

**To** City of Hampton, Virginia

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**Date** March 9, 2022

**Subject** Bank IFB Results – 2022 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 backed by the equipment being purchased for an amount of up to \$3.0 Million based upon a ten (10) year amortization.

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 eight (8) proposals for the requested financing as reflected in the table below.

Bank	Interest Rate	Prepayment Provisions
1 J.P. Morgan	1.96%	In whole subject to a Make Whole charge.
2 Banc of America Public Capital Corp	1.9839%	In whole at par after first half of term.
3 Webster Bank	2.11%	In whole after 3/31/2027.
4 T.D. Equipment Finance	2.13%	In whole Make Whole premium.
5 Signature Public Funding	2.18%	In whole at 101%.
6 Key Government Finance	2.429%	In whole at par after one year.
7 Pinnacle Public Finance	2.58%	In whole at par after 3/1/2027.
8 Old Point National Bank	2.75%	No prepayment penalty

**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 second-lowest (i.e. cover bid) interest rate (held firm until formal selection by City Council).
- Note: the difference between Bank of America’s cover bid and the lowest bid from J.P. Morgan is approximately 2 bps, or \$4,000 over the life of the loan (\$400 annually).
- More flexible prepayment provisions than the J.P. Morgan bid – 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 March 31, 2022.
- Familiarity with Banc of America Public Capital Corp’s lease documents, based on prior lease financing completed with the Bank.

## Bank IFB Results – 2022 Equipment Lease Purchase Financing

March 9, 2022

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