

AGENDA ITEM SUMMARY SHEET
VILLAGE COUNCIL MEETING
December 12, 2018

Agenda Item:

Resolution No. 2018-22 A Resolution of the Village Council of the Village of Estero, Florida, Authorizing Acceptance of a Loan Commitment from Capital Bank (including an interest rate lock), a Division of First Tennessee Bank, National Association as described herein; making certain other covenants and agreements in connection therewith.

Description:

As appropriated in the 2018-2019 Budget, a bank loan will be required to fund the Estero on the River Land Purchase. Estero on the River is listed in the budget as Land Purchase A with total project cost of \$26,000,000 funded by a down payment of \$5,000,000 from the general fund and debt providing the remainder of \$21,000,000.

In order to secure the bank loan, the Council is being asked to authorize the acceptance of the loan commitment from Capital Bank who was selected in a Request For Proposals for a bank loan.

With respect to the loan covenants included in the Capital Bank Loan Commitment Exhibit A, we would like to confirm that based upon the Fiscal Year 2018-2019 Budget the Village significantly exceeds both tests. For the requirement that the debt coverage ratio be greater than 1.5, the Village is at 3.9. Also, the Village debt service is budgeted to be 12% of governmental revenues and is well below the requirement not to exceed 20%. These tests are based upon annual cash flows and will be calculated each year during both the budget and audit process.

Estimated loan closing costs to the Village are \$60,500 for the \$20 million bank loan.

Marianne Edmonds, Senior Managing Director, with Public Resources Advisory Group will discuss with Council the two interest rate lock options proposed by Capital Bank.

The following future Council actions will be necessary to finalize the bank loan:

- January 9th – Approve of Resolution and Loan Agreement

Action Requested:

Motion to adopt Resolution No. 2018-22 incorporating the selected interest rate lock option.

Financial Impact:

Approval of the resolution will provide funding for the Estero on the River Land Purchase.

Attachments:

1. Resolution No. 2018-22 including Exhibit A Capital Bank Loan Commitment
2. Public Resources Advisory Group Memorandum regarding Interest Rate Options

ATTACHMENT 1

VILLAGE OF ESTERO, FLORIDA

RESOLUTION NO. 2018 - 22

A RESOLUTION OF THE VILLAGE COUNCIL OF THE VILLAGE OF ESTERO, FLORIDA, AUTHORIZING ACCEPTANCE OF A LOAN COMMITMENT FROM CAPITAL BANK, A DIVISION OF FIRST TENNESSEE BANK, NATIONAL ASSOCIATION, AS DESCRIBED HEREIN; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Village of Estero, Florida (the "Issuer") is a municipal corporation duly created and existing pursuant to the Constitution and laws of the State; and

WHEREAS, on October 17, 2018, the Issuer adopted Resolution No. 2018-18 (the "Land Purchase Resolution") authorizing the purchase of approximately 62.2 acres adjacent to the Estero River (the "Project"); and

WHEREAS, it is hereby ascertained, determined, and declared that financing the Project will serve a paramount public purpose for the reasons described in the Land Purchase Resolution; and

WHEREAS, pursuant to a request for proposals, dated October 25, 2018, the Issuer received nine proposals to finance the Project; and

WHEREAS, it is hereby ascertained, determined, and declared that, based on recommendations from staff of the Issuer and Public Resources Advisory Group, financial advisor to the Issuer (the "Financial Advisor"), the Loan Commitment (the "Commitment") submitted by Capital Bank, a Division of First Tennessee Bank, National Association (the "Lender"), dated November 14, 2018, as revised December 5, 2018, to provide a loan (the "Loan") to the Issuer to finance the Project contains terms and provisions favorable to the Issuer.

NOW, THEREFORE, be it resolved by the Village Council of the Village of Estero, Florida (the "Village Council"):

Section 1. Adoption of Representations. The foregoing Whereas paragraphs are hereby ratified and confirmed as being true, and the same are hereby made a specific part of this Resolution.

