

**PUBLIC RESOURCES ADVISORY GROUP**

**MEMORANDUM TO:** Pinellas County Office of Management and Budget  
**FROM:** Public Resources Advisory Group (PRAG)  
**SUBJECT:** Refunding of Sewer Revenue Bonds, Series 2003 and Series 2012  
**DATE:** December 21, 2020

Pinellas County (the “County”) has five series of sewer bonds and notes outstanding consisting of the following:

Series	Issue Date	Maturity Date	Par Amount Outstanding	Redemption Features	Structure
Series 2003 Bonds	1/8/2003	10/1/2032	\$5,215,000	Callable	Capital Market Bonds
Series 2008A Bond	1/9/2009	10/1/2028	37,185,000	Make-whole	Loan - Bank of America
Series 2008B Bond	1/9/2008	10/1/2024	19,430,000	Make-whole	Loan - Bank of America
Series 2012 Bonds	7/17/2012	10/1/2031	41,550,000	Callable 10/1/2022	Capital Market Bonds
Series 2016	7/5/2016	0/1/2024	7,686,000	Non-Callable	Loan - JPMorgan Chase
<b>Total</b>			<b>\$111,066,000</b>		

While non-callable bonds or those with a make-whole redemption feature cannot be refunded for interest rate savings, under current market conditions the Series 2003 and the Series 2012 Bonds can be refunded for interest rate savings well in excess of the County’s 3% minimum savings threshold. The Series 2003 Bonds may be refunded on a tax-exempt basis as a current refunding. The Series 2012 Bonds, however, cannot be refunded with tax-exempt debt until 90 days prior to their call date, which occurs in July 2022. However, they may be advance refunded with taxable debt.

PRAG advised the County of the potential savings and recommended that the County consider refunding both the Series 2003 and the Series 2012 Bonds. PRAG also informed the County that in certain instances, some banks are willing to offer a structure in which the loan is initially structured as a taxable loan that may be converted to a new tax-exempt loan with a pre-determined rate at a certain time in the future. Given the size, final maturity and the possibility that banks might provide a taxable loan with a tax-exempt conversion feature, PRAG recommended a bank loan structure instead of a capital markets bond issue.

Although the Series 2003 Bonds are callable, there is a debt service reserve surety associated with the Series 2003 Bonds that is necessary to meet the debt service reserve requirement of the existing sewer bonds. PRAG approached the existing lenders, Bank of America and JPMorgan, and both agreed to allow the release of the surety bond and reduce the debt service reserve requirement on their loans, which would allow the County to refund the Series 2003 Bonds.

On behalf of the County, PRAG released an RFP for banks for a taxable loan convertible to tax-exempt loan in July 2022 to refund the Series 2012 Bonds (the “Series 2021A Note”) and a tax-exempt loan to refund the Series 2003 Bonds (the “Series 2012B Note”).

The County received eight proposals for the Series 2021 Note with the proposal from TD Bank providing the lowest indicative interest rate of 1.44% as a taxable loan with the ability of the County to convert the loan in July 2022 to a tax-exempt loan with a rate of 1.17%, assuming certain closing conditions are met.



The County received six proposals for the Series 2021B Note. The two banks with the lowest interest rates for the Series 2021B Note, Raymond James and Truist, conditioned their Series 2021B proposal on also providing loan for the Series 2021A Note. The next lowest bidder, JPMorgan Chase, was willing to provide a loan only for the Series 2021B Note with an indicative interest rate of 2.0%. PRAG evaluated the options and determined that the County would receive the lowest overall rate by accepting the TD Bank proposal for the Series 2021A and JPMorgan Chase proposal for the Series 2021B Note separately.

Both lenders offered callable and non-callable interest rate options. PRAG evaluated each option and determined that given the term, size and current interest rates, a non-callable rate is more advantageous as interest rates would have to drop significantly from current levels to make a future refunding achievable.

The loans are expected to close on January 20, 2021 with interest rates locked after approval by the Board of County Commissioners. Upon the closing of the Series 2021A and the Series 2021B Notes, all of the County's debt will consist of bank loans and the County will not have any capital markets bonds outstanding.

