

CITY OF HIGH POINT

AGENDA ITEM



Title: Authorize Issuance of Series 2021A and Series 2021B CES Revenue Refunding Bonds

From: Bobby D. Fitzjohn, Financial Services Director

Meeting Date: November 15, 2021

Public Hearing: No

Advertising Date: N/A

Advertised By: -

Attachments: Initial Resolution
Memos from Financial Advisors

PURPOSE:

The Financial Services Department recommends that the City Council take the first steps to authorize the issuance of up to \$21 million Series 2021A Taxable Combined Enterprise System (CES) Refunding Bonds and up to \$32 million Series 2021B Taxable CES Refunding Bonds.

BACKGROUND:

The bond market is currently favorable for refunding the City's outstanding Series 2012A CES Revenue Refunding Bonds and the 2014 CES Revenue Bonds. The proposed resolution, prepared by the City's bond attorneys, provides staff the authorization to request approval from the Local Government Commission and certain related matters.

The proposed refunding will allow the City to take advantage of current market rates by utilizing direct bank loans rather than waiting until the bonds are callable. The bonds' taxable rates will be converted to the tax-exempt rates upon the call date of the original issuance.

An RFP was distributed to more than 50 national, regional, and local lending institutions by the City's Financial Advisors. Upon analysis, staff is recommending the Pinnacle Bank proposal for the 2021A bond, with a 7.4% NPV savings or cash flow savings of approximately \$142 thousand per year for through FY 2032. Staff is recommending the Truist Bank proposal for the 2021B bond, with an 8.1% NPV savings or cash flow savings of approximately \$148 thousand per year through FY 2040. Memos detailing the RFP process and recommendations are attached.

On December 6th, City Council will be asked to consider adopting bond orders, and bond issuance resolutions.

The LGC will consider the application for refunding at their December 7, 2021 meeting and the refunding will close on December 17th.

BUDGET IMPACT:

The interest rate refunding savings will be built into the debt service budgets for the Water & Sewer Fund in the 2022-2023 Annual Budget and successive years.

RECOMMENDATION / ACTIONS REQUESTED:

City Council is requested to approve the attached "Resolution of the City Council of the City of High Point, North Carolina, Directing the Application to the Local Government Commission for Approval of Combined Enterprise System Revenue Refunding Bonds, Requesting Local Government Commission Approval and Certain Related Matters".

EXTRACTS FROM MINUTES OF CITY COUNCIL

* * *

A regular meeting of the City Council of the City of High Point, North Carolina (the “*City Council*”) was duly held in the Council Chambers of the Municipal Building located at 211 South Hamilton Street in High Point, North Carolina, the regular place of meeting, at 5:30 p.m. on November 15, 2021:

Members Present:

Members Absent:

* * * * *
* * *

Councilmember _____ introduced the following resolution, a summary of which had been provided to each Councilmember, a copy of which was available with the City Clerk and which was read by title:

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIGH POINT, NORTH CAROLINA, DIRECTING THE APPLICATION TO THE LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF COMBINED ENTERPRISE SYSTEM REVENUE REFUNDING BONDS, REQUESTING LOCAL GOVERNMENT COMMISSION APPROVAL AND CERTAIN RELATED MATTERS

WHEREAS, the City of High Point, North Carolina (the “*City*”) currently operates a water system and sanitary sewer system, both of which provide service to the residents of the City and its environs;

WHEREAS, the City has previously issued City of High Point, North Carolina Combined Enterprise System Revenue Refunding Bonds Series 2012A (the “*2012A Bonds*”) pursuant to a Trust Agreement dated as of November 1, 2004, as supplemented and amended (the “*Trust Agreement*”), between the City of High Point, North Carolina and Wachovia Bank, National Association, the successor to which is U.S. Bank National Association, as trustee (the “*Trustee*”), and a Fifth Supplemental Trust Agreement dated as of June 1, 2012 between the City and U.S. Bank National Association, as trustee, in order to refinance prior indebtedness used to make various improvements to the City’s water system and sanitary sewer system;

