



Item No. 39

AGENDA ITEM REQUEST FORM

Finance

Doug Haag DMH

Department Submitting Request

Dept Head's Signature

REGULAR
COMMISSION MTG
Meeting Dates - 7:00 PM

DEADLINE TO
Town Clerk

ROUNDTABLE
MEETING
Meeting Dates - 7:00 PM

DEADLINE TO
Town Clerk

- April 27, 2011
- May 24, 2011
- June 28, 2011
- July 26, 2011

- April 15 (5:00 pm)
- May 13 (5:00 pm)
- June 10 (5:00 pm)
- July 15 (5:00 pm)

- April 12, 2011
- May 10, 2011
- June 14, 2011
- July 12, 2011

- April 1 (5:00 pm)
- April 29 (5:00 pm)
- June 3 (5:00 pm)
- July 1 (5:00 pm)

SUBJECT TITLE: PARKING SYSTEM DEBT

EXPLANATION: In October, 2005 the Town borrowed \$2,000,000 at 3.95% compounded monthly from SunTrust Bank. The note is secured by the pledge of and lien on parking meter fees, fines, and non-ad valorem revenues if a shortfall in parking revenues would not be sufficient to make the loan payment. The maturity date is September 30, 2020.

Our remaining annual principal payments are approximately \$146,000; our annual interest payments are approximately \$31,000. These payments are made from the Parking Fund.

As of May 3, the payoff amount of the loan is as follows:

\$1,396,965.27	Principal
112,223.90	Pre-payment fee
4,904.90	Interest
\$1,514,094.07	Total

The pre-payment fee language is fairly standard in the industry and is designed to compensate the bank for its losses when it is unable to earn a comparable rate of return on its money. The fee is based on the present value of the loan balance and the difference between the original loan reference rate and the current reference rate at the time it is paid off. The prepayment fee is higher in times of declining rates. Since we are at the lowest prime interest rates in modern history, the prepayment penalty is high right now. If we paid off the loan early, we would recover the pre-payment penalty in 2 - 2 ½ years by avoiding future interest payments. We approached SunTrust Bank about reducing the amount of the prepayment fee and they are considering the request, but no final decision had been made at the time this memo was written.

The parking fund does not have sufficient funds to pay off the loan; the fund balance as of 9/30/2010 was \$127,868. To pay off the loan, the Commission would have to approve the use of another funding source. Since Capital Funds are designated for future projects, that really only leaves the General Fund as a possible sources of funds. As of September 30, 2010 the General Fund had undesignated reserves of \$3 million which the Commission could use to pay off the loan. However, this would reduce the General Fund reserves by 50% to \$1.5 million. And, as was discussed at the March meeting, paying off the loan would free up \$177,000 in the Parking Fund annually that could be used to pay back the General Fund over a 9 year period of time. Were we to do this, those General Fund monies would not be available to finance the Master Plan capital projects the Commission will be considering later this year, nor the economic revitalization programs and functions we have also discussed.

Another option would be to get competitive quotes to refinance the current loan balance for the remainder of the current term. However, the Town would still be subject to the prepayment fee (unless SunTrust agrees to reduce it). While we have not had time to obtain formal quotes, an informal quote was recently provided at a little more than 3% interest. The savings from the refinancing over the remaining term of the existing loan would be \$50,000 short of offsetting the prepayment penalty.



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A fourth option is to try to refinance the loan through Sun Trust with the provision that they not charge us the prepayment penalty on the existing loan.

However, before we pursue any of those options, staff feels we need to get a handle on the costs that may need to be borne by the Parking Fund over the next 3-5 years to expand parking (i.e. on South Bougainvillea), improve signage, purchase additional pay stations, etc. and get a better feel for how the pay stations, accepting credit cards, and increased parking rates affect Parking system revenues. The latter may produce sufficient revenues to cover projected capital expenses.

RECOMMENDATION: Project parking fund capital expenses and parking expansion/improvement costs for the next 3-5 years; monitor parking revenues.

EXHIBITS:

- Loan amortization schedule
- Loan pre-payment language

Reviewed by Town Attorney

Yes No

Town Manager Initials CA

EXHIBIT "A"

UNITED STATES OF AMERICA
STATE OF FLORIDA
TOWN OF LAUDERDALE-BY-THE-SEA
PROMISSORY NOTE, SERIES 2005B

<u>Interest Rate:</u>	<u>Maturity Date:</u>	<u>Dated Date:</u>
3.95%	September 30, 2020	October 12, 2005

REGISTERED OWNER: SUNTRUST BANK

PRINCIPAL AMOUNT: TWO MILLION DOLLARS (\$2,000,000)

KNOW ALL MEN BY THESE PRESENTS, that the Town of Lauderdale-By-The-Sea, a municipal corporation of the State of Florida (hereinafter called the "Town") for value received, hereby promises to pay to the Registered Owner identified above, or to registered assigns or legal representatives, but solely from the revenues hereinafter mentioned, on the dates hereinafter provided, the Principal Amount identified above, and to pay, solely from such revenues, interest on the Principal Amount remaining unpaid from time to time, at the interest rate per annum set forth herein (the "Note Rate"), until the entire Principal Amount has been repaid. Principal of and interest on this Note will be paid by bank wire, check, draft or bank transfer delivered to the Registered Owner hereof at such address as may be provided in writing by the Registered Owner to the Town no later than the close of business on the fifth Business Day (as defined in the hereinafter described Resolution), next preceding each interest payment date (the "Record Date"). Interest on this Note shall be calculated on the basis of a 360 day year consisting of twelve thirty day months.

