MEMORANDUM

To: Mayor and Members of the City Council

From: Rich Olson, City Manager
Suzanne Tungate, Finance Director

Date: March 23, 2020

Ref: Consideration – Hold a Public Hearing – Financing for Beacon Water Meter Project

BACKGROUND:

During the January 27, 2020 City Council meeting, the City Council elected to move forward with the electrical Smart Metering project. During the same meeting, the Council elected not to move forward with the Water Smart Metering implementation. Due to the delays, staff was unable to have the item placed on the LGC's March agenda; thereby losing the financing bids received for that period.

During the February 10, 2020 City Council meeting, the Council voted in favor of staff obtaining bids from local banks for the Beacon Water Meter project. The Finance Department solicited bids for the installment financing. Two proposals were received, one from BB&T and one form Wells Fargo. The bid from Wells Fargo was over and eight-year period, even though we requested a 10-year payback, which staff determined was unresponsive. During the March 9, 2020 City council meeting, the Council called for a Public Hearing on the issuance of $4,975,000.

ANALYSIS:

The City requested financing for $4,975,000 over a 10-year period. The only responsive bidder was BB&T, who bid a rate of 1.89% with no associated fees. Because the Federal Government has lowered their lending rate to .25%, staff has requested that BB&T lower our interest rate. On March 16, 2020, staff received a new offer from BB&T with a rate of 1.78%. Their offer sheet is attached. At this time, the yield curve is flat. In addition, the fear in the marketplace associated with the Coronavirus has also driven rates lower. The amount of interest the City will pay over the 10-year period is $459,582.80. This is an additional savings of $42,594.

A companion public hearing will follow, in which a resolution for financing must be adopted as required by the LGC.

AT THE CONCLUSION OF THE PUBLIC HEARING:

STAFF RECOMMENDATION:

By motion, authorize financing with BB&T for the Beacon Water Meter Project for debt issuance of $4,975,000.

BB&T

Branch Banking & Trust Company

Governmental Finance
5130 Parkway Plaza Boulevard
Charlotte, North Carolina 28217
Phone (704) 954-1700
Fax (704) 954-1799

Updated: March 16, 2020

Ms. Suzanne Tungate
City of Elizabeth City, NC
PO Box 404
Elizabeth City, NC 27909

Dear Ms. Tungate:

Truist Bank ("Lender") is pleased to offer this proposal for the financing requested by the City of Elizabeth City, NC ("Borrower").

PROJECT:	Beacon Water Meter AMI Upgrade
AMOUNT:	$4,975,000.00
TERM:	10 years
INTEREST RATE:	1.78%
TAX STATUS:	Tax Exempt – Bank Qualified
PAYMENTS:	Interest: Monthly Principal: Monthly
INTEREST RATE CALCULATION:	30/360
SECURITY:	Equipment
PREPAYMENT TERMS:	Prepayable in whole at any time without penalty
RATE EXPIRATION:	May 29, 2020
DOCUMENTATION/ LEGAL REVIEW FEE:	N/A
FUNDING:	Proceeds will be deposited into an account held at Lender pending disbursement unless equipment is delivered prior to closing.
DOCUMENTATION:	Lender proposes to use its standard form financing contracts and related documents for this installment financing. We shall provide a sample of those documents to you should Lender be the successful proposer.

The financing documents shall include provisions that will outline appropriate changes to be implemented in the event that this transaction is determined to be taxable or non-bank qualified in accordance with the Internal Revenue Service Code.

REPORTING REQUIREMENTS: Lender will require financial statements to be delivered within 270 days after the conclusion of each fiscal year-end throughout the term of the financing.

Should we become the successful proposer, we have attached the form of a resolution that your governing board can use to award the financing to Lender. If your board adopts this resolution, then Lender shall not require any further board action prior to closing the transaction.

Lender shall have the right to cancel this offer by notifying the Borrower of its election to do so (whether this offer has previously been accepted by the Borrower) if at any time prior to the closing there is a material adverse change in the Borrower's financial condition, if we discover adverse circumstances of which we are currently unaware, if we are unable to agree on acceptable documentation with the Borrower or if there is a change in law (or proposed change in law) that changes the economic effect of this financing to Lender.

Costs of counsel for the Borrower and any other costs will be the responsibility of the Borrower.

The stated interest rate assumes that the Borrower expects to borrow no more than $10,000,000 in the current calendar year and that the financing will qualify as qualified tax-exempt financing under the Internal Revenue Code. Lender reserves the right to terminate this bid or to negotiate a mutually acceptable interest rate if the financing is not qualified tax-exempt financing.