WHEREAS, the City has previously issued City of High Point North Carolina Combined Enterprise System Revenue Bonds Series 2014 (the “*2014 Bonds*”) pursuant to the Trust Agreement and a Sixth Supplemental Trust Agreement dated as of May 1, 2014 between the City and the Trustee, to make various improvements to the City’s existing water and sanitary sewer systems;

WHEREAS, the City Council (the “*City Council*”) of the City has been advised by the Financial Services Director that the City can achieve debt service savings by refinancing the 2012A Bonds and the 2014 Bonds;

WHEREAS, the City Council is considering the issuance of not to exceed \$21,000,000 City of High Point, North Carolina Taxable Combined Enterprise System Revenue Refunding Bond, Series 2021A (or other appropriate designation) (the “*2021A Bond*”) to (1) refinance all or a portion of the 2012A Bonds and (2) pay the related costs of issuance;

WHEREAS, the City Council is considering the issuance of not to exceed \$32,000,000 City of High Point, North Carolina Taxable Combined Enterprise System Revenue Refunding Bond, Series 2021B (or other appropriate designation) (the “*2021B Bond*” and collectively with the 2021A Bond, the “*2021 Bonds*”) to (1) refinance all or a portion of the 2014 Bonds and (2) pay the related costs of issuance;

WHEREAS, with respect to the proposed financing, the City Council wishes to ratify the retention of (1) Parker Poe Adams & Bernstein LLP, as bond counsel; (2) Davenport & Company LLC, as financial advisor; and (3) U.S. Bank National Association, as trustee (collectively, the “*Financing Team*”);

WHEREAS, the City, with the assistance of its financial advisor through a request for proposal process, has selected Pinnacle Bank as the purchaser of the 2021A Bond and Truist Bank as the purchaser of the 2021B Bond (collectively, the “*Purchasers*”);

WHEREAS, on approval by the Local Government Commission of North Carolina (the “*Commission*”) of the City’s application for the 2021 Bonds, the Commission will sell the 2021A Bond on behalf of the City to Pinnacle Bank and will sell the 2021B Bond on behalf of the City to Truist Bank;

WHEREAS, in addition, the proposals from the Lenders each permit the City to refund the respective 2021 Bonds through the issuance in the future of tax-exempt bonds (the “*Tax-Exempt Bonds*” and collectively with the 2021 Bonds, the “*Bonds*”) under certain conditions and to the extent permitted in accordance with IRS tax rules and regulations;

WHEREAS, the City Council wants to approve and ratify the filing by the Financial Services Director of the City with the Local Government Commission of North Carolina (the “*Commission*”) of an application for its approval of the Bonds on a form prescribed by the Commission, and (1) request in such application that the Commission approve (A) the negotiation of the sale of the Bonds to the Purchasers and (B) the City’s use of the Financing Team and (2) state in such application such facts and to attach thereto such exhibits in regard to the Bonds and to the City and its financial condition as may be required by the Commission, and to take all other action necessary to the issuance of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HIGH POINT, NORTH CAROLINA, AS FOLLOWS:

Section 1. That the 2021A Bond is to be issued by the City for the purpose of providing funds, together with other available funds of the City, to (1) refinance all or a portion of the 2012A Bonds and (2) pay the related costs of issuance; that the 2021B Bond is to be issued by the City for the purpose of providing funds, together with other available funds of the City, to (1) refinance all or a portion of the 2014 Bonds and (2) pay the related costs of issuance; and that the Tax-Exempt Bonds may be issued by the City for the purpose of refinancing the 2021 Bonds.

Section 2. That the Financing Team is hereby retained and approved and the Financial Services Director of the City is hereby authorized and directed to retain other professionals that may be necessary to carry out the intentions of the City Council as set forth in this Resolution.

Section 3. That Pinnacle Bank is hereby authorized and selected as the purchaser of the 2021A Bond and Truist Bank is hereby authorized and selected as the purchaser of the 2021B Bond, and each is hereby authorized and selected as the purchaser of the related Tax-Exempt Bonds.