Payments of accrued interest will be due on the last day of each March, June, September and December, beginning December 31, 2005. Payments of principal on this Note will be due on the last day of each March, June, September and December, in accordance with the following schedule:

<u>PAYMENT DATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>PAYMENT DATE</u>	<u>PRINCIPAL AMOUNT</u>
	<u>DUE</u>		<u>DUE</u>
December 31, 2005	\$26,948.34	December 31, 2007	\$26,566.54
March 31, 2006	24,800.56	March 31, 2008	26,828.88
June 30, 2006	25,045.47	June 30, 2008	27,093.82
September 30, 2006	25,292.79	September 30, 2008	27,361.37
December 31, 2006	25,542.56	December 31, 2008	27,631.56
March 31, 2007	25,794.79	March 31, 2009	27,904.42
June 30, 2007	26,049.52	June 30, 2009	28,179.98
September 30, 2007	26,306.76	September 30, 2009	28,458.26

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<u>PAYMENT DATE</u>	<u>PRINCIPAL AMOUNT</u> <u>DUE</u>	<u>PAYMENT DATE</u>	<u>PRINCIPAL AMOUNT</u> <u>DUE</u>
December 31, 2009	\$28,739.28	December 31, 2015	\$36,383.02
March 31, 2010	29,023.08	March 31, 2016	36,742.31
June 30, 2010	29,309.68	June 30, 2016	37,105.14
September 30, 2010	29,599.12	September 30, 2016	37,471.55
December 31, 2010	29,891.41	December 31, 2016	37,841.58
March 31, 2011	30,186.59	March 31, 2017	38,215.27
June 30, 2011	30,484.68	June 30, 2017	38,592.64
September 30, 2011	30,785.71	September 30, 2017	38,973.75
December 31, 2011	31,089.72	December 31, 2017	39,358.61
March 31, 2012	31,396.73	March 31, 2018	39,747.28
June 30, 2012	31,706.78	June 30, 2018	40,139.78
September 30, 2012	32,019.88	September 30, 2018	40,536.16
December 31, 2012	32,336.08	December 31, 2018	40,936.46
March 31, 2013	32,655.40	March 31, 2019	41,340.70
June 30, 2013	32,977.87	June 30, 2019	41,748.94
September 30, 2013	33,303.53	September 30, 2019	42,161.21
December 31, 2013	33,632.40	December 31, 2019	42,577.56
March 31, 2014	33,964.52	March 31, 2020	42,998.01
June 30, 2014	34,299.92	June 30, 2020	43,422.62
September 30, 2014	34,638.63	September 30, 2020	43,851.74
December 31, 2014	34,980.69		
March 31, 2015	35,326.12		
June 30, 2015	35,674.97		
September 30, 2015	36,027.26		

Each date when principal and/or interest on this Note is due is a "Payment Date." If any Payment Date is not a Business Day, the payment otherwise due on such Payment Date shall be due on the next succeeding Business Day, but interest shall continue to accrue until the date such interest is actually paid.

Any payment of principal hereof or interest hereon not paid when due shall bear interest from the due date until paid at the maximum rate permitted by law.

This Note is issued in the principal amount of \$2,000,000 to finance the Project (as defined in the Resolution), pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including particularly Article VIII, Section 2 of the Constitution of the State of

This Note shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State of Florida, subject to the provisions for registration of transfer contained herein and in the Resolution.

It is further agreed between the Town and the Registered Owner of this Note that this Note and the indebtedness evidenced hereby shall not constitute a lien upon the Project or any other real or tangible personal property of or in the Town. Neither the members of the governing body of the Town nor any person executing the Note shall be liable personally on the Note by reason of its issuance.

Upon two Business Days' prior written notice to the Registered Owner, the Town may prepay amounts owing under the Note at any time and from time to time. Such prepayment notice shall specify the amount of the prepayment which is to be applied. In the event of prepayment while SunTrust Bank (the "Bank") is the Holder of the Note, the Town may be required to pay the Bank an additional fee determined in the manner provided below, to compensate the Bank for all losses, costs and expenses incurred in connection with such prepayment. The fee shall be equal to the present value of the difference between (1) the amount that would have been realized by the Bank on the prepaid amount for the remaining term of the loan at ___% (the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps for a term corresponding to the term of the Note, interpolated to the nearest month, if necessary, that was in effect three (3) Business Days prior to the origination date of the Note) and (2) the amount that would be realized by the Bank by reinvesting such prepaid funds for the remaining term of the loan at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps, interpolated to the nearest month, as released three (3) Business Days prior to the loan repayment date; both discounted at the same interest rate utilized in determining the applicable amount in (2). Should the present value have no value or a negative value, the Town may repay with no additional fee. Should the Federal Reserve no longer release rates for fixed-rate payers in interest rate swaps, the Bank may substitute the Federal Reserve H.15 Statistical Release with another similar index. The Bank shall provide the Town with a written statement explaining the calculation of the premium due, which statement shall, in absence of manifest error, be conclusive and binding.

Partial prepayments may be made subject to a prepayment charge based upon the same calculation methodology described above. Any partial prepayment shall be applied to installments of principal in the inverse order of maturity and shall not postpone the due dates of, or relieve the amounts of, any scheduled installment payments due hereunder. Any amounts repaid hereunder may not be re-borrowed.

This Note may be assigned by the owner of this Note, or any assignee or successor-in-interest thereto. Such assignment shall only be effective, and the Town obligated to pay such assignee, upon delivery to the Clerk at the address set forth below of a written instrument or instruments of assignment in the form provided herein, duly executed by the owner of this Note or by his attorney-in-fact or legal representative, containing written instructions as to the details of assignment of this Note, along with the social security number or federal employer identification number of such assignee. In all cases of an assignment of this Note the Town shall at the earliest practical time in accordance with the provisions of the Resolution enter the change of ownership in the registration books; provided, however, the written notice of assignment must be received by the Clerk no later