



July 7, 2023

Recommendation Memorandum

To: Todd Hutchinson – Finance Director
From: Jeremy Niedfeldt, Managing Director – PFM Financial Advisors LLC
Re: Capital Improvement Revenue Note, Series 2023 – Recommendation Memorandum

PFM Financial Advisors LLC (“PFM”) was engaged by Alachua County, Florida (the “County”) to serve as financial advisor for the County’s proposed issuance of the Capital Improvement Revenue Note, Series 2023 (the “2023 Note”) to finance the purchase of the Amory and remodel it for a new Emergency Operations Center and Fire Administration location. Based on the desire to receive proposals based on multiple repayment terms (15 & 20 years), low cost of issuance, and recent aggressive bids received from banks for comparable transactions, PFM recommended the County pursue a privately placed direct bank loan, which in today’s market was expected to be an efficient and cost-effective method of financing.

At the County’s direction, PFM distributed a request for proposals (“RFP”) on June 8, 2023, to a list of local, regional and national financial institutions to identify the institution that could provide the County with a tax-exempt fixed rate, non-bank qualified term loan at the lowest overall borrowing cost, pursuant to certain conditions as determined by the County. Prior to the submittal deadline (2:00 pm on July 6, 2023) the County received nine (9) proposals from the following institutions: Bank of America, Capital One, Flagstar, JPMorgan, Regions, TD, Truist, Webster and Wells Fargo. A summary of each proposal is included as **Exhibit A**.

Of the 9 proposals, Wells Fargo offered the lowest interest rate option for the 15-year term at 3.94% which includes a make whole call. In comparison, Regions offered an interest rate of 4.21% but included full prepayment flexibility after two years with no penalty. With the present value of 1 basis point (PV01) valued at approximately \$5,600, the approximate cost of this call flexibility is \$151,200 $[(4.21\% - 3.94\% = 27 \text{ bps}) \times \$5,600]$. This equates to approximately \$14,000 in additional interest paid each year.

With Regions’ proposal, if rates are 50 bps lower in 2 years, the County could refund the 2023 note for present value savings of ~3.00%. To achieve present value savings of ~5.00%, rates would need to be 80 bps lower between 2-3 years from now. Estimates illustrated below:

Refunding Date: 8/1/2025
Potential Interest rate: 3.40%
Projected NPV Savings: 5.20%
Total Cashflow savings over
remaining life = \$450k

Refunding Date: 8/1/2026
Potential Interest rate: 3.40%
Projected NPV Savings: 4.80%
Total Cashflow savings over
remaining life = \$400k

Based on PFM’s review and discussions with County staff and Bond Counsel, it was determined that Regions provided the best combination of interest rate and terms most favorable to the County. Given a 15-year term, and volatility in the debt capital markets over the past couple years, we believe the call-option value of total prepayment flexibility after 2 years is potentially greater than the additional interest paid each year leading up to a refunding.



Based on the interest rate and acceptable terms and conditions provided in their proposal, PFM recommends selecting Regions as the loan provider for the 2023 Note. We anticipate bringing the Bond Resolution to the County Board of County Commissioners for final consideration at the August 15, 2023 meeting. If you have any questions, please feel free to contact me at 407-949-2248 or niedfeldtj@pfm.com.



July 7, 2023

Exhibit A

Summary of Proposals



Alachua County, Florida
Capital Improvement Revenue Note, Series 2023
Bank Loan Proposal Summary

