



Memorandum

To: George Tablack, Chief Financial Officer
Stephen Farmer, Finance Manager
Annika Ashton, Senior Assistant County Attorney
Lori Fortenberry, Investment & Finance Coordinator

Cc: Grace Dunlap, Bryant Miller Olive

From: Stifel, Nicolaus & Company, Incorporated

Date: February 6, 2018

Re: Stifel Recommendation – RLI for Non-Ad Valorem Taxable Refunding Revenue Note, Series 2018

At the request of Broward County, Florida (the “County”), Stifel, Nicolaus & Company, Incorporated (“Stifel”) serving in its capacity as financial advisor, assisted the County in evaluating responses from financial institutions for a fixed rate taxable bank loan not to exceed \$6,500,000 secured by the County’s non-ad valorem revenues. The Non-Ad Valorem Taxable Refunding Revenue Note, Series 2018 (the “Note” or “Loan”) will be used to current refund the County’s outstanding First Florida Governmental Financing Commission Taxable Refunding Revenue Bonds, Series 2005B (the “Series 2005B Bonds”).

The County received responses from the following lending institutions in alphabetical order: Bank of America, Pinnacle Public Finance (Bank United), Branch Banking & Trust Company (BB&T), Capital One, CenterState Bank, City National Bank, PNC, Regions, and Wells Fargo.

Evaluation Criteria

The responses were summarized and presented in the enclosed comparable table format titled “Bank Loan Response Comparison”. Primary factors considered for the purpose of evaluating responses by order of importance, included quoted fixed interest rate and/or formula of interest rate calculation, willingness and cost to lock-in the interest rate until March 7, 2018 in order to complete financing without assuming interest rate exposure, optional redemption provisions, expenses, and required legal covenants, provisions, conditions and/or restrictions prior to closing.

All responses were found to be in compliance with the requirements of the County’s RLI and were therefore considered by the evaluation committee.

Recommendation

The lowest quoted fixed rate interest rate was from Wells Fargo at 3.40% (assuming a make-whole optional redemption) or 3.56% (assuming a 2023 call date as requested in the RLI). The interest rate quoted by Wells Fargo would not be set until 3 days prior to closing of the Loan, which exposes the County to interest rate risk from February 6, 2018 to approximately March 5, 2018. The rate would depend largely on a 10-year Libor swap rate which rose 36 basis points or 0.36% from January 2, 2018 to February 1, 2018.

Bank of America proposed a fixed rate of 3.62% which would also not be set or locked in until 2 days prior to closing; hence, exposing the County to similar interest rate risk through the approximately 4-5 weeks of document preparation and approval required in order to close the Loan. Furthermore, Bank of America’s proposal did not include a par call as requested in the RLI but rather only provided for a make-whole option.

The third lowest interest rate of the 9 respondents belonged to BB&T at a fixed rate of 3.69%. The 3.69% is locked until March 19, 2018, which allows the County and its team sufficient time to prepare all documents and receive Board of County Commissioner’s approval without any interest rate exposure. The BB&T proposal also includes a 2023 optional redemption provision at par as requested in the RLI without any additional premium.

The remaining proposals included fixed interest rates ranging from 3.83% to 4.58% and different combinations of optional redemption provisions, ability or willingness to lock in interest rate until closing and other provisions.

Based on the responses provided and the criteria utilized to evaluate such responses, Stifel recommends awarding the Loan to BB&T as the most advantageous to the County. The BB&T Loan is not only among the lowest taxable fixed rates quoted, but the lender is also committed to holding the interest rate until March 19, 2018 to allow for the County to prepare all necessary documents without a hedge agreement or incremental cost to the County. The Loan offers flexible optional redemption provisions at no additional cost to the County. Other factors such as reimbursable bank counsel expenses, covenants/provisions as well as conditions and restrictions stipulated by BB&T's response are at a minimum, comparable, if not favorable, to other respondents.

Broward County, Florida
Summary of Responses to Request for Letter of Interest
Non-Ad Valorem Taxable Refunding Revenue Note, Series 2018
Non-Bank Qualified Taxable Loan

	Bank of America	Bank United	BB&T	Capital One	CenterState	City National	PNC	Regions	Wells Fargo
B) Fixed Interest Rate (as of 2/2/18 - 2:00 pm)	3.62%	4.58%	3.69%	4.19%	3.85%	3.98%	4.24%	3.83%	Option 1 - 3.56% Option 2 - 3.40%
<i>Is Rate Fixed or Will it Fluctuate?</i>	Fluctuate	Fixed	Fixed	Fixed	Fixed	Fixed	Fluctuate	Fluctuate	Fluctuate
<i>Expiration of Fixed Rate / Proposal</i>	n/a	3/7/2018	3/19/2018	3/7/2018	3/11/2018	3/7/2018	n/a	n/a	n/a
<i>Interest Rate Formula if Rate Fluctuates</i>	74-month interest rate swap with 3-month Libor as floating rate + 0.90%	n/a	n/a	n/a	n/a	10-Yr Libor swap rate +1.12% after 3/7/2018	Bank's Cost of Funds - Not specified	7-year swap rate + 1.14%	Bank's Cost of Funds + 0.76%
<i>Is Rate Lock Available?</i>	Rate will be set 2 business days prior to closing. No rate lock available.	n/a	n/a	n/a	n/a	Appears to assume a rate lock already*	Rate will be set 3 days prior to closing. Rate lock is available but fees for rate lock, if any, were not provided.	30-day rate lock available at no additional cost.	Rate will be set 2-3 business days prior to closing. No rate lock available.
<i>Gross-Up Provisions</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>Acceleration Provisions</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
C) Prepayment Provisions	Make-whole call feature	Non-callable until 9/1/23 and callable anytime thereafter at 100%	Option 1 - Callable anytime at 101% Option 2 - Non-callable until 9/1/23 and callable anytime thereafter at 100%	On or after 7/1/23 callable on any interest payment date at 100%	Callable anytime at 100%	No call permitted unless mutually agreed upon	Make-whole call feature	Option 1 - Callable after five years on any interest payment date at 100% Option 2 - Callable anytime at an additional cost of 0.20%	Rate Option 1 - On or after 7/1/23 callable on any business day at 100% Rate Option 2 - Make-whole call feature (interest rate would drop to 3.40%)
D) Expenses	\$7,500	\$7,500	\$7,500	\$0	\$7,500	\$5,000	\$6,000	\$5,000	\$20,000 + \$2,500 amendment fee
E) Loan Conditions, Terms, or Restrictions	Default rate is maximum rate allowed under law. Audited financials due within 270 days. Budget due upon request.	Default rate equal 7.00%. Audited financials due within 210 days. Other financial documents due as requested.	Default rate equal to interest rate on Series 2018 Note plus 2.00%. Audited financials due within 270 days.	Term sheet will expire on 2/9/18. Audited financials due within 270 days.	Default rate equal to interest rate on Series 2018 Note plus 3.00%. Audited financials due within 270 days. County Budget within 60 days of adoption.	Term sheet will expire on 2/16/18. Audited financials and other documents must be provided as needed, including proof of annual appropriation (Approved Budget?)	Default rate equal to Prime plus 3.00%. Audited financials due within 210 days. Budget due first day of each FY.	Default rate equal to 6.00%. Audited financials due within 210 days. Budget due within 60 days of adoption.	Default rate is greater of (i) Bank's Prime Rate plus 4.00%; (ii) Fed Funds Rate plus 5.00%, and (iii) 10.00%. Audited financial due within 270 days.