



December 1, 2020

Recommendation Memorandum

To: Jerry Cameron, County Administrator
John Brower, Financial Services Director

From: Jay Glover, Managing Director – PFM Financial Advisors LLC

Re: Recommendation Memo – Capital Improvement Revenue Bond, Series 2020

PFM Financial Advisors LLC (“PFM”) was engaged by Flagler County, Florida (the “County”) to serve as financial advisor for the County’s proposed issuance of a Capital Improvement Revenue Bond, Series 2020 (the “2020 Bond”) to finance the cost of the public safety projects in an amount not to exceed \$20,000,000. Based on the desire to move in an expediated manner to take advantage of historically low interest rates, reduced 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 November 3, 2020 to a list of local, regional and national financial institutions to identify the qualified financial institution that could provide the County with a fixed rate, non-bank qualified 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 November 20, 2020) the County received six (6) proposals from the following institutions: Capital One, CenterState, JP Morgan, Key Government Finance, Raymond James, and Truist. A summary of each proposal is included as **Exhibit A**.

Based on PFM’s review and discussions with the County staff and Bond Counsel, it was determined that CenterState provided the best combination of interest rate and terms most favorable to the County. CenterState offered a 15-year, fixed interest rate of 1.83%, which would be locked for the entire term of the 2020 Bond. The interest rate is held through a closing date on or before December 18, 2020, thus eliminating any risk associated with rising interest rates. Their proposal also includes the ability to prepay the 2020 Bond with a 1% premium during years 1 through 5, and at par (no premium) thereafter. While CenterState did not offer the lowest fixed interest, their proposal includes an attractive draw down feature that will allow the County to draw funds down through June 30, 2022. This minimizes the interest cost in early years and gives the County flexibility on final draw if the full \$20,000,000 is not needed to complete the project. When comparing the CenterState proposal to the lowest interest rate proposal (Capital One at 1.68%), there is a small present value benefit in debt service cost with the draw down feature.

Based on the 15-year fixed interest rate, flexible drawdown structure, and acceptable terms and conditions provided in their proposal, PFM recommends selecting CenterState as the loan provider for the 2020 Bond. We anticipate bringing the Resolution to the Board of County Commissioners for consideration at the December 14, 2020 meeting. If you have any questions please feel free to contact me at 407-406-5760 or gloverj@pfm.com.



Exhibit A
Summary of Proposals



Flagler County
Capital Improvement Revenue Bond, Series 2020
RFP Summary

	Capital One	CenterState	JPMorgan
Contact Information	Jacqueline Bretz Vice President 631-457-9582 jaci.bretz@capitalone.com	Garry Lubi 386-569-0643 glubi@centerstatebank.com	Scott Ricker Executive Director 407-701-2434 scott.ricker@jpmorgan.com
Tax-Exempt Non-Bank Qualified Interest Rate	1.680%	1.830%	Option 1) 1.76% Option 2) 2.17% Option 3) 1.96% Option 4) 1.83%
Final Maturity	10/1/2035	10/1/2035	10/1/2035
Rate Set Calculation	Fixed	Fixed	Indicative
Rate Locked to Closing, or Date to be Set	12/18/2020	12/18/2020	To be set upon receipt of written rate lock letter agreement
Draw-down Flexibility	No	Minimum draw of \$250,000 at closing Revolving draws until 6/30/2022, subject to following schedule: Minimum additional draw of \$2,000,000 on or before 3/31/2021 Minimum additional draw of \$5,000,000 on or before 6/30/2021 Minimum additional draw of \$5,000,000 on or before 9/30/2021 Minimum additional draw of \$4,000,000 on or before 12/31/2021 Minimum additional draw of \$2,750,000 on or before 3/31/2022 Draw of remaining principal up to \$1,000,000 on or before 6/30/2022	No
Prepayment Provisions	10/1/2025 at par	Years 1-5: 1% penalty of outstanding principal balance Thereafter: at par of outstanding principal balance	Option 1) Make whole call Option 2) 12/1/2021 at par Option 3) 12/1/2026 at par Option 4) 12/1/2031 at par
Legal/Other Fees	\$0	Not exceeding \$5,000	\$8,500
Other Conditions & Notes	A) Borrower responsible for costs of issuance B) Financial statements due upon request, as soon as possible C) Term sheet expires 11/27/2020	A) Late Fees: 5% of any payment not received within 10 days B) Default Rate: greater of Note Rate + 3% or WSJ Prime Rate +2% C) CAFR due within 270 days of fiscal year end D) Budget due within 60 days of adoption E) Rate covenant & Anti-Dilution Test: 1.5x F) Acceleration in event of payment default G) Gross up for determination of taxability	A) Default Rate: Bank Prime Rate +4% B) Anti-Dilution Test documents required prior to closing C) CAFR due within 240 days of fiscal year end D) Lender has right to transfer all or portion of loan to its affiliates E) Gross up for determination of taxability



Flagler County
Capital Improvement Revenue Bond, Series 2020
RFP Summary

	KGF	Raymond James	Truist
Contact Information	David Zapata Vice President, East Region Manager 914-806-6915 david_zapata@keybank.com	Cord King Senior Vice President 727-215-5226 Cord.King@RaymondJames.com	Christina Tinker 704-417-4004 Christina.Tinker@Truist.com
Tax-Exempt Non-Bank Qualified Interest Rate	1.950%	1.690%	1.990%
Final Maturity	10/1/2035	10/1/2035	10/1/2035
Rate Set Calculation	Fixed	Fixed	Fixed
Rate Locked to Closing, or Date to be Set	12/27/2020	12/18/2020	1/4/2020
Draw-down Flexibility	No	No	No
Prepayment Provisions	Prepayable in whole, but not in part, anytime at par	10/1/2030 at par \$500,000 minimum principal prepayment	Option 1) Prepayable in whole at any time with 1% penalty Option 2) Non-callable for 1st half of term, callable at par thereafter
Legal/Other Fees	\$0	\$7,500 and Loan made at 0.25% discount to par (\$50,000)	\$10,000
Other Conditions & Notes	A) Interest rate lock requires two-party email confirmation between Borrower and Lender - if confirmation not received before 11/27/2020, interest rate subject to KeyCorp Cost of Funds Index B) Borrower responsible for costs of issuance C) Financial statements due within 270 days of fiscal year end D) Rate covenant: 1.5x MADs E) Default Rate: current rate +3% F) Gross-up in event of taxability to 2.468% G) Term sheet expires 11/27/20	A) Gross-up in event of taxability to 2.3% B) Borrower must certify that no other indebtedness secured by the Covenant Revenues is now or will be subject to acceleration C) Budget due within 30 days of loan adoption D) Audit and signed certification of coverage documents due within 240 days of fiscal year end E) Default Rate: greater of 1) Federal Reserve Bank's Prime Rate +3%, 2) Federal Funds Rate +5%, or 3) 8% per year F) Term sheet expires 12/18/2020	A) Maximum of 4 funding disbursements B) Default Rate: current rate +2% C) Financial statements due within 270 days of fiscal year end D) Borrower must provide an unqualified bond counsel opinion, a no litigation certificate, and evidence of IRS Form 8038 filing E) ABT: 1.5x