



CITY OF DUNNELLO

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Andy Smith
Sr. Vice President
BB&T Governmental Finance
1201 Main Street, Suite 700
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June 8, 2016

Dear Mr. Smith,

Thank you for the positive response to the City's request to re-structure the BB&T series 2011 bond loan. The initial re-payment terms are generous, but the balloon payment due in five years remains the problem. Dunnellon simply cannot generate sufficient revenues to cover a balloon payment, but the City can re-pay the entire loan over a reasonable period of time.

Therefore, the City would like to propose paying off the loan over a ten-year period, with accelerating payments over this term, as noted in the enclosed payment schedule. The City believes this method best meets our ability to pay off the loan while meeting the needs of BB&T in the shortest time possible.

We want to share additional information that should assist you in determining the appropriate action to take regarding the extension of re-payment terms on our utility loan.

Dunnellon is fully committed, and more importantly, fully capable of paying off the full amount of its loan with BB&T, in exchange for more time. The City is currently meeting a reasonable annual debt re-payment that it commits to accelerate, and that is affordable to cover.

Both the City and BB&T should have known that any "balloon" payment of \$5.5 million dollars on a City the size of Dunnellon, or a utility of this size was a recipe for disaster, and totally in-appropriate.

In addition to the nearly \$17 million dollars in debt highlighted on the most current audit report, the City has a long-term debt obligation within the General Fund to re-pay \$2.8 million dollars to the water/sewer utility over the next twenty years.

This annual re-payment to the water/sewer utility of the General Fund obligation, will improve the operating results of the utility, and allow for accelerated re-payment of the BB&T loan.

The City is currently refunding a \$500K surcharge per court order, which inhibits both the ability to use the surcharge process, and precludes the opportunity to finance more debt within the utility.

Water/sewer user rates are already high relative to other utilities. This does not allow for consideration to raise rates in order to cover more debt within the utility.

Water/sewer capital reserves have been depleted and rate increases will have to be used just to re-build the reserves to an appropriate level, and cover normal operating costs. The City will continue to provide BB&T with annual financial reports, and commits to increase the amount of reimbursement if improved finances can cover increased debt coverage.

Dunnellon is committed to being a responsible partner with BB&T, and to make the best of a bad situation. The City will pay off its loan obligation in full, providing BB&T accepts a reasonable term for re-payment.

The City will be glad to meet with BB&T decision makers to help ensure they understand that Dunnellon is making our best efforts to settle this obligation.

We hope you will choose to partner with the City on our re-payment proposal, and we look forward to a positive response. Thank you.

Respectfully,

Mayor Nathan Whitt
City of Dunnellon

BB&T 2011 Bond Revenue Series Re-payment schedule:

2017 - \$460,000

2018 - \$490,000

2019 - \$490,000

2020 - \$520,000

2021 - \$560,000

2022 - \$560,000

2023 - \$600,000

2024 - \$600,000

2025 - \$631,000

2026 - \$631,204

Total \$5,542,204