Section 4. That the filing of an application by the Financial Services Director of the City with the Commission for its approval of the issuance of the Bonds is hereby ratified and approved.

Section 5. That the City Council finds and determines, and asks the Commission to find and determine, from the City's application and supporting documentation the following:

- (a) that the issuance of the Bonds is necessary or expedient;
- (b) that the not to exceed stated principal amount of the Bonds will be sufficient but is not excessive to refinance the 2012A Bonds and the 2014 Bonds;
- (c) that the refinancing of the 2012A Bonds and the 2014 Bonds is feasible;
- (d) that the City's debt management procedure and policies are good; and
- (e) that the Bonds can be marketed at a reasonable interest cost to the City.

Section 6. That the City Council requests that the Commission sell the 2021A Bond, and the related Tax-Exempt Bonds, at private sale without advertisement, through negotiation to Pinnacle Bank on such terms as may be agreed on but at an interest rate not exceeding 1.99%.

Section 7. That the City Council requests that the Commission sell the 2021B Bond, and the related Tax-Exempt Bonds, at private sale without advertisement, through negotiation to Truist Bank on such terms as may be agreed on but at an interest rate not exceeding 2.75%.

Section 8. That the Mayor, the City Manager, the Financial Services Director and the City Clerk, and their respective designees, individually or collectively, are each hereby authorized to do any and all other things necessary to consummate the transaction related to the Bonds as set forth in this Resolution.

Section 9. This Resolution shall be in full force and effective from and after the date of its adoption.

PASSED, ADOPTED AND APPROVED this 15th day of November, 2021.

STATE OF NORTH CAROLINA)
) ss:
CITY OF HIGH POINT)

I, Lisa B. Vierling, City Clerk of the City of High Point, North Carolina, ***DO HEREBY CERTIFY*** that the foregoing is a true and exact copy of so much of the proceedings of the City Council as it relates to a resolution entitled “**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIGH POINT, NORTH CAROLINA, DIRECTING THE APPLICATION TO THE LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF COMBINED ENTERPRISE SYSTEM REVENUE REFUNDING BONDS, REQUESTING LOCAL GOVERNMENT COMMISSION APPROVAL AND CERTAIN RELATED MATTERS**” duly adopted by the City Council of the City of High Point, North Carolina, at a meeting held on the 15th day of November, 2021 and that such proceedings are to be recorded in the minute books of said City Council.

WITNESS my hand and the seal of the City of High Point, North Carolina, this the ____ day of _____, 2021.

City Clerk
City of High Point, North Carolina

(SEAL)

To City of High Point, North Carolina
From Davenport & Company LLC
Date November 15, 2021
Subject 2021A Revenue Refunding Bond RFP Summary

Background

Davenport & Company LLC (“Davenport”), on behalf of the City of High Point, NC (the “City”), distributed a Request for Proposals (“RFP”) to secure a commitment for a direct bank loan evidenced by a Revenue Refunding Bond to advance refund the City’s outstanding Combined Enterprise System Revenue Bonds, Series 2012A (the “2012A Bonds”).

The RFP was distributed to over 50 National, Regional, and Local lending institutions. After the initial distribution, Davenport reached out to the potential bidders to assess their interest in the financing and address any questions they had.

As part of the RFP process, responding institutions were asked to provide Taxable interest rates for the Series 2021A Bonds. The City also requested a “Cinderella” Option, which would allow the City to convert the Taxable interest rate to a Tax-Exempt interest rate on or about August 3, 2022 if certain provisions are met. This memo will focus on the responses received, as well as potential Public Sale approaches to the refunding.

The 2012A Bonds are not prepayable until November 1, 2022; under current federal tax regulations, the City is not eligible to issue tax-exempt refunding bonds until 90 days prior to this date (August 3, 2022). Any refinancing completed prior to August 3, 2022 will need to initially be issued as taxable debt.

