

To Town of Huntersville, NC  
From Davenport & Company LLC  
Date November 16, 2015  
Subject 2015 General Obligation Refunding Bond RFP Summary

**Background**

Davenport & Company LLC ("Davenport"), on behalf of the Town of Huntersville, NC (the "Town"), distributed a Request for Proposals ("RFP") to secure a bank commitment for the purchase of a General Obligation Refunding Bond to refinance the Town's outstanding General Obligation Bonds, Series 2004 ("2004 GOs") and fund the associated Costs of Issuance.

The RFP was distributed to over 35 National, Regional, and Local Banks. After the initial distribution, Davenport contacted each of the potential bidders to assess their interest in the financing and address any questions they had.

**RFP Responses**

Through this process, the Town was able to secure ten responses to the RFP, including:

1. Bank of North Carolina ("Bank of NC");
2. Branch Banking & Trust ("BB&T");
3. Capital One Public Funding ("Capital One");
4. Carter Bank & Trust ("Carter Bank");
5. First Bank ("First Bank");
6. First Tennessee Bank ("First Tennessee");
7. Pinnacle Public Finance ("Pinnacle");
8. Regions Bank ("Regions");
9. TD Bank ("TD Bank"); and
10. Wells Fargo ("Wells Fargo").

The following pages contain a summary of the key terms and conditions for each of the responses received. A detailed summary of the bids received is contained in Attachment A to this memorandum.

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**Discussion Points****1. Interest Rate**

While ten banks submitted proposals consistent with the RFP specifications, Carter Bank offered the lowest interest rate, as shown in Table 1 below. The rates offered by all of the banks are fixed through the final maturity of the loan and, with the exception of Wells Fargo, BB&T, First Tennessee, and Capital One, will be held firm for a closing on or about December 22<sup>nd</sup>.

Table 1: Summary of Interest Rates

<b>Bank</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Rates Held Firm Through</b>
Carter Bank	1.95%	6/1/2024	December 31 <sup>st</sup>
Wells Fargo	2.05% <sup>(1)</sup>	6/1/2024	Approximately December 5 <sup>th</sup>
	Variable <sup>(2)</sup>	6/1/2024	
TD Bank	2.08% (PPP)	6/1/2024	December 22 <sup>nd</sup> (3)
	2.41% (No PPP)	6/1/2024	
BB&T	2.13%	6/1/2024	Approximately December 20 <sup>th</sup> (4)
First Tennessee	2.16%	6/1/2024	November 30 <sup>th</sup>
Pinnacle	2.18%	6/1/2024	December 23 <sup>rd</sup>
First Bank	2.375%	6/1/2024	Not specified <sup>(5)</sup>
Regions	2.39%	6/1/2024	December 22 <sup>nd</sup> (6)
Capital One	2.47%	6/1/2024	December 18 <sup>th</sup> (7)
Bank of NC	2.65%	6/1/2024	December 31 <sup>st</sup>

<sup>(1)</sup> Indicative pricing only. Based on a pricing formula to be set five to ten days prior to closing.

<sup>(2)</sup> The Variable Rate Bond will contain an Index Floating Rate Mode whereby the interest rate on the Bond will be reset monthly at 70% of 1 month LIBOR plus a Spread of 1.03%.

<sup>(3)</sup> Must be accepted by November 20, 2015.

<sup>(4)</sup> Must be accepted by November 15, 2015.

<sup>(5)</sup> Must be accepted by November 20, 2015.

<sup>(6)</sup> Must be accepted by November 17, 2015.

<sup>(7)</sup> Must be accepted by November 16, 2015.

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## 2. Prepayment Provisions

Prepayment provisions offered by the ten bank proposals are shown in Table 2 below.

Table 2: Summary of Prepayment Provisions

Bank	Prepayment Provisions
Carter Bank	In whole or in part at any time without penalty
Wells Fargo	Noncallable
TD Bank	PPP: Make-whole call No PPP: Prepayable in whole or in part at any time at par
BB&T	In whole on any payment date at 101%
First Tennessee	Make-whole call
Pinnacle	Prior to 6/1/2019: Noncallable Thereafter: In whole at any time at par
First Bank	Prepayable in whole or in part at any time at par
Regions	In whole or in part at any time at 101%
Capital One	Years 1-4: Noncallable Thereafter: In whole on any payment date at par
Bank of NC	Prepayable in whole or in part at any time at par

## 3. Public Market Sale Alternative

As an alternative to refinancing the 2004 GOs with one of the proposing banks, the Town could consider a public sale of General Obligation Refunding Bonds. In order to effect the public sale refunding, the Town would have to prepare formal offering documents (Official Statement and Notice of Sale) and obtain credit ratings. The Bonds sold in the public markets would not be prepayable.

