



February 16, 2023

Recommendation Memorandum

To: City of Palm Beach Gardens, Florida

From: PFM Financial Advisors LLC
 Jay Glover, *Managing Director*
 Mara Lugo, *Senior Analyst*

RE: Public Improvement Bond, Series 2023 – Recommendation Memo

PFM Financial Advisors LLC (“PFM”) was engaged by the City of Palm Beach Gardens, Florida (the “City”) to serve as financial advisor for the City’s proposed Public Improvement Bond, Series 2023 (the “2023 Bond”) to be issued to provide funds to (i) renovate the Burns Road Recreational Facilities; (ii) pay the costs of priority improvements within the transit-oriented development district, (iii) construct pickle ball courts at Oaks Park, and (iv) pay costs of issuance related to the 2023 Bond. Based on the desire to proceed in an expediated manner, reduce costs of issuance, and recent aggressive bids received from financial institutions for comparable transactions, PFM recommended the City pursue a privately placed direct bank loan, which in today’s market was expected to be an efficient and cost-effective method of financing.

On January 20, 2023, the City issued a request for proposals (“RFP”) to local, regional and national financial institutions in order to identify a lender that could provide the City with a direct bank loan at the lowest overall borrowing cost and most favorable conditions. The RFP specifically requested proposals for a tax-exempt, fixed interest rate over a term of up to 20 years. Prior to the submittal deadline (February 10, 2023, at 3:00 PM EST), the City received proposals from eight (8) firms. The table below provides a summary comparison of the RFP results based on the proposed interest rates, corresponding optional prepayment provisions, and legal fees. A detailed summary of each of the proposals is included as **Exhibit A** to this memorandum.

	Term	Tax-Exempt Interest Rate	Prepayment Option	Legal Fee
Bridge Funding Group, Inc. (BankUnited, N.A.)	20 Years with Mandatory Put in 15 Years	4.60% indicative	After 7 years without penalty	Not Specified
Capital One Public Funding, LLC	20 Years	4.44% set	After 9.6 years without penalty	\$0
DNT Asset Trust (JPMorgan Chase Bank, N.A.)	20 Years with Mandatory Put in 15 Years	3.55% indicative	Noncallable	\$9,000
		3.95% indicative	After 5.6 years without penalty	
		3.76% indicative	After 7.6 years without penalty	
		3.64% indicative	After 10.6 years without penalty	
Pinnacle Public Finance, Inc. (a BankUnited Company)	20 Years	4.655% set	After 10.6 years without penalty	\$6,500
Synovus Bank	20 Years	4.93% set	After 3 years without penalty	\$10,000
TD Bank, N.A.	20 Years	3.49% set	Make Whole Call	\$8,500
		3.74% set	After 9.6 years without penalty	
Truist Bank	20 Years	3.67% set	Make Whole Call	\$9,500
		3.84% set	After 9 years without penalty	
		3.74% set	After 10 years without penalty	
Webster Bank, N.A.	20 Years	4.03% set	After 4 years at 101% or after 7 years without penalty	\$0



Based on PFM's review and discussions with City staff and Bond Counsel, it was determined that TD Bank, N.A. ("TD") provided the City the best combination of interest rate and terms most favorable to the City. TD offered to fund the 2023 Bond at a fixed interest rate of 3.74% for the full 20-year term. This interest rate will be held through the anticipated closing date, thereby eliminating the risk of rising interest rates. TD's proposal also allows the City to prepay the 2023 Bond after 9.6 years without penalty.

Although Truist Bank also submitted a proposal with a fixed interest rate of 3.74%, the corresponding optional prepayment provision would have been 6 months longer and the bank's legal fee would have been slightly higher compared to what TD offered. DNT Asset Trust ("JPMorgan") also submitted a proposal with lower indicative interest rates but would have required the 2023 Bond to be structured with a mandatory put after 15 years, which would entail the City making a large balloon payment in the final year of the loan, or planning for a subsequent refinancing at the then-current market conditions once the balloon payment comes due. By proceeding with TD, the City will instead be able to structure the 2023 Bond with level debt service throughout the life of the loan.

Accordingly, PFM recommends the City select TD as the lender for the 2023 Bond. We anticipate bringing Bond Resolution before the City Commission for approval at the March 2nd meeting. If you have any questions, please feel free to contact Jay Glover at 407-406-5760 or gloverj@pfm.com.



Exhibit A

Proposal Summary



City of Palm Beach Gardens, Florida
Public Improvement Bond, Series 2023
 Bank Loan Proposal Summary
 RFP2023-073FN