RFP Responses

Through this process, the City was able to secure nine responses to the RFP, including:

1. Bank of America, N.A. (“Bank of America”);
2. Capital One Public Funding, LLC (“Capital One”);
3. JPMorgan Chase Bank, NA (“JPMorgan”);
4. Key Government Finance, Inc. (“Key”);
5. Pinnacle Bank (“Pinnacle”);
6. Raymond James Capital Funding, Inc. (“Raymond James”);
7. Sterling National Bank (“Sterling”);
8. Truist Bank (“Truist”, previously BB&T); and
9. Wells Fargo Bank, N.A. (“Wells Fargo”).

The following pages contain a summary of the key terms and conditions for the responses received.

November 15, 2021

Discussion Points

1. Interest Rate

A summary of the interest rates proposed by the nine bidders for the RFP is outlined in Table 1 below. All interest rates are fixed through final maturity once accepted/priced. The Bank of America, JPMorgan and Wells Fargo interest rates are indicative, and subject to change before the rate is locked under the provisions of each proposal.

Table 1: Summary of Interest Rates

A	B	C
Lender	Taxable	Tax-Exempt Cinderella
1 Bank of America, N.A.	2.180%	1.720%
2 Capital One Public Funding, LLC	2.490%	1.890%
3 JP Morgan Chase ¹	Option 1: 2.350% Option 2: 2.440%	Option 1: 1.850% Option 2: 1.920%
4 Key Government Finance, Inc.	2.315%	1.830%
5 Pinnacle Bank	1.990%	1.590%
6 Raymond James Capital Funding, Inc. ²	2.300%	1.770%
	Tax-Exempt Forward Delivery: 1.84% ²	
7 Sterling National Bank	2.090%	1.570%
8 Truist Bank	2.110%	1.810%
9 Wells Fargo Bank, N.A.	1.890%	1.480%

Bank of America, N.A., JP Morgan Chase and Wells Fargo Bank, N.A. each provided indicative interest rates that are subject to change based upon market movement.

¹ JP Morgan has also offered to close as a Tax-Exempt Delayed Draw Bond with a Funding Date of August 3, 2022. The interest rates for this proposal are 1.95% for Option 1 and 2.02% for Option 2.

² Raymond James will make the loan at a discount of 0.25% of the par amount as an original issue discount for Federal income tax purposes. Raymond James also offered to enter into a Forward Delivery Agreement for the 2021A Bond with a funding date of the loan on or about August 3, 2021 at an interest rate of 1.84%.

The remainder of the memo will focus on the Pinnacle, Sterling, and Wells Fargo responses to the RFP, which provided the lowest interest rates, as well as three Public Sale Options: a taxable advance refunding priced in April 2022, a tax-exempt 3-month forward refunding priced in April 2022 and a current refunding priced in July 2022.

November 15, 2021

2. Prepayment Provisions

Prepayment provisions offered by the lending institutions are shown in Table 2 below.

Table 2: Summary of Prepayment Provisions

Lender	Prepayment Provisions
Pinnacle	Subject to a "Make Whole" Call not-to-exceed 1.00% of the principal amount to be prepaid.
Sterling	Noncallable in years 1-3, prepayable in whole or in part on any date at 101% in year 4 and prepayable in whole or in part on any payment date at 100% thereafter.
Wells Fargo	Subject to a "Make Whole" Call.
Public Sale	Non-callable for the first 10 years and prepayable at any time without penalty thereafter.

3. Interest Rate Lock

Interest Rate Lock considerations specified by the lending institutions are shown in Table 3 below.

Table 3: Summary of Interest Rate Lock Considerations

Lender	Interest Rate Lock
Pinnacle	Term sheet must be accepted by November 16, 2021 in order to lock-in interest rates.
Sterling	Term sheet must be accepted by November 16, 2021 in order to lock-in interest rates.
Wells Fargo	The Proposal must be accepted by November 27, 2021 and the interest rate can be locked 2-3 days prior to closing. The City has the option to lock-in the rate through a forward rate lock agreement which would be subject to a breakage fee if the City is unable to close. Without the forward rate lock agreement, the interest rate wouldn't be locked until a few days before closing.
Public Sale	Interest rates will be locked on the day of pricing, which could occur in April 2022 for the Taxable Advance Refunding Option or the 3-month Forward Refunding Option and in July 2022 for the Current Refunding Option.

