



# AGENDA ITEM REQUEST FORM

## Finance

## Tony Bryan, Finance Director

Department Submitting Request

Dept Head's Signature

### REGULAR COMMISSION MTG Meeting Dates - 7:00 PM

### DEADLINE TO Town Clerk

### ROUNDTABLE/ SPECIAL MEETING Meeting Dates / TIME

### DEADLINE TO Town Clerk 7 Days Prior (noon)

- July 12, 2011
- July 26, 2011 SPECIAL BUDGET 5:30 PM
- July 26, 2011
- Aug 23, 2011
- Sept 12, 2011 1<sup>st</sup> PUBLIC HEARING
- Sept 13, 2011
- Sept 26, 2011 2<sup>nd</sup> PUBLIC HEARING
- Sept 27, 2011

- July 01 (5:00 pm)
- July 15 (5:00 pm)
- July 15 (5:00 pm)
- Aug 12 (5:00 pm)
- Sept 01 (5:00 pm)
- Sept 02 (5:00 pm)
- Sept 15 (5:00 pm)
- Sept 16 (5:00 pm)

- Insert Date/Time

\*Subject to Change

- Presentation
- Resolution
- Reports
- Quasi Judicial
- Consent
- Old Business
- Ordinance
- New Business

**FY2011 DESIGNATED HIGH PRIORITY ITEM**  
**PRIORITY TOPIC:**

**SUBJECT TITLE: Prepayment Penalty on Parking Debt**

### EXPLANATION:

Staff was directed by the Town Commission to attempt to negotiate the reduction or elimination of the early payment penalty on the Town's outstanding loan from SunTrust Bank. We were not successful in convincing the bank to waive the prepayment penalty. Rather, we were given the following options:

1. A discount of 30% off the prepayment penalty, which would result in a prepayment penalty of approximately \$93,600), or
2. The option to pay down 15% of the balance of the loan penalty free. As discussed previously, if we continue to make quarterly payments as per the current payment schedule, we will pay approximately \$271,600 in interest over the remaining term of the loan. However, if we prepay 15% of the loan penalty free, we will pay interest of \$230,830 over the remaining life of the loan, a savings of \$40,770.

### EXPECTED OUTCOME:

Commission Direction

### EXHIBITS:

Memorandum to Town Manager dated July 22, 2011 outlining the background and status of negotiations with SunTrust.

Reviewed by Town Attorney  
 Yes  No

Town Manager Initials CB

**Town of Lauderdale-By-The-Sea  
4501 Ocean Drive  
Lauderdale-By-The-Sea, Florida 33308-3610**

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## Memorandum

**Date:** July 22, 2011  
**To:** Connie Hoffmann, Town Manager  
**From:** Tony Bryan, Finance Director   
**Subject:** Prepayment Penalty on Parking Debt

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### Background

In October 2005, the Town entered into an agreement with SunTrust Bank to borrow \$2,000,000 at 3.95% to be repaid in quarterly installments over a period of 15 years. To date the Town has paid \$1,018,542 toward the loan, including \$385,503 of interest and \$633,039 of principle. As of June 30, the outstanding balance on the loan was \$1,366,480.

The terms of the loan agreement specify that if the Town desires to make prepayments against the outstanding balance of the loan, the Town may be required to pay an additional fee (i.e., a prepayment penalty) to compensate the Bank for losses, costs, and expenses incurred associated with the prepayment. The method for calculating the prepayment penalty considers the market interest rates in effect at the time of the prepayment and is structured such that the prepayment penalty is inversely related to market interest rates.

Based on interest rates as of July 20, 2011, the prepayment penalty (as per the term of the loan agreement) was \$133,763.

### Conclusion

Staff was directed by the Town Commission to attempt to negotiate the reduction or elimination of the early payment penalty on the Town's outstanding loan from SunTrust Bank. Although we made it clear that we were seeking to have the prepayment penalty waived in its entirety, and that anything less may jeopardize the professional relationship between the Town and SunTrust, we were not successful in convincing the bank to waive the prepayment penalty. Rather, we were given the following options:

1. A discount of 30% off the prepayment penalty, which would result in a prepayment penalty of approximately \$93,600), or
2. The option to pay down 15% of the balance of the loan penalty free. As discussed previously, if we continue to make quarterly payments as per the current payment schedule, we will pay approximately \$271,600 in interest over the remaining term of the loan. However, if we prepay 15% of the loan penalty free, we will pay interest of \$230,830 over the remaining life of the loan, a savings of \$40,770.

Commission direction is requested.