



Results of the Bank Loan RFP Process Related to the Refunding of 2010A Bonds

City of Hampton, Virginia



March 27, 2019

Overview | Refunding Candidate (2010A)



- Davenport as Financial Advisor to the City of Hampton (the “City”), regularly monitors the City’s debt portfolio for refunding opportunities and identified the remaining outstanding maturities of the City’s General Obligation Public Improvement and Refunding Bonds, Series 2010A (the “2010A Bonds”) as potential refunding candidates.
- The remaining outstanding maturities of the 2010A Bonds are due between January 15, 2020 and January 15, 2022 in the total amount of \$22,625,000 and are now “Currently Callable” at 100% of Par (No Penalty), plus accrued interest.
- On February 22, 2019 and on behalf of the City, Davenport distributed a Request for Proposals (“RFP”) to national, regional, and local financing institutions in order to assess current market Direct Bank Loan interest rates for a potential refunding of the City’s 2010A Bonds.
- The RFP requested proposals in an amount up to \$23 Million. The proceeds would be used to refund all of the remaining principal amount of the 2010A Bonds, plus accrued interest, and pay the related costs of issuance.

Overview | Bank Proposals Received



- The RFP was distributed to over 100 financing institutions and proposals were due by 2:00pm, Richmond, VA Time on Friday, March 8, 2019.

- On behalf of the City, Davenport received proposals from the following twelve (12) banks (in alphabetical order):
 - Bank of America
 - Branch Banking & Trust
 - Capital One
 - First Citizens Bank
 - First Internet Bank
 - JP Morgan
 - Key Government Finance
 - Pinnacle Public Finance
 - Sterling National Bank
 - SunTrust
 - Union Bank & Trust
 - Wells Fargo

Bank RFP Results | Summary of Rates, Costs, and Savings



Bank	Interest Rate	Indicative/ Held-Firm	Lender Costs/ Legal Fees	Est. Gross Savings Net of All Est. Costs of Issuance
1 Bank of America ⁽¹⁾	2.360%	Indicative	\$0	\$607,870
2 Wells Fargo ⁽²⁾	2.380%	Indicative	\$0 / \$12,500	\$589,484
3 JP Morgan ⁽³⁾ (No Call)	2.481%	Indicative	\$0	\$572,238
4 SunTrust	2.470%	Held-Firm	\$4,000 / \$6,000	\$565,013
5 Sterling National Bank	2.540%	Held-Firm	\$0 / \$5,000	\$549,565
6 BB&T	2.550%	Held-Firm	\$0 / \$5,000	\$546,648
7 Capital One	2.570%	Held-Firm	\$0	\$545,959
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8 JP Morgan ⁽³⁾	2.599%	Indicative	\$0	
9 Union Bank & Trust	2.710%	Held-Firm	\$0	
10 First Citizens Bank	2.720%	Held-Firm	\$0	
11 Key Government Finance ⁽⁴⁾	2.813%	Held-Firm	\$0	
12 Pinnacle Public Finance	3.000%	Held-Firm	\$0 / \$7,500	
13 First Internet Bank	3.400%	Held-Firm	\$0 / \$7,500	

Most Savings
↓
Least Savings

(1) Bank of America's interest rate reflected above is indicative as of 3/8/2019. Upon receipt of the signed term sheet, Bank of America locked in the rate as of 3/18/2019.
 (2) Wells Fargo's interest rate reflected above is indicative as of 3/7/2019.
 (3) JP Morgan's interest rate is indicative as of 3/7/2019. The Bank will not lock the rate until one day before closing.
 (4) Key Government Finance provided two interest rates. The 2.813% shown herein would accommodate the City's timing.

Savings Comparison | Preliminary Estimates vs. Bank RFP Results (Bank of America)



- The table below compares the Preliminary Savings estimates (as of 1/31/19) versus the Final Bank RFP Results, reflecting Bank of America's Proposal:

	Preliminary Savings	Final Results
Bonds Refunded:	\$22,625,000	\$22,625,000
- Average Interest Rate:	4.63%	4.63%
Refunding Bonds Issued:	\$22,978,000	\$22,994,000
Refunding Interest Rate:	2.75%	2.36%
Gross Savings:	\$502,304	\$607,870
Average Annual Savings:	\$167,434	\$202,623

Key Terms and Conditions | Bank of America



- Based on the Proposals received, Bank of America provided the lowest interest rate with the following key terms and conditions:
 - Interest Rate: 2.36% fixed to maturity on 1/15/2022 (Approximately 2.7 years) – This rate will not change unless there is an event of taxability caused by the City’s actions.
 - Yield Maintenance: No Yield Maintenance provisions (e.g. due to Bank cost of capital or Corporate Tax Rate changes).
 - Prepayment: Prepayment allowed in whole or part subject to a make-whole prepayment premium – Note given that there is less than 3 years remaining to maturity, it is unlikely that the loan could be refinanced again for savings.
 - Bank Counsel Costs: Covered by Bank of America – no out of pocket Bank Counsel costs to be paid by the City.

Recommendation



- As Financial Advisor to the City, Davenport respectfully recommends that the City proceed with Bank of America's proposal for refunding the 2010A Bonds for the following reasons:
 - Lowest interest rate received.
 - Interest rate is fixed to maturity.
 - No Yield Maintenance provisions (e.g. due to Bank cost of capital or Corporate Tax Rate changes).
 - Provides the City with interest rate savings in excess of \$600,000 over the next three years, or approximately \$200,000 per year.
 - Approximately \$100,000 more than Preliminary Estimates.
 - No Out-of-Pocket Bank Counsel Costs.

Next Steps



MARCH							April						
S	M	T	W	R	F	S	S	M	T	W	R	F	S
					1	2		1	2	3	4	5	6
3	4	5	6	7	8	9	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28	29	30				
31													

Indicates City Council Meetings

- March 27
 - City Council Meeting: Davenport to present results of RFP and recommendation to proceed based on RFP results.

- March 28 – 29
 - Distribute Conditional Redemption Notice to current Bondholders (minimum 30 Day Notice required).

- Month of April
 - Finalize documentation.

- April 29
 - Close Direct Bank Loan.

- April 30
 - Redeem Bonds

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