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Sent: Thursday, May 11, 2023 8:50 AM

To: Arnold, Bradley <Bradley.Arnold@sumtercountyfl.gov>; Rex, Angela <Angela.Rex@sumtercountyfl.gov>; Marihugh, Cindy <Cindy.Marihugh@sumtercountyfl.gov>

Subject: Meeting Follow Ups

Good morning Bradley, Angela and Cindy,

As a follow up to our meeting, below and attached is information on the bank loan market and a preliminary calculation of the County's existing Additional Bonds Test (ABT), which will need to be met in order to issue the new proposed debt. To summarize, we feel that the County would get strong interest in a \$30-\$50MM, 15-20 year bank loan from multiple lenders at rates consistent with what we are seeing in the market for similar credits. However, based on the County's ABT, which requires a min 1.30x debt service coverage, the project size will be the determining factor on if that test can be met.

If the project costs that we need to finance end up on the lower end (~\$30-\$40MM), the County can meet its ABT at current market rates. However, if project costs comes in higher than ~\$40MM, we would have to evaluate (i) a public bond issue (similar to the 2015B Bonds), which would allow us to amortize principal out further than 20 years and provide more flexibility in structuring the new debt (i.e. deferring principal) to minimize debt service impacts and improve coverage levels in order to meet the ABT and/or (ii) an adjustment to the security structure. I would want to discuss the options and legal considerations of (ii) with Bond Counsel once they are on board. Interest rates and term also play a role in this calculation, but the project size has the most impact.

Bank Loan Market/ Rates

- There is still an active, tax-exempt municipal lending market in Florida for longer term loans (15-20 year terms).
- There were two small, 20-year loans that were secured recently for Florida local governments at interest rates of 3.92% and 3.99% with full prepayment flexibility. Both received 6-7 proposals.
- Based on preliminary discussions with a handful of banks, we estimate current interest rates for the County of:
 - ~3.50-3.65% for a 10-year loan
 - ~3.70-4.00% for a 15-year loan
 - ~4.00-4.25% for a 20-year loan
 - Differences in rates are due to various prepayment provisions and bank appetite for certain loans. Full prepayment flexibility typically requires a higher interest rate for getting that flexibility. .

County's Additional Bonds Test

- With a \$50MM, 20-year bank loan at 4.00%, the County would not meet its ABT.
- With a \$30MM, 20-year bank loan at 4.00%, the County passes the ABT with no problem.
- ~\$42.5MM at 4% for 20 years is the point at which the County would just pass the ABT. With a higher project cost or a higher interest rate than 4%, the County would not meet its ABT.
- In the attached spreadsheet, you can look at different scenarios by adjusting the par, interest rate or term (cells B20, B21 and B22) to evaluate under what conditions the County can meet its ABT.

Please reach with any questions or if you would like to discuss further.

Best,
Natalie

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Sumter County

Debt Service Coverage/ Additional Bonds Test

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Sales Tax Revenues	7,469,232	7,747,420	7,770,967	8,679,960	10,498,434	<< Local Government Half-Cent Sales Tax
Pledged Revenue Sharing Moneys	1,429,286	1,526,301	1,625,643	1,544,765	1,823,793	<< 50% of Total Revenue Sharing Moneys
Pari-Mutuel Distribution Replacement Revenues	223,250	223,250	223,250	223,250	223,250	<< Flat \$250,000 per year
Total Pledged Revenues	9,121,769	9,496,971	9,619,861	10,447,976	12,545,477	
Total Pledged Revenues (FY22)	12,545,477					
Outstanding Bonds MADS	6,495,122					
Debt Service Coverage	1.93					
Outstanding Bonds + Additional Bonds MADS	10,174,210					
Pro-Forma Debt Service Coverage	1.233					
<i>ABT Pass/ Fail</i>	<i>Fail</i>					

Assumptions: Additional Bonds

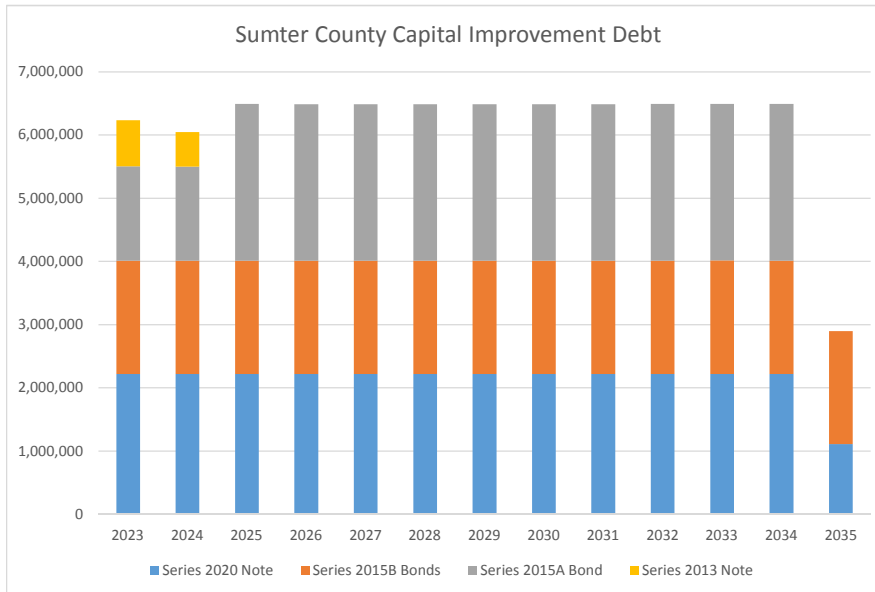
Par	50,000,000
Interest Rate	4.00%
Term	20
PMT	\$3,679,088

Sumter County Debt Service

Fiscal Year (9/30)	Series 2020 Note	Series 2015B Bonds	Series 2015A Bond	Series 2013 Note	Total
2023	2,220,344	1,792,188	1,491,978	731,176	6,235,686
2024	2,220,344	1,788,988	1,489,728	548,382	6,047,442
2025	2,220,344	1,789,188	2,481,478		6,491,010
2026	2,220,344	1,790,938	2,477,478		6,488,760
2027	2,220,344	1,789,188	2,479,978		6,489,510
2028	2,220,344	1,789,813	2,478,478		6,488,635
2029	2,220,344	1,790,938	2,477,978		6,489,260
2030	2,220,344	1,788,863	2,478,228		6,487,435
2031	2,220,344	1,789,363	2,478,978		6,488,685
2032	2,220,344	1,791,363	2,479,978		6,491,685
2033	2,220,344	1,793,800	2,480,978		6,495,122
2034	2,220,344	1,790,000	2,481,728		6,492,072
2035	1,110,172	1,788,800			2,898,972
Total	27,754,297	23,273,425	27,776,990	1,279,558	80,084,271

Note: The Series 2020 Note, 2015A Bond and 2013 Note are secured by " Pledged Revenues" with a CB&A NAV revenue back-up pledge. The Series 2015B Bonds are secured solely by the " Pledged Revenues."

Sources: Series 2020A Note - Official Transcript, Final Numbers
Series 2015B, 2015A and 2013 - 2015B Official Statement - Combined Debt Service Schedule



Additional Bonds Test

Pledged Revenues during any 12 consecutive months designated by the County within the 24 months immediately preceding the date of delivery of such Additional Bonds or (ii) for the most recently completed FY for which audited financials are available.

Pledged Revenues \geq 1.30x Maximum Annual Debt Service (outstanding bonds plus additional bonds)