November 15, 2021

4. Bank Closing Fees

Bank closing fees required by the lending institutions are shown in Table 4 below.

Table 4: Summary of Bank Closing Fees

Lender	Bank Closing Fees
Pinnacle	With Cinderella: Not-to-Exceed \$17,000 No Cinderella: Not-to-Exceed \$8,500
Sterling	None
Wells Fargo	Without Rate Lock Agreement: Not-to-Exceed \$20,000 With Rate Lock Agreement: Not-to-Exceed \$25,000
Public Sale	Additional costs for underwriting, credit ratings and additional documentation will be factored into the analysis.

5. Summary of Refunding Results

A summary of the estimated refunding results for the bank proposals as well as the Public Sale Options is shown in table 5 below. The preliminary results shown account for estimated costs of issuance.

Table 5: Summary of Refunding Results

	B	C	D	E	F	G	H	I	J
1 Financing Option	Sterling		Pinnacle		Wells Fargo		Public Sale	Public Sale	Public Sale
2 Tax Status	Taxable / Tax-Exempt		Taxable / Tax-Exempt		Taxable / Tax-Exempt		Taxable	Tax-Exempt	Tax-Exempt
3 Rate Lock	Yes		Yes		Subject to change through December 2021		Subject to change through April 2022	Subject to change through April 2022	Subject to change through July 2022
4									
5 Summary of Bonds Refunded									
6 Maturities	11/1/2023 - 11/1/2031		11/1/2023 - 11/1/2031		11/1/2023 - 11/1/2031		11/1/2031	11/1/2031	11/1/2031
7 Refunded Bonds	\$19,590,000		\$19,590,000		\$19,590,000		\$19,590,000	\$19,590,000	\$19,590,000
8 Refunded Bonds Call Date	11/1/2022		11/1/2022		11/1/2022		11/1/2022	11/1/2022	11/1/2022
9 Call Price	100.0%		100.0%		100.0%		100.0%	100.0%	100.0%
10 Average Coupon of Refunded Bonds	3.688%		3.688%		3.688%		3.688%	3.688%	3.688%
11									
12 Summary of Refunding Results (with Tax Exempt Conversion)¹									
13 Gross Savings	\$1,597,731		\$1,571,246		\$1,696,703		\$1,512,327	\$2,205,181	\$2,172,125
14 NPV Savings (\$)*	\$1,469,219		\$1,444,292		\$1,568,467		\$1,396,357	\$2,057,295	\$2,053,909
15 NPV Savings (% of Refunded Par)	7.500%		7.373%		8.006%		7.128%	10.502%	10.484%
16 Average Annual Savings (\$)	\$145,248		\$142,841		\$154,246		\$137,484	\$220,518	\$217,213
17									
18 Summary of Refunding Results (without Tax Exempt Conversion)									
19 Gross Savings	\$1,036,894		\$1,139,662		\$1,254,902		\$1,512,327	\$2,205,181	\$2,172,125
20 NPV Savings (\$)*	\$920,354		\$1,020,666		\$1,130,834		\$1,396,357	\$2,057,295	\$2,053,909
21 NPV Savings (% of Refunded Par)	4.698%		5.210%		5.773%		7.128%	10.502%	10.484%
22 Average Annual Savings (\$)	\$94,263		\$103,606		\$114,082		\$137,484	\$220,518	\$217,213
23									
24 FY Cash Flow Savings:	Taxable Only	Tax-Exempt Cinderella	Taxable Only	Tax-Exempt Cinderella	Taxable Only	Tax-Exempt Cinderella			
25 6/30/2022	145,905	145,905	143,473	143,473	156,004	156,004	(21,676)	0	0
26 6/30/2023	66,487	144,985	82,715	143,110	91,905	153,828	151,716	(39,953)	(40,884)
27 6/30/2024	45,973	145,428	66,029	142,547	75,215	153,634	155,188	248,581	247,331
28 6/30/2025	56,969	145,353	74,876	142,882	84,105	153,762	153,771	247,706	246,456
29 6/30/2026	67,905	145,047	83,630	142,992	93,820	154,591	154,796	250,956	244,831
30 6/30/2027	79,541	145,266	92,061	142,643	102,132	153,886	151,946	248,331	247,331
31 6/30/2028	91,231	145,371	101,523	143,193	111,404	154,015	150,756	252,331	246,456
32 6/30/2029	102,845	145,243	109,889	142,525	120,502	153,855	155,219	251,878	246,253
33 6/30/2030	114,513	145,016	119,290	142,772	130,548	154,533	154,269	247,488	246,988
34 6/30/2031	126,770	145,194	128,253	142,437	140,064	154,545	155,461	248,069	242,694
35 6/30/2032	138,756	144,924	137,922	142,670	149,204	154,050	150,882	249,794	244,669
36 Total Cash Flow Savings:	\$1,036,894	\$1,597,731	\$1,139,662	\$1,571,246	\$1,254,902	\$1,696,703	\$1,512,327	\$2,205,181	\$2,172,125