The process to complete a public sale would take approximately 60-75 days at a minimum. During this time period, the Town would be subject to daily interest rate changes until rates could be locked in around day 45-60 (at the earliest). Since the Town is considering the issuance of authorized new money General Obligation Bonds, the timing for a public sale refinancing will largely be driven by the timing of the projected new money projects and associated financing.

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## 4. Estimated Savings

A preliminary indication of the estimated savings structure for the Carter Bank proposal is shown in Table 3 below. These savings are compared to current estimates for a Public Market sale to provide additional perspective. The preliminary estimated savings shown in Table 3 are "Net Savings" that account for estimated costs of issuance.

Table 3: Estimated Net Debt Service Savings Comparison

	Carter Bank & Trust		Public Markets Estimate		Difference	
1 Final Maturity	6/1/2024		6/1/2024		N/A	
2 Interest Rate	1.95%		1.73%		0.22%	
3 Rate Expiration	December 31st		N/A		N/A	
4 Bank / Legal Fees	None		None		N/A	
5 Par Amount	\$2,341,000		\$2,250,000		\$91,000	
6						
7 Fiscal Year	Debt Service <sup>1</sup>	Savings <sup>1</sup>	Debt Service <sup>2</sup>	Savings <sup>2</sup>	Debt Service	Savings
8 2016	\$ 289,162	\$ 10,348	\$ 293,613	\$ 5,897	\$ (4,451)	\$ 4,451
9 2017	316,404	18,690	308,850	26,244	7,554	(7,554)
10 2018	307,022	18,892	303,650	22,264	3,372	(3,372)
11 2019	297,718	18,888	293,450	23,156	4,268	(4,268)
12 2020	288,492	18,552	283,350	23,694	5,142	(5,142)
13 2021	278,344	18,500	273,350	23,494	4,994	(4,994)
14 2022	267,294	19,350	261,000	25,644	6,294	(6,294)
15 2023	252,360	18,765	243,800	27,325	8,560	(8,560)
16 2024	241,622	19,004	236,900	23,725	4,722	(4,722)
17 Total	\$ 2,538,417	\$ 160,988	\$ 2,497,963	\$ 201,442	\$ 40,454	\$ (40,454)
18 Net Present Value Savings <sup>1,2</sup>	N/A	\$ 148,913	N/A	\$ 178,746	N/A	\$ (29,834)
19 % NPV Savings <sup>1,2</sup>	N/A	6.52%	N/A	7.82%	N/A	-1.31%

<sup>1</sup> Preliminary and subject to change. Savings shown include assumed Cost of Issuance of \$50,000.

<sup>2</sup> Interest rate estimates shown as of 11/9/2015, preliminary and subject to change. Assumes the Publicly Sold Bonds are issued in conjunction with \$10 million of authorized new money GO Bonds. Savings shown include assumed Cost of Issuance of \$26,370.87 (representing pro-rata total cost of issuance of \$140,000) and Underwriter's Discount of \$11,250.

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## Recommendation

Based upon our review of the proposals, related analyses, and discussions with Town Staff and Bond Counsel, Davenport recommends that the Town select the Carter Bank proposal. The Carter Bank proposal offers the lowest interest rate, the highest debt service savings, and most prepayment flexibility compared to the other bank proposals.

While the public market sale is producing higher debt service savings based on estimated current market interest rates, the Town would be exposed to future interest rate risk by waiting to issue this refunding in conjunction with the Town's proposed issuance of authorized new money General Obligation Bonds. In addition, the public market sale would not be prepayable.

By moving forward with the Carter Bank proposal, the Town can lock-in debt services savings at currently low interest rates and maintain the ability to prepay the loan at any time without a penalty.

## Next Steps

November 16 <sup>th</sup>	Town Board Meeting <ul style="list-style-type: none"><li>– Town Board considers approval of winning bidder</li><li>– Town Board considers approval of a Preliminary Findings Resolution</li><li>– Town Board considers approval of a Bond Order</li><li>– Town Board considers approval of a Final Resolution</li></ul>
As soon as possible following November 16 <sup>th</sup>	Notice of Bond Order Published (start of 30-day wait period)
December 1 <sup>st</sup>	LGC considers approval of the financing.
On or about December 22 <sup>nd</sup>	Close on Financing.