Assuming no major changes in interest rates through January 20th, the transactions will provide the following benefits to the County:

- Provides an estimated \$3.27 million in NPV savings from the taxable 2021A Note (7.9% of bond outstanding);
- Provides an estimated \$1.6 million in NPV Savings from the tax-exempt 2021B Note (30.6% of bonds outstanding);
- Allows for an additional estimated \$450,000 in NPV savings upon the conversion of the Series 2021A Note;
- Reduces the debt service reserve requirement on the existing debt;
- Eliminates the need for a debt service reserve on the new debt;
- Eliminates the need to replace a \$7.8 million surety expiring in 2024 with cash to meet the current debt service reserve requirements;
- Eliminates the need to provide on-going capital markets disclosure; and,
- Eliminates the need for a separate audit of the sewer system.

Given the benefits of the transaction, PRAG recommends the issuance of the Series 2021A Note to TD Securities and the issuance of the Series 2021B Note to JPMorgan as described herein. Summaries of the responses to both RFPs are attached.

It should be noted that while the Series 2021A Note may be issued without the issuance of the Series 2021B Note, the issuance of the Series 2021B Note requires the issuance of the Series 2021A Note in order to meet the current debt service reserve requirements.

Lender	Capital One	JP Morgan	Key Government Finance	Pinnacle Public Finance
Contact	Jaci Bretz / 866-617-2337 Melville, NY	John McAuley / 813-483-8253 Tampa, FL	Dave Zapata / 315-470-5180 / Syracuse, NY	Blair Swain/480-419-3634 / Scottsdale, AZ
Final Maturity	10/1/2031	10/1/2031	10/1/2031	10/1/2031
Principal Payments	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021
Interest Payments	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021
Interest Rate	Option 1: Taxable 2.19%; Tax-Exempt 1.64%  Option 2: Taxable 2.29%; Tax-Exempt 1.72%	Option 1: Taxable 1.99%; Tax-Exempt 1.62%  Option 2: Taxable 2.14%; Tax-Exempt 1.74%	Taxable 1.864%; Tax-Exempt 1.473%  Rates quoted require the County to enter an interest rate lock; otherwise the rates will float until just before closing.	Option 1: Taxable 2.90%; Tax-Exempt 2.29%  Option 2: Taxable 2.75%; Tax-Exempt 2.25%
Expiration of Proposal	Term sheet valid through 12/10/20 Rates valid through 1/13/21	Rates indicative until mutual agreement between Issuer and Purchaser	Term sheet valid through 12/10/20 Rates valid through 1/13/21 (with rate lock)	Interest rates valid through 1/13/21
Security	Net Revenues of Utility System	Net Revenues of Utility System	Net Revenues of Utility System	Net Revenues of Utility System
Prepayment Provisions	Option 1: NonCall while Taxable; Callable at 102% on 10/1/29 while Tax-Exempt (declining to par call on 10/1/31)  Option 2: NonCall until 1/1/27 while Taxable, then callable in whole on any interest pmt date; Callable at 102% on 10/1/28 while Tax-Exempt (declining to par call on 10/1/30)	Option 1: NonCall  Option 2: Callable at 100% on or after 10/1/25	Callable at 100% on or after 10/1/25	Option 1: Callable at 102% on or after 10/1/25  Option 2: NonCall
Bank Counsel	Not Specified	Mark-David Adams, Locke Lord LLP	Andrew Romshek, Kutak Rock LLP	Chapman & Cutler LLP
Bank Counsel Fee	\$0 (Lender will cover)	\$10,000	\$0 (Lender will cover)	\$10,000
Yield Protection	None indicated in proposal	If interest payable on the Bonds becomes taxable as a result of violations of the tax covenants, the interest rate would increase to a taxable equivalent rate. This would apply if the Bond has been converted to a tax-exempt rate on the interest rate conversion date.	Gross up due to action or inaction of the Borrower.	Lender will require gross up provision in the event the Loan becomes taxable, while tax-exempt, dur to actions or omissions of the County.
Financial Reporting Covenants & Due Diligence	None indicated in proposal	Issuer will provide CAFR within 210 days of FYE and additional information as reasonably requested by Purchaser	Issuer will provide annual audited financial statements and operating data within 270 days of FYE	Issuer will provide CAFR within 210 days of FYE and additional informaton as reasonably requested by Lender.
Other Conditions				Lender will ask the County to provide a signed copy of the Certificate regarding COVID-19 impact.
Default Rate	Proposal silent	Bank's Prime Rate + 4.00%	3% above the interest rate on the loan	6% while loan is tax-exempt; 7% while loan is taxable
Assignment	Proposal silent	Issuer would agree that the Purchaser may without limitation (i) at any time sell, assign, pledge or transfer all or a portion of the Bonds, or one or more interests in all or an part of the Purchaser's rights and obligations under the Facility to one or more assignees and/or participants which may include affiliates of the Purchaser; and (ii) at the Purchaser's option, disclose information and share fees with such assignees and/or participants.	Proposal silent	It is the Lender's intention to hold the loan to maturity, however the Lender will require that it reserves the right to assign, transfer, or convey the Loan (or any interest therein or portion thereof) only to any of its affiliates or to banks, insurance companies, or similar financial institutions or their affiliates including participation arrangements with such entities.

