

TO: ALL COUNTY PERSONNEL

FROM: ROBERT WEISMAN

PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT & BUDGET

**SUBJECT: COMPETITIVE SELECTION OF BOND UNDERWRITERS
POLICY FOR NEGOTIATED SALES**

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PPM#: CW-F-076

ISSUE DATE
April xx, 2009

EFFECTIVE DATE
April xx, 2009

I. PURPOSE:

To establish parameters and guidance for the competitive selection of bond underwriters for negotiated bond sales (i.e. bonds, notes, letters and lines of credit) issued by Palm Beach County. Procedures for selection of bond underwriters for competitive bids are addressed in PPM CW-F-074.

II. AUTHORITY:

1. Florida Statutes, Chapter 129.06
2. Palm Beach County Administrative Code, Sections 101.00, 301.00 303.00, 304.00, 304.03, 304.034, 304.04, 311.00

III. OVERVIEW:

The Board of County Commissioners periodically considers the issuance of Debt Obligations to finance the construction or acquisition of infrastructure and other assets or to refund outstanding debt.

This Policy and Procedures Memorandum provides guidance for selecting underwriters for a negotiated sale.

The County's goals in a negotiated bond sale are to select the underwriters that have the expertise that will result in a successful sale and obtain the lowest interest cost to the County. Typically these underwriters have demonstrated both experience underwriting the type of bonds being proposed and the best marketing/distribution capabilities. Prior to the sale of a negotiated bond issue, a selection committee, appointed by the County Administrator, will recommend an Underwriting Team based on a competitive Request for Proposal (RFP) process to the County Administrator for approval by the Board of County Commissioners (BCC). The Underwriting

Team will consist of a Senior Manager and Co-Managers depending on the size of the bond issue.

The County will continue to consider new and innovative proposals from any underwriter. If the Board decides to move forward with a proposal, the underwriter will be given consideration as the book running manager on the bond issue. Refunding of outstanding bond issues and other proposals that are currently being done by other issuers are not considered proprietary proposals. Submission of these proposals will not necessarily be a factor in the selection of underwriting teams.

IV. RESPONSIBILITY:

It is the responsibility of the Director of the Office of Financial Management and Budget, under the direction of the County Administrator to implement this policy.

V. DEFINITIONS:

Fixed Rate Debt – Debt obligation issued with a predetermined interest rate.

General Obligation Debt – Debt obligations which are secured by the full faith and credit of the County and are payable by a levy of ad valorem taxes. General Obligation Bonds require approval by election prior to issuance.

MSTU and Special District Bonds – Debt issued to provide funding for capital projects within a portion of the County, and for which only revenues derived within the district are used to pay debt service.

Negotiated Sale – The sale of bonds by an issuer directly to an underwriter or underwriting syndicate selected by the issuer.

Non-Self Supporting Debt – Debt secured by covenant to budget and appropriate from legally available non-ad valorem revenues. Debt service expenditures for this debt are in direct competition with other General Fund expenditures.

Present Value – The amount that a future sum of money is worth today given a specified rate of return.

Rating – Evaluations of credit quality that are issued by Moody’s Investor Service, Fitch Ratings, and Standard & Poor’s Corporation. Ratings are intended to measure the probability of the timely repayment of principal and interest on bonds.

Underwriter – A broker–dealer that purchases a new issue of municipal securities from the issuer for resale in a primary offering.

Variable Rate Debt – Debt obligations entered into that use a variable, auction reset, adjustable, convertible, or other similar rate, which is not fixed in percentage at the date of issue.

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VI. POLICY:

It is the policy of the County that Debt Obligations will be issued and administered in such a manner as to ensure and sustain the long-term financial integrity of the County and to achieve the highest possible credit rating.

In carrying out this policy the County has established parameters and guidelines for selecting underwriters for negotiated bond sales.

Scope of Services

A. Senior Manager

The services to be provided by the Senior Manager Underwriter shall include, but not be limited to the following:

- a. Develop the structure and overall marketing strategy on a bond transaction to which it has been assigned and to work with County staff, bond counsel, financial advisor, rating agencies, trustees and other professionals involved in the transaction.
- b. Assist the County, its financial advisor and bond and disclosure counsels in drafting the preliminary official statement, the official statement and any other documents required to authorize, market and sell the Bonds.
- c. Provide analyses of market conditions, including investor demand and prevailing interest rates and advise the County and its financial advisors with regard to timing and development of a marketing plan for the bonds.
- d. Assist the County in developing and presenting information to the rating agencies, bond insurers, if any, and investment community.
- e. Advise the County as to timing of sale and the price of bonds.
- f. Provide specific information as may be requested by the County regarding orders and allotments of bonds and take direction from the County with respect to allotment requests.
- g. Purchase the bonds upon terms and conditions mutually acceptable to the County and the underwriters pursuant to a bond purchase agreement.
- h. Prepare a pricing book subsequent to the negotiated sale of bonds; and perform other services as requested.

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B. Co-Managers

The services to be provided by the underwriting firms assigned to a negotiated bond transaction when serving as Co-Manager on the transaction shall include, but not be limited to, the following:

- a. Assist the Senior Manager in providing the primary and secondary market support for the County's bond transactions.
- b. Assist the Senior Manager in providing the analysis of marketing conditions and advise the County and its financial advisor with regard to market timing and development of a marketing plan for the Bonds.
- c. Sell Bonds.

Proposal Requirements

Minimum required information to be submitted in the requests for proposals is as follows:

- a. General information about the Proposer, including location of the office(s) from which the work will be performed, the name and experience of the contact person and other members of the financing team.
- b. Provide the proposer's current (most recent reporting) total capital, equity capital, net capital position and uncommitted (excess net) capital.
- c. Describe the firm, how it is organized, and the resources available to execute the services set forth herein. Indicate how many offices and personnel and the type of business operations your firm has in Florida.
- d. Discuss your firm's ability to distribute tax-exempt bonds to institutional and retail investors within and outside Florida. Describe your firm's municipal bond operations (sales, trading, research, and underwriting) and strategies which can be used to maximize funding and market access and to achieve the lowest interest rate on the County's bonds.
- e. Describe how best to conduct a negotiated sale given current market conditions and discuss the issues which should be addressed in developing a marketing strategy for County bond sales. Your discussion should include, but not necessarily be limited to, how you would deploy your retail and institutional sales distribution capabilities and a description of the investor base you feel should be targeted and strategies on how to reach those investors.
- f. Please provide a list of Florida bond issues that your firm has purchased through competitive sale by submitting the winning bid since January 1, 2005, with totals for number of transactions and aggregate principal amount. Only firms submitting the winning bid should list transactions requested above. If you firm participates in a

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competitive sale through a syndicate, describe the syndicate arrangement and level of your participation.

- g. Provide a proposal for gross underwriting spread including an estimate of amounts for expenses (itemized), management fee, takedown by maturity, average takedown, and risk based on current conditions for the bond issue being proposed by the County assuming a 20-year level debt service structure. You may assume for purposes of the foregoing that the offering document, the 10(b)5 certificate of the County and the bond purchase agreement will be provided by the County or its counsel at the County's expense.
- h. Identify three clients that the County may contact as references with respect to the firm's work performance. For each reference include the contact person's name, title, address, phone number, fax number, and email address.
- i. A description of any litigation or regulatory action filed against or settled by the Proposer since January 1, 2005, and the resolution thereof.

ROBERT WEISMAN
COUNTY ADMINISTRATOR

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