

February 6, 2023

Davenport Public Finance

Independence Center
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To Haywood County, North Carolina
From Davenport & Company LLC
Date February 6, 2023
Subject 2023 Installment Financing Contract RFP Summary

Background

Davenport & Company LLC (“Davenport”), on behalf of Haywood County, NC (the “County”), distributed a Request for Proposals (“RFP”) to secure a commitment for a direct bank loan evidenced by an Installment Financing Contract to finance renovations and an expansion to the existing County Detention Center.

The RFP was distributed to over 50 National, Regional, and Local lending institutions. After the initial distribution, Davenport reached out to the potential bidders to assess their interest in the financing and address any questions they had.

As part of the RFP process, responding institutions were asked to provide tax-exempt and taxable interest rates for a 15-year and 20-year amortization terms.

As an alternative to pursuing the financing through a direct bank loan with one of the proposing lenders, the County could consider a public sale of Limited Obligation Bonds. In order to maintain the option of the Public Sale, the County has reserved a sale date of April 17, 2023 through the Local Government Commission. Prior to the sale, the County would be subject to daily interest rate changes until rates are locked on the date of the sale, April 17th.

Through the due diligence process, Bond Counsel and County Staff determined that the loan could be done on a tax-exempt basis. Therefore, the rest of this memorandum will focus on the tax-exempt interest rate proposals.

RFP Responses

Through this process, the County was able to secure five responses to the RFP, including:

1. Capital One Public Funding;
2. JP Morgan Chase Bank;
3. TD Bank;
4. Truist Bank; and
5. Webster Bank.

The following pages contain a summary of the key terms and conditions for the responses received.

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Discussion Points

1. Interest Rate

The County received five 15-year proposals and three 20-year proposals. The RFP requested proposals to be held firm through a potential closing date in Mid-April. Only Truist provided interest rates that are held firm through the requested closing date. Interest rates under the other four proposals are subject to change until early March. A summary of the fixed Truist interest rates, indicative rates provided by other proposals, and a current market public sale are shown below.

Table 1: Summary of Interest Rates

A Lender	Tax-Exempt Financing		D Rate Lock Date
	B 15 Years	C 20 Years	
1 Capital One Public Funding, LLC ¹	4.490%	4.740%	After project bids received (early March)
2 JP Morgan Chase ²	3.190%	-	45 days prior to closing (Early March)
3 TD Bank ³	Option 1: 3.39% Option 2: 3.55%	-	45 days prior to closing (Early March)
4 Truist Bank	Option 1: 3.45% Option 2: 3.74% Option 3: 3.51%	Option 1: 3.58% Option 2: 4.09% Option 3: 3.71%	Interest Rate Locked through April 20th
5 Webster Bank ⁴	3.890%	4.030%	45 days prior to closing (Early March)
6 Public Sale (TIC)	2.830%	3.200%	Pricing in early/Mid-April

Note: Rates shown are indicative as of 1/24/2023.

The remainder of this memo will focus on the Truist proposal, which provided the only interest rates that could be held firm for a mid-April closing, as well as the Public Sale Option which currently has the lowest estimated interest rate.

2. Prepayment Provisions

The prepayment provisions offered by the lending institutions are shown in Table 2 below.

Table 2: Summary of Prepayment Provisions

Lender	Prepayment Provisions
	Option 1: Prepayable in whole or in part subject to a "Make Whole Call".
Truist	Option 2: Prepayable in whole or in part at any time after 7 years without penalty; subject to a "Make Whole Call" prior to 7 years.
	Option 3: Prepayable in whole or in part at any time after 10 years without penalty; subject to a "Make Whole Call" prior to 10 years.
Public Sale	Callable on and after 04/01/2033.

In evaluating the Truist prepayment options, the Make-Whole-Call provision could require a prepayment penalty to compensate the Lender for all losses, costs and expenses incurred in connection with such prepayment. Additionally, the difference in interest rates between the Truist 7-year and 10-year par call interest rate varies by 23 and 48 basis points for the 15-year and 20-year proposals, respectively.

Given the uncertainty of the cost of the make-whole call prepayment provision as well as the increased cost of the 7-year par call, the remainder of this memo will focus on the Truist 10-year par call option.