*Note: Preliminary and subject to change. Bank Loans assumed to close on 12/17/2021.

¹ Tax Exempt Conversion only applicable to Direct Bank Loan options.

Breakeven Public Sale Interest Rate Movement	-5 bps	+56 bps	+53 bps
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Recommendation

Based upon our review of the proposals, related analyses, and discussions with City Staff and Bond Counsel, Davenport recommends that the City select the Pinnacle proposal. The Pinnacle proposal provides the lowest taxable refinancing option that is locked in through the anticipated closing which provides the highest level of known savings. The Pinnacle proposal also provides an option to convert to a tax-exempt rate in the future (if certain documentation is provided) that would increase the potential debt service savings. Based upon discussions with the working group, the documentation requirements needed to exercise the tax-exempt conversion are standard in nature. Pinnacle has provided a one-year time period to exercise the tax-exempt conversion. The Public Sale Options, while showing the highest debt service savings at current market interest rates, would be subject to interest rate movement until at least April 2022 and would also be structured as a non-callable obligation.

Next Steps

November 15 th	City Council Meeting – City Council considers approval of winning lender and considers adopting a Preliminary Findings Resolution.
December 6 th	City Council Meeting – City Council considers adopting a Bond Order and a Bond Issuance and Sale Resolution.
December 7 th	LGC approves financing.
By December 17 th	Close on Financing.

To City of High Point, North Carolina
From Davenport & Company LLC
Date November 15, 2021
Subject 2021B Revenue Refunding Bond RFP Summary

Background

Davenport & Company LLC (“Davenport”), on behalf of the City of High Point, NC (the “City”), distributed a Request for Proposals (“RFP”) to secure a commitment for a direct bank loan evidenced by a Revenue Refunding Bond to advance refund the City’s outstanding Combined Enterprise System Revenue Bonds, Series 2014 (the “2014 Bonds”).

The RFP was distributed to over 50 National, Regional, and Local lending institutions. After the initial distribution, Davenport reached out to the potential bidders to assess their interest in the financing and address any questions they had.

As part of the RFP process, responding institutions were asked to provide Taxable interest rates for the Series 2021B Bonds. The City also requested a “Cinderella” Option, which would allow the City to convert the Taxable interest rate to a Tax-Exempt interest rate on or about August 5, 2024 if certain provisions are met. This memo will focus on the responses received, as well as a potential Public Sale approach to the refunding.

The 2014 Bonds are not prepayable until November 1, 2024; under current federal tax regulations, the City is not eligible to issue tax-exempt refunding bonds until 90 days prior to this date (August 3, 2024). Any refinancing completed prior to August 3, 2024 will need to initially be issued as taxable debt.

