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June 4, 2015

Memorandum

To: Alan Rosenzweig, Assistant County Administrator
Bob Inzer, Clerk of the Circuit Court
Herbert W.A. Thiele, County Attorney
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
Financial Advisor's Recommendation - \$13,692,000 Capital Improvement Refunding
Revenue Bond, Series 2015 Loan

As Financial Advisor to Leon County, FL (the "County"), Public Financial Management, Inc. (PFM) has reviewed responses to the County's Request for Proposals (RFP) to provide a Non-Bank Qualified Term Loan to currently refund outstanding non-advance refundable Series 2005 Capital Improvement Revenue Refunding Bonds. The RFP was distributed to banking institutions on April 29, 2015. The County received eight (8) responses which met parameters set forth in the RFP, two (2) of which provided rate quotes below 0.90%. Of the most competitive two (2) loan options, one (1) proposal was submitted with indicative rates to be set at some point between the proposal submission date and closing, and one (1) proposal that offered a locked-in rate as stated in the proposal. Both options were allowed under the terms of the RFP. All eight (8) proposals offered fixed interest rates until maturity, subject to various rate adjustment provisions.

PFM reviewed the proposals and determined that Capital City submitted the lowest rate quote (0.83%). Capital City proposed a fixed rate quote, and this rate is locked until closing. The second lowest bid (0.86%) was submitted by Wells Fargo. The Wells Fargo proposal is an indicative rate quote and will adjust with movements in the LIBOR Swap Market (no formula was provided). Both proposals provide savings to the County in excess of \$550,000 present value (or 4.0% of refunded bonds not including 2015 par being defeased).

Along with the difference in interest rates, there are a few other differentiating considerations between the Capital City proposal and the Wells Fargo Proposal. See below these factors worth comparing:

- Proposed Interest Rates
 - Capital City = 0.83%
 - Wells Fargo = 0.86%
- Pre-payment Options
 - Capital City: Callable anytime at par
 - Wells Fargo: Callable anytime with a Make-Whole Call



- Legal Fees
 - Capital City = \$4,000
 - Wells Fargo = \$20,000
- Forward premium for option to extend closing to reduce negative arbitrage in escrow
 - Capital City = 0 bps closing on July 31, 2015
 - Wells Fargo = 5 bps closing on October 1, 2015

As a point of reference, the present value of one basis point (0.01%) on this loan is approximately \$2,875. Therefore, for each additional \$2,875 in cost, the associated rate is adjusted higher by 1 bp for comparison purposes. Conversely, for each additional 1 bp in lower yield, there is a \$2,875 benefit. In a situation like this, where all but one factor has a quantifiable value, it makes sense to use an “adjusted” rate to compare the two proposals.

Below is a summary of the appropriate adjustments:

Factor	Capital City	Wells Fargo
Interest Rate	0.83%	0.86%
Legal Fees	-	0.05%
Forward Pricing (net)	-	-0.02%
Adjusted Rate	0.83%	0.89%

Prepayment Benefit	Yes	No
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The Wells Fargo indicative rate on May 20, 2015 is 0.03% (3 bps) higher than Capital City, and the bid by Capital City offers a legal fee estimate \$15,000 (5 bps) lower. Estimated escrow costs on the refunded maturities is approximately \$19,000 (7 bps), so offering a forward option (at a cost of 5 bps) to eliminate negative arbitrage in the escrow has a net benefit of approximately 2 bps. The “adjusted” rate comparison of Wells Fargo (0.89%) to Capital City (0.83 %) shows that the County saves 6 basis points, or approximately **\$17,250** present value, by choosing Capital City as the fixed rate provider for this bank loan based on current rates. In addition to these quantifiable components, Capital City will hold the interest rate at 0.83% through a closing date of July 31, 2015 and offers the County ultimate pre-payment flexibility.

PFM recommends that County accept this competitive bid as proposed by Capital City and lock in the current fixed rate of 0.83%. Accepting the Capital City commitment effectively provides the County with the highest level of savings and the most favorable terms and conditions.

We have enclosed a complete bid summary for your review.

Please call Jeremy Niedfeldt at (407) 406-5759 if you have any questions.

