.
- Alternatives and considerations may include
 - Long-term financing. The utility's existing senior lien debt matures on October 1, 2024. In order to reduce near-term debt service pressure the utility could make interest only payments until 2024, but would pay a higher total debt service
 - Short-term financing. The utility could utilize a shorter-term cash flow financing option, subject to existing covenant requirements, such as a line of credit for a 5-year term. This would likely have a variable interest rate

Disclosure

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