

M E M O R A N D U M

To: Town Commission

From: Tom Harmer, Town Manager

Report date: October 23, 2020

Meeting date: November 2, 2020

Subject: Resolution 2020-26, Supplementing Ordinance 2020-11 and Authorizing the Issuance of Not to Exceed \$3,100,000 Water and Wastewater Refunding Revenue Note, Series 2020, Authorizing the Private Negotiated Sale of the Note to Truist Bank, for the Purpose of Refinancing the State Revolving Fund (SRF) Loan Agreements

Recommended Action

Pass Resolution 2020-26 and each Commissioner execute Certificate of Public Meetings, and No Conflict of Interest.

Background

In 2009, the Town entered into State Revolving Fund (SRF) Loan Agreements for the funding of Water and Wastewater System (WWS) projects including the Mid Key Pump Station and Transmission Main. The SRF loans are secured and payable from net revenues of the WWS and a backup covenant to budget and appropriate legally available non-ad valorem revenues, and the Town began making repayments on approximately \$4.6 million in principal amount of the SRF loans in February 2011. Currently, there is approximately \$2.76 million of principal amount outstanding on the SRF loans with the final payment due in 2031. The SRF loans are payable at an interest rate of 2.82%, can be prepaid currently without penalty, and the Town is currently able to refinance these existing SRF loans for savings purposes.

As an initial step in preparing for the refinancing of the SRF loans as well as future issuance of debt secured and payable from net revenues of the WWS, Bond counsel has recommended the enactment of a Master Bond Ordinance (MBO) for the WWS. The MBO will establish a base document containing the authoritative provisions for future bond and note issuances for the WWS, and includes, but is not limited to, the authority and execution of bonds and notes, the pledge of system net revenues to repay the bonds and notes, the creation of funds and accounts, flow of funds, tax covenants and other covenants to the bond and note holders secured thereby. The MBO is also being presented for second reading and public hearing on November 2, 2020, and the Resolution will supplement the MBO and Authorize the issuance and sale of not-to-exceed \$3.1 million Water and Wastewater Refunding Revenue Note, Series 2020 to Truist Bank.

Series 2020 Refinancing

A request for bank loan proposals was issued for a tax-exempt bank loan not-to-exceed \$3.1 million for the purpose of refinancing the Town's outstanding SRF loans for savings purposes. The Town received three (3) responses to the request by the due date of September 30, 2020. A summary of the three proposal responses is provided below:

Bank	Interest Rate	Bank Costs	Prepayment Penalty	Conditions/Comments
CenterState Bank (now South State Bank)	1.41%	\$5,000	1% Prepayment penalty during first 3-years and no penalty thereafter	<ol style="list-style-type: none"> Interest rate held through 11/12/2020 30/360 day count method Bank may at its option collect a late charge of 5% of amounts not received within 10-days of due date Upon event of default, bank may recover from borrower all expenses incurred including attorney's fees Remedies to include acceleration in the event of payment default greater than 90 days or in event any parity debt is accelerated. Default rate of 3% above note rate CAFR to be provided within 270 days of FYE and budget to be provided within 60-days of adoption Master ordinance to include both rate covenant and additional bonds test of 120%. Revenues from additional utility functions may not be included for purposes of the rate covenant or additional bonds test without the bank's consent. Town will not cause or permit creation of a property right referred to as a "utility project charge" or the like, as provided in Section 27 of the master ordinance without the consent of the bank. No transfer of utility function to a public body other than the Town without the consent of the bank. Gross up for event of taxability to a taxable rate of 1.81% Representations, defaults and remedies usual and customary for type of transaction. Subject to final credit approval.
Synovus Bank	1.99%	\$7,500	No prepayment penalty (10-day notice)	<ol style="list-style-type: none"> Interest rate held through 11/12/2020. If closing is delayed past this date, the rate will be reset 3-days prior to closing based upon following formula: 79% of 10-year Treasury +1.45% (with a 1.99% floor). Gross up for event of taxability 30/360 day count method Audit to be provided within 270 days of FYE and budget to be provided within 45-days of adoption Closing conditions including no event of default and no material adverse change, and enforceability of note resolution and assessment resolution. Waiver of jury trial. Subject to final credit approval. Proposal terms and conditions are in effect for 45-days.
Truist Bank	1.43%	\$7,500	<p><u>Opt. A</u> Pre-payable in whole at any time with 1% penalty</p> <p><u>Opt. B</u> Not pre-payable for first half of term and then prepayment in whole without penalty</p>	<ol style="list-style-type: none"> Interest rate expires 11/14/2020. 30/360 interest day count Audit within 270-days of FYE Documents to include provisions outlining appropriate changes in event loan is determined to be taxable. Default rate of 2% above loan rate for payment received after 5 days from due date Maximum of 4 funding disbursement wires/checks at closing. Proposal is subject to cancelation if documentation is not acceptable, material adverse change, circumstances the bank is not currently aware, or a change in law that changes the economic effect to the lender

The bank loan proposals were evaluated based upon factors including interest rate, fees, and terms and conditions for the loan, and based upon these factors, Truist Bank's proposal was determined to be the most advantageous to the Town. While the Truist proposal included a slightly higher interest rate and closing expense than CenterState, the Truist proposal provided a favorable interest rate of 1.43%, allowed for prepayment flexibility throughout the term of the loan (with a 1% penalty), and importantly did not include certain additional terms and conditions that the CenterState proposal included (higher rate covenant and additional parity debt test, additional consent rights, and acceleration as a default remedy). The actual borrow for this refinancing would be \$2.829 million, well below the \$3.1 million authorization.

Based upon the Truist proposal, the refinancing of the SRF loans is estimated to produce approximately \$148,000 in net present value savings, which equates to in excess of 5% of the principal amount refunded. As part of the Truist Bank proposal, the Bank did request certain non-material edits to the MBO that are being considered as part of that agenda item.

Staff Recommendation

Pass Resolution 2020-26 and each Commissioner execute Certificate of Public Meetings, and No Conflict of Interest.

Attachments

- A. Resolution 2020-26 (Available in Town Clerk's office)
- B. Hilltop Securities Final Refinancing Numbers (Available in Town Clerk's office)

End of Agenda Item