



The PFM Group

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November 14, 2007

## Memorandum

**To:** Alan Rosenszweig, Assistant County Manager  
Leon County Financial Advisory Committee

**From:** David Moore, Managing Director  
Public Financial Management, Inc.

**Re:** Proposed \$8,500,000 Leon County Industrial Development Authority, Revenue Bonds  
(Apalachee Center, Inc Project), Series 2007

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Apalachee Center, Inc. ("Apalachee" or the "Borrower") desires to issue new money debt to fund expansion of capacity for the provision of acute psychiatric services and renovate existing facilities. Apalachee is asking the Leon County IDA to issue approximately \$8,500,000 Leon County Industrial Development Authority, Revenue Bonds (Apalachee Center, Inc Project), Series 2007 (the "Bonds").

The Borrower has assembled a financing team, developed a plan of finance and is ready to move forward with the financing. This application is different from other recent applications before the Leon County Financial Advisory Committee. The Borrower is well known to the County since the County provides financial support for some of the Borrower's programs. The Project is rehabilitation and expansion of an existing facility to meet existing demand. As a result, the Borrower has not prepared a feasibility report. Therefore, our review will focus on the financing structure.

### **SUMMARY OF APALACHEE CENTER, INC.**

According to the Borrower, Apalachee has been the primary provider of community mental health services for Leon County for almost 60 years. In 1971, the Federal government awarded Apalachee the designation as the provider of such service for the eight county area as well. For 35 years, Apalachee has been the designated State public receiving facility (Baker Act) for the eight county area. Apalachee operates a 28 bed crisis stabilization unit under Chapter 394, F.S. (Baker Act) and a 24 bed psychiatric hospital licensed under Chapter 396, F.S. The project will expand the psychiatric unit by 22 beds and provide for repair/renovation of existing facilities.



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## SUMMARY OF THE PROPOSED FINANCING

Apalachee has asked the Authority to sponsor the issuance of the proposed Bonds, with the Authority acting as the “conduit” issuer of Industrial Development Revenue Bonds. As currently proposed, the Bonds will be tax-exempt bonds structured as either (1) a “bank qualified” loan from BB&T or (2) Letter of Credit enhanced variable rate demand obligations (VRDOs). Details are highlighted below:

1. Bank Qualified Bank Loan – The rate would be a variable rate set at 68% of One-Month LIBOR plus 95 basis points and will adjust at the beginning of each month. The Borrower will owe only interest for 18 months, and then make principal payments thereafter for 8 ½ years. Any balance remaining at the end of 10 years will be due in full. This is relatively common for bank loans. Any remaining balance is usually refinanced for another ten year term. The BB&T commitment provides for adjusting the interest rate in the event the interest rates increase. The commitment also discusses using a swap to fix the interest rate. The revised letter from Apalachee dated November 6, 2007 states that they will make principal payments of \$28,333 per month after 18 months. While this will clearly not result in amortization of the loan in full during the ten year term, approximately \$3 million will be amortized which is reasonable and prudent.
2. Letter of Credit –BB&T has offered a Letter of Credit presumably to enhance the credit quality and provide liquidity for VRDO offering. The interest rates for this type of structure are typically set daily, weekly or monthly. The specific amortization for this structure was not included, but is typically similar to the bank loan (interest only with principal payments made from excess revenues).

PFM prepared estimated debt service schedules (Attachment 1) to verify the first structure presented in the letter from BB&T.

There are two options under consideration because there is no way for Apalachee to know whether the Bonds can be issued as a “bank qualified” obligations until other County financings occur, specifically the Create, Inc. financing. If the County and any of its dependant entities (including Authorities) issue less than \$10 million in debt in a given year, the obligations can typically be issued “bank qualified” resulting in a slightly lower interest rate for the borrowers. So, presumably the Borrower will evaluate both options and determine which is the most cost effective as it approaches closing.

## FINANCIAL PROJECTIONS AS PROVIDED BY THE BORROWER

The Borrower prepared a proforma for 2008, 2009 and 2010 showing existing operations and then adding revenues associated with the expanded facilities. The proforma demonstrates that annual debt service (interest of approximately \$500,000 and principal of \$340,000) is covered from operations. PFM has not independently verified the projections and no third party was retained to analyze the projections.



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## FINANCIAL ANALYSIS AND CONCLUSIONS

As financial advisor to the County, our first priority is to assure that all information is available to give the County appropriate information to make an informed decision. The Borrower has a long history of meeting the unique needs of its clients in the region. Other health care providers have indicated that the expansion is needed and welcome. While we offer no opinion regarding the projected operating results, the plan of finance indicates that net operating revenue should be sufficient to cover debt service and reasonable replacement activities. Both financing options discussed herein are reasonable and prudently structured.