44 **Section 2. Authority.** This Resolution is adopted pursuant to the Constitution of
45 the State, Chapter 159, Part VII, Florida Statutes, Chapter 166, Florida Statutes, the Charter of
46 the Issuer, and other applicable provisions of law, each as amended (collectively, the "Act").
47

48 **Section 3. Approval of Loan Commitment.** The Issuer hereby approves and
49 accepts the Commitment, a copy of which is attached hereto as Exhibit A and incorporated
50 herein by reference.
51

52 **Section 4. Interest Rate.** In order to fix the interest rate on the Loan in advance of
53 the delivery date, upon the advice of the Financial Advisor that it is in the best interest of the
54 Issuer, the Finance Director, or her duly authorized designee, is hereby authorized to lock the
55 interest rate on the Loan in accordance with the formula provided in the Commitment by
56 selecting either Interest Rate Option A or Interest Rate Option B (subject to a not to exceed
57 principal amount of \$20,000,000 and a not to exceed interest rate of 4.60%).
58

59 **Section 5. Final Loan Documents.** Prior to closing the Loan with the Lender, the
60 final loan documents shall be submitted to the Village Council for approval at a subsequent
61 Village Council meeting.
62

63 **Section 6. General Authority.** The members of the Village Council, the Village
64 Manager, the Village Attorney, the Village Finance Director, and all other of officers,
65 attorneys, and other agents and employees of the Issuer are hereby authorized to perform all
66 acts and things required of them by this Resolution or desirable or consistent with the
67 requirements hereof for the full, punctual, and complete performance of all of the terms,
68 covenants, and agreements contained in this Resolution.
69

70 **Section 7. Prerequisites.** The Issuer has performed all other acts, conditions, and
71 things relating to the passage of this Resolution as are required by the Act.
72

73 **Section 8. Severability.** If any provision of this Resolution shall be held or deemed
74 to be or shall, in fact, be illegal, inoperative, or unenforceable in any context, the same shall
75 not affect any other provision herein or render any other provision (or such provision in any
76 other context) invalid, inoperative, or unenforceable to any extent whatever.
77

78 **Section 9. Applicable Provisions of Law.** This Resolution shall be governed by
79 and construed in accordance with the laws of the State of Florida.
80

81 **Section 10. Rules of Interpretation.** Unless expressly indicated otherwise,
82 references to sections or articles are to be construed as references to sections or articles of this
83 instrument as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof,"
84 "hereinbefore," "hereinafter," and other equivalent words refer to this Resolution and not solely
85 to the particular portion in which any such word is used.
86

87 **Section 11. Captions.** The captions and headings in this Resolution are for
88 convenience only and in no way define, limit, or describe the scope or intent of any provisions
89 or sections of this Resolution.
90

91 **Section 12. Members of the Village Council Exempt from Personal Liability.**
92 No recourse under or upon any obligation, covenant, or agreement of this Resolution, or for
93 any claim based thereon or otherwise in respect thereof, shall be had against any member of
94 the Village Council, as such, of the Issuer, past, present, or future, either directly or through
95 the Issuer it being expressly understood (a) that no personal liability whatsoever shall attach
96 to, or is or shall be incurred by, the members of the Village Council, as such, under or by reason
97 of the obligations, covenants, or agreements contained in this Resolution, and (b) that any and
98 all such personal liability, either at common law or in equity or by constitution or statute, of,
99 and any and all such rights and claims against, every such member of the Village Council, as
100 such, are waived and released as a condition of, and as a consideration for, the execution of
101 this Resolution.
102

103 **Section 13. Repealer.** All resolutions or parts thereof in conflict herewith, if any,
104 are hereby repealed.
105

106 **Section 14. No Third Party Beneficiaries.** Except such other persons as may be
107 expressly described in this Resolution, nothing in this Resolution, expressed or implied, is
108 intended or shall be construed to confer upon any person, other than the Issuer any right,
109 remedy, or claim, legal or equitable, under and by reason of this Resolution, or any provision
110 thereof, all provisions thereof being intended to be and being for the sole and exclusive benefit
111 of the Issuer.
112

113 **Section 15. Effective Date.** This Resolution shall take effect immediately upon
114 adoption.
115

116 **ADOPTED BY THE VILLAGE COUNCIL** of the Village of Estero, Florida this
117 12th day of December, 2018.
118

119 Attest:

VILLAGE OF ESTERO, FLORIDA

120
121
122 By: _____
123 Kathy Hall, MMC, Village Clerk
124

By: _____
James R. Boesch, Mayor

125
126 Reviewed for legal sufficiency:
127

128 By: _____
129 Burt Saunders, Esq., Village Attorney
130

131 Exhibit A: Loan Commitment



November 14, 2018 (Revised 12-5-18)

