



The PFM Group

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March 14, 2016

Memorandum

To: Mark Benton, Finance Director
April Shuping, Assistant Finance Director

From: Jay Glover, Managing Director – Public Financial Management

Re: Capital Improvement Revenue and Refunding Note, Series 2016A and 2016B

As financial advisor to the City of Gainesville, Florida (the “City”), Public Financial Management (PFM) continually monitors the City’s outstanding debt portfolio for refunding opportunities that could lower the City’s overall debt service payments. We have reviewed the City’s outstanding Revenue Note, Series 2009 (the “2009 Note”) as well as the Improvement and Refunding Revenue Bonds, Series 2007 (the “2007 Bonds”) and Revenue Bonds, Series 2005 (the “2005 Bonds”) that were issued through the First Florida Governmental Financing Commission and determined that current market conditions would allow the City to refund a portion of these bonds for debt service savings.

The callable portion of the 2009 Note is outstanding in the principal amount of \$8,345,000 and has an initial call date of May 1, 2019. The callable portion of the 2007 Bonds are outstanding in the principal amount of \$915,000 and have an initial call date of July 1, 2017. The callable portion of the 2005 Bonds are outstanding in the principal amount of \$3,315,000 and can be called at any time. In order to save on issuance costs, it was determined that combining these refundings with the issuance of new money bonds would be in the best interest of the City. Therefore, PFM prepared a request for proposals to identify the financial institution that could provide the City with a Capital Improvement Revenue Refunding Note, Series 2016A (the “2016A Note”) to refund the above stated transactions as well as a Capital Improvement Revenue Note, Series 2016B (the “2016B Note”) to fund the new money needs. The City received 5 proposals which are summarized in Exhibit A.

Based on PFM’s review and discussions with City staff and Bond Counsel, it was determined that TD Bank provided the best combination of interest rates and terms for the City on both the 2016A Note and 2016B Note. At the time of the proposal submittal date (March 4, 2016), the indicative interest rates were 2.25% for the 2016A Note and 2.36% for the 2016B Note (including the 5 basis point addition for a rate lock through the closing date). After clarifying a few conditions with TD Bank, it was determined that TD Bank would be recommended to the City Commission as the loan provider. Given the extremely volatile nature of interest rates, PFM and City staff believed that locking in the interest rate subject to Commission approval was the prudent course of action. On March 14, 2016, the City executed a rate lock agreement that will hold the interest rates through



closing at 2.30% for the 2016A Note and 2.40% of the 2016B Note (including the 5 basis point addition for a rate lock through the closing date). This rate lock agreement will be null and void with no financial penalty if the City Commission does not approve TD Bank as the loan provider. Based on the locked interest rates, we estimate that the City will realize approximately \$1.073 million of net present value debt service savings (net of all costs associated with completing the transaction) or 8.53% of the refunded bonds par amount. We anticipate bringing the Bond Resolution to the Commission for consideration at the April 7 meeting. If you have any questions please feel free to contact me at 407-406-5760 or gloverj@pfm.com.

City of Gainesville, Florida
 Capital Improvement Revenue and Refunding Note, Series 2016A/2016B
 RFP Summary

