

Waiver of Competition Justification

Project Title: COPS II: Underwriter's Solicitation Revision

A. Introduction/Background

In preparation for the second issuance of Certificates of Participation (COPs) to finance the purchase of US Sugar, it is at the recommendation of the District's financial advisor, Public Financial Management, that the District add an additional senior underwriter to the original solicitation.

As a result of the financial market's downturn, two of the senior underwriting firms from the initial solicitation (Lehman Brothers and UBS) are no longer doing business in Florida and Merrill Lynch has since merged with Bank of America. The addition of one senior firm will benefit the District by not only increasing distribution/sales capacity but also by potentially lowering the overall debt service cost.

B. Need for Exception to the Standards for Competition

The original board approved list of eleven underwriters was selected by a formal solicitation in June 2005 for the first COPS offering and is valid for five years from the date of adoption. As a well positioned national firm on the original list, staff recommends adding JP Morgan from the rankings of the original solicitation. To rebid the solicitation would not add value as the remaining senior firms that remain on the Districts approved list are among the largest firms writing bond business in Florida. This would only cost the District unnecessary time and money and would not translate into any additional benefit.

C. Preserving Fairness in the Method of Selection

A competitive "Request for Proposal" process was undertaken in June 2005 that determined the initial underwriters list. A selection committee of six members, half representing the District and half from the Division of Bond Finance and DEP reviewed and ranked the 27 proposals that were received. These proposals were ranked based on variables such as size, sales capacity, marketing strategy, previous financings, locations, and cost. This list includes the highest ranked national, regional and small firms. The revised underwriting syndicate will consist of a total of ten firms, with five representing "national" firms, two "regional" firms and three "small" firms.

D. Preserving Competitive Pricing in the Method of Selection

This deal will proceed on a Negotiated Basis, with the oversight of our financial advisor. In a negotiated sale, the underwriters are selected prior to the public offering via the RFP process. This process has allowed us to rank these firms on the basis of their experience, resumes of their personnel, time commitment, management fees, anticipated services and deal structuring ideas. The underwriters then make an offer to purchase the bonds from the issuer at a price that will incur the lowest interest cost for the issuer but at the same time is salable to investors. In a negotiated deal, adding an additional senior firm will not add any additional cost to the "costs of issuance" but may help to reduce the rate paid on the debt by increasing demand and distribution of the bonds.

E. Conclusion/Summary

In the municipal bond marketplace, underwriting services are a key factor to the successful completion of the transaction. The underwriters will aid in educating investors, rating agencies and bond insurers on the District's ability to fund projects with COPs financing. Incorporating the largest underwriting firms in the nation as a part of our underwriting team aids the District both in distribution as well as in cost. The five senior firms currently dominate 76% of the market share of the bond writing business. Thus, adding JP Morgan (who maintains 10.3% of market share) to the current syndicate would ensure a strong senior underwriting team that would in turn greatly benefit the District's ability to facilitate a smooth transaction.