Lender	Raymond James	Sterling National Bank	TD Bank	Truist
Contact	Cord King / 727-567-2055 St Petersburg, FL	Mark Cargo / 704-287-4493 / mcargo@snb.com	Rob Catoe / 813-250-3069 Tampa, FL	Adam Horn / 813-224-2552 Tampa, FL
Final Maturity	10/1/2031	10/1/2031	10/1/2031	10/1/2031
Principal Payments	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021
Interest Payments	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021
Interest Rate	Taxable 2.25%; Tax-Exempt 1.69%	Taxable 2.21% Tax-Exempt 1.66%	Option 1: Taxable 1.44% Tax-Exempt 1.17%  Option 2: Taxable 1.56% Tax-Exempt 1.29%	Option 1: Taxable 1.73%; Tax-Exempt 1.36%  Option 2: Taxable 1.99%; Tax-Exempt 1.57%  Option 3: Taxable 2.54%; Tax-Exempt 2.01%
Expiration of Proposal	Interest rates valid through 1/13/21	Term sheet value through 12/11/20 Interest rates value through 1/15/21	Interest rates value through 1/20/21	Term sheet valid through 12/10/20 Rates valid through 1/13/21
Security	Net Revenues of Utility System	Net Revenues of Utility System	Net Revenues of Utility System	Net Revenues of Utility System
Prepayment Provisions	Callable at 100% on or after 10/1/30	Callable at 101% in Year 4, and at 100% thereafter	Option 1: Prepayable at a "fixed rate prepayment charge" equal to the greater of (i) 1.00% of the principal balance being repaid multiplied by the "Remaining Term" as defined in the Term Sheet or a "Yield Maintenance Fee" as defined in the Term Sheet  Option 2: Prepayable any time	Option 1: Make-Whole Call  Option 2: Callable on or after 10/1/25  Option 3: Callable any time
Bank Counsel	Mike Wiener, Holland & Knight LLP	Gilmore & Bell	Mike Wiener, Holland & Knight LLP	Mike Wiener, Holland & Knight
Bank Counsel Fee	\$17,500 plus \$5,000 upon conversion to tax-exempt	\$12,000	\$18,500 plus \$5,000 upon conversion to tax-exempt	\$17,500 plus \$5,000 upon conversion to tax-exempt
Yield Protection	Gross up due to action or inaction or the Borrower.	None indicated in proposal	Gross up due to action or inaction or the Borrower.	Gross up upon the occurrence of a Taxable Event. A Taxable Event does not include and is not triggered by a change in law by Congress that causes interest to be includable under Lender's gross income.
Financial Reporting Covenants & Due Diligence	Issuer shall provide annual audited financials within 240 days of FYE and budgets within 30 days of adoption and such additional information as reasonable requested by Lender.	The Borrower will be required to send the Lender financial statements on an annual basis by agreed upon dates.	Borrower shall provide audited financial statements annually within 210 days of FYE and annual budget annually within 60 days of adoption	Borrower shall submit annual audited financial statements within 270 days of FYE and annual budget within 30 days of adoption
Other Conditions	County shall certify to Lender that no other indebtedness secured by the Pledged Revenue is now or will be subject to acceleration.	Escrow Option: the Loan may be funded into a Sterling National Bank escrow account as needed with disbursements made as needed. The escrow may be set up with Sterling National Bank at no cost and will be collateralized as required by the State of FL. Escrow Fund earnings will accrue to the benefit of the borrower	The rate will be held until settlement no later than January 20, 2021 provided the Bank receives notification that it will be recommended within 3 business days and the 10-year USD Swap Rate does not increase more than 10 basis points.	Borrower agrees to execute an agreement authorizing Lender to debit a deposit account maintained by Borrower with a bank of its choice approved by Lender for all amounts due under the Loan.  Prior to Borrower granting acceleration to creditors that are to be secured by any element of security granted to Lender, Borrower shall obtain the written consent of Lender.
Default Rate	Greatest of (a) Fed Reserve Prime Rate + 3%, (b) Fed Funds Rate +5%, or (c) 8%	Proposal silent	6% above the Prime Rate as quoted in the Wall Street Journal with a Prime Floor of 3%	lesser of 18% or the maximum allowed rate by law
Assignment	Proposal silent	Lender reserves the right, without the consent of but with notice to the Borrower, to assign, transfer or convey the Loan or any interest therein or portion thereof, but no such assignment, transfer or conveyance shall be effective as against the Borrower, unless and until the Lender has delivered to the Borrower written notice thereof that discloses the name and address of the assignee and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the registered owner of the Loan or (ii) banks, insurance companies, or other financial institutions or their affiliates. Nothing in the Loan shall limit the right of the Lender or its assignees to sell or assign participation interests in the Loan to one or more entities listed in (i) or (ii).	Proposal silent	Proposal silent

