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Central Florida Expressway Authority

Fiscal Year 2016 Bond Financing Review

December 2015

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Executive Summary

Background

In the 2002 legislative session, the Florida Legislature amended Chapter 348, Part V (now Part III of the “Expressway Act”) to, among other things, revise and expand the powers of the Central Florida Expressway Authority (“CFX”) to finance or refinance its projects, including the power to refund bonds previously issued on behalf of CFX by the Florida Division of Bond Finance of the State Board of Administration (Division of Bond Finance), through the issuance of its own bonds or other obligations. On January 28, 2003, the Division of Bond Finance adopted a resolution formally recognizing CFX as the issuer of bonds under that certain Master Junior Lien Bond Resolution pursuant to which the Division of Bond Finance had previously issued bonds on behalf of CFX.

CFX adopted, on February 3, 2003, an Amended and Restated Master Bond Resolution pursuant to which CFX amended and restated the Authority Bond Resolution and the Master Junior Lien Bond Resolution into a single, consolidated, single-lien resolution to govern the existing outstanding bonds and future bond indebtedness of CFX. All bonds or other obligations issued under the Amended and Restated Master Bond Resolution are payable from, and secured by, a pledge of net revenues from the operation of the system.

As of June 30, 2015, CFX had \$2.6 billion of bonds issued and outstanding with varying terms and conditions, of which approximately 80% are fixed rate debt and 20% are variable rate debt. All bonds currently outstanding have been issued through a negotiated sales method. CFX anticipates issuing an additional \$900,000,000 in bonds through fiscal year 2024.

In accordance with the 2016 Internal Audit Plan, Internal Audit reviewed the CFX bond financing process. The review focused on the process of evaluating and managing risks related to bond financing, the bond financing sales method, and the procurement of financial advisors, bond counsel, and underwriters.

Objectives

The objectives of the audit were to (1) perform a risk assessment of the bond financing process, including finance, procurement, and legal risks; (2) review policies surrounding the financing process; (3) review the process to structure financing deals and manage existing portfolio risk; (4) review the process to monitor bond covenant compliance for opportunities to improve internal control design or operating effectiveness; and (5) benchmark the bond sales methods, request for proposals process, and use of external counsel to other local industry practices.

Project Scope and Approach

The audit was performed using a four-phased approach as outlined below:

Phase I – Risk assessment

Internal Audit performed a risk assessment to identify risks over the bond financing process, focusing on finance, procurement, and legal risks. This included gathering information from the Authority’s finance, procurement, and legal departments and members of the Finance Committee.

Continued on the following page...



Executive Summary (cont.)

Phase II – Processes and Controls Review

Internal Audit reviewed the key processes and controls used to mitigate the identified risks related to issuing bonds, managing portfolio risks and bond covenant compliance, and the process for procuring services from financial advisors, underwriters and legal services for Bond and Disclosure Counsels. Key controls within each of these areas were identified and reviewed for design effectiveness. Details regarding the processes reviewed, controls evaluated through and observations are provided in the Summary of Audit Procedures and the Summary of Benchmarking Results.

Phase III – Benchmarking CFX's Bond Financing Process to Industry Leading Practices

Internal Audit performed procedures to benchmark CFX's bond financing process to other local industry practices for the following areas:

- A. Debt management policies and procedures.
- B. Bond sales method selection: competitive vs. negotiated.
- C. Request for Proposal (RFP) process and evaluation criteria: financial advisor, bond counsel, and underwriters.
- D. Underwriters pool size.
- E. Issuer's Counsel: in-house vs. outsourced.

To perform this benchmarking process, Internal Audit interviewed members of CFX's Finance Committee who are also staff members of the following counties: Orange County, City of Orlando, Seminole County, Osceola County and Lake County; and held interviews with Hillsborough Expressway Authority, Miami Dade Expressway Authority, North Texas Tolling Authority, Harris County Tolling Authority, Florida Turnpike Enterprise, and North Carolina Turnpike Authority. The Summary of Benchmarking Results is provided on page 6. Benchmarking details are provided in Appendix A.

Phase IV – Reporting and Deliverables

Internal Audit prepared this report for management review and comment and for issuance to the Authority's Audit Committee.

Continued on the following page...

Executive Summary (cont.)