	Bridge Funding Group, Inc. (BankUnited, N.A.)	Capital One Public Funding, LLC	DNT Asset Trust (JPMorgan Chase Bank, N.A.)	Pinnacle Public Finance, Inc. (a BankUnited Company)
Contact Information	Michele Palmo 5 International Dr., Suite 100 Rye Brook, NY 10573 212-409-1477 mpalmo@bankunited.com	Jaci Bretz 1307 Walt Whitman Melville, NY 11747 866-617-2337 jaci.bretz@capitalone.com	Ralph Hildevert 1450 Brickell Ave, Floor 15 Miami, FL, 33131-3444, 305-579-9320 ralph.hildevert@jpmorgan.com	Blair Swain 8377 E. Hartford Drive, Suite 115 Scottsdale, AZ 85255 480-688-4064 bswain@bankunited.com
Not-to-Exceed Amount	\$20,100,000	\$20,100,000	\$20,100,000	\$20,100,000
Final Maturity	October 1, 2042 with Mandatory Put in 15 Years	October 1, 2042	October 1, 2042 with Mandatory Put in 15 Years	October 1, 2042
Tax-Exempt Interest Rate(s)	4.60% (indicative)	4.44% (set)	Option A: 3.55% (indicative) Option B: 3.95% (indicative) Option C: 3.76% (indicative) Option D: 3.64% (indicative)	4.655% (set)
Rate Set Calculation	79% x (Cost of Funds + 210 bps)	N/A	Not Specified	N/A
Rate Locked to Closing, or Date to be Set	Rate to be set no more than three (3) days prior to closing	Rates valid through closing by March 9, 2023, assuming no change to average life	Rates are subject to change daily until a written rate lock letter agreement is executed	Rate valid through March 10, 2023
Prepayment Provisions	Noncallable during first seven (7) years from closing date, with exception allowing for up to 10% of the outstanding balance to be prepaid on an annual basis Prepayable after seven (7) years of closing date, without penalty	Noncallable until October 1, 2032; Prepayable thereafter, in whole or in part, without penalty	Option A: Noncallable Option B: Prepayable on or after October 1, 2028, in whole or in part, without penalty Option C: Prepayable on or after October 1, 2030, in whole or in part, without penalty Option D: Prepayable on or after October 1, 2033, in whole or in part, without penalty	Noncallable prior to October 1, 2033; Prepayable thereafter, in whole, without penalty (or in part, subject to certain limitations)
Bank Counsel Fee	Not Specified	\$0	\$9,000	\$6,500
Notes & Other Conditions	(i) Default rate equal to Base Rate + 3.00%	(i) Term sheet expires March 9, 2023	(i) Default rate equal to stated rate + 4.00% (ii) Lender requests audited financial statements within 180 days of each FYE	(i) Prepayment in part allowed once per year and subject to \$500,000 minimum (ii) Default rate equal to 6%



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	Synovus Bank	TD Bank, N.A.	Truist Bank	Webster Bank, N.A.
Contact Information	Andy Fear 7768 Ozark Drive Jacksonville, FL 32256 904-997-7646 andylafear@synovus.com	Lance Aylsworth 255 Alhambra Circle Coral Gables, FL 33134 786-306-7404 lance.aylsworth@td.com	Nanci Campbell 515 E Las Olas Blvd., 7th Floor Fort Lauderdale, FL 33301 954-233-0459 nanci.campbell@truist.com	Mark A. Cargo 9667 Ravenscroft Lane NW Concord, NC 28027 704-287-4493 mcargo@websterbank.com
Not-to-Exceed Amount	\$20,100,000	\$20,100,000	\$20,100,000	\$20,100,000
Final Maturity	October 1, 2042	October 1, 2042	October 1, 2042	October 1, 2042
Tax-Exempt Interest Rate(s)	4.93% (set)	Option A: 3.49% (set) Option B: 3.74% (set)	Option A: 3.67% (set) Option B: 3.84% (set) Option C: 3.74% (set)	4.03% (set)
Rate Set Calculation	79% x 20-Year UST Rate + 187 bps, with a floor of 4.93%	Option A: 81.5% x (the prevailing applicable 5- Year Term / 20-Year Amortization FHLB Rate) + 7.5 bps Option B: 81.5% x (the prevailing applicable 5- Year Term / 20-Year Amortization FHLB Rate) + 26.5 bps	N/A	N/A
Rate Locked to Closing, or Date to be Set	Rate valid through March 10, 2023	Rates valid through March 9, 2023	Rates valid through May 10, 2023	Rates valid through March 17, 2023
Prepayment Provisions	Prepayable prior to 3rd anniversary of closing date, subject to 3% premium; Prepayable thereafter, without penalty	Option A: Subject to Make Whole Call provision Option B: Prepayable on or after October 1, 2032, in whole or in part, without penalty	Option A: Prepayment subject to standard Make Whole Call provision Option B: Prepayable on or after March 10, 2032, in whole or in part, without penalty Option C: Prepayable on or after March 10, 2033, in whole or in part, without penalty	Noncallable during Years 1-4; Prepayable during Years 5-7, in whole or in part on any payment date, subject to 1% premium; Prepayable thereafter, without penalty
Bank Counsel Fee	\$10,000	\$8,500	\$9,500	\$0
Notes & Other Conditions	(i) See term sheet for specific covenants, including those related to Notice of Liabilities and Events of Default	(i) Default rate equal to Prime Rate + 3.00% (ii) If any payment due the Bank is more than 15 days overdue, a late charge of 6.00% of the overdue payment shall be assessed (ii) Lender requests audited financial statements within 240 days of each FYE	(i) Term sheet expires on May 10, 2023 (ii) Default rate equal to the lesser of Prime Rate + 3.00% or the maximum allowed rate by law	(i) Term sheet expires February 15, 2023