# Detailed Bids



	Carter Bank & Trust <small>Member of Sun Life Group</small>	Wells Fargo <b>WELLS FARGO</b>	TD Bank <b>Bank</b>
NTE Amount Term Interest Rate Bank Qualification Final Maturity Interest Rate Optional Call Provisions	2,360,000 8 Years Fixed through maturity BQ 6/1/2024 1.95%  The loan may be prepaid without penalty at anytime.	2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.05% (indicative) 70% of 1 month LIBOR plus 1.03%  The 2015 Bond is not subject to optional redemption or conversion to other interest rates prior to the Maturity Date.	2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.08% 2.41%  Make-whole call Prepayable in whole or in part at any time
Bank / Legal Fees	The bank will not impose any fees and does not anticipate any expenses in connection with this transaction. Borrower will be responsible for bond counsel and financial advisor costs.	The Bank will require separate counsel whose cost shall be borne by the Obligor. The Bank's counsel cost is estimated at \$1,500.00.	It will be the responsibility of the Town to compensate Bond Counsel. The Town will further be responsible for Bank legal fees in the amount not to exceed \$1,000. Legal counsel engaged to represent the Bank in review of the documents shall be McGuire Woods LLP.
Offer Expiration	This commitment will expire on December 31, 2015	Unless this term sheet is earlier rescinded, it shall expire automatically without further action or notice by the Bank 30 days from the date thereof (approximately December 5th).	The Bank's commitment hereunder will expire in the event the Bank has not received such acceptance and applicable fees, if any, on or November 20, 2015 or the closing has not occurred by December 22, 2015.
Other		<p>1) Comprehensive Annual Financial Report of the Town of Huntersville due within 180 days of fiscal year end; Approved annual Budget of the Town within 30 days of adoption; Other information as reasonably requested by the Bank from time to time.</p> <p>2) Wells Fargo's purchase is conditioned on its ability to treat the Bond as a loan for accounting purposes. To achieve this treatment the following conditions must be met: 1. The Bonds cannot be purchased pursuant to an Offering Statement of a Placement Agent; 2. No rating can be assigned to the Bonds; 3. The Bonds must be delivered in physical form; 4. The physical Bond must carry a legend referencing the transfer restrictions; 5. Wells Fargo's ability to transfer is limited to certain commercial banks that constitute Qualified Institutional Buyers; 6. The Bonds must have minimum denominations of not less than \$250,000.</p> <p>3) To maintain transparency with its existing bondholders and the rating agencies, Wells Fargo requests that the Town a) post the Bond, Bond Purchase and Loan Agreement and Resolution on the MSRB's EMMA site following the closing of the transaction, provided that pricing and certain other information contained therein, as directed by the Bank, shall be redacted prior to such posting and b) deliver relevant financing documents to the rating agencies.</p>	<p>1) The Town shall maintain public ratings on general obligation bonds from two of the three national recognized bond rating agencies (Moody's, S&amp;P and Fitch) during the term of the Loan.</p> <p>2) The Town shall deliver to the Bank within 180 days of each fiscal year end, audited financial statements carrying an unqualified opinion of a Certified Public Accountant, prepared according to GAAP and presented on a consistent basis. In addition, the Town will submit along with the annual financial statements, a certificate from the Director of Finance or other responsible official stating that the Town is in compliance with all terms and conditions of the Bond documents and detailing any defaults or events of default. The Town shall deliver to the Bank within 30 days of approval a copy of its annual budget.</p>