Summary of Audit Results and Procedures Performed

The table below provides an overview of the key processes and internal controls reviewed for design effectiveness and the number of observations identified.

Process	Key Areas Reviewed for Design Effectiveness	Internal Controls Evaluated	Number of Observations	Observation Reference
Procurement	Project bidding (sealed bids and competitive sealed proposals) and bid awards: Authorization to bid, contracts reviewed by CFX's attorney's office, RFP documented and opened to the public, evaluation committee reviews bids, fee evaluation performed by Procurement Department and Evaluation Committee.	15	0	N/A
Bond Issuance	Sales methodology, post sale summary and analysis, credit rating, authorization of bond issuance.	9	0	N/A
Interest Rate Risk Management	Debt limit compliance and restrictions, refunding or refinancing opportunities, interest rate dislocations (swaps).	6	0	N/A
Debt Covenant Monitoring	Monitoring debt service ratios and debt covenant compliance.	2	0	N/A
Reporting	Preparation and review of 5-Year Work Plan, Monthly Statistical Reports, Semi-Annual Debt Report and Investor Relation Program.	8	1	1
Investment Monitoring	Investment portfolio performance.	1	0	N/A
TOTAL:		41	1	

Continued on the following page...

Executive Summary (cont.)

Summary of Benchmarking Results

The table below provides an overview of the benchmarking results.

Process	Benchmarking Sources	Results
Debt Management Policies and Procedures.	- Government Finance Officers Association (GFOA) - Counties and city represented on CFX's Finance Committee - Other similar tolling and transportation authorities	✓
Bond Sales Method Selection	- Municipal Bond Market statistics - Government Finance Officers Association (GFOA) - Counties and city represented on CFX's Finance Committee - Other similar tolling and transportation authorities	✓
Request for Proposal (RFP) Process and Evaluation Criteria	- Government Finance Officers Association (GFOA) - Counties and city represented on CFX's Finance Committee - Other similar tolling and transportation authorities	✓
Underwriters Pool Size	- Government Finance Officers Association (GFOA) - Counties and city represented on CFX's Finance Committee - Other similar tolling and transportation authorities	✓
Issuer's Counsel: In-House vs. Outsourced	- Government Finance Officers Association (GFOA) - Counties and city represented on CFX's Finance Committee - Other similar tolling and transportation authorities	✓

✓ CFX is in alignment with the local leading practice.

Detailed Observations

Bond issuance

Interest Rate Risk
Management

Reporting

Debt Covenant
Monitoring

Investment
Monitoring

Procurement

Observation 1 – Semi-Annual Debt Report

Relative Priority: Low

The CFX Debt Policy, section XI, states that at least twice each year, the Board shall receive a report on the status of its debt. The report shall at a minimum include:

- Amount and percentage of total debt by categories:
 - Natural fixed
 - Synthetic fixed
 - Natural variable
 - Synthetic variable
- Current mark-to-market value of all interest rate exchange agreements
- Historical rate performance for all variable rate bonds
- Any changes in ratings for credit enhancers and swap counterparty

The most recent debt status report was completed on July 22, 2013. The report is not being prepared twice per year as required in the Debt Policy.

Recommendation

CFX's Finance Department should comply with its Debt Policy and prepare and present the semi-annual debt reports to the Board.

Management Response

Management Concur

Management Action Plan

CFX will look into if the policy should be changed now that CFX's variable rate debt accounts for less than 19% of the portfolio. A report will be given to the Board at the next financial workshop.

Action Plan Owner / Due Date

Lisa Lombard, CFO/ April 1, 2016



Appendix A - Benchmarking Results

A. Policies and Procedures for Debt Management

Internal Audit has reviewed CFX's bond financing policies and procedures surrounding Debt Management, Interest Rate Risk Management, Investment and Procurement and compared those policies and procedures to:

- a) The Debt Management policies of the counties and city represented on CFX's Finance Committee: Orange County, City of Orlando, Seminole County, Osceola County and Lake County, and other similar tolling and transportation authorities (Hillsborough County Expressway Authority, Miami-Dade Expressway Authority, North Texas Tolling Authority, Harris County Tolling Authority, Florida Turnpike Enterprise, and North Carolina Turnpike Authority).
- b) The guidelines stipulated by the Government Finance Officers Association (GFOA).