Village of Estero, Florida
9401 Corkscrew Circle
Estero, FL 33928

Re: RFP for \$20,000,000 Term Loan

Capital Bank, a Division of First Tennessee Bank National Association (the "Lender") is pleased to offer the following credit facilities commitment to Village of Estero, Florida (the "Borrower") subject to the following terms and conditions. The following information is inclusive of the primary terms and conditions of the commitment, but does not necessarily represent all of the terms and conditions (the "Commitment" or the Commitment Letter). The extensions of credit contemplated in this Commitment Letter shall hereinafter be referred to as the "Loan". Conditions or terms that are not covered or made clear below are subject to mutual agreement of all parties.

This Commitment Letter and related documents are the confidential work of the Lender and, as such, represent intellectual property not to be shared with other financial institutions or other third parties without Lender's consent except (a) to your officers, agents and advisors who are directly involved in this matter or (b) as may be compelled in a judicial or administrative proceeding or as otherwise required by law (in which case you agree to inform us promptly).

Capital Bank is a part of First Horizon National Corp (FHN on NYSE) which also operates First Tennessee Bank. First Tennessee just celebrated its 154th birthday and is the 14th oldest national bank charter in the United States. Our geographic territory is the Southeast United States with total assets of just over \$40 billion (See attached Corporate summary).

As a long time Estero resident (since 1992), I am thrilled that the Village has approved the purchase of this conservation land and would be proud to be a part of seeing it to completion with the offer to finance attached.

Sincerely,

Meriem Allgood

Meriem Allgood
Senior Vice President
Commercial Banking

APPENDIX A
REQUEST FOR PROPOSAL
\$20,000,000
VILLAGE OF ESTERO, FLORIDA
REQUEST FOR PROPOSAL FOR TAXABLE LOAN (NON-REVOLVING)

PROPOSER: CAPITAL BANK, A DIVISION OF FIRST TENNESSEE BANK, NATIONAL ASSOCIATION
6435 NAPLES BLVD, NAPLES, FL 34109

CONTACT: MERIEM ALLGOOD
SENIOR VICE PRESIDENT
COMMERCIAL BANKING
MERIEM.ALLGOOD@CAPITALBANK-US.COM
239-552-1018 OFFICE
239-596-4695 FAX

BORROWER: VILLAGE OF ESTERO

CREDIT FACILITY: NOT TO EXCEED \$20,000,000 TERM LOAN ("TERM LOAN")

PURPOSE: PURCHASE OF 62.2 ACRES OF LAND ADJACENT TO THE ESTERO RIVER

LEGAL EXPENSES: NOT TO EXCEED \$6,000

BANK COUNSEL: CHRISTOPHER M. HINSLEY, ESQUIRE
JONES WALKER LLP
201 SOUTH BISCAYNE BLVD
SUITE 2600
MIAMI, FL 33131
305-679-5700 OFFICE

LENDER CREDIT RATING: MOODY'S

- LONG TERM AS OF MAY 2, 2017 - BAA3
- SHORT TERM – NONE
- OUTLOOK - STABLE

FITCH

- LONG TERM AS OF MAY 22, 2018 - BBB-
- SHORT TERM AS OF MAY 22, 2018 – F3
- OUTLOOK - POSITIVE

PARTICIPATING BANKS: NONE

ANNUAL FEES: NONE

UNUSED FEES: NONE

TERM: TEN (10) YEARS

AMORTIZATION: TWENTY (20) YEARS

INTEREST RATE: OPTION A: A FIXED INTEREST RATE EQUAL TO THE TEN (10) YEAR TREASURY RATE YIELD PLUS NINETY FIVE (95) BASIS POINTS. THIS RATE CAN BE LOCKED SEVEN (7) DAYS PRIOR TO CLOSING. INDICATIVE RATE IS CURRENTLY IS 4.01%.

OPTION B: A FIXED INTEREST RATE EQUAL TO THE TEN (10) YEAR TREASURY RATE YIELD PLUS ONE HUNDRED TEN (110) BASIS POINTS. THIS RATE CAN BE LOCKED THIRTY THREE (33) DAYS PRIOR TO CLOSING. INDICATIVE RATE IS CURRENTLY IS 4.16%.