## CONCLUSIONS & RECOMENDATIONS

Given the long track record of service to the community and the reasonableness of the plan of finance, PFM recommends moving forward with the financing at this time subject to final review by the Financial Advisory Committee and the Board.

*Public Financial Management, Inc. is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities. PFM has not undertaken an independent verification and does not assume responsibility for accuracy, completeness, or fairness of the information contained in the above referenced documents.*

**Apalachee Center, Inc. Project**

**Attachment 1**

**Debt Service Schedules**

SOURCES AND USES OF FUNDS

LEON COUNTY, FLORIDA  
INDUSTRIAL DEVELOPMENT AUTHORITY

(Apalachee Center, Inc. Project)  
Assumed Rate of 4.114% based on:  
68% of 1-Month LIBOR as of Nov. 12, 2007 plus 95 basis points

Dated Date            02/01/2008  
Delivery Date        02/01/2008

Sources:

Bond Proceeds:	
Par Amount	8,500,000.00
	<u>8,500,000.00</u>

Uses:

Project Fund Deposits:	
Deposit to Project Fund	8,500,000.00
	<u>8,500,000.00</u>

BOND SUMMARY STATISTICS  
 LEON COUNTY, FLORIDA  
 INDUSTRIAL DEVELOPMENT AUTHORITY

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 (Apalachee Center, Inc. Project)  
 Assumed Rate of 4.114% based on:  
 68% of 1-Month LIBOR as of Nov. 12, 2007 plus 95 basis points

Dated Date	02/01/2008
Delivery Date	02/01/2008
First Coupon	03/01/2008
Last Maturity	01/01/2018
Arbitrage Yield	4.209613%
True Interest Cost (TIC)	4.209613%
Net Interest Cost (NIC)	4.173538%
All-In TIC	4.209613%
Average Coupon	4.173538%
Average Life (years)	8.458
Duration of Issue (years)	7.045
Par Amount	8,500,000.00
Bond Proceeds	8,500,000.00
Total Interest	3,000,304.61
Net Interest	3,000,304.61
Bond Years from Dated Date	71,888,751.46
Bond Years from Delivery Date	71,888,751.46
Total Debt Service	11,500,304.61
Maximum Annual Debt Service	6,162,137.16
Average Annual Debt Service	1,159,694.58
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	Duration	PV of 1 bp change
Term Loan	8,500,000.00	100.000	4.174%	8.458	7.045	6,970.00
	8,500,000.00			8.458		6,970.00

	TIC	All-In TIC	Arbitrage Yield
Par Value	8,500,000.00	8,500,000.00	8,500,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense			
- Other Amounts			
Target Value	8,500,000.00	8,500,000.00	8,500,000.00
Target Date	02/01/2008	02/01/2008	02/01/2008
Yield	4.209613%	4.209613%	4.209613%

BOND DEBT SERVICE  
 LEON COUNTY, FLORIDA  
 INDUSTRIAL DEVELOPMENT AUTHORITY

(Apalachee Center, Inc. Project)  
 Assumed Rate of 4.114% based on:  
 68% of 1-Month LIBOR as of Nov. 12, 2007 plus 95 basis points