3. Bank Closing Fees

The Bank closing fees proposed by the lending institutions are shown in Table 3 below.

Table 3: Summary of Bank Closing Fees

Lender	Bank Closing Fees
Truist Bank	Not-to-Exceed \$10,000
Public Sale	Additional costs for underwriting, credit ratings and additional documentation will be factored into the analysis.

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4. Estimated Debt Service

A summary comparison of the estimated debt service results for the Truist Proposal as well as the current market Public Sale is shown below in Table 4 and Table 5 on the following page.

Table 4: Summary of Debt Service: 15-year term options

15-Year Option				
A	B	C	D	E
Lender	Truist Bank	Public Sale	Difference	Cumulative Difference
1 Call Provisions	10-Year Par Call	10-Year Par Call		
2				
3 Interest Rate / TIC*	3.51%	2.83%	0.68%	
4				
5 Rate Lock/Pricing Date*	By 4/20/2023	Mid-April		
6 Closing Date*	4/12/2023	Late April		
7 First Interest Payment	10/1/2023	10/1/2023		
8 First Principal Payment	4/1/2024	4/1/2024		
9 Final Maturity	4/1/2038	4/1/2038		
10				
11 Sources of Funds				
12 Par Amount	\$ 21,806,000	\$ 19,070,000	\$ 2,736,000	
13 Premium	-	2,924,607	(2,924,607)	
14 Total	\$ 21,806,000	\$ 21,994,607	\$ (188,607)	
15				
16 Uses of Funds				
17 Project Fund*	\$ 21,595,751	\$ 21,595,751	\$ -	
18 Cost of issuance*	200,000	300,000	(100,000)	
19 Underwriter's Discount	-	95,350	(95,350)	
20 Bank Fees	10,000	-	10,000	
21 Additional Proceeds*	249	3,506	(3,257)	
22 Total	\$ 21,806,000	\$ 21,994,607	\$ (188,607)	
23				
24 Debt Service*				
25 Fiscal Year	Debt Service	Debt Service	Debt Service	Debt Service
26 2024	2,195,004	2,162,285	32,719	32,719
27 2025	2,168,390	2,164,750	3,640	36,359
28 2026	2,117,355	2,101,000	16,355	52,714
29 2027	2,066,320	2,037,250	29,070	81,784
30 2028	2,015,284	1,968,500	46,784	128,568
31 2029	1,964,249	1,905,000	59,249	187,816
32 2030	1,913,213	1,841,500	71,713	259,530
33 2031	1,862,178	1,778,000	84,178	343,708
34 2032	1,811,143	1,714,500	96,643	440,350
35 2033	1,760,107	1,651,000	109,107	549,457
36 2034	1,709,072	1,587,500	121,572	671,029
37 2035	1,658,036	1,524,000	134,036	805,065
38 2036	1,606,001	1,460,500	145,501	950,566
39 2037	1,555,001	1,397,000	158,001	1,108,567
40 2038	1,504,000	1,333,500	170,500	1,279,067
41 2039	-	-		
42 2040	-	-		
43 2041	-	-		
44 2042	-	-		
45 2043	-	-		
46 Total Debt Service	\$ 27,905,352	\$ 26,626,285	\$ 1,279,067	
47				
48 Difference to Public Sale	\$ 1,279,067	\$ -		
49				
50 Public Sale Breakeven Rate Movement	+80bps	-		
51				
52 FY 2024 Tax Impact	1.77¢	1.73¢	0.04¢	

* Preliminary and subject to change. Public Sale interest rates current as of 1/24/2023.

