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April 1, 2015

Memorandum

To: Bob Inzer, Clerk of the Circuit Court
Alan Rosenzweig, Assistant County Administrator
Scott Ross, Budget Director
Betsy Coxen, Finance Director
Norma Parrish, Treasury Manager

From: David Moore, Managing Director
Jeremy Niedfeldt, Senior Managing Consultant
Natalie Newland, Analyst

Re: Leon County, Florida
Capital Improvement Revenue Bonds, Series 2005 – 2015 Refunding Opportunity

As financial advisor to Leon County, Florida (the "County"), Public Financial Management ("PFM") periodically reviews the County's outstanding debt to look for potential refunding opportunities. Given the current interest rate environment, we believe the County may be able to current refund $13,650,000 of outstanding callable Capital Improvement Revenue Bonds, Series 2005 (the "2005 Bonds") for over $400,000 in cashflow savings over the next two years (FY 2016 & FY 2017). Along with a current refunding, the County could also defease the October 1, 2015 maturities ($6,390,000) and eliminate the need for future continuing disclosure and reporting requirements along with any public bond ratings surveillance.

Estimated Savings

The Series 2005 Bonds were issued in order to: (i) advance refund certain Series 1997, Series 1998A and Series 1999 Bonds and (ii) finance renovations on the Courthouse. These bonds become callable on October 1, 2015 at par (100%). The portion of the 2005 Bonds issued for advance refunding purposes maturing after the call date could be refunded on a *current* basis within 90-days of the call date. The portion of 2005 Bonds issued to finance the Courthouse maturing after the call date were *advance refunded* last year, and the County received over $1.6 million in Present Value (PV) savings. By executing a current refunding of outstanding callable bonds through the issuance of a refunding bank loan, we estimate that the County could realize approximately **$400,000** of PV debt service savings (net of issuance and escrow costs) based on current market interest rates. While the % of PV savings on refunded par amount is not as high as the County recently received on the Series 2014 Refunding (2.6% instead of 11%), the impact of saving approximately $200,000 in each of the next two fiscal years is significant.

The above savings estimate reflects conservative interest rate cushion, given the market's sensitivity to Federal Reserve rate indications and economic data releases that could potentially drive short term rates higher over the next several months. If rates are at the current levels when the County

locks-up the interest rate on a refunding loan, PFM estimates closer to **$250,000** in annual savings with more than **3.0%** PV savings as a percentage of refunded par.

Given the very short duration of the financing, it is common that the % savings is rather low. For short financings like this, the 3% to 5% savings threshold "rule of thumb" really doesn't apply. Rather, the analysis becomes simply a cashflow reduction question. Quite simply, is the process/hassle of completing the rather small and short refunding worth the effort? Given the relative ease of the bank loan process, we believe this is a very prudent financing.

Recommendation

If the County deems the Cashflow savings to be significant, PFM recommends that the County refund the outstanding callable Series 2005 Bonds with a term loan provider selected through a Bank Loan RFP. This process allows the County to receive competitive offers from all interested banks to provide the lowest rate in order to maximize PV savings. Aggregate debt structure analysis would be used to ensure savings in each year, without an extension of the final maturity of outstanding bonds. Also, PFM believes there are non-financial benefits to defeasing the 10/1/2015 maturity along with the refunding that are worth considering.

PFM is prepared to work with County staff to issue a bank loan RFP. Once bids are received, PFM will review the bids, summarize the terms and conditions of the bids, and assist the County with the selection of the most favorable financing terms that provides for the lowest cost alternative and the greatest savings over each of the next two years. PFM will then coordinate the financing with the working group to structure and close the transaction in a timely manner. A preliminary timeline for the transaction is shown below:

Preliminary Schedule:

April 29, 2015	RFP Issued
May 20, 2015	Written responses due
June 23, 2015	Award of the Term Loan (County Commission Meeting)
July 7, 2014 (tentative)	Approximate closing on Term Loan

If you have any questions regarding this memo or PFM's recommendation, please feel free to contact us at 407-648-2208 or via email at moored@pfm.com or niedfeldtj@pfm.com.