

# Public Resources Advisory Group



## Review of Bank Loan RFP Responses

November 2018

# Table of Contents

- Request for Proposals
- Bank List
- Rate Structures
- Bank Responses
- Debt Service and Loan Terms Analysis,  
Preliminary Results
- Next Steps

# Request for Proposals – Distributed October 25, 2018

## Purpose & Loan Size

- Finance, in part, the purchase of approx. 62.2 acres of land adjacent to the Estero River
- Taxable Fixed Rate Bank Loan in the approximate range of \$16,000,000 to \$20,000,000

## Loan Repayment Source

- Secured solely by the Village's Covenant to Budget and Appropriate ("CBA") legally available non-ad valorem revenues
- 1.5x max. annual debt service coverage

## Flexible Prepayments

- Extraordinary Prepayment - surplus property sale proceeds must be used to pay down loan
- Optional Prepayment - ability to pay loan before its maturity

## Other Key Loan Terms

- Fixed rate proposals and alternative structures
- 20 year amortization, 10 year term
- Level debt service payments
- Assume January 14, 2019 loan closing

# Who Received the RFP?

**The RFP was sent to 50 contacts at 34 banks across the United States**

- Amtrust Bank
- Bank of America
- BankUnited
- BB&T
- BBVA Compass
- Capital Bank
- Capital One Public Funding
- Centennial Bank
- CenterState Bank
- Citizens First Bank
- City National Bank
- Encore Bank
- EverBank
- Fifth Third Bank
- FineMark Bank
- First Citizens Bank
- First Internet Bank
- Florida Community Bank
- Hancock Whitney Bank
- Iberia Bank
- JP Morgan
- Pinnacle Public Finance
- PNC Bank
- Raymond James
- Regions Bank
- Seacoast Bank
- Seaside National Bank
- Signature Public Funding
- Sterling National Bank
- Suncoast Credit Union
- SunTrust Bank
- TD Bank
- Valley National Bank
- Wells Fargo Bank

# Rate Structures: Fixed Rate vs. Variable Rate

## Fixed Rate

### Pros

- **Safe and Certain** - rate is locked for life of Village's first debt issue
- **Market Conditions** - current rates are relatively low and are expected to rise in the future
- **Credit** - Rating Agencies view fixed rate debt more favorably than variable rate

### Cons

- **Short-Term Cost** - higher rates than variable, until rates rise
- **Prepayment Cost** - most banks require make-whole provisions or higher rate options for prepayment flexibility

## Variable Rate

- **Short-Term Advantage** - current variable rates are less than fixed rates
- **Prepayment Provisions**- variable rate proposals provide prepayment options with no penalty
- **Interest Rate Risk** - in a rising rate environment, variable rate options could prove costly over the life of the loan
- **Credit Risk**- the Village's future credit ratings may be negatively affected by the uncertainty of variable rate debt

# Nine (9) Bank Responses received November 14, 2018

## Initial Review of Bank Proposals

	Bank of America	Capital Bank	Capital One Public Funding	Fifth Third Bank	FineMark Bank & Trust	Florida Community	PNC Bank	SunTrust Options #1/#6	Valley National
<b>Loan Terms</b>									
Term (Years)	10	10	20	5 or 10	10	10	10	10	10
Amortization (Years)	20	20	20	20	20	20	20	20	20
Fixed Interest Rate <sup>1</sup>	4.180%	4.103%	5.300%	4.75% or 5.00%	4.875%	5.680%	4.222%	4.17% - 4.52%	4.940%
Bank Fee	\$0	\$0	\$0	\$0	\$8K-\$10K	\$0	\$0	\$0	\$60K-\$75K
Bank Counsel Fee	\$7,500	\$6,000	\$0	\$10,000	\$10,000	\$6,000	\$10,000	\$10,000	\$9,250
Prepayment Provisions									
Optional Redemption	Make-Whole	0.5% penalty <2025; At par >2025	No call <2027; At par >2027 <sup>2</sup>	Make-Whole	No penalty	No penalty	Make-Whole	Prepay 15% No Penalty/Make Whole <sup>3</sup>	No penalty
Extraordinary Redemption	Make-Whole	No Penalty	102% of principal balance	Make-Whole	No penalty	No penalty	Make-Whole	Prepay 15% No Penalty/Make Whole <sup>3</sup>	No penalty
Debit/Depository Req'ts	None specified	None specified	None specified	None specified	0.10% rate reduction	None specified	\$3m on deposit	Debit with Lender-approved bank	Primary account and debit
Revenue Pledge	Direct Non-Ad Valorem	CB&A	CB&A	CB&A	CB&A	CB&A	CB&A	CB&A	CB&A

<sup>1</sup>BOA, Capital Bank, FineMark and PNC Bank rates are indicative rate as of Nov. 14, 2018 that are subject to change prior to loan closing

<sup>2</sup>Capital One offers partial prepayment at par once per year, minimum \$1,000,000; max \$5,000,000

<sup>3</sup>SunTrust Option #1 will allow up to 15% partial prepayment in a given calendar year without a prepayment penalty; Option #6 100% no penalty

# Nine (9) Bank Responses received November 14, 2018

## Bank Proposals with High Relative Interest Rates

- Fifth Third Bank – rate of 4.75% (5-year term) or 5.0% (10-year term)
- FineMark Bank – indicative rate of 4.875% for the first 5 years, then rates reset subject to market formula for remaining 5 years
- Florida Community – rate of 5.68% for a 10-year term
- Valley National – rate of 4.94% for a 10-year term