Table 5: Summary of Debt Service: 20-year term options

20-Year Option				
A	B	C	D	E
Lender	Truist Bank	Public Sale	Difference	Cumulative Difference
1 Call Provisions	10-Year Par Call	10-Year Par Call		
2				
3 Interest Rate / TIC*	3.71%	3.20%	0.51%	
4				
5 Rate Lock/Pricing Date*	By 4/20/2023	Mid-April		
6 Closing Date*	4/12/2023	Late April		
7 First Interest Payment	10/1/2023	10/1/2023		
8 First Principal Payment	4/1/2024	4/1/2024		
9 Final Maturity	4/1/2043	4/1/2043		
10				
11 Sources of Funds				
12 Par Amount	\$ 21,806,000	\$ 19,585,000	\$ 2,221,000	
13 Premium	-	2,410,441	(2,410,441)	
14 Total	\$ 21,806,000	\$ 21,995,441	\$ (189,441)	
15				
16 Uses of Funds				
17 Project Fund*	\$ 21,595,751	\$ 21,595,751	\$ -	
18 Cost of Issuance*	200,000	300,000	(100,000)	
19 Underwriter's Discount	-	97,925	(97,925)	
20 Bank Fees	10,000	-	10,000	
21 Additional Proceeds*	249	1,765	(1,516)	
22 Total	\$ 21,806,000	\$ 21,995,441	\$ (189,441)	
23				
24 Debt Service*				
25 Fiscal Year	Debt Service	Debt Service	Debt Service	Debt Service
26 2024	1,875,283	1,840,742	34,541	34,541
27 2025	1,859,527	1,861,600	(2,074)	32,467
28 2026	1,819,050	1,812,600	6,450	38,918
29 2027	1,778,574	1,763,600	14,974	53,892
30 2028	1,738,098	1,714,600	23,498	77,390
31 2029	1,697,622	1,665,600	32,022	109,412
32 2030	1,656,146	1,616,600	39,546	148,958
33 2031	1,615,707	1,567,600	48,107	197,065
34 2032	1,575,268	1,518,600	56,668	253,733
35 2033	1,534,829	1,469,600	65,229	318,962
36 2034	1,494,390	1,420,600	73,790	392,752
37 2035	1,453,951	1,371,600	82,351	475,103
38 2036	1,413,512	1,322,600	90,912	566,015
39 2037	1,373,073	1,273,600	99,473	665,488
40 2038	1,332,634	1,224,600	108,034	773,522
41 2039	1,292,195	1,175,600	116,595	890,117
42 2040	1,251,756	1,136,400	115,356	1,005,473
43 2041	1,211,317	1,097,200	114,117	1,119,590
44 2042	1,170,878	1,053,000	117,878	1,237,468
45 2043	1,130,439	1,014,000	116,439	1,353,907
46 Total Debt Service	\$ 30,274,250	\$ 28,920,342	\$ 1,353,907	
47				
48 Difference to Public Sale	\$ 1,353,907	\$ -		
49				
50 Public Sale Breakeven Rate Movement	+66bps	-		
51				
52 FY 2024 Tax Impact	1.44¢	1.41¢	0.03¢	

* Preliminary and subject to change. Public Sale interest rates current as of 1/24/2023.

Additional summaries of the Truist vs. Public Sale approaches can be found in Appendix A.

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Recommendation

Based upon review of the proposals, related analyses, and discussions with County Staff and Bond Counsel, Davenport recommends moving forward with the 20-Year Truist proposal for a Direct Bank Loan approach.

Although current market interest rates for a Public Sale approach provide a lower overall interest rate in the current market compared to the Truist proposal, the interest rates would not be locked in for 60-75 days (pricing in mid-April) and has a minimal difference in the FY 2024 upfront tax impact required (1.41¢ vs. 1.44¢ for the 20-year options).

Additionally, while the 15-year Truist proposal results in less total debt service over the life of the loan, there is marginal difference in the interest rate (3.51% vs. 3.71%) and the 20-year term produces lower annual payments through the first 15 years of the loan. These factors result in a lower upfront tax impact required for the 20-Year term (1.44¢ vs. 1.77¢).

The Truist proposal also provides prepayment flexibility to refinance or prepay the loan in whole or in part without penalty after 10 years. If additional funding becomes available, the County could still choose to pay off the loan within the 15-year term.

Next Steps

February 6 th at 9:00am	County Board Meeting – County Board announces Public Hearing and selects a winning bidder.
February 20 th at 5:30pm	County Board Meeting – County Board considers adopting a Preliminary Findings Resolution and holds a Public Hearing.
Early March	Submit LGC Application.
April 3 rd at 9:00am	County Board Meeting – County Board considers adopting Final Approval Resolution.
April 4 th	LGC approves financing.
April 20 th	Deadline to Close on Financing.