# Detailed Bids



	BB&T	First Tennessee	Pinnacle Public Finance
NTE Amount Term Interest Mode Bank Qualification Final Maturity Interest Rate	2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.13%	2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.16%	2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.18%
Optional Call Provisions	The financing documents shall allow prepayment of the principal balance in whole on a scheduled payment date with a 1% prepayment premium.	Makes-whole call	Prior to 6/1/2019; Noncallable; Thereafter: In whole at anytime at par (subject to negotiation)
Bank / Legal Fees	Remuneration for our legal expenses and underwriting for this financing transaction shall be \$3,900.00.	Attorney's fees are the responsibility of Borrower not to exceed \$2,500.00	Pinnacle proposes the inclusion of p to \$5,000 for Lender's Counsel in the costs of issuance.
Offer Expiration	The interest rate stated above is valid for a closing not later than 45 days after today (approximately December 20th).	November 30th	December 23rd
Other		1) The Borrower will also be open to discussions with regard to additional deposits and treasury services business with the Lender	<p>1) Pinnacle will require a gross up provision in the event the loan becomes taxable due to any actions or omissions of the Town. The taxable rate of interest will be 3.35% and will be effective as of the date the tax status is ruled to have changed.</p> <p>2) In the event of default the interest rate will become 5%. If the loan has become taxable the default rate will become 6% (subject to negotiation).</p> <p>3) Pinnacle requires the loan documents make no reference to any Uniform Commercial Code Section relating to Investment Securities.</p> <p>4) Pinnacle will request the Town agree to provide its CAFR within 210 days of the close of each fiscal year. Additionally, Pinnacle will request the Town agree to provide such other financial information as Pinnacle may reasonably request, including but not limited to, its annual budget for any prior or current fiscal year or subsequent fiscal years (subject to negotiation).</p>

# Detailed Bids



First Bank		Regions Bank <i>d/b/a</i> REGIONS
NTE Amount Term Interest Mode Bank Qualification Final Maturity Interest Rate  Optional Call Provisions	2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.375%  The loan may be prepaid at any time without penalty	2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.39%  At the time of any full or partial prepayment, the Borrower shall pay to Lender a fee equal to 1% of the principal balance being prepaid.
Bank / Legal Fees	No Fees	The Borrower will invoice the Lender's counsel for an amount not-to-exceed \$3,000, plus out-of-pocket costs and disbursements.
Offer Expiration	Acceptance by November 20th, no expiration specified	December 22nd
Other	1) First Bank may require additional documentation, opinions of counsel for Borrower, evidence of environmental compliance, utilities, permits and zoning as may reasonably be necessary to assure feasibility and authority of the purposes for which loan proceeds will be used. General and customary covenants for this type of transaction may be included.	1) Conditions Precedent to Financing including but not limited to, the following, each in form and substance satisfactory to the Lender and its counsel, their sole discretion: (i) Satisfactory completion of due diligence regarding the Borrower and any Security, (ii) Execution of all documentation as may be requested by the Lender relating to the Debt Instrument and/or the Loan in form and substance satisfactory to the Lender and its counsel, (iii) Payment of all applicable fees and expenses by the Borrower (iv) Receipt of an opinion of counsel to the Borrower, including without limitation, due authorization, enforceability and compliance with all applicable laws and agreements and as to the validity of the best instruments and the tax-exempt and BQ status of the Debt Instruments, (v) Receipt and satisfactory review by the Lender of all applicable resolutions and evidence of authority, (vi) Evidence of Local Government Commission Approval (vii) Receipt by the Lender of such other legal opinions, certificates, proceedings, instruments and other documents as the Lender or its counsel may request.  2) The Borrower shall not file or submit, or permit the filing or submission, of all or any portion of any Loan Document with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (or any successor continuing disclosure vehicle) unless such Loan Document or portion thereof, as applicable, to be so filed or submitted (i) has been submitted to the Lender in advance of such filing or submission and (ii) shall have been redacted to the extent required by the Lender.



# Detailed Bids



	Capital One	Bank of North Carolina
<p>NTE Amount Term Interest Mode Bank Qualification Final Maturity Interest Rate</p> <p>Optional Call Provisions</p>	<p>2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.47%</p> <p>The Town shall have the right to pre-pay the Bond, in whole (but not in part), on any interest payment date, provided that the Town gives COPF at least thirty (30) days prior written notice of its intent to do so. The prepayment provisions shall be as follows: Years 1-4 Non-callable Thereafter Par</p>	<p>2,360,000 8 Years Fixed through maturity BQ 6/1/2024 2.65%</p> <p>No Prepayment Penalty; Borrower may make partial or total prepayments of principal at any time during the term of the loan.</p>
Bank / Legal Fees	No fees shall be charged by COPF to the Town for execution of the Bond.	Bank fees will be capped at \$5,000 which shall be paid by Borrower. Any Bank fees in excess of \$5,000 shall be borne by Bank. Bank fees include any closing, collateral filing and Bank Attorney fees. Any fees incurred other than Bank fees (such as Borrower's Counsel) shall be borne by Borrower.
Offer Expiration	This Proposal shall expire if not accepted by the November 16, 2015 by the Town. Once accepted, this Proposal shall expire if the transaction has not closed by December 18, 2015.	This commitment will expire if the transaction is not closed and funded by 12/31/15.
Other		

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