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	CBTFL (2016B only)	Pinnacle	SunTrust
Proposal Requirements			
Contact Information	John Roberts Junior Vice President jroberts@cbtfl.com	Blair Swain Vice President 8377 E. Hartford Drive, Suite 115 Scottsdale, AZ 85255 O: 480-419-3634 Bswain@ppf-inc.com	Lisa Hayes Senior Vice President 76 South Laura Street Jacksonville, FL 32202 O: 904-632-2599 lisa.hayes@suntrust.com
Final Maturity	11/1/2031	2016A: 11/1/2028 2016B: 11/1/2031	2016A: 11/1/2028 2016B: 11/1/2031
Tax Exempt Fixed Interest Rate	First 10 Years - Fixed: 2.75% 11-15 Year - Indicative Rate (See below)	2016A: Fixed 2.40% 2016B: Fixed 2.55%	<u>Option 1. Pledge of GRU transfers:</u> 2016A: Indicative 2.37% 2016B: Indicative 2.49% <u>Option 2. CBA of Non Ad Valorem Revenues:</u> 2016B - Indicative 2.18% (Bank Put Option at 7 years)
Calculation	In month 121, rate will adjust to 5 year T-Bill "less the tax rate" plus 2.0%	N/A	N/A
Rate Locked to Closing, or Date to be set	Not Specified	Valid through April 15, 2016	Rate lock available for 30 days at add'l 2 bps Rate lock available for 45 days at add'l 3 bps
Prepayment Penalty	None	Prepayable in full (not in part) beginning 11/1/2021	Make Whole Provision
Legal/Other Fees	Bank Counsel: \$15,000 Bank Fee: 10 bps of loan amount	\$5,000	1 Transaction: \$5,000 Both Transactions: \$7,500
Other Conditions	(i) Provide yearly audits upon completion (ii) Default Rate: 18%	(i) Provide Legal Counsel Opinion (ii) Gross-up provision in the event the loans become taxable due to actions or omissions of the City (2016A- 3.369% and 2016B - 3.92%) (iv) Default Rate: 6%; if taxable: 7% (v) Provide audited financial statements within 210 days of FY end and any other financial information the Bank may reasonably request (vi) Subject to final credit approval	(i) Create a deposit account for automatic debit (ii) Provide audited financial statements within 270 days of FY end, annual budget within 30 days of adoption, and any additional information requested (iii) Events of Default include acceleration. Default Rate: Prime + 8% (iv) Option 1 A-B Rate Covenant: 1.5x DSC (v) Option 2 Anti Dilution Test: 2.0x MADS (vi) Yield maintenance language in order to maintain the same after tax yield in event of change in corporate tax rate. Not to exceed rate: Option 1A - 2.73%, Option 1B - 2.87%, Option 2B - 2.52%. This provision can be eliminated for an additional 20 bps for Option 1 A-B and 10 bps for Option 2B. (vii) Provide Legal Counsel Opinion

City of Gainesville, Florida
 Capital Improvement Revenue and Refunding Note, Series 2016A/2016B
 RFP Summary

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	TD Bank	Wells Fargo (2016B only)
Proposal Requirements		
Contact Information	Coley Jones Vice President 9715 Gate Parkway Jacksonville, FL 32246 O: 904-265-2504 coley.jones@td.com	Vincent Mattio Assistant Vice President 100 South Ashley Drive, 8th Floor Tampa, FL 33602 O: 813-225-6539 Vincent.Mattio@wellsfargo.com
Final Maturity	2016A: 11/1/2028 2016B: 11/1/2031	11/1/2031
Tax Exempt Fixed Interest Rate	2016A: Indicative 2.20% (2.30% as of rate lock date) 2016B: Indicative 2.31% (2.40% as of rate lock date)	2016B -- Option A: Indicative 1.64% (Bank Put 11/1/21) 2016B -- Option B: Indicative 1.76% (Bank Put 11/1/23)
Calculation	N/A	Option A: Bank Cost of Funds 1.14% + Spread (0.50%) Option B: Bank Cost of Funds 1.32% + Spread (0.44%)
Rate Locked to Closing, or Date to be set	Rate lock agreement until Closing for add'l 5 bps (rate lock agreement with no penalty if loans don't close). 2.30% and 2.40% locked rates above include 5 bps.	Fixed Rate locked on pricing date Rate lock agreement available
Prepayment Penalty	Greater of (i) 1% of principal balance, or (ii) Yield Maintenance Fee	<u>Option A:</u> Make Whole; Mandatory Tender 11/1/2021 <u>Option B:</u> Make Whole; Mandatory Tender 11/1/2023
Legal/Other Fees	\$10,000	Bank Counsel: \$7,000 Amendment fee: \$2,500
Other Conditions	(i) Late fee of 6% if 15 days past due (ii) Default Rate: Prime + 8% (iii) Provide audited financial statements within 210 days of FY end, annual budget within 60 days of adoption, Compliance Certificate within 210 days of FY end, and any additional information requested (iv) Provide Legal Counsel Opinion (v) Additional Non Supporting Revenue Debt only if: (1) MADS of total Non-Self Supporting Revenue Debt does not exceed 50% of total Non-Ad Valorem Revenues; and (2) Non-Ad Valorem Revenues 2.0x ADS (vi) No Material Adverse Change (vii) If City has publically rated debt, must maintain at least a rating of BBB+ (viii) Acceleration upon payment default only	(i) Transaction must fund by April 14, 2016 (ii) Default Rate: greatest of (i) Prime + 4.0%, (ii) Fed Funds + 5.0%, or (iii) 10.0% (iii) Customary interest recapture "clawback" language (iv) No Material Adverse Effect (v) Subject to Anti-Dilution Test (vi) Provide audited financial statements within 270 days of FY end, annual budget and CIP within 60 days of FY end, notices of default and material litigation proceedings, and annually updated Anti-Dilution Test (vii) Gross-up provision in the event the loan becomes taxable due to action or inaction of the Obligor