Lender	Capital One	JP Morgan	Key Government Finance
Contact	Jaci Bretz / 866-617-2337 Melville, NY	John McAuley / 813-483-8253 Tampa, FL	Dave Zapata / 315-470-5180 / Syracuse, NY
Final Maturity	10/1/2032	10/1/2032	10/1/2032
Principal Payments	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021
Interest Payments	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021
Interest Rate	Option 1: 2.25% Option 2: 2.35%;	Option 1: 2.00% Option 2: 2.14%;	2.126% Rates quoted require the County to enter an interest rate lock; otherwise the rates will float until just before closing.
Expiration of Proposal	Term sheet valid through 12/10/20 Rates valid through 1/13/21	Rates indicative until mutual agreement between Issuer and Purchaser	Term sheet valid through 12/10/20 Rates valid through 1/13/21 (with rate lock)
Security	Net Revenues of Utility System	Net Revenues of Utility System	Net Revenues of Utility System
Prepayment Provisions	Option 1: NonCall Option 2: Callable in whole at 100% on any interest payment date on or after 10/1/28	Option 1: NonCall Option 2: Callable at 100% on or after 10/1/25	Callable at 100% on or after 10/1/25
Bank Counsel	Not Specified	Mark-David Adams, Locke Lord LLP	Andrew Romshek, Kutak Rock LLP
Bank Counsel Fee	\$0 (Lender will cover)	\$10,000	\$0 (Lender will cover)
Yield Protection	None indicated in proposal	If interest payable on the Bonds becomes taxable as a result of violations of the tax covenants, the interest rate would increase to a taxable equivalent rate. This would apply if the Bond has been converted to a tax-exempt rate on the interest rate conversion date.	Gross up due to action or inaction or the Borrower.
Financial Reporting Covenants & Due Diligence	None indicated in proposal	Issuer will provide CAFR within 210 days of FYE and additional information as reasonably requested by Purchaser	Issuer will provide annual audited financial statements and operating data within 270 days of FYE
Other Conditions			
Default Rate	Proposal silent	Bank's Prime Rate + 4.00%	3% above the interest rate on the loan
Assignment	Proposal silent	Issuer would agree that the Purchaser may without limitation (i) at any time sell, assign, pledge or transfer all or a portion of the Bonds, or one or more interests in all or an part of the Purchaser's rights and obligations under the Facility to one or more assignees and/or participants which may include affiliates of the Purchaser; and (ii) at the Purchaser's option, disclose information and share fees with such assignees and/or participants.	Proposal silent