Dated Date 02/01/2008  
 Delivery Date 02/01/2008

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2008			28,169.47	28,169.47	
04/01/2008			30,112.19	30,112.19	
05/01/2008			29,140.83	29,140.83	
06/01/2008			30,112.19	30,112.19	
07/01/2008			29,140.83	29,140.83	
08/01/2008			30,112.19	30,112.19	
09/01/2008			30,112.19	30,112.19	
10/01/2008			29,140.83	29,140.83	
11/01/2008			30,112.19	30,112.19	
12/01/2008			29,140.83	29,140.83	
01/01/2009			30,112.19	30,112.19	325,405.93
02/01/2009			30,112.19	30,112.19	
03/01/2009			27,198.11	27,198.11	
04/01/2009			30,112.19	30,112.19	
05/01/2009			29,140.83	29,140.83	
06/01/2009			30,112.19	30,112.19	
07/01/2009	28,333.33	4.114%	29,140.83	57,474.16	
08/01/2009	28,333.33	4.114%	30,011.82	58,345.15	
09/01/2009	28,333.33	4.114%	29,911.45	58,244.78	
10/01/2009	28,333.33	4.114%	28,849.43	57,182.76	
11/01/2009	28,333.33	4.114%	29,710.70	58,044.03	
12/01/2009	28,333.33	4.114%	28,655.15	56,988.48	
01/01/2010	28,333.33	4.114%	29,509.95	57,843.28	550,798.15
02/01/2010	28,333.33	4.114%	29,409.58	57,742.91	
03/01/2010	28,333.33	4.114%	26,472.83	54,806.16	
04/01/2010	28,333.33	4.114%	29,208.83	57,542.16	
05/01/2010	28,333.33	4.114%	28,169.47	56,502.80	
06/01/2010	28,333.33	4.114%	29,008.08	57,341.41	
07/01/2010	28,333.33	4.114%	27,975.20	56,308.53	
08/01/2010	28,333.33	4.114%	28,807.33	57,140.66	
09/01/2010	28,333.33	4.114%	28,706.96	57,040.29	
10/01/2010	28,333.33	4.114%	27,683.79	56,017.12	
11/01/2010	28,333.33	4.114%	28,506.21	56,839.54	
12/01/2010	28,333.33	4.114%	27,489.52	55,822.85	
01/01/2011	28,333.33	4.114%	28,305.46	56,638.79	679,743.22
02/01/2011	28,333.33	4.114%	28,205.09	56,538.42	
03/01/2011	28,333.33	4.114%	25,384.90	53,718.23	
04/01/2011	28,333.33	4.114%	28,004.34	56,337.67	
05/01/2011	28,333.33	4.114%	27,003.84	55,337.17	
06/01/2011	28,333.33	4.114%	27,803.59	56,136.92	
07/01/2011	28,333.33	4.114%	26,809.57	55,142.90	
08/01/2011	28,333.33	4.114%	27,602.85	55,936.18	
09/01/2011	28,333.33	4.114%	27,502.47	55,835.80	
10/01/2011	28,333.33	4.114%	26,518.16	54,851.49	
11/01/2011	28,333.33	4.114%	27,301.72	55,635.05	
12/01/2011	28,333.33	4.114%	26,323.89	54,657.22	
01/01/2012	28,333.33	4.114%	27,100.98	55,434.31	665,561.36
02/01/2012	28,333.33	4.114%	27,000.60	55,333.93	
03/01/2012	28,333.33	4.114%	25,164.73	53,498.06	

BOND DEBT SERVICE  
LEON COUNTY, FLORIDA  
INDUSTRIAL DEVELOPMENT AUTHORITY  
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(Apalachee Center, Inc. Project)  
Assumed Rate of 4.114% based on:  
68% of 1-Month LIBOR as of Nov. 12, 2007 plus 95 basis points

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/01/2012	28,333.33	4.114%	26,799.85	55,133.18	
05/01/2012	28,333.33	4.114%	25,838.21	54,171.54	
06/01/2012	28,333.33	4.114%	26,599.11	54,932.44	
07/01/2012	28,333.33	4.114%	25,643.93	53,977.26	
08/01/2012	28,333.33	4.114%	26,398.36	54,731.69	
09/01/2012	28,333.33	4.114%	26,297.98	54,631.31	
10/01/2012	28,333.33	4.114%	25,352.53	53,685.86	
11/01/2012	28,333.33	4.114%	26,097.24	54,430.57	
12/01/2012	28,333.33	4.114%	25,158.25	53,491.58	
01/01/2013	28,333.33	4.114%	25,896.49	54,229.82	652,247.24
02/01/2013	28,333.33	4.114%	25,796.11	54,129.44	
03/01/2013	28,333.33	4.114%	23,209.06	51,542.39	
04/01/2013	28,333.33	4.114%	25,595.37	53,928.70	
05/01/2013	28,333.33	4.114%	24,672.57	53,005.90	
06/01/2013	28,333.33	4.114%	25,394.62	53,727.95	
07/01/2013	28,333.33	4.114%	24,478.30	52,811.63	
08/01/2013	28,333.33	4.114%	25,193.87	53,527.20	
09/01/2013	28,333.33	4.114%	25,093.50	53,426.83	
10/01/2013	28,333.33	4.114%	24,186.89	52,520.22	
11/01/2013	28,333.33	4.114%	24,892.75	53,226.08	
12/01/2013	28,333.33	4.114%	23,992.62	52,325.95	
01/01/2014	28,333.33	4.114%	24,692.00	53,025.33	637,197.62
02/01/2014	28,333.33	4.114%	24,591.63	52,924.96	
03/01/2014	28,333.33	4.114%	22,121.13	50,454.46	
04/01/2014	28,333.33	4.114%	24,390.88	52,724.21	
05/01/2014	28,333.33	4.114%	23,506.94	51,840.27	
06/01/2014	28,333.33	4.114%	24,190.13	52,523.46	
07/01/2014	28,333.33	4.114%	23,312.67	51,646.00	
08/01/2014	28,333.33	4.114%	23,989.38	52,322.71	
09/01/2014	28,333.33	4.114%	23,889.01	52,222.34	
10/01/2014	28,333.33	4.114%	23,021.26	51,354.59	
11/01/2014	28,333.33	4.114%	23,688.26	52,021.59	
12/01/2014	28,333.33	4.114%	22,826.99	51,160.32	
01/01/2015	28,333.33	4.114%	23,487.51	51,820.84	623,015.75
02/01/2015	28,333.33	4.114%	23,387.14	51,720.47	
03/01/2015	28,333.33	4.114%	21,033.21	49,366.54	
04/01/2015	28,333.33	4.114%	23,186.39	51,519.72	
05/01/2015	28,333.33	4.114%	22,341.31	50,674.64	
06/01/2015	28,333.33	4.114%	22,985.64	51,318.97	
07/01/2015	28,333.33	4.114%	22,147.03	50,480.36	
08/01/2015	28,333.33	4.114%	22,784.89	51,118.22	
09/01/2015	28,333.33	4.114%	22,684.52	51,017.85	
10/01/2015	28,333.33	4.114%	21,855.63	50,188.96	
11/01/2015	28,333.33	4.114%	22,483.77	50,817.10	
12/01/2015	28,333.33	4.114%	21,661.35	49,994.68	
01/01/2016	28,333.33	4.114%	22,283.02	50,616.35	608,833.86
02/01/2016	28,333.33	4.114%	22,182.65	50,515.98	
03/01/2016	28,333.33	4.114%	20,657.61	48,990.94	
04/01/2016	28,333.33	4.114%	21,981.90	50,315.23	
05/01/2016	28,333.33	4.114%	21,175.67	49,509.00	
06/01/2016	28,333.33	4.114%	21,781.15	50,114.48	
07/01/2016	28,333.33	4.114%	20,981.40	49,314.73	
08/01/2016	28,333.33	4.114%	21,580.41	49,913.74	

