Davenport Public Finance

One James Center
901 E Cary Street, Ste.1100
Richmond, VA 23219

To	City of Hampton, Virginia
From	David P. Rose, Senior Vice President / Manager, Davenport Public Finance Roland M. Kooch, Jr., Senior Vice President, Davenport Public Finance Ben Wilson, Vice President, Davenport Public Finance Gracie Caplice, Analyst, Davenport Public Finance
Date	June 12, 2024
Subject	Bank IFB Results – 2024 Equipment Lease Purchase Financing

Background

On behalf of the City of Hampton, Virginia (the "City"), Davenport & Company LLC ("Davenport") distributed an Invitation for Bid ("IFB") in order to assess current market interest rates for viable financing options as it relates to the City's potential purchase of three (3) fire trucks.

This IFB requested proposals for a Tax-Exempt, Non-Bank Qualified Direct Bank Lease secured by the equipment being purchased for an amount of up to $5.75 Million to be paid back over a ten (10) year term.

The IFB was distributed to over one hundred (100) national, regional, and local financing institutions and included a series of key terms and conditions for the requested financing. After the initial distribution, Davenport contacted several of the potential proposers to assess their interest in the financing and address any questions they had.

IFB Responses

Through the IFB process, the City received proposals from seven (7) institutions for the requested financing as reflected in the table below.

	Bank	Interest Rate	Prepayment Provisions
1	Banc of America Public Capital Corp	4.1574%	In whole on any payment date after 5 years
2	TD Equipment Finance (Prepayment Option 1)	4.16%	In whole subject to the greater of Yield Maintenance and 1%
3	TD Equipment Finance (Prepayment Option 2)	4.22%	In whole at 101%
4	Webster Bank	4.24%	In whole any payment after 2 years: Yr 2-3 at 2%, Yr 3-4 at 1%
5	J.P. Morgan (Prepayment Option 1)	4.48%	In whole any payment subject to Make Whole
6	M&T Bank	4.535%	In whole any payment without penalty
7	J.P. Morgan (Prepayment Option 2)	4.78%	In whole any payment after 1 year without penalty
8	U.S. Bancorp	4.9474%	In whole or part any payments date after 13 months at 103%

Note: the City also received a proposal from Freedom Financial, but it is excluded above because it provided an interest rate that had been offset with the interest earnings on the escrow (i.e. netting down the cost of funds), which does not comply with Federal tax law.

Recommendation

Based upon our review of the proposals, related analyses, and discussions with City Staff and Bond Counsel, Davenport recommends that the City implement the lease purchase financing with Banc of America Public Capital Corp for the following reasons:

- Provides the lowest interest rate (held firm until formal selection by City Council).
- More flexible prepayment provisions than the next lowest bid (T.D. Equipment Finance) – can be prepaid in whole at par after the first half of the lease term.
- Ability to close based upon the City's desired schedule, on or before June 30, 2024.
- Familiarity with Banc of America Public Capital Corp's lease documents, based on prior lease financings and master lease documentation in place.

Municipal Advisor Disclosue

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 01.01.24 | GC | BW | RK | DR |