Lender	Pinnacle Public Finance	Raymond James	Truist
Contact	Blair Swain/480-419-3634 / Scottsdale, AZ	Cord King / 727-567-2055 St Petersburg, FL	Adam Horn / 813-224-2552 Tampa, FL
Final Maturity	10/1/2032	10/1/2032	10/1/2032
Principal Payments	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021	Annual, beginning 10/1/2021
Interest Payments	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021	Semiannual beginning 4/1/2021
Interest Rate	Option 1: 2.75% Option 2: 2.70%	1.73% (plus lender discount of 0.25% of par amount results in a TIC of 1.75343%)	Option 1: 1.76% Option 2: 2.08% Option 3: 2.43%
Expiration of Proposal	Interest rates valid through 1/13/21	Interest rates valid through 1/13/21	Term sheet valid through 12/10/20 Rates valid through 1/13/21
Security	Net Revenues of Utility System	Net Revenues of Utility System	Net Revenues of Utility System
Prepayment Provisions	Option 1: Callable at 102% on or after 10/1/25, in whole but not in part Option 2: NonCall	Callable at 100% on or after 10/1/30	Option 1: Make-Whole Call Option 2: Callable on or after 10/1/25 Option 3: Callable any time
Bank Counsel	Chapman & Cutler LLP	Mike Wiener, Holland & Knight LLP	Mike Wiener, Holland & Knight
Bank Counsel Fee	\$7,500	\$5,000	\$8,500
Yield Protection	Lender will require gross up provision in the event the Loan becomes taxable, while tax-exempt, due to actions or omissions of the County.	Gross up due to action or inaction of the Borrower.	Gross up upon the occurrence of a Taxable Event. A Taxable Event does not include and is not triggered by a change in law by Congress that causes interest to be includable under Lender's gross income.
Financial Reporting Covenants & Due Diligence	Issuer will provide CAFR within 210 days of FYE and additional information as reasonably requested by Lender.	Issuer shall provide annual audited financials within 240 days of FYE and budgets within 30 days of adoption and such additional information as reasonable requested by Lender.	Borrower shall submit annual audited financial statements within 270 days of FYE and annual budget within 30 days of adoption
Other Conditions	Lender will ask the County to provide a signed copy of the Certificate regarding COVID-19 impact.	By Email: Raymond James not offering 2021B without also being provide on 2021A County shall certify to Lender that no other indebtedness secured by the Pledged Revenue is now or will be subject to acceleration.	By Email: Truist not offering 2021B without also being the provider on 2021A Borrower agrees to execute an agreement authorizing Lender to debit a deposit account maintained by Borrower with a bank of its choice approved by Lender for all amounts due under the Loan. Prior to Borrower granting acceleration to creditors that are to be secured by any element of security granted to Lender, Borrower shall obtain the written consent of Lender.
Default Rate	6.00%	Greatest of (a) Fed Reserve Prime Rate + 3%, (b) Fed Funds Rate +5%, or (c) 8%	lesser of 18% or the maximum allowed rate by law
Assignment	<i>It is the Lender's intention to hold the loan to maturity, however the Lender will require that it reserves the right to assign, transfer, or convey the Loan (or any interest therein or portion thereof) only to any of its affiliates or to banks, insurance companies, or similar financial institutions or their affiliates including participation arrangements with such entities.</i>	Proposal silent	Proposal silent