The Government Finance Officers Association (GFOA) recommends government agencies document in policies and procedures, among other things, the following guidelines:

- Debt limits - Setting specific limits or acceptable ranges for each type of debt.
- Debt Structuring Practices - Guidelines regarding the debt structuring practices for each type of bond, which includes: maximum term; average maturity; debt service pattern such as equal payments or equal principal amortization; use of variable or fixed-rate debt, credit enhancements, derivatives, short-term debt.
- Debt Issuance Practices - Issuance processes, which may differ for each type of debt and should include, among other things: Selection and use of professional service providers (financial advisor); criteria for determining the sales method; use of comparative bond pricing services or market indices as a benchmark in negotiated transactions; criteria for issuance of advance refunding and current refunding bonds, and use of credit ratings.
- Debt management practices - ongoing administrative activities, including investment of bond proceeds and market disclosure practices.
- Use of derivatives - state whether or not the entity can or should use derivatives.

Results:

CFX's policies and procedures for debt management, interest rate risk management, and investment encompass the GFOA's recommended guidelines. In addition, CFX's policies and procedures are in line with the policies and procedures of the counties and cities represented on CFX's Finance Committee, as well as similar tolling and transportation authorities interviewed for this review.

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Appendix A - Benchmarking Results (cont.)

B. Bond Sales Method Selection: Competitive vs. Negotiated

Under the competitive sales method, the bond issuer sets maturity dates and terms of a bond issuance and then advertises the bonds for sale. Underwriters bid on the issuance and the lowest total cost bid (inclusive of interest rate and underwriting spread) is awarded the bond issuance, which can be split among several underwriters depending on the size of the issuance and the number of interested underwriters.

Under the negotiated sales method, the bond issuer selects a pool of underwriters through a bidding process. The selected underwriters then negotiate with the issuer on terms including maturity dates, interest rates, and spreads for a bond issuance that best meets their client's need and market conditions.

Internal Audit has reviewed CFX's process for selecting the bond sales method: competitive vs. negotiated, and compared it to:

- a) The municipality bond market statistics;
- b) Practices used by the counties and city represented on CFX's Finance Committee: Orange County, City of Orlando, Seminole County, Osceola County and Lake County, and other similar tolling and transportation authorities (Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike); and
- c) The guidelines stipulated by the Government Finance Officers Association (GFOA).

Municipality Bond Market Statistics:

The primary factor that impacts selecting either competitive or negotiated sales method is the effect to the underwriting spread, which is defined as the difference between the amount paid by the underwriter in an issue of securities and the price at which securities are offered for sale to the public. Based on the data collected from 1996 to 2015, the spread has narrowed between the two sales methods according to "The Bond Buyer", a municipal bond market trade publication.

The Authority issued 100% of the current outstanding debt through a negotiated sales. The volume of Municipal Bonds issued related to Transportation Municipal Entities in the first half of 2015 was \$20.6 billion, of which \$16.7 billion were issued through a negotiated sale (81%). Transportation Municipal Entities issued \$26.3 billion in bonds during the first half of 2014, of which \$20.3 billion were issued through a negotiated sale (77%) according to "The Bond Buyer".

For further detail on the Market Statistic Benchmarking Results refer to Appendix C.

Continued on the following page...

Appendix A - Benchmarking Results (cont.)

B. Bond Sales Method Selection: Competitive vs. Negotiated (Continued)

Practices of Orange County, City of Orlando, Seminole County, Osceola County and Lake County and Other Similar Tolling and Transportation Authorities

Internal Audit benchmarked the common bond sales method used by CFX (negotiated), to the most common sales method used by Orange County, City of Orlando, Osceola County, Seminole County and Lake County (competitive); and other tolling authorities (negotiated) and identified the following:

- Agencies whose bonds are backed by toll revenue primarily issued bonds through a negotiated sales method. In comparison, counties and the City of Orlando whose bonds are backed mainly by tax revenue issued bonds through a competitive sales method. The revenue sources of municipalities are typically viewed by underwriters and the bond market as more stable in nature than toll revenues providing an advantage in the competitive bond market.
- Tolling Authorities generally carried a higher debt ratio than municipalities which factors into the evaluation of credit worthiness of the agency. As such, municipalities generally had higher credit ratings from independent third parties than tolling authorities, allowing them to receive lower interest rates on debt issuances, which generally facilitates issuing bonds through a competitive sale.