BOND DEBT SERVICE  
 LEON COUNTY, FLORIDA  
 INDUSTRIAL DEVELOPMENT AUTHORITY

(Apalachee Center, Inc. Project)  
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Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
09/01/2016	28,333.33	4.114%	21,480.03	49,813.36	
10/01/2016	28,333.33	4.114%	20,689.99	49,023.32	
11/01/2016	28,333.33	4.114%	21,279.29	49,612.62	
12/01/2016	28,333.33	4.114%	20,495.72	48,829.05	
01/01/2017	28,333.33	4.114%	21,078.54	49,411.87	595,364.32
02/01/2017	28,333.33	4.114%	20,978.16	49,311.49	
03/01/2017	28,333.33	4.114%	18,857.36	47,190.69	
04/01/2017	28,333.33	4.114%	20,777.42	49,110.75	
05/01/2017	28,333.33	4.114%	20,010.04	48,343.37	
06/01/2017	28,333.33	4.114%	20,576.67	48,910.00	
07/01/2017	28,333.33	4.114%	19,815.77	48,149.10	
08/01/2017	28,333.33	4.114%	20,375.92	48,709.25	
09/01/2017	28,333.33	4.114%	20,275.55	48,608.88	
10/01/2017	28,333.33	4.114%	19,524.36	47,857.69	
11/01/2017	28,333.33	4.114%	20,074.80	48,408.13	
12/01/2017	28,333.33	4.114%	19,330.09	47,663.42	
01/01/2018	5,610,000.34	4.114%	19,874.05	5,629,874.39	6,162,137.16
	8,500,000.00		3,000,304.61	11,500,304.61	11,500,304.61

**BOND DEBT SERVICE**  
**LEON COUNTY, FLORIDA**  
**INDUSTRIAL DEVELOPMENT AUTHORITY**

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 (Apalachee Center, Inc. Project)  
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 68% of 1-Month LIBOR as of Nov. 12, 2007 plus 95 basis points

Dated Date           02/01/2008  
 Delivery Date       02/01/2008

Period Ending	Principal	Coupon	Interest	Debt Service
01/01/2009			325,405.93	325,405.93
01/01/2010	198,333.31	4.114%	352,464.84	550,798.15
01/01/2011	339,999.96	4.114%	339,743.26	679,743.22
01/01/2012	339,999.96	4.114%	325,561.40	665,561.36
01/01/2013	339,999.96	4.114%	312,247.28	652,247.24
01/01/2014	339,999.96	4.114%	297,197.66	637,197.62
01/01/2015	339,999.96	4.114%	283,015.79	623,015.75
01/01/2016	339,999.96	4.114%	268,833.90	608,833.86
01/01/2017	339,999.96	4.114%	255,364.36	595,364.32
01/01/2018	5,921,666.97	4.114%	240,470.19	6,162,137.16
	<b>8,500,000.00</b>		<b>3,000,304.61</b>	<b>11,500,304.61</b>