RFP Responses

Through this process, the City was able to secure three responses to the RFP, including:

1. Capital One Public Funding, LLC (“Capital One”);
2. Sterling National Bank (“Sterling”); and
3. Truist Bank (“Truist”, previously BB&T).

The following pages contain a summary of the key terms and conditions for the responses received.

November 15, 2021

Discussion Points

1. Interest Rate

A summary of the interest rates proposed by the three bidders for the RFP is outlined in Table 1 below. All interest rates are fixed through final maturity once accepted/priced.

Table 1: Summary of Interest Rates

A Lender	B Taxable	C Tax-Exempt Cinderella
1 Capital One Public Funding, LLC	3.330%	2.530%
2 Sterling National Bank	2.990%	2.240%
3 Truist Bank	2.750%	2.320%

The remainder of the memo will focus on the Sterling and Truist responses to the RFP, which provided the lowest interest rates, as well as two Tax-Exempt Public Sale Options: a taxable advance refunding priced in April 2022 and a current refunding priced in July 2024.

2. Prepayment Provisions

Prepayment provisions offered by the lending institutions are shown in Table 2 below.

Table 2: Summary of Prepayment Provisions

Lender	Prepayment Provisions
Sterling	Noncallable in years 1-5, prepayable in whole or in part on any date at 101% in years 6-8 and prepayable in whole or in part on any payment date at 100% thereafter.
Truist	Either prepayable in whole at any time with a 1.00% penalty or non-callable for the first half of the term and callable at par thereafter. If the Cinderella Option is selected, the loan will be non-callable prior to the redemption date of August 5, 2024.
Public Sale	Non-callable for the first 10 years and prepayable at any time without penalty thereafter.

November 15, 2021

3. Interest Rate Lock

Interest Rate Lock considerations specified by the lending institutions are shown in Table 3 below.

Table 3: Summary of Interest Rate Lock Considerations

Lender	Interest Rate Lock
Sterling	Term sheet must be accepted by November 16, 2021 in order to lock-in interest rates.
Truist	The interest rates are locked through December 17, 2021.
Public Sale	Interest rates will be locked on the day of pricing, which could occur in April 2022 for the Taxable Advance Refunding Option and in July 2024 for the Current Refunding Option.

4. Bank Closing Fees

Bank closing fees required by the lending institutions are shown in Table 4 below.

Table 4: Summary of Bank Closing Fees

Lender	Bank Closing Fees
Sterling	None
Truist	Initial Fee: \$7,500 Cinderella Conversion Fee: \$1,500
Public Sale	Additional costs for underwriting, credit ratings and additional documentation will be factored into the analysis.

5. Summary of Refunding Results

A summary of the estimated refunding results for the bank proposals is shown on table 5 below. The preliminary results shown account for estimated costs of issuance.