Guidelines Stipulated by the GFOA:

GFOA guidelines state: "State and local government bond issuers should sell their debt using the method of sale that is most likely to achieve the lowest cost of borrowing while taking into account both short-range and long-range implications for taxpayers and ratepayers."

Results:

CFX primarily utilizes the negotiated sales method, which is the most common sales method used by tolling and transportation authorities consulted as part of the audit. However, due to the credit worthiness and the strength of the revenue source, municipalities primarily utilize the competitive sales method.

CFX's Debt Policy stipulates that the preferred sales method accomplishes the goal of obtaining the lowest cost of capital, which is in compliance with the guidelines of the GFOA.

For further detail on the Sales Method Benchmarking Results refer to Appendix B-F.

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Appendix A - Benchmarking Results (cont.)

C. Request for Proposal (RFP) process and evaluation criteria

Internal Audit has reviewed CFX's procurement (RFP) process for selecting the Financial Advisor, Bond Counsels, and Pool of Underwriters, and compared it to:

- a) The guidelines stipulated by the Government Finance Officers Association (GFOA); and
- b) Practices used by Orange County, City of Orlando, Seminole County, Osceola County and Lake County and other similar tolling and transportation authorities (Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike).

Financial Advisor

Guidelines Stipulated by the GFOA

GFOA guidelines recommend that issuers select municipal advisors on the basis of merit using a competitive process and that issuers review those relationships periodically. A competitive process using a request for proposal (RFP) or request for qualifications (RFQ) process as applicable allows the issuer to compare the qualifications of proposers and to select the most qualified firm based on the scope of services and evaluation criteria outlined in the RFP.

Practices of Orange County, City of Orlando, Seminole County, Osceola County and Lake County and Other Similar Tolling and Transportation Authorities

Internal Audit benchmarked the RFP criteria evaluated by Orange County, City of Orlando, Seminole County, Osceola County and Lake County and other similar tolling and transportation authorities:

- (I) Technical aspects / firm and staff experience: encompasses evaluations for experience and qualification of the firm and personnel, location, and approach to assignments and technical aspects, which included M/WBE utilization.
- (II) References from clients and past experiences
- (III) Fee / compensation evaluation
- (IV) Conflict of interest
- (V) Interview (if performed)
- (VI) Others: as determined by the agency

Results

CFX's Financial Advisor RFP is in line with GFOA guidelines, and evaluation metrics considered are in line with those used by Orange County, City of Orlando, Seminole County, Osceola County and Lake County and other similar tolling and transportation authorities (Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike). However, the fee evaluation criteria were weighted less in the RFP evaluation process performed by Orange County, City of Orlando, Seminole County, Osceola County and Lake County, and was excluded from the evaluation process of other similar tolling and transportation authorities. For RFP's where fee/compensation was excluded, a separate fee negotiated process was initiated after the initial evaluation was approved by the corresponding authority.

For further detail on the Financial Advisor RFP evaluation criteria refer to Appendix G.

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Appendix A - Benchmarking Results (cont.)

C. Request for Proposal (RFP) process and evaluation criteria (Continued)

Bond Counsel

Guidelines stipulated by the GFOA

GFOA guidelines recommend that issuers select bond counsel on the basis of merit using a competitive process and review those relationships periodically. A competitive process using a request for proposal (RFP) or request for qualifications (RFQ) permits issuers to compare qualifications of firms and select a firm or firms that best meets the needs of their community and the type of financing being undertaken.

Practices of Orange County, City of Orlando, Seminole County, Osceola County and Lake County and Other Similar Tolling and Transportation Authorities

Internal Audit benchmarked the RFP criteria evaluated by Orange County, City of Orlando, Seminole County, Osceola County and Lake County and other similar tolling and transportation authorities (Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike):

- (I) Experience of the firm and experience of the attorneys assigned / location
- (II) Approach to assignment (including M/WBE)
- (III) Fee proposal
- (IV) Interview (if performed)
- (V) Others: as determined by the agency.

Results

CFX's Bond Counsel RFP's are in line with GFOA guidelines, and evaluation metrics considered are in line with those considered by Orange County, City of Orlando, Seminole County, Osceola County and Lake County and other similar tolling and transportation authorities (Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike).

For further detail on the Bond Counsel RFP evaluation criteria refer to Appendix H.

Continued on the following page...