Appendix A

Debt Service Comparisons

Truist vs. Public Sale



Fiscal Year	Annual Debt Service		Difference	Cumulative Difference
	15-Year Term			
	Truist 10-Year Par Call	Public Sale		
2024	2,195,004	2,162,285	32,719	32,719
2025	2,168,390	2,164,750	3,640	36,359
2026	2,117,355	2,101,000	16,355	52,714
2027	2,066,320	2,037,250	29,070	81,784
2028	2,015,284	1,968,500	46,784	128,568
2029	1,964,249	1,905,000	59,249	187,816
2030	1,913,213	1,841,500	71,713	259,530
2031	1,862,178	1,778,000	84,178	343,708
2032	1,811,143	1,714,500	96,643	440,350
2033	1,760,107	1,651,000	109,107	549,457
2034	1,709,072	1,587,500	121,572	671,029
2035	1,658,036	1,524,000	134,036	805,065
2036	1,606,001	1,460,500	145,501	950,566
2037	1,555,001	1,397,000	158,001	1,108,567
2038	1,504,000	1,333,500	170,500	1,279,067
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
Total	27,905,352	26,626,285	1,279,067	

FY 2024 Tax Impact 1.77¢ 1.73¢ 0.04¢

Fiscal Year	Annual Debt Service		Difference	Cumulative Difference
	20-Year Term			
	Truist 10-Year Par Call	Public Sale		
2024	1,875,283	1,840,742	34,541	34,541
2025	1,859,527	1,861,600	(2,074)	32,467
2026	1,819,050	1,812,600	6,450	38,918
2027	1,778,574	1,763,600	14,974	53,892
2028	1,738,098	1,714,600	23,498	77,390
2029	1,697,622	1,665,600	32,022	109,412
2030	1,656,146	1,616,600	39,546	148,958
2031	1,615,707	1,567,600	48,107	197,065
2032	1,575,268	1,518,600	56,668	253,733
2033	1,534,829	1,469,600	65,229	318,962
2034	1,494,390	1,420,600	73,790	392,752
2035	1,453,951	1,371,600	82,351	475,103
2036	1,413,512	1,322,600	90,912	566,015
2037	1,373,073	1,273,600	99,473	665,488
2038	1,332,634	1,224,600	108,034	773,522
2039	1,292,195	1,175,600	116,595	890,117
2040	1,251,756	1,136,400	115,356	1,005,473
2041	1,211,317	1,097,200	114,117	1,119,590
2042	1,170,878	1,053,000	117,878	1,237,468
2043	1,130,439	1,014,000	116,439	1,353,907
Total	30,274,250	28,920,342	1,353,907	

FY 2024 Tax Impact 1.44¢ 1.41¢ 0.03¢



Debt Service Comparison

Truist 10-Year Par Call



A Fiscal Year	B Truist 10-Year Par Call Proposal			E Cumulative Difference
	C Annual Debt Service		D Difference	
	15-Year	20-Year		
2024	2,195,004	1,875,283	319,721	319,721
2025	2,168,390	1,859,527	308,864	628,584
2026	2,117,355	1,819,050	298,305	926,889
2027	2,066,320	1,778,574	287,745	1,214,634
2028	2,015,284	1,738,098	277,186	1,491,820
2029	1,964,249	1,697,622	266,627	1,758,447
2030	1,913,213	1,656,146	257,067	2,015,514
2031	1,862,178	1,615,707	246,471	2,261,985
2032	1,811,143	1,575,268	235,875	2,497,859
2033	1,760,107	1,534,829	225,278	2,723,137
2034	1,709,072	1,494,390	214,682	2,937,819
2035	1,658,036	1,453,951	204,085	3,141,904
2036	1,606,001	1,413,512	192,489	3,334,393
2037	1,555,001	1,373,073	181,928	3,516,321
2038	1,504,000	1,332,634	171,366	3,687,687
2039	-	1,292,195	(1,292,195)	2,395,492
2040	-	1,251,756	(1,251,756)	1,143,736
2041	-	1,211,317	(1,211,317)	(67,581)
2042	-	1,170,878	(1,170,878)	(1,238,459)
2043	-	1,130,439	(1,130,439)	(2,368,898)
Total	27,905,352	30,274,250	(2,368,898)	
FY 2024 Tax Impact	1.77¢	1.44¢	0.33¢	

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