Table 5: Summary of Refunding Results

	B	C	D	E	F	G
1 Financing Option	Truist		Sterling		Public Sale	Public Sale
2 Tax Status	Taxable / Tax-Exempt		Taxable / Tax-Exempt		Taxable	Tax-Exempt
3 Rate Lock	Yes		Yes		Subject to change through April 2022	Subject to change through July 2024
4						
5 Summary of Bonds Refunded						
6 Maturities	11/1/2025 - 11/1/2039		11/1/2025 - 11/1/2039		11/1/2025 - 11/1/2039	11/1/2025 - 11/1/2039
7 Refunded Bonds	\$27,775,000		\$27,775,000		\$27,775,000	\$27,775,000
8 Refunded Bonds Call Date	11/1/2024		11/1/2024		11/1/2024	11/1/2024
9 Call Price	100.0%		100.0%		100.0%	100.0%
10 Average Coupon of Refunded Bonds	4.358%		4.358%		4.358%	4.358%
11						
12 Summary of Refunding Results (with Tax Exempt Conversion) ¹						
13 Gross Savings	\$2,809,359		\$2,803,219		\$2,814,566	\$5,192,076
14 NPV Savings (\$)*	\$2,256,913		\$2,250,937		\$2,337,100	\$4,688,404
15 NPV Savings (% of Refunded Par)	8.126%		8.104%		8.414%	16.880%
16 Average Annual Savings (\$)	\$147,861		\$147,538		\$148,135	\$324,505
17						
18 Summary of Refunding Results (without Tax Exempt Conversion)						
19 Gross Savings	\$1,685,640		\$835,293		\$2,814,566	\$5,192,076
20 NPV Savings (\$)*	\$1,295,846		\$599,022		\$2,337,100	\$4,688,404
21 NPV Savings (% of Refunded Par)	4.666%		2.157%		8.414%	16.880%
22 Average Annual Savings (\$)	\$88,718		\$43,963		\$148,135	\$324,505
23						
24 FY Cash Flow Savings:	Taxable Only	Tax-Exempt Cinderella	Taxable Only	Tax-Exempt Cinderella		
25 6/30/2022	148,473	148,473	145,784	145,784	(32,705)	0
26 6/30/2023	148,069	148,069	147,783	147,783	158,423	0
27 6/30/2024	148,225	148,225	148,117	148,117	156,766	0
28 6/30/2025	51,866	147,887	(20,888)	147,540	159,561	34,608
29 6/30/2026	21,743	147,638	(73,398)	147,409	159,902	346,213
30 6/30/2027	28,843	147,342	(59,602)	148,163	157,969	345,263
31 6/30/2028	36,543	147,474	(47,140)	147,290	155,976	343,688
32 6/30/2029	44,265	147,461	(33,577)	147,230	157,481	344,938
33 6/30/2030	52,899	148,178	(19,031)	147,844	156,381	344,069
34 6/30/2031	60,965	148,143	(4,980)	147,649	157,390	341,825
35 6/30/2032	68,626	147,508	9,731	147,783	157,352	344,425
36 6/30/2033	77,739	148,128	24,957	148,103	157,735	342,850
37 6/30/2034	86,216	147,915	39,629	147,531	159,084	342,250
38 6/30/2035	94,955	147,750	55,636	147,934	160,940	342,675
39 6/30/2036	103,869	147,546	70,893	147,224	157,942	344,150
40 6/30/2037	113,889	148,244	87,340	147,355	160,190	341,800
41 6/30/2038	122,534	147,351	104,473	147,812	156,383	344,325
42 6/30/2039	132,625	147,675	121,120	147,397	160,497	345,175
43 6/30/2040	143,299	148,353	138,448	147,271	157,301	343,825
44 Total Cash Flow Savings:	\$1,685,640	\$2,809,359	\$835,293	\$2,803,219	\$2,814,566	\$5,192,076
*Note: Preliminary and subject to change. Bank Loans assumed to close on 12/17/2021.						
¹ Tax Exempt Conversion only applicable to Direct Bank Loan options.						
Breakeven Public Sale Interest Rate Movement					+1 bp	+120 bp

Recommendation

Based upon our review of the proposals, related analyses, and discussions with City Staff and Bond Counsel, Davenport recommends that the City select the Truist proposal. The Truist proposal provides the lowest taxable refinancing option that is locked in through the anticipated closing which provides the highest level of known savings. The Truist Proposal also provides an option to convert to a tax-exempt rate in the future (if certain documentation is provided) that would increase the potential debt service savings. Based upon discussions with the working group, the documentation requirements needed to exercise the tax-exempt conversion are standard in nature. Truist has allowed for the City to exercise the tax-exempt conversion option at any time once the Bond becomes eligible on August 3, 2024. The Current Refunding Public Sale Option, while showing the highest debt service savings at current market interest rates, would be subject to interest rate movement until at least July 2024 and would also be non-callable for the first 10 years.

Next Steps

November 15 th	City Council Meeting – City Council considers approval of winning lender and considers adopting a Preliminary Findings Resolution.
December 6 th	City Council Meeting – City Council considers adopting a Bond Order and a Bond Issuance and Sale Resolution.
December 7 th	LGC approves financing.
By December 17 th	Close on Financing.