Appendix A - Benchmarking Results (cont.)

C. Request for Proposal (RFP) process and evaluation criteria (Continued)

Underwriters

Guidelines Stipulated by the GFOA

GFOA guidelines recommend the use of a Request for Proposal (RFP) process when selecting underwriters in order to promote fairness, objectivity and transparency. An RFP process can result in selection of one or more underwriters for a single transaction or result in identification of a pool of underwriters from which firms will be selected over a specific period of time for a number of different transactions.

Practices of Orange County, City of Orlando, Seminole County, Osceola County and Lake County and Other Similar Tolling and Transportation Authorities

Internal Audit reviewed the RFP criteria used by Orange County, City of Orlando, Seminole County, Osceola County and Lake County and other similar tolling and transportation authorities:

- (I) Experience of the firm and experience of the attorneys assigned / location
- (II) Distribution / marketing / pricing capabilities: encompasses approach to the engagement (if referred to in marketing and pricing capabilities)
- (III) Understanding of authority's need / value added or unique capabilities
- (IV) Finance Plan: encompasses ability and willingness to commit capital, as well as pricing – e.g. gross spread, takedowns
- (V) State and regional presence
- (VI) Regulatory compliance
- (VII) Others: as determined by the agency

Results:

CFX's Underwriters RFP's are in line with GFOA guidelines, and evaluation metrics considered are in line with those considered by Orange County, City of Orlando, Seminole County, Osceola County and Lake County and other similar tolling and transportation authorities (Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike).

For further detail on the Underwriter RFP evaluation criteria refer to Appendix I.

Continued on the following page...



Appendix A - Summary of Benchmarking Results (cont.)

D. Underwriters pool size

Practices of Orange County, City of Orlando, Seminole County, Osceola County and Lake County and Other Similar Tolling and Transportation Authorities

A pool of underwriters is procured only for bonds issued through a negotiated sales process. If bonds are issued through a competitive sale, a competitive bid process that is open to the public is initiated to allocate the bonds. Internal Audit benchmarked CFX's pool size of underwriters with that of Orange County, City of Orlando, Seminole County, Osceola County and Lake County, Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike.

Results:

CFX engages 11 underwriters (four Senior Managers and seven Co-Managers), which is in line with the other agencies. The advantage of procuring a pool of underwriters is to introduce a competitive aspect when utilizing the negotiated sales process.

For further detail on the Underwriters pool size refer to Appendix J.

E. Issuer's Counsel: in-house vs. outsourced

Guidelines stipulated by the GFOA

GFOA guidelines state "Governments may have in house counsel or may hire outside counsel to represent only the interest of the issuer. "

Practices of Orange County, City of Orlando, Seminole County, Osceola County, Lake County, Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike

Internal Audit benchmarked CFX's decision to outsource Issuer's Counsel with that of the Finance Committee members and other tolling and transportation authorities, taking into consideration the size of the internal legal group.

Results:

Municipal entities and Transportation Authorities that have in-housed the responsibilities of the Issuer's Counsel tend to have larger legal departments, or access to resources from superior authorities (i.e. State, Counties, etc.). Tolling Authorities that have smaller legal departments generally outsourced Issuer's Counsel responsibilities.

For further detail on Issuer's Counsel refer to Appendix K.

Appendix B – Factors that Impact Each Bond Sales Method

Competitive Sales Method

- The rating of the bonds, either credit-enhanced or unenhanced, is at least in the single-A category.
- The bonds are general obligation bonds or full faith and credit obligations of the issuer or are secured by a strong, known and long-standing revenue stream.
- The structure of the bonds does not include innovative or new financing features that require extensive explanation to the bond market.
- The issuer is well known and frequently in the market.

Negotiated Sales Method

- The rating of the bonds, either credit-enhanced or unenhanced, is lower than single-A category.
- Bond insurance or other credit enhancement is unavailable or not cost-effective.
- The structure of the bonds has features such as a pooled bond program, variable rate debt, deferred interest bonds, or other bonds that may be better suited to negotiation.
- The issuer desires to target underwriting participation to include disadvantaged business enterprises (DBEs) or local firms.
- Other factors that the issuer, in consultation with its municipal advisor, believes favor the use of a negotiated sales process.