# Debt Service and Loan Terms Analysis

## Remaining Proposals: Preliminary Results, Subject to Change

Bank	Bank of America		Capital Bank		Capital One		PNC Bank		SunTrust (Option #1)		SunTrust (Option #6)	
	\$16m	\$20m	\$16m	\$20m	\$16m	\$20m	\$16m	\$20m	\$16m	\$20m	\$16m	\$20m
Approx. Loan (\$ millions)												
<b>Fixed Rate Proposals</b>												
Term (Years)	10	10	10	10	20	20	10	10	10	10	10	10
Amortization (Years)	20	20	20	20	20	20	20	20	20	20	20	20
Fixed Interest Rate <sup>1</sup>	4.180%	4.180%	4.103%	4.103%	5.300%	5.300%	4.222%	4.222%	4.170%	4.170%	4.520%	4.520%
All-In True Interest Cost	4.238%	4.227%	4.137%	4.182%	5.341%	5.333%	4.282%	4.271%	4.230%	4.218%	4.581%	4.569%
Estimated Costs of Issuance	\$62,000	\$62,000	\$60,500	\$60,500	\$54,500	\$54,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500	\$64,500
Max. Annual Debt Service <sup>2</sup>	\$1,155,386	\$1,443,117	\$1,188,000	\$1,483,881	\$1,273,175	\$1,590,389	\$1,159,890	\$1,448,699	\$1,154,537	\$1,442,013	\$1,190,836	\$1,487,350
Principal Due at Maturity	\$10,198,475	\$12,738,252	\$9,796,758	\$12,236,721	\$1,259,638	\$1,573,478	\$10,216,516	\$12,760,390	\$10,196,142	\$12,734,943	\$10,332,734	\$12,905,545
Principal Repayment Frequency	Annual	Annual	Monthly	Monthly	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Interest Frequency	Semi-annual	Semi-annual	Monthly	Monthly	Semi-annual	Semi-annual	Semi-annual	Semi-annual	Semi-annual	Semi-annual	Semi-annual	Semi-annual
<b>Prepayment Provisions</b>												
Optional Redemption	Make-Whole		0.5% penalty < 2025; At par > 2025		No call < 2027; At par > 2027 <sup>3</sup>		Make-Whole		Prepay 15% No Penalty/Make Whole <sup>4</sup>		No penalty	
Extraordinary Redemption	Make-Whole		No penalty		102% of principal balance		Make-Whole		Prepay 15% No Penalty/Make Whole <sup>4</sup>		No penalty	
Debit/Depository Requirements	None specified		None specified		None specified		\$3 million with PNC		Debit account agreement with lender-approved bank			
Revenue Pledge	Direct Non-Ad Valorem		CB&A Non-Ad Valorem		CB&A Non-Ad Valorem		CB&A Non-Ad Valorem		CB&A Non-Ad Valorem			

<sup>1</sup>BOA, Capital Bank, and PNC Bank rates are indicative rate as of Nov. 14, 2018 that are subject to change prior to loan closing

<sup>2</sup>Excluding debt service in year of final maturity

<sup>3</sup>Capital One offers partial prepayment at par once per year, minimum \$1,000,000; max \$5,000,000

<sup>4</sup>SunTrust Option #1 will allow up to 15% partial prepayment in a given calendar year without a prepayment penalty



# Debt Service and Loan Terms Analysis

## Capital Bank and SunTrust Bank: Preliminary Results, Subject to Change

Bank	Capital Bank		SunTrust (Option #1)		SunTrust (Option #6)	
	<u>\$16m</u>	<u>\$20m</u>	<u>\$16m</u>	<u>\$20m</u>	<u>\$16m</u>	<u>\$20m</u>
Approx. Loan (\$ millions)						
<b>Fixed Rate Proposals</b>						
Term (Years)	10	10	10	10	10	10
Amortization (Years)	20	20	20	20	20	20
Fixed Interest Rate	4.103%	4.103%	4.170%	4.170%	4.520%	4.520%
All-In True Interest Cost	4.137%	4.182%	4.230%	4.218%	4.581%	4.569%
Estimated Costs of Issuance	\$60,500	\$60,500	\$64,500	\$64,500	\$64,500	\$64,500
Max. Annual Debt Service <sup>1</sup>	\$1,188,000	\$1,483,881	\$1,154,537	\$1,442,013	\$1,190,836	\$1,487,350
Principal Due at Maturity	\$9,796,758	\$12,236,721	\$10,196,142	\$12,734,943	\$10,332,734	\$12,905,545
Principal Repayment Frequency	Monthly	Monthly	Annual	Annual	Annual	Annual
Interest Frequency	Monthly	Monthly	Semi-annual	Semi-annual	Semi-annual	Semi-annual
<b>Prepayment Provisions</b>						
Optional Redemption	0.5% penalty < 2025; At par > 2025		Prepay 15% No Penalty/Make Whole <sup>2</sup>		No penalty	
Extraordinary Redemption	No penalty		Prepay 15% No Penalty/Make Whole <sup>2</sup>		No penalty	
Debit/Depository Requirements	None specified		Debit account agreement with lender-approved bank			
Revenue Pledge	CB&A Non-Ad Valorem		CB&A Non-Ad Valorem			

<sup>1</sup>Excluding debt service in year of final maturity

<sup>2</sup>SunTrust Option #1 will allow up to 15% partial prepayment in a given calendar year without a prepayment penalty

# Next Steps

Date	Item
Wednesday, December 5, 2018	Council Meeting to Approve Award and Loan Terms
Wednesday, December 12, 2018	Council Meeting to Approve Commitment Letter
Wednesday, January 9, 2019	Council Meeting to Approve Resolution/Loan Agreement