



September 25, 2019

Recommendation Memorandum

To: Jane LeClainche, Director of Finance
From: Jay Glover, Managing Director – PFM Financial Advisors LLC
Re: Public Improvement Revenue Refunding Bond, Series 2019 – Recommendation Memorandum

PFM Financial Advisors LLC (“PFM”) was engaged by the Town of Palm Beach, Florida (the “Town”) to serve as financial advisor for the Town’s proposed issuance of a Public Improvement Revenue Refunding Bond, Series 2019 (the “2019 Bond”) to refund the Town’s outstanding Public Improvement Revenue and Refunding Bonds, Series 2010A. Based on the reduced cost of issuance, a not to exceed amount of \$4,700,000 (which allows the 2019 Bond to be bank qualified), desire to implement in an expedited manner, and recent aggressive bids received from banks for comparable transactions, PFM recommended the Town 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 Town’s direction, PFM distributed a request for proposals (“RFP”) on August 30, 2019 to a list of local, regional and national financial institutions to identify the institution that could provide the Town with a fixed rate, bank qualified term loan at the lowest overall borrowing cost, pursuant to certain conditions as determined by the Town. Prior to the submittal deadline (2:00 pm on September 19, 2019) the Town received five (5) proposals from the following institutions: BB&T, Capital One Public Funding, CenterState, Professional Bank and Sterling National Bank. A summary of each proposal is included as **Exhibit A**.

Based on PFM’s review and discussions with the Town staff and Bond Counsel, it was determined that Professional Bank provided the best combination of interest rate and terms most favorable to the Town. Professional Bank offered a fixed, tax-exempt interest rate of 2.33%, which would be locked for the entire term of the 2019 Bond. The interest rate is held through a closing date on or before October 18, 2019, thus eliminating any risk associated with rising interest rates. Their proposal also includes the ability to prepay the 2019 Bond at any time without penalty.

If the Town Council approves the issuance of the 2019 Bond based on the terms of the Professional Bank proposal, PFM estimates the Town will realize \$1.15 million of net present value debt service savings (25% of the refunded bonds par amount), which equates to approximately \$70,000 per year through 2040.

Based on the fixed interest rate and acceptable terms and conditions provided in their proposal, PFM recommends selecting Professional Bank as the loan provider for the 2019 Bond. We anticipate bringing the Resolution to the Town Council for consideration at the October 10, 2019 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



Town of Palm Beach, Florida
Public Improvement Revenue Refunding Bond, Series 2019
RFP Summary

	BB&T	Capital One	CenterState
Contact Information	Andrew G. Smith Senior Vice President 803-251-1328 agsmith@bbandt.com	Jaci Bretz Vice President 866-617-2337 jaci.bretz@capitalone.com	Noel A. Mauro Vice President 954-634-9110 namauro@centerstatebank.com
Tax-Exempt, Bank Qualified Interest Rate	2.69%	2.78%	2.45%
Rate Set Calculation	Fixed	Fixed	Fixed
Rate Locked to Closing, or Date to be Set	11/4/2019	10/18/2019	10/14/2019
Prepayment Provisions	Prepayable in whole at any time with a 1% prepayment penalty OR Noncallable for the first half of the term, then prepayable in whole at any time without penalty	No call until 1/1/29, then in whole at par on any interest payment date	May prepay at any time in part or whole without any prepayment penalty. Any prepayment will be applied in inverse order of maturity
Legal/Other Fees	\$7,500	\$0	\$6,500
Other Conditions & Notes	a) Default Rate: Note Rate + 2% b) CAFR due within 270 days of fiscal year end	a) CAFR due as soon as available b) Term Sheet expiration: 9/27/19 c) Subject to final credit approval	a) Late Fee: 5% b) Default Rate: Note Rate + 3% c) CAFR due within 270 days of fiscal year end d) ABT: 1.5x e) Debt Service Coverage Requirement: 1.5x (annual test)



Town of Palm Beach, Florida
Public Improvement Revenue Refunding Bond, Series 2015
RFP Summary

	Professional Bank	Sterling National Bank
Contact Information	J. Michael Woody, Jr. Executive Vice President 561-868-1270 mwoody@probankfl.com	Mark Cargo Managing Director 704-287-4493 mcargo@snb.com
Tax-Exempt, Bank Qualified Interest Rate	2.33%	2.59%
Rate Set Calculation	Fixed	Fixed
Rate Locked to Closing, or Date to be Set	10/18/2019	10/18/2019
Prepayment Provisions	No prepayment penalty	May prepay the bond in whole or in part on any payment date by paying the redemption price of: Year(s) 1-4: No Call Year(s) 5-8: 101% Thereafter: 100%
Legal/Other Fees	\$7,500	\$7,500
Other Conditions & Notes	a) Anti-dilution Test as provided in the RFP b) CAFR due within 270 days of fiscal year end c) Acceptance Deadline: 9/24/19 d) Closing Deadline: 10/18/19	a) Subject to final credit approval b) Term Sheet Expiration: 9/23/19