Appendix C – Bond Sales Market Statistics

Following is a summary of long-term bond sales for the first half of 2015 and 2014 for Transportation Municipal Entities in the United States:

	2015		2014	
	Volume (\$ Mill)	# Issuers	Volume (\$ Mill)	# Issuers
TOTAL	\$ 20,606	242	\$26,314	245
Airport	3,867	59	4,741	38
Seaport	818	12	531	11
Toll Roads, Hwys & Streets	8,249	113	12,599	139
Bridges	1,338	6	1,084	7
Tunnels	0	0	0	0
Parking Facilities	162	11	97	10
Mass Transportation	6,172	41	7,264	40
Negotiated	16,708	156	20,288	164
Competitive	3,104	74	4,253	61
Private Placements	794	12	1,774	20
Total	20,606	242	\$26,314	245
Fixed Rate	19,284	227	24,527	227

2015: Transportation Agency Type



2015: Bond Sales Method Used



Information obtained from The Bond Buyer "2015 In Statistics: Midyear Review" report, available at: www.bondbuyer.com.

Appendix D – Pros and Cons of Competitive and Negotiated Sales Method

Internal Audit has highlighted the pros and cons of the competitive and negotiated sales methods below.

COMPETITIVE		NEGOTIATED	
Pros	Cons	Pros	Cons
• Competition drives underwriters to offer lower interest rates. • Historically, lower underwriter spreads have been realized compared to negotiated sales. However, this has been reducing significantly since the late 1980's (refer to Appendix F). • Public "auction" of bonds avoids any appearance of favoritism in the choosing of the underwriter.	• Risk premium generally higher than in negotiated sales, especially when market is unfavorable and because they cannot "pre-sell" bonds. • Limited ability to make changes after advertising bonds (timing and terms) • Less control on the selection of underwriter which limits the issuer's ability to apply criteria other than price to underwriter selection (e.g., M/WBE underwriter usage, allocation of bonds to various underwriters, etc.).	• Risk premiums tend to be lower as the underwriters participate in the preparation of the bond issuance, and have better knowledge of the structure of the bonds, the issuer, its credit rating, and the ability to pre-sell the bonds. • Structuring the bond is more flexible. Issuer has the ability to change the structure of the bonds based on the market conditions and advice by the underwriter. • Greater influence over the underwriter selection to include criteria other than price	• Less competition in pricing might result in higher interest rate for the bonds or a higher underwriter spread. • The selection process is competitive during selection of pool and allegations of impropriety sometimes arise in the final choice of underwriter from the pool.

Appendix E – Underwriting Spreads: 1996-2015

Following is a graphic of the summary of the underwriting spreads by bond sales method for the period covering 1996 to 2015, for Municipal Entities in the United States:



Information obtained from The Bond Buyer "2015 In Statistics: Midyear Review" report, available at: www.bondbuyer.com.

Note: Amounts represent dollars per \$1,000 face value of bond issues. Underwriting spreads include managers' fees, underwriting fees, average takedowns, and expenses. Private placements, short-term notes maturing in under 13 months, and remarketings of variable-rate securities are excluded. Source: Thomson Reuters (July 1, 2014)

Appendix F – Bond Sales Method Benchmarking

Internal Audit has benchmarked CFX's preferred sales method with that of Orange County, City of Orlando, Seminole County, Osceola County and Lake County, Hillsborough Expressway Authority, Miami Dade Expressway Authority, Florida Turnpike Enterprise, North Texas Tolling Authority, Harris County Tolling Authority, and North Carolina Turnpike.

	CFX	Orange County, City of Orlando, Osceola County, Seminole County and Lake County	Other Tolling & Transportation Authorities
Preferred bond sales method	Negotiated	Competitive	Negotiated
Average credit rating (Moody's)*	A2	Aa	A2
Revenue Source: Taxes, Tolling revenue, etc.	Tolling revenue: +95% of revenue	Property Taxes and Other Taxes: 35% to 60% Charges for Services: 17% to 35% Grants and contributions: 10% to 25% State shared revenue: 5% to 10%	Tolling revenue: +95% of revenue
% LT Bond Debt / Assets	63%	Between 15% - 30%	Between 56% to 90%

* Moody's Credit Ratings contains two grades: investment and speculative grade. Within the investment grade scale, ratings are, in descending order, AAA, AA 1-3, A 1-3, BAA1 – 3. Speculative grade ratings range in descending order from BA1 – 3, B1 – 3, CAA 1-3, CA, and C.