	Bank of America	Capital One	Flagstar	JPMorgan	Regions
Contact Information	Holly Kuhlman Senior Vice President 239.598.8805 holly.kuhlman@bofa.com	Jaci Bretz Senior Vice President 631.457.9582 jaci.bretz@capitalone.com	Dennis McDermott Vice President 470.597.9280 dmcdermott@signatureny.com	Dominic D'Amato Vice President 407.236.5440 dominic.damato@jpmorgan.com	Rebecca Reynolds Senior Vice President 407.310.6074 rebecca.reynolds@regions.com
Tax-Exempt Interest Rates					
15 year term	4.09%	4.66%	4.79%	A1) 4.09% A2) 4.81% A3) 4.50% A4) 4.31% A5) 4.22%	4.21%
20 year term	-	4.79%	4.79%	20-year Amort w/ 15-year Put B1) 4.14% B2) 4.84% B3) 4.54% B4) 4.35% B5) 4.26%	-
Interest Rate	Indicative	Fixed	Fixed	Indicative	Fixed
Interest Rate Formula	109-month interest rate swap with daily SOFR as the floating rate, as determined by linear interpolation using Bloomberg or such other similar date source, plus 34 bps	-	-	subject to change daily until a written rate lock agreement is executed	-
Rate (formula) Locked to Closing, or Date to be Set	8/24/2023	8/24/2023	8/5/2023	Date to be set	8/24/2023 if verbal acceptance is provided by 7/7/2023
Draw-down Flexibility	No	No	Does Not Specify	Yes	Yes
Prepayment Options	Make Whole	15 years) No call until 8/1/2031, thereafter at par 20 years) No call until 8/1/2033, thereafter at par	Any payment date at 101%	AB1) Make Whole AB2) 3 years at par AB3) 5 years at par AB4) 7 years at par AB5) 10 years at par	No call until 8/1/2025, thereafter at par
Bank Counsel Fee	\$10,000	\$0	\$5,000	\$8,500	\$9,500
Notes & Other Conditions	a) Default Rate: 12% b) Administrative Fees: \$2,500 c) Gross-up language in the event of taxability d) CAFR due within 270 days of fiscal year end e) Downgrade of parity bond or issuer rating below Ba2/BBB/BBB shall trigger default rate f) Term sheet expiration: 8/24/2023 if accepted by 7/14/2023	a) Term sheet expiration: 8/24/2023 if accepted by 7/13/2023	a) Term sheet expiration: 8/24/2023 b) Gross-up language in the event of taxability; Taxable rate: 9.60%	a) Term sheet expiration: 8/5/2023 b) Default Rate: Interest Rate + 4.00% c) Extension of Mandatory Tender Date within sole discretion of the Purchaser d) ADT: 1.50x e) CAFR due within 180 days of fiscal year end (subject to negotiation) f) Certificate of no default due within 180 days of fiscal year end g) Gross-up language in the event of taxability	a) Term sheet expiration of 8/24/2023 if verbal acceptance is provided by 7/7/2023 and executed term sheet is provided by 7/19/2023 b) Gross-up language in the event of taxability c) CAFR due within 270 days of fiscal year end d) ADT: 1.50x



Alachua County, Florida
Capital Improvement Revenue Note, Series 2023
Bank Loan Proposal Summary

	TD Bank	Truist Bank	Webster	Wells Fargo
Contact Information	Rob Catoe Vice President 813.250.3069 robert.catoe@td.com	Lisa Hayes Senior Vice President 904.632.2599 lisa.c.hayes@truist.com	Mark Cargo Managing Director 704.287.4493 mcargo@websterbank.com	Brian Gibson Vice President 904.351.7752 brian.t.gibson@wellsfargo.com
Tax-Exempt Interest Rates				
15 year term	4.14%	A1) 5.01% A2) 5.08% A3) 5.04%	4.46%	A1) 3.94% A2) 4.45% A3) 4.05%
20 year term	4.15%	B1) 5.04% B2) N/A B3) 5.07%	4.67%	-
Interest Rate	Fixed	Fixed	Fixed	Indicative
Interest Rate Formula	-	-	-	Does not specify
Rate (formula) Locked to Closing, or Date to be Set	8/24/2023 if acceptance is provided within 2 business days	8/31/2023	8/25/2023	Actual rate to be determined on/before 8/22/2023
Draw-down Flexibility	Does Not Specify	Escrow option w/ Draws	Escrow option w/ Draws	Yes; rate is 2 bps lower if fully funded
Prepayment Options	Option A) Make Whole Option B) No prepayment penalty: + 37 bps	AB1) Make Whole A2) 8 years at par AB3) 10 years at par	15 years) Years 1-4: no call; Years 5-7: 101%; Thereafter: at par 20 years) Years 1-5: no call; Years 6-8: 101%; Thereafter: at par	A1) Make Whole A2) 5 years at par A3) 10 years at par
Bank Counsel Fee	\$8,500	\$8,500	Amount not Specified	\$5,000
Notes & Other Conditions	a) Upfront Fee: \$5,000 b) Default Rate: 6% + the Prime Rate as quoted in the Wall Street Journal with a Prime Rate floor of 3% c) Late Charges: 6% for any payment 15 days over due d) CAFR due within 270 days of fiscal year end e) Budget due within 60 days of adoption f) ADT: 1.50x	a) Default Rate: lesser of (i) Prime plus 8% and (ii) maximum legal rate b) Gross-up language in the event of taxability c) CAFR due within 270 days of fiscal year end d) Budget due within 30 days of adoption e) ADT: 1.50x f) Escrow investment options: (i) 18-month fixed rate of 3.55% (collateralized funds) or (ii) Managed Rate of 4.05% (funds not collateralized) g) Term sheet expiration: 8/15/2023	a) Term sheet expiration: 7/14/2023	a) Gross-up language in the event of taxability b) Default Rate: Greatest of: (i) Bank's Prime Rate plus 4.00%, (ii) Federal Funds Rate plus 5.00% or (iii) 10.00% c) CAFR due within 270 days of fiscal year end d) Budget due within 60 days of adoption