

**BOARD OF COUNTY
COMMISSIONERS**

Dave Eggers
Pat Gerard
Charlie Justice
Janet C. Long
John Morroni
Karen Williams Seel
Kenneth T. Welch



Mark S. Woodard
County Administrator

May 30, 2018

Holly L. Kuhlman, Senior Vice President
Bank of America, N.A.
FL9-858-01-00
9128 Strada Place, Suite 10110
Naples, Florida 34108

Re: Pinellas County, Florida
Sewer Revenue Bond, Series 2008A and
Sewer Revenue Refunding Bond, Series 2008B-1 (the "Bonds")

Dear Ms. Kuhlman:

We write to strongly disagree with your e-mail of May 9, 2018 regarding increasing the interest rate on the Bonds. We request that Bank of America withdraw its decision to do so.

Your proposed interest rate increase will adversely effect and create a hardship on the County's citizens by necessitating an increase in the County wastewater rates. The proposed interest rate increase would also increase the wastewater rates paid by other local governments who have contracts with the County. The Bank has reported record quarterly earnings for the first quarter of 2018. The Bank has highlighted the ongoing reduction to its effective tax rate as a positive on its performance, stating its effective tax rate has dropped by 9 percent, and that its net income is up 30% to a record \$6.9 billion.

There are numerous factors in play which bear on the Bank's proposed rate increase for the Bonds. This letter is not intended to outline all such factors. However, we highlight to the Bank that the language is optional and is vague without any formula or set of defined terms to support the Bank's position. Although the Bank may have other tax-exempt bonds in its portfolio with an embedded means of determining an adjustment as suggested in your e-mail, this Bond has none. Further, the County is aware that several other financial institutions in similar situations have not raised interest rates.

Clearly in 2008 the County and the Bank both intended the Bonds to be fixed rate obligations. The County undertook refunding its Series 1998 Bonds through the issuance of its Series 2008B-1 Bonds purchased by the Bank solely to achieve interest rate savings for its wastewater system. The Bank's so called "fully grossed up rate" of 5.15% would even exceed the 5.00% interest rate borne by the Series 1998 Bonds.

PLEASE ADDRESS REPLY TO:
Pinellas County Administration
315 Court St. • Room 601
Clearwater, FL 33756
Main Office: (727) 464-3485
FAX: (727) 464-4384
V/TDD: (727) 464-4062

www.pinellascounty.org

Holly L. Kuhlman, Senior Vice President

May 30, 2018

Page 2

The Bank failed to provide the County with any disclosure that their quoted rate was not fixed in its proposal to the County in June of 2008. The proposal reflects that the interest rate was to be "set" and "fixed" two days prior to closing the Bond issue. Each of the Bank's executed "Disclosure Letters" states a fixed interest rate for each series of Bonds. Nothing in your commitment letter dated June 23, 2008 refers to an option to increase the interest rate if the corporate tax rates changed, but rather refers to the interest rate being "set." In fact, the County certified as part of the closing transaction for the Series 2008B 1 Bonds, as part of its obligation to Bondholders, that there would be no increase in the interest in any fiscal year as a consequence of the refunding of the Series 1998 Bonds. Similarly, Ernst & Young provided agreed upon procedures in order for the County to meet its additional bonds issuance test for the Series 2008A Bonds, which also reflects that debt service payments were fixed not variable.

In summary, the County had no expectation that the Bank would increase the interest rate on the Bonds and documents executed by both parties indicate the intention that the interest rate would be fixed.

The County has partnered with the Bank in several initiatives over the years. Both the County programs for its purchase VISA cards and for its E-payables payment cards are currently with the Bank. Please keep in mind that these programs result in advantageous reoccurring income to the Bank from the County.

The Bank has profited and will continue to profit from the lower tax rates under the Federal Tax Reform Act, reporting record earnings which in part stem from the tax reform. The County sewer system has no such relief to pass through to its rate payors. Hurricanes and heavy rains have already created a heavy and critical burden on Pinellas County's sewer utility to increase capacity for our environmental safety.

The County requests that the Bank withdraw its call for a rate increase of the Bonds.

Sincerely,



Mark S. Woodard
County Administrator