Appendix G – Benchmarking of Scoring Criteria – Financial Advisor

SCORING METRIC USED (Evaluated over a total of 100 points)	CFX	ORANGE COUNTY, CITY OF ORLANDO, OSCEOLA COUNTY, SEMINOLE COUNTY AND LAKE COUNTY***	HILLSBOROUGH EXPRESSWAY, MDX, HCTA, NTTA, NCTA, FL TURNPIKE***
Technical Aspects/Firm and Staff Expertise	60	65-80	80-90
References From Clients and Past Experiences	-	15	10
Fee/Compensation Evaluation	25	20	-
Conflict of Interest	-	*	-
Interview (if performed, otherwise excluded from evaluation)	15	-	-
Other**	-	-	20

*One County includes conflict of interest as part of the RFP process, but assigns no score to it.

** Identified by one tolling authority as "other services that may offer the Authority added value in financial planning, financial reporting, and areas of compliance.

*** Numbers represent ranges of scores used by the counties/agencies listed.

Appendix H – Benchmarking of Scoring Criteria – Bond Counsel

SCORING METRIC USED (Evaluated over a total of 100 points)	CFX	ORANGE COUNTY, CITY OF ORLANDO, SEMINOLE COUNTY, AND LAKE COUNTY*	HILLSBOROUGH EXPRESSWAY, MDX, HCTA, NTTA, NCTA, FL TURNPIKE*
Experience of the Firm and Assigned Location	50	40-50	40-55
Approach to Assignment (including M/WBE)	25	30	35-55
Fee/Compensation Evaluation	-	10-20	10
Conflict of Interest	-	10	5
Interview (if performed, otherwise excluded from evaluation)	25	-	-
Other (References)	-	5	-

* Numbers represent ranges of scores used by the counties/agencies listed.

Appendix I – Benchmarking of Scoring Criteria – Pool of Underwriters

SCORING METRIC USED (Evaluated over a total of 100 points)	CFX	ORANGE COUNTY, CITY OF ORLANDO, SEMINOLE COUNTY, AND LAKE COUNTY	HILLSBOROUGH EXPRESSWAY, MDX, HCTA, NTTA, NCTA, FL TURNPIKE*
Experience/Personnel/References	20	50	50
Distribution/Marketing/Pricing Capabilities	30	30	15-25
Understanding of Authority's Need/Value Added	30	-	-
Finance Plan	10	20	35
State and Regional Presence	5	-	-
Regulatory Compliance	5	-	-
Other (Use of M/WBE, Fees, and Co-Manager Utilization)	-	-	0-25

* Numbers represent ranges of scores used by the counties/agencies listed.

Appendix J – Benchmarking Size of Pool of Underwriters

	CFX	Orange County, City of Orlando, Osceola County, Seminole County and Lake County	HILLSBOROUGH EXPRESSWAY, MDX, HCTA, NCTA, NCTA, FL TURNPIKE
Average size of pool of underwriters	11 Underwriters: 4 Senior and 7 Co-Managers.	Between 5 and 14 Underwriters. Composition of the pool varies between 1 to 5 Senior Underwriters.	5 to 10 Underwriters: More than 2 Senior Underwriters.
Sales Method Used Most Often	Negotiated	Competitive	Negotiated
Underwriters procured through RFP process for Negotiated Sales or through competitive bid for Competitive Sales	Yes	Yes	Yes
Pool of underwriters require a Minority and Women Business Enterprise (M/WBE)	Yes	Yes	Yes

Note: Some of the Counties and Agencies that were interviewed did not have a pool of underwriters procured. Since the bond sales method used is competitive, underwriters are procured through sealed bid proposals per each bond issue performed.

Appendix K – Benchmarking Issuer’s Counsel: In-house vs. Outsourced

	CFX	Orange County, City of Orlando, Osceola County, Seminole County and Lake County	HILLSBOROUGH EXPRESSWAY, MDX, HCTA, NTTA, NCTA, FL TURNPIKE
Size of Legal Office: Small < 3 Attorneys Medium 3 to 7 Attorneys Large 8 to 15 Attorneys Very Large > 15 Attorneys	Small	Medium – Very Large	Small
Issuer’s Counsel Outsourced?	No	No	Yes



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