

Commercial Paper Loan Program

Florida Local Government Finance Commission



Finance Department

Contextual Overview

Meet Demand for Infrastructure: Upcoming CIP projects will require bond funding.

Historical Bond Issuance Approach: Full bond amount issued upfront.

Bond Issuance Approach Challenges: Increased project timelines results in interest payments on unused funds.

Commercial Paper Program Solution: Provides access to cash via short-term loan to pay for design and early project expenses.



Program Overview

History of Program: Established in 1991, the Florida Local Government Finance Commission's commercial paper program has provided over \$2.8 billion in loans to local governments.

Commission Members: Collier, Sarasota, Brevard, Lee, Osceola, and Charlotte County.

Program Purpose: Offers a cost-effective, efficient, and flexible borrowing method.



Why Commercial Paper?

Address Timing Gaps: Historical challenges with timing gaps in project financing.

Minimize Interest Costs: Strategy to cover initial phases of projects, reducing early-stage interest costs.

Borrowing According to Needs: Ability to borrow in stages aligned with project progress, avoiding upfront debt borrowing.



Benefits of Participating

Regulatory Compliance: Prevent returning excess interest to the IRS.

Cost Efficiency: Lower fees compared to other borrowing methods.

Flexibility and Speed: Quick access to funds upon approval, streamlined due to the pooled nature of the program.

Improved Forecasting: Once design is complete, we will be able to more accurately forecast the bond amount.

Improved Cash Flow: Enables precise timing of borrowing, allowing the City to manage cash flow more effectively by aligning loan disbursements with project milestones.



Interest and Fees

Interest Rate: Varies depending on market conditions on the day of the sale.

Fees: \$2,000 for every \$1,000,000 borrowed up to a maximum of \$40,000.



QUESTIONS