Resolution No. 2018-21 -Exhibit A

IF THE FACILITY DOES NOT CLOSE AND FUND BY 1-15-19, THE RATE IS SUBJECT TO A RESET OR CHANGE BASED ON THE ABOVE INDEXES. IF OPTION B IS CHOSEN, A 3 BASIS POINT OR \$6,000 PENALTY WILL APPLY IF THE FACILITY NOT CLOSED AND FUNDED.

- PAYMENTS:** INTEREST PAID SEMI-ANNUALLY ON MAY 1 AND NOVEMBER 1 BEGINNING MAY 1, 2019. PRINCIPAL PAID ANNUALLY ON MAY 1 WITH AN AMORTIZED TWENTY (20) YEAR LEVEL DEBT SERVICE BEGINNING MAY 1, 2019.
- PREPAYMENT:** PRIOR TO MAY 1, 2025 A PREPAYMENT PENALTY OF 50 BASIS POINTS WILL BE CHARGED ON THE AMOUNT OF PRINCIPAL OUTSTANDING ON THAT DATE IF THE LOAN IS PAID IN FULL FROM REFINANCE WITH ANOTHER INSTITUTION OR LENDER.
- AFTER MAY 1, 2025, NO PENALTY APPLIED.
- EXTRAORDINARY PREPAYMENT:** NO PREPAYMENT PENALTY WILL BE APPLIED TO MANDATORY PRINCIPAL REDUCTIONS FROM THE SALE OF SURPLUS LAND (AS DEFINED IN THE RESOLUTION). BORROWER WILL ALSO BE ALLOWED TO MAKE PENALTY FREE PRINCIPAL REDUCTIONS WITH GRANT PROCEEDS OR OTHER AVAILABLE VILLAGE FUNDS. THE REDUCTIONS FROM SURPLUS LAND SALE MUST BE MADE WITHIN THE FOLLOWING INTEREST DUE DATE OF THE SALE AND NO LATER THAN THE INTEREST PAYMENT DUE DATE SIX (6) MONTHS OF THE SALE DATE.
- COVENANTS & SECURITY:** THE BORROWER COVENANTS TO BUDGET AND APPROPRIATE LEGALLY AVAILABLE NON-AD VALOREM REVENUES TO PAY LOAN DEBT SERVICE. IN ADDITION, AN ANTI-DILUTION TEST WILL BE REQUIRED AT LEAST 1.5X MAXIMUM ANNUAL DEBT SERVICE OF DEBT SECURED BY LEGALLY AVAILABLE NON-AD VALOREM REVENUES, WITH MAXIMUM ANNUAL DEBT SERVICE OF DEBT SECURED BY LEGALLY NON-AD VALOREM REVENUES NOT EXCEEDING 20% OF THE BORROWER'S GOVERNMENTAL FUND REVENUES.
- FINANCIAL REPORTING:** THE BORROWER TO PROVIDE AN UNQUALIFIED AUDITED FISCAL YEAR END FINANCIAL STATEMENT WITHIN 270 DAYS OF FISCAL YEAR END ON AN ANNUAL BASIS.
- CONDITIONS PRECEDENT:** FAVORABLE OPINION OF THE BORROWER'S COUNSEL.
- DEPOSITORY:** LENDER IS NOT REQUIRING A DEPOSITORY RELATIONSHIP
- LENDER'S FEI:** #62-0201385
- EXPIRATION DATE:** THE FACILITY MUST BE CLOSED BY MARCH 1, 2019.