Leon County, FL -- Tax-Exempt Capital Improvement Refunding Revenue Bonds, Series 2015
RFP Summary

	BAML	JP Morgan	Regions	Pinnacle	Wells Fargo	Capital City	Hancock Bank	US Bank
Proposal Requirements								
Contact Information	Joe Miller Vice President 100 West Garden Street, Pensacola, Florida 32501 (850) 934-5946 joe.miller@bankofamerica	John McAuley Executive Director 100 N. Tampa Street Tampa, Florida 33602 (813) 483-8253 john.t.mcauley@jpmorgan.com	Andy LaFear Vice President 10245 Centurion Parkway Jacksonville, Florida 32256 (904) 564-7981 andy.lafear@regions.com	Blair Swain Vice President 8377 E. Hartford Dr, Ste 115 Scottsdale, Arizona 85255 (480) 419-3634 BSwain@PPF-Inc.Com	Leslie Skipper Senior Vice President 1 Independent Drive, 8th Floor Jacksonville, Florida 32202 (904) 351-7484 leslie.skipper@wellsfargo.com	Ashley Leggett Assistant Vice President 304 East Tennessee Street, Tallahassee, Florida 32301 (850) 402-7954 leggett.ashley@cdbg.com	Steven Cole Vice President 113 Designer Circle, Dothan, Alabama 36303 (334) 792-8424 steve.cole@hancockbank.com	Geraldine Kerr Vice President 461 Fifth Avenue, New York, New York 10017 (917)256-2847 geraldine.kerr@usbank.com
Final Maturity	10/1/2017	10/1/2017	10/1/2017	10/1/2017	10/1/2017	10/1/2017	10/1/2017	10/1/2017
Tax Exempt Fixed Interest Rate	Indicative: 0.94%	(i) Indicative: 1.06% (ii) Indicative: 1.08%	Indicative: 0.96%	Fixed: 1.67%	(i) Indicative: 0.86% (ii) Indicative: 0.91% (forward Direct Purchase)	Fixed: 0.83%	Fixed: 1.15%	Fixed: 1.02%
Calculation	(70% of 2- year Swap Rate swap) + 36 bps	(i) 2-yr. Swap Rate + 20 bps (ii) 2-yr. Swap Rate + 22 bps	(65.1% of 2-yr Swap Rate)+ 40 bps	N/A	Fixed to LIBOR	N/A	N/A	N/A
Rate Locked to Closing, or Date to be set	Set 2 days prior to closing	Subject to change daily until lock agreement	N/A	Valid through July 7, 2015	(i) Valid through July 7, 2015 (ii) Valid through October 1, 2015	July 31, 2015	Locked if accepted in 15 days & Bond must close within 60 days	Locked until Closing
Prepayment Penalty	At anytime with 3 days prior written notice	(i) Make Whole Call (ii) Callable on 10/1/16	Callable without penalty	Not subject to prepayment prior to maturity	Make Whole Call	Callable without penalty	Make Whole Call	Make Whole Call
Legal/Other Fees	\$3,000	\$5,500	\$5,000	\$5,000	\$20,000	\$4,000	\$5,000	\$2,500
Other Conditions	(i) Gross up in event of taxability resulting from actions or inactions of the County equal to tax exempt rate multiplied by a taxable rate factor (1.54x) (ii) Default rate: maximum rate allowed (iii) Late payment fee of 4.0% if more than 15 days past due (iv) Proposal expires June 23, 2015	(i) Default rate: Base Rate + 4.00% (ii) Base Rate: Higher of (i) Prime rate and (ii) 2.50% + one month adjusted LIBOR (iii) Add Bonds Test 1.35x (iv) Provide CAFR within 180 days of FY end, annual operating information on the System within 180 days of FY end, and any additional information requested (v) Standard Gross-Up Language for Taxability and Corporate Tax Rate Change	(i) Comply with all regulations in regard to all timeframes for reporting of all budgetary, compliance and financial issues (ii) Provide audited financial statements within 210 days of FY end (iii) Provide annual budget within 30 days after its adoption (iv) Comply with same existing financial covenants (v) No material adverse effects (vi) Provide BC Opinion (vii) Standard Gross-Up Language for Taxability (viii) Default Rate: +6.00% (ix) Lender consents to EMMA submission	(i) Gross-Up Provision for Taxability (2.57%) (ii) Default rate: 5.000% (iii) Add Bonds Test 1.20x (iv) Provide CAFR within 210 days of FY end and any other financial information the Bank may reasonably request (v) Subject to final credit approval	(i) Standard Gross-Up Language	(i) Gross-Up Provision for Taxability (1.28%) (ii) Provide a copy of 8038G filing within 60 days of closing	(i) Add Bonds Test 1.35x (ii) Provide audited financial statements within 180 days of FY end, annual operating budgets, and other financial information the Bank may reasonably request (iii) Standard Gross-Up Language for Taxability (iv) No material adverse effects (v) Default rate: +6.00% (vi) Provide 10 days notice for no prepayment penalty	(i) Base Rate: Greater of (i) Prime Rate + 1.0, (ii) Federal Funds Rate + 1.5% or, (iii) 7.0% (ii) Default Rate: Base Rate + 4.0% (iii) Provide Bond Counsel and Issuer's Counsel Opinions (iv) Provide audited financial statements, any unaudited financial statements, and investment policy (v) No material adverse changes