



April 10, 2023

Recommendation Memorandum

To: City of Fort Lauderdale, Florida

From: PFM Financial Advisors LLC

RE: RFP Results and Recommendation for the 2023 Special Obligation Line of Credit

The purpose of this memorandum is to briefly summarize and provide a recommendation for the proposals received from lending institutions in order to provide the City of Fort Lauderdale, Florida (the "City") with a line of credit (the "Line"). The Line will be used to (i) provide interim funding towards the construction of the police headquarters building, and (ii) pay the costs of issuance related to the Line. The security pledge for the Line will be legally available non-ad valorem revenues.

On May 26, 2022, PFM distributed, on behalf of the City, a request for proposals ("RFP") to a broad pool of lenders that are active in the municipal market and could provide a tax-exempt line of credit. Using a line of credit offers the main advantage of flexibility, allowing the City to make draws as needed, which can provide savings because interest accrues only on funds as they are used. At the end of the draw period, the City anticipates an issuance of long-term debt to take out the balance drawn under the Line.

Prior to the submission deadline, the City received responses from five (5) firms for a line of credit with a 24-month draw period. The table provided below summarizes the RFP results based on the proposed interest rate formula, indicative interest rate (as of April 6, 2023), unutilized fee, and legal fee submitted by each of the banks that responded. The column to the far right shows the estimated cost of the unutilized fee during the first 18 months on the Line assuming no funds are drawn on an available facility of up to \$45.5 million.

Proposer	Rate Set Formula	Current Indicative Rate (as of 4/6/2023)	Unutilized Fee	Bank Counsel	Undrawn Fee for Initial 18 Months (Assumes No Draws)
Bank of America, N.A.	$(80\% \times \text{Daily SOFR}) + 38 \text{ bps}$	4.23%	20 bps (Waived if at least \$75K is drawn at closing and if 50% of commitment amount is drawn by 4/1/2023)	\$20,000	\$139,028
	$(80\% \times \text{Daily SOFR}) + 50 \text{ bps}$	4.35%			\$136,500
	$(80\% \times \text{Daily SOFR}) + 60 \text{ bps}$	4.45%			\$136,500
JPMorgan Chase Bank N.A.	$[80\% \times (1\text{-Month SOFR} + 10 \text{ bps})] + 90 \text{ bps}$	4.85%	None (City would be required to draw down the full amount of the line within the 2-year draw period)	\$30,000 - \$35,000	\$0
	$[80\% \times (1\text{-Month SOFR} + 10 \text{ bps})] + 100 \text{ bps}$	4.95%			\$0
	$[80\% \times (1\text{-Month SOFR} + 10 \text{ bps})] + 120 \text{ bps}$	5.15%			\$0
	$[80\% \times (1\text{-Month SOFR} + 10 \text{ bps})] + 125 \text{ bps}$	5.20%			\$0
Regions Capital Advantage, Inc.	$(79\% \times 1\text{-Month SOFR}) + 34 \text{ bps}$	4.16%	None	\$8,500	\$0
TD Bank, N.A.	$81.5\% \times (1\text{-Month SOFR} + 66 \text{ bps})$	4.48%	10 bps (Applicable until drawn amount reaches \$30MM)	\$10,000	\$69,514
Wells Fargo Bank, N.A.	$(80\% \times \text{Daily SOFR}) + 20 \text{ bps}$	4.05%	17 bps	\$25,000	\$69,514



The City received the most attractive options from Bank of America, Regions, and Wells Fargo. Key attributes of each are specified below.

- Bank of America proposed a variable rate for draws made on the Line that would be equal to 80% of the Daily SOFR rate plus a credit spread ranging from 38 to 60 basis points, depending on the length of the term-out provision selected by the City. Any amounts not drawn under the Line would be subject to a 20-basis point fee, unless the City were to draw \$75,000 at closing and draw down at least half the facility amount during the first six (6) months of the draw period.
- Regions proposed a variable rate for the Line that would be equal to 79% of the 1-Month SOFR rate plus 34 basis points. Regions would allow for a term-out period of up to five (5) years, and would not impose any unutilized fee on undrawn amounts during the entirety of the draw period.
- Wells Fargo proposed a variable rate equal to 80% of the Daily SOFR rate plus 20 basis points. Its unutilized fee would be equal to 17 basis points, without exception.

One of the key considerations for selecting a lender is the anticipated timing for the City to make draws on the Line. Since the City may not make draws for several months into the draw period, more consideration was given to the undrawn fees and the indicative rate if a draw were to be made. Based on these two criteria, as well as the overall terms in their proposal, Regions was deemed to be the best option given the combination of its variable rate formula and no fees associated with the undrawn portion of the facility. This will mitigate the costs to the City while providing ready-access to capital to complete the police headquarters facility.

We look forward to working with the City to complete the financing process for the project. The current schedule contemplates closing on the line of credit in mid-May, at which time funding access will be available, as needed. In the meantime, please do not hesitate to contact us with any questions or comments.