



The PFM Group

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July 8, 2014

Memorandum

To: Diana Gomez, Finance Director
From: Jay Glover, Public Financial Management
Re: Sunshine State Governmental Financing Commission – City of Coral Gables Loan

As financial advisor to the Sunshine State Governmental Financing Commission (the “Commission”), Public Financial Management (PFM) distributed a request for proposals on behalf of the Commission to provide the Commission with a fixed rate loan (the “Loan”) in an amount not to exceed \$3,800,000. The Loan will be issued to enable the Commission to make a loan to the City of Coral Gables, Florida (the “City”) to fund sanitary sewer projects related to (i) Citywide Inflow and Infiltration Abatement Program and (ii) Volume Sewer Customer Ordinance Program. The Loan will be awarded based on overall borrowing cost and terms most favorable to the Commission and the City, based on the Commission and City’s sole discretion.

The Commission received three (3) proposals by the required submittal deadline of 1:00 PM on Wednesday, July 2, 2014. The proposals were received from JP Morgan Chase Bank, Pinnacle Public Finance and SunTrust Bank. PFM has reviewed each proposal to verify that they meet the requirements as set forth in the RFP as well as to provide a recommendation as to the proposal that provides the lowest overall borrowing cost to the City at the most favorable terms. Based on this review, PFM has determined that all of the proposals meet the requirements as set forth in the RFP. In order to make a recommendation, PFM reviewed the interest rate, structure and conditions that were outlined in each proposal with City Staff, Commission Staff and Bond Counsel.

The proposal submitted by JP Morgan Chase Bank provides the lowest fixed rate option of 2.38%, which will be held until July 22, 2014 at which time the City must execute a rate lock agreement. In addition, JP Morgan provides the City with the flexibility to optionally prepay the Loan at par on or after October 1, 2019 for 4 additional basis points (2.42% all in rate). The final aspect of the JP Morgan Chase Bank proposal is the legal fees of \$5,500, which is in line with other proposals.

Based on the above information, we are recommending that the City approve the Loan with the Commission and JP Morgan Chase Bank. We look forward to discussing this recommendation in detail and addressing any questions you have at the meeting on July 22. For a summary of the terms and conditions of each proposal please refer to Appendix A.

If you have any questions please feel free to contact me at 407-406-5760 or gloverj@pfm.com.

City of Coral Gables, FL
SSGFC -- Revenue Note, Series 2014
Bank Loan Summary

| | | JP Morgan | Pinnacle Public Finance | SunTrust |
|-----------------------|---|--|--|--|
| Proposal Requirements | | | | |
| Contact Information | | Ralph Hildevert Vice President 1450 Brickell Avenue, Floor 33 Miami, FL 33131 Tel: (305) 579-9320 ralph.hildevert@jpmorgan.com | Blair Swain Vice President, Direct Markets 8377 E Hartford Drive, Suite 115 Scottsdale, Arizona 85255 Tel: (480) 419-3634 bswain@ppf-inc.com | David Ross Senior Vice President 515 E Las Olas Boulevard 7th Floor Fort Lauderdale, FL 33301 Tel: (954) 765-7445 david.ross@suntrust.com |
| | | | | |
| | Final Maturity | 10/1/2024 | 10/1/2024 | 10/1/2024 |
| | Tax Exempt Fixed Interest Rate | Fixed: 2.38% | Fixed: 2.53% | Fixed: 2.40% |
| | Calculation | N/A | N/A | N/A |
| | Rate Locked to Closing, or Date to be set | Rate held until July 22, 2014 at which time a Letter Agreement is executed | Rate valid for 45 days | Rate valid until August 14, 2014 |
| | Prepayment Penalty | Non-callable unless Optional Borrower Call Date is chosen <u>Option 1:</u> Callable on or after October 1, 2017 at the cost of 17 additional bps to indicative rate <u>Option 2:</u> Callable on or after October 1, 2019 at the cost of 4 additional bps to indicative rate | Callable in whole at par plus accrued interest beginning 10/1/2018 | <u>Option 1:</u> Make whole provision <u>Option 2:</u> Non-callable through year 1-2. Callable thereafter without prepayment penalty at the cost of 18 bps added to the interest rate |
| | Legal/Other Fees | \$5,000 \$500 disbursements | \$4,500 | \$5,000 |
| Other Conditions | | (i) Default rate set at Base rate + 4.00% (capped at 12%) (ii) Provisions in loan document provided for event of taxability and change in corporate tax rate (iii) Anti Dilution Test: Non Ad Valorem Revenues for 2 prior fiscal years at least 200% of MADS | (i) Proposal subject to final credit approval by BankUnited (ii) Gross Up Provision if becomes taxable due to fault of the City (3.89%) (iii) Default Rate: 5% (6% if taxable) (iv) Right to assign, transfer, or convey loan | (i) Lender must be notified of acceptance by July 11, 2014 and transaction must close by August 14, 2014 to maintain rate quote (ii) Gross Up Provision in event of taxability (iii) Interest payments collected via ACH Direct Debit (iv) Audit within 270 days and budget within 30 days of adoption (v) Other terms and conditions consistent with June 1, 2012 loan from SunTrust to the Commission/City |