ATTACHMENT 2



150 SECOND AVENUE NORTH, SUITE 400
ST. PETERSBURG, FLORIDA 33701
TEL: (727) 822-3339 | FAX: (727) 822-3502

PUBLIC RESOURCES ADVISORY GROUP

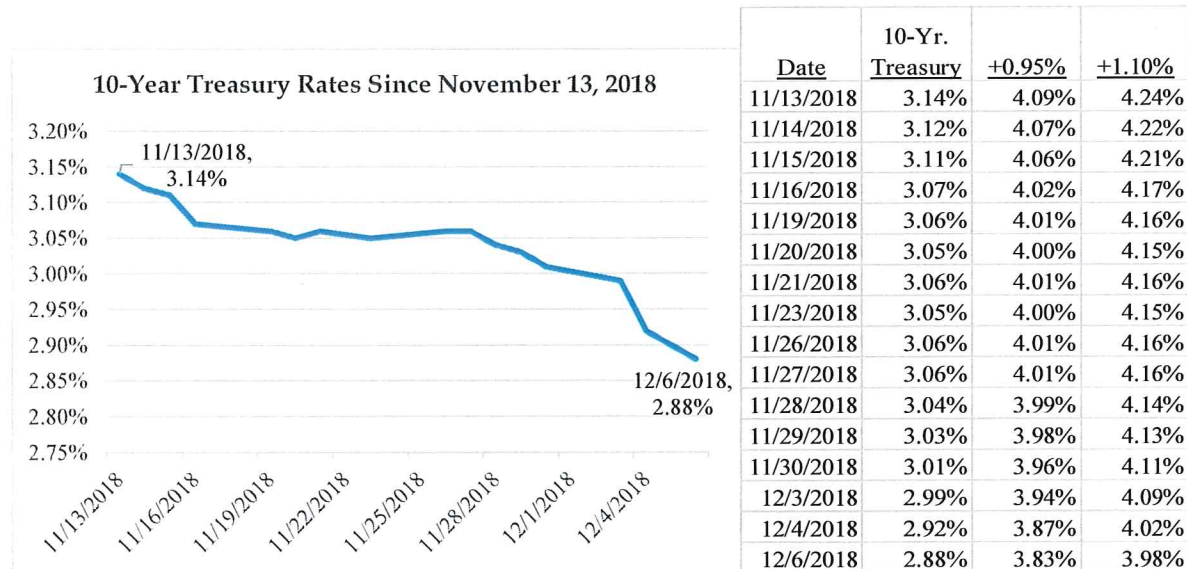
MEMORANDUM TO: Lisa Griggs Roberson, Finance Director, Village of Estero, FL
FROM: Public Resources Advisory Group (“PRAG”)
SUBJECT: Capital Bank Proposal – Interest Rate Options
DATE: December 6, 2018

Capital Bank has presented the Village with two options to “lock” an interest rate relative to the proposed \$20 million bank loan prior to the loan’s anticipated January 14, 2019 closing date. The purpose of this memorandum is to provide the Village with guidance on its selection. The options proposed by Capital Bank are as follows:

- A) **7-Day Rate Lock:** Fixed rate equal to the Ten (10) Year Treasury Rate Yield plus ninety-five (95) basis points which shall be set seven (7) days prior to closing. As of the writing of this memorandum, the indicative rate based on this formula equals **3.83%**.
- B) **33-Day Rate Lock:** Fixed rate equal to the Ten (10) Year Treasury Rate Yield plus one hundred ten (110) basis points which shall be set thirty-three (33) days prior to closing. As of the writing of this memorandum, the indicative rate based on this formula equals **3.98%**. If the Village selects this option and the loan does not close by January 15, 2019, the rate is subject to a reset or change based on the Treasury index and formula described herein. In addition, if the Village selects Option B, a 0.03%, or \$6,000, penalty will be applied should the loan fail to close.

At the time of Capital Bank’s initial proposal, the indicative rate proposed equaled approximately **4.10%** (only a 7-day rate lock option was proposed at the time).

For reference, below is a recent history of the 10-Year Treasury Rates and indicative loan rates:





We have analyzed the impact of rate changes on a \$20,000,000 loan amortized over 20 years with a 10-year term. On a budgetary basis, the following table illustrates the estimated annual debt service based on different interest rates:

<u>Interest Rate</u>	<u>Estimated Maximum Annual Debt Service*</u>
3.80%	\$1,390,044
4.00%	\$1,414,565
4.20%	\$1,439,289
4.40%	\$1,464,212
4.60%	\$1,489,331

*Excluding year of maturity (2029)

Treasury market conditions either 7 days prior to closing (“Option A”) or 33 days prior to closing (“Option B”) will determine the respective option’s final interest rate. As of December 6, 2018, the indicative interest rates under either Capital Bank rate lock option would generate annual debt service payments that are below the Village’s \$1,600,000 budgeted amount. PRAG will continue to monitor the 10-Year Treasury Rates in the coming days and weeks if necessary.