

TO: ALL COUNTY PERSONNEL
FROM: VERDENIA C. BAKER
PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT & BUDGET (OFMB)
SUBJECT: COMPETITIVE SELECTION OF BOND UNDERWRITERS
POLICY FOR NEGOTIATED SALES
PPM#: CW-F-078

ISSUE DATE
September 23, 2019

EFFECTIVE DATE
September 23, 2019

PURPOSE:

To establish parameters and guidance for the competitive selection of bond underwriters for negotiated bond sales (i.e. bonds, bans, notes, letters and lines of credit) issued by Palm Beach County, once a determination has been made by the Board of County Commissioners (Board) that a negotiated sale is appropriate pursuant to PPM CW-F-074.

UPDATES:

Future updates to this PPM are the responsibility of the Director of OFMB.

AUTHORITY:

- Florida Statutes, Sections 125.01, 125.013, 129.06, and 218.38, as may be amended.
- Palm Beach County Administrative Code, Sections 101.00, 301.00 303.00, 304.00, 311.00 and 312.00, as may be amended.
- PPM CW-F-074, as may be amended.

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.

OVERVIEW:

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

guidance for selecting underwriters for a negotiated sale. When documented by the County Financing Committee and the Financial Advisor (FA) in their recommendation to the County Administrator, a negotiated sale of debt will be considered when:

1. the complexity of the issue requires specialized expertise,
2. the negotiated sale would result in substantial savings of time or money,
3. market conditions are unusually volatile, or
4. a negotiated sale is otherwise in the best interest of the County.

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. To achieve these goals, the County will pre-qualify a pool of underwriters through a Request for Proposal (RFP) process. A selection committee, comprised of the members of the County Financing Committee and the County's FA, will evaluate and rank the proposals. The selection committee will reevaluate the pool of underwriters every three years and recommend appropriate action.

The County Financing Committee and the FA will select an Underwriting Team using an RFP process, from the pre-qualified pool of underwriters for a negotiated bond issue and make a recommendation to the County Administrator for approval by the Board. The Underwriting Team will consist of a Senior Manager and potentially 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.

DEFINITIONS:

Bond Counsel – The County retains external Bond Counsel for all debt issues (for both public offerings and private placements). All debt issued by the County includes a written opinion by Bond Counsel affirming that the County is authorized to issue the debt and determining the debt's federal income tax status.

Disclosure Counsel – The County retains Disclosure Counsel for all public offerings. Disclosure Counsel renders an opinion to the effect that, with certain conditions, nothing came to their attention to indicate the offering document contains any untrue statement or omits a material fact required to be included. Disclosure Counsel also provides advice to the County to assist in meeting its secondary market disclosure obligations.

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.

Municipal Service Taxing Unit 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 and not funded by revenues within the Enterprise Funds. 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 discount rate.

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.

Self Supporting Debt – Debt which is to be repaid from proceeds derived exclusively from the enterprise activity for which the debt issued.

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

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

SCOPE OF SERVICES:

Senior Manager Underwriter

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 the bond sale transaction to which it has been assigned and to work with County staff, bond counsel, disclosure 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 with regard to the 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 the 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 for the sale of the bonds.
- 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.

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. The proposer's current (most recent reporting) total capital, equity capital, net capital position and uncommitted (excess net) capital.
- c. Description of the firm, how it is organized, and the resources available to execute the services set forth herein. This will include the number of offices and personnel and the type of business operations the firm has in Florida.

- d. The firm's ability to distribute tax-exempt and taxable bonds to institutional and retail investors within and outside Florida. Description of 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. The best method 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. The discussion should include, but not necessarily be limited to, how to deploy retail and institutional sales distribution capabilities and a description of the investor base which should be targeted and strategies on how to reach those investors.
- f. A list of Florida bond issues that the firm has purchased through competitive or negotiated sale for the past five (5) years, with totals for number of transactions and aggregate principal amount. Indicate the role of the firm in the financing (senior manager, co-manager, etc.). For competitive sales, only firms submitting the winning bid should list transactions requested above. If the firm participates in a competitive sale through a syndicate, describe the syndicate arrangement and level of participation.
- g. A proposal for gross underwriting spread including an estimate of amounts for expenses (itemized), management fee, takedown by maturity, and average takedown based on current conditions for the bond issue being proposed by the County. It can be assumed 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. Identification of 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 for the past three (3) years, and the resolution thereof.



VERDENIA C. BAKER
COUNTY ADMINISTRATOR

Supersession History:

1. PPM #CW-F-078, effective 8/18/2009
2. PPM #CW-F-078, effective 11/7/2014