PFM
The PFM Group
Public Financial Management, Inc.
PFM Asset Management, LLC
PFM Advisors

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March 3, 2011

Memorandum

To: Alan Rosenzweig
David Reid

From: David Moore
Jeremy Niedfeldt

Re: Leon County Capital Improvement Revenue Refunding Bonds, Series 2011 – Financial Advisor's Recommendation - $7.95 million 2011 Bank Loan ("Bank Loan" or "Loan")

Public Financial Management, Inc. (PFM) has reviewed responses to Leon County's Request for Proposals (RFP) to provide a Bank Term Loan. The RFP was distributed to banking institutions on January 20, 2011. The County received eleven (11) responses which met parameters set forth in the RFP, four (4) of which provided rate quotes at or below 1.60%. Of the most competitive four (4) loan options, three (3) proposals were submitted with indicative rates subject to a future rate lock based on then current market conditions, and one (1) proposal offered a locked-in fixed rate for a 45-day window. Both options were allowed under the terms of the RFP, and PFM has continuously monitored rates since the proposals were received.

PFM reviewed the proposals and determined that Bank of America Merrill Lynch (BAML) submitted the lowest rate indication (1.19%). The BAML rate is a fixed rate quote based on the current market (as of February 9, 2011), and can be locked-in two (2) days prior to closing. The second lowest fixed rate bid (1.35%) was submitted by Hancock Bank (Hancock). The Hancock proposal is a locked-in fixed rate quote, and is valid for 45 days from February 10, 2011. Both proposals provide savings to the County in excess of $350,000 present value (or 4.5% of refunded bonds).

Several conditions differentiate the BAML and Hancock proposals. Of importance to the County, are the conditions that are unfavorable when the BAML proposal is compared to the Hancock proposal as follows:

- Pre-payment may be at premium (Hancock allows for pre-payment at par)
  - The County cannot pre-pay the loan prior to the scheduled amortization without being exposed to a possible breakage fee, which is determined by current market rates at the time of pre-payment
- Fee for late payments (Hancock is silent)
  - The County is subject to a 4.0% late payment fee if the debt service payment is more than 15 days past due
- Ability to accelerate in the event of default (Hancock is silent)
  - Bank can accelerate the maturity of the loan if the County is in default

While PFM recognizes the covenants/conditions listed above are not favorable to the County, we do not feel the risks are great enough to forego additional savings generated with the lower rate BAML proposal. This analysis is largely due to the short term of the loan (approximately 2.5 years) and the County's ability to pay the loan as scheduled to achieve significant savings.

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As a point of reference, the present value of one basis point (0.01%) on this loan is approximately $1,200. The BAML fixed rate indication on March 3, 2011 is 1.15%, and the cover bid by Hancock offers a fixed rate of 1.35%. The comparison of BAML (1.15%) to Hancock (1.35%) shows that the County saves 20 basis points, or approximately **$24,000** present value, by choosing BAML as the fixed rate provider for this bank loan based on current rates.

PFM recommends that County accept this competitive bid as proposed by BAML. Accepting the BAML commitment effectively provides the County with the lowest cost of borrowing with no expected detrimental effects of the additional covenants required.

We have enclosed a complete bid summary for your review.

Please call David Moore or Jeremy Niedfeldt at (407) 648-2208 if you have any questions.

Leon County, Florida

RFP Evaluation Matrix

Summary of Term Loan Responses

		Wells Fargo Bank		BAML		BBVA		Ameris		SunTrust		Capital City	
Proposal Requirements													
Contact Information		Leslie E. Skipper Senior Vice President, Government Banking Group 225 Water Street, 2nd Floor Jacksonville, FL 32202 Phone: (904) 489-5831 leslie.skipper@wachovia.com		Joe Miller Senior Vice President 100 West Garden Street Pensacola, FL 32502 Phone: (850) 934-5946 J.R.Miller@baml.com		Bill Winston Vice President 198 Eglin Parkway NE Fort Walton Beach, FL 32548 Phone: (850) 796-4105 BILL.WINSTON@BBVACOMPASS.COM		Bradley Cole Senior Vice President 1989 Capital Circle, NE Tallahassee, FL 32308 Phone: (850) 656-2110 bradley.cole@amerisbank.com		Michael Diehl First Vice President 220 West Garden Street Pensacola, FL 32502 Phone: (850) 435-1286 mike.diehl@suntrust.com		Ramsay Sims Vice President 217 North Monroe St Tallahassee, FL 32301 Phone: (850) 402-7743 sims.ramsay@ccbg.com	
Bank Loan: Proposed Rate	Fixed Rate on Term	Fixed Rate	1.870%	Fixed Rate	1.19% (indicative)	Fixed Rate	1.920%	Fixed Rate	2.560%	Fixed Rate	1.640%	Fixed Rate	2.780%
				Rate Index Formula	Sum of 63.7% of 1-year swap rate plus 88bps								
		Commitment in effect through 3:00 pm March 15, 2011.		Commitment in effect no later than March 15, 2011. Transaction shall occur no later than March 31, 2011.		Quote good through March 24, 2011		Quote good through April 15, 2011		Closing should be on or about March 17, 2011		Quote good through March 24, 2011	
		Legal Fees	$4,000	Legal Fees	$4,500	Legal Fees	$5,000	Legal Fees	$10,000	Legal Fees	$2,000	Legal Fees	$5,000
		Document Fee	None	Document Fee	None	Document Fee	None	Document Fee	None	Document Fee	None	Document Fee	$1,500
Other Conditions		None		None		None		None		Min. 1.0x Junior Lien; future additional parity or senior debt should have DSC at 1.50x		None	

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Leon County, Florida

RFP Evaluation Matrix

Summary of Term Loan Responses

		Capital One		Hancock Bank		Fifth Third Bank		Chase		Bancorp Bank	
Proposal Requirements											
Contact Information		Jacqueline Bretz 7644 Fallsburg Road Newark, OH 43055 Phone: (866) 617-2337 jaci.bretz@capitalonebank.com		Steve Cole Senior Vice President 113 Designer Circle Dothan, AL 36303 Phone: (334) 792-8422		Mark Carlen Vice President 9716 San Jose Blvd Jacksonville, FL 32257 Phone: (904) 486-1933		Leif Chase Senior Vice President 420 S. Orange Ave. Orlando, FL, 32801 Phone: (407) 236-5464		Bob Crowe 3905 El Rey Road Orlando, FL, 32808 Phone: (407) 253-4464 bcrowe@thebancorp.com	
Bank Loan: Proposed Rate	Fixed Rate on Term	Fixed Rate	2.550%	Fixed Rate	1.350%	Fixed Rate	1.60% (Indicative)	Fixed Rate	1.51% (Indicative)	Fixed Rate	2.190%
						Rate Index Formula	65%*(2-year swap rate + 1.47%) = 65%*(0.99% + 1.47%)	Rate Index Formula	Based on Bank Funding Level		
		Quote good through March 17, 2011		Quote good for 45 days Loan should be funded in 60 days.		Quote good for 45 days.		Quote good for 45 days.		Quote good for 45 days	
		Legal Fees	$5,000 estimated	Legal Fees	$4,000	Legal Fees	$4,000	Legal Fees	$5,500	Legal Fees	$5,000 estimated
		Document Fee		Document Fee		Document Fee		Document Fee		Document Fee	
Other Conditions		None		None		None		None		None	

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