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February 5, 2020

Memorandum – Plan of Finance

To: City of Fort Lauderdale, Florida

From: PFM Financial Advisors LLC

Re: Taxable Special Obligation Refunding Bonds (Pension Funding Project), Series 2020

PFM Financial Advisors LLC ("PFM"), serving in our capacity as financial advisor to the City of Fort Lauderdale, Florida (the "City"), is providing this memorandum to describe the plan of finance for a refunding of the Special Obligation Bonds (Pension Funding Project), Series 2012 (the "Series 2012") for net present value savings, and provide the findings that result in a recommendation to move forward with the proposed financing structure and method of sale.

<u>Refunding Candidates</u>
PFM and the City administration routinely monitor the outstanding debt portfolio for opportunities to refinance bonds for interest rate savings. In October of 2019, we met to discuss the various upcoming funding needs, including the General Obligation Bonds for the Parks and Recreation Projects and the Police and Public Safety Projects, as well as the Stormwater System Line of Credit. At that time we also identified the Series 2012 Bonds as a potential refunding candidate to reduce interest costs and further optimize the City's debt portfolio. The City's Debt Policy states that the present value savings of a particular refunding should exceed at least five percent (5.00%) of the refunded maturities and $250,000 for advance refundings, which the Series 2012 qualify under. The Debt Policy further states that the final maturity of the proposed refunding obligations is no longer than the maturity of the debt obligations to be refunded[1]. The estimated results of a taxable refunding are summarized in the table below.

Market Conditions as of January 2020	Current Estimate	2012 Bonds / Debt Policy
Structure	Uniform Savings	-
Final Maturity	January 1, 2032	January 1, 2032
Gross Savings ($)	13,092,928	-
Average Annual Savings (Nominal $)	1,091,077	-
Net PV Savings ($)	11,388,172	*Policy $250,000*
Net PV Savings (%)	7.65%	*Policy 5.00%*

*Based on current market conditions and subject to change

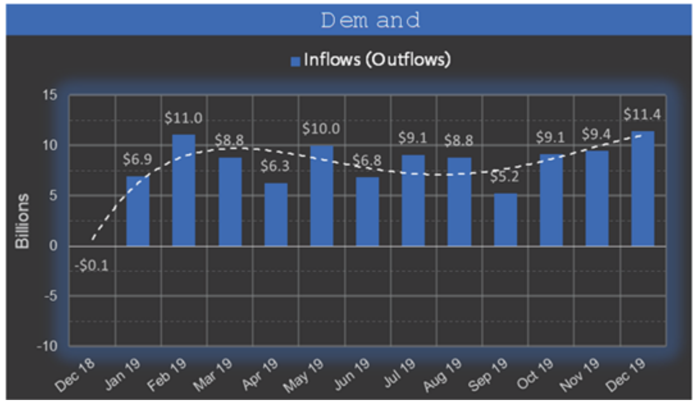
Closing for these bonds would be tentatively scheduled for April 7, 2020. Principal would be paid on an annual basis beginning January 1, 2021, with interest paid semi-annually every January and July, commencing July 1, 2020. The final maturity, principal and interest dates will match the refunded bonds.

<u>Method of Sale</u>
The City has the benefit of having recently held competitive sales for the two aforementioned General Obligation Bonds on January 28th. During the process of preparing the General Obligation Bond sales, the City financing team prepared updated offering documents and met with the credit rating agencies. The credit agencies (Moody's and Standard & Poor's) upgraded the rating (S&P: AAA) and outlook (Moody's: Positive outlook) on the City's General Obligation security. Simultaneous with that rating action, S&P and

[1] Absent these qualifications the Debt Policy does allow the City to make a determination that continuing with a transaction achieves a compelling public policy objective.

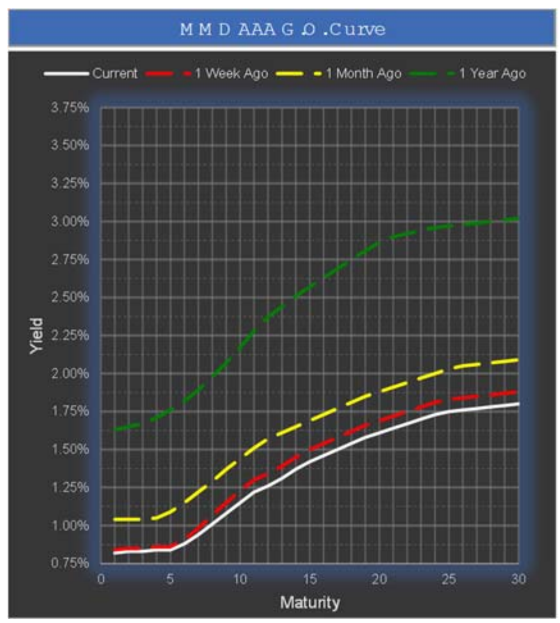
Moody's upgraded the credit rating on the Series 2012 Special Obligations Bonds from 'AA+' to 'AAA' and 'A1' to 'Aa3', respectively. The City made a significant effort to update disclosure documents for the General Obligation Bonds, the majority of which can be applied to the proposed Special Obligation Bonds due to their focus on the City's General Fund financials.

In addition to the necessary disclosure documentation having been prepared, the municipal lending markets are primed for supply. Investor demand, as characterized by inflows to municipal bond funds, reached $11.4 Billion in the month of December, and cumulatively reached $175.2 Billion. These trends indicate strong investor demand for municipal supply.



As a result of these factors we recommend that the City proceed with a competitive sale of the Series 2020 Taxable Special Obligation (Pension Funding Project) Refunding Bonds. The fact pattern of the proposed issuance suggests that a competitive sale will be well received for several reasons, including:

- **Security and Credit –** The Special Obligation Bond lien is well understood by market participants, particularly the backstop of the full non-ad valorem pledge in addition to the designated revenues. The rating agencies having recently published reports describing the strength of the credit also provides potential investors with the latest information they would need to make an informed decision. The security also carries very high ratings of AAA and Aa3.



- **Market Conditions –** As described above, market conditions are currently very favorable for municipal issuers. Muted inflationary expectations combined with global factors, such as the Coronavirus' impact on economic growth, have led to a flight to safety over recent months. Municipal yields have declined 20-30 basis points along the yield curve over the last month alone. The chart to the right depicts the MMD curve as of January 31, 2020.

- **Bond Structure –** The bonds will be issued on a taxable basis, matching the 2012 tax treatment. The maturities are anticipated to be offered in block sizes of at least $2 million, with the majority of maturities issued in materially larger blocks ($13M+). Individual maturities of this size tend to be favored by institutional market participants and should further assist in creating demand. We expect that the bonds will appeal to a broad base of investors and will not need enhanced pre-marketing efforts.

Please feel free to contact us should you have any questions or comments regarding this memorandum. We look forward to assisting the City to realize this refunding savings opportunity.