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March 17, 2011

## Memorandum

**To:** Donald Nelson  
**From:** Public Financial Management, Inc.   
**CC:** Cynthia Birdsill  
**Re:** Community Development District for the Parking Component of the Palace Project

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The purpose of this memorandum is to provide you with an updated assessment on whether the City's commitment to guaranty the CDD Bonds for the public parking garage component of the Palace's proposed Senior Living Project will adversely impact the City's credit rating or limit the City's ability to issue additional debt.

### Background

On October 12, 2007, Public Financial Management, Inc. (PFM) issued a Memorandum to the City in which we opined that the Limited Guaranty (the "Guarantee") the City had agreed to undertake in connection with the CDD financing would not harm the City's credit rating or limit the City's ability to issue additional debt. Since that time, it is our understanding that the developer has secured a commitment from KeyBanc Capital Markets, Inc to sell the \$13 million CDD financing at interest rates comparable to AA rated bonds. This commitment is conditioned upon a City guaranty, which is inclusive of the original \$13,000,000 total obligation and also includes interest payments on the \$13 million.

### Changes to the Guarantee

Market factors led to the developer seeking clarifications to the Guarantee. The Guarantee now includes regularly scheduled interest, but also requires additional security from the developer and a trigger for release of the Guarantee if certain thresholds can be achieved. While it is impossible to define the likelihood of whether the City will ever be required to provide funds under the Guarantee, the changes provide greater security during ramp up—which is often the riskiest part of a development project—and the potential for a release of the Guarantee, both of which are favorable to the City.



Donald Nelson  
March 17, 2011  
Page 2

### **City's Bond Rating**

Based upon my review of the Second Amendments to the Lease and Development Agreement, the Garage Lease and Development Agreement and the revised Guaranty, as well as my understanding of the City's financial condition, it continues to be my opinion that the City's commitment under the Guaranty will not harm the City's credit rating nor limit the ability of the City to issue additional debt.