Lender appreciates the opportunity to offer this financing proposal. Please call me at (803) 251-1328 with your questions and comments. We look forward to hearing from you.

Sincerely,

Truist Bank

Andrew G. Smith
Senior Vice President

Resolution Approving Financing Terms

WHEREAS: The City of Elizabeth City, NC ("Borrower") has previously determined to undertake a project for the financing of water meter project/equipment (the "Project"), and the Finance Officer has now presented a proposal for the financing of such Project.

BE IT THEREFORE RESOLVED, as follows:

1. The Borrower hereby determines to finance the Project through Truist Bank ("Lender") in accordance with the proposal dated March 16, 2020. The amount financed shall not exceed $4,975,000.00, the annual interest rate (in the absence of default or change in tax status) shall not exceed 1.78%, and the financing term shall not exceed ten (10) years from closing.

2. All financing contracts and all related documents for the closing of the financing (the "Financing Documents") shall be consistent with the foregoing terms. All officers and employees of the Borrower are hereby authorized and directed to execute and deliver any Financing Documents, and to take all such further action as they may consider necessary or desirable, to carry out the financing of the Project as contemplated by the proposal and this resolution.

3. The Finance Officer is hereby authorized and directed to hold executed copies of the Financing Documents until the conditions for the delivery of the Financing Documents have been completed to such officer's satisfaction. The Finance Officer is authorized to approve changes to any Financing Documents previously signed by Borrower officers or employees, provided that such changes shall not substantially alter the intent of such documents or certificates from the intent expressed in the forms executed by such officers. The Financing Documents shall be in such final forms as the Finance Officer shall approve, with the Finance Officer's release of any Financing Document for delivery constituting conclusive evidence of such officer's final approval of the Document's final form.

4. The Borrower shall not take or omit to take any action the taking or omission of which shall cause its interest payments on this financing to be includable in the gross income for federal income tax purposes of the registered owners of the interest payment obligations. The Borrower hereby designates its obligations to make principal and interest payments under the Financing Documents as "qualified tax-exempt obligations" for the purpose of Internal Revenue Code Section 265(b)(3).

5. The Borrower intends that the adoption of this resolution will be a declaration of the Borrower's official intent to reimburse expenditures for the Project that are to be financed from the proceeds of the Lender financing described above. The Borrower intends that funds that have been advanced, or that may be advanced, from the Borrower's general fund or any other Borrower fund related to the Project, for project costs may be reimbursed from the financing proceeds.

6. All prior actions of Borrower officers in furtherance of the purposes of this resolution are hereby ratified, approved and confirmed. All other resolutions (or parts thereof) in conflict with this resolution are hereby repealed, to the extent of the conflict. This resolution shall take effect immediately.

Approved this________ day of__________________, 2020

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________

SEAL

Elizabeth City ESTIMATED Payment Schedule

Nominal Annual Rate: 1.780%

Cash Flow Data - Loans and Payments

	Event	Date	Amount	Number	Period	End Date
1	Loan	03/16/2020	4,975,000.00	1		
2	Payment	04/16/2020	45,288.19	120	Monthly	03/16/2030

TValue Amortization Schedule - Normal, 360 Day Year

		Date	Payment	Interest	Principal	Balance
	Loan	03/16/2020				4,975,000.00
	1	04/16/2020	45,288.19	7,379.58	37,908.61	4,937,091.39
	2	05/16/2020	45,288.19	7,323.35	37,964.84	4,899,126.55
	3	06/16/2020	45,288.19	7,267.04	38,021.15	4,861,105.40
2020 Totals			**135,864.57**	**21,969.97**	**113,894.60**	
	4	07/16/2020	45,288.19	7,210.64	38,077.55	4,823,027.85
	5	08/16/2020	45,288.19	7,154.16	38,134.03	4,784,893.82
	6	09/16/2020	45,288.19	7,097.59	38,190.60	4,746,703.22
	7	10/16/2020	45,288.19	7,040.94	38,247.25	4,708,455.97
	8	11/16/2020	45,288.19	6,984.21	38,303.98	4,670,151.99
	9	12/16/2020	45,288.19	6,927.39	38,360.80	4,631,791.19
	10	01/16/2021	45,288.19	6,870.49	38,417.70	4,593,373.49
	11	02/16/2021	45,288.19	6,813.50	38,474.69	4,554,898.80
	12	03/16/2021	45,288.19	6,756.43	38,531.76	4,516,367.04
	13	04/16/2021	45,288.19	6,699.28	38,588.91	4,477,778.13
	14	05/16/2021	45,288.19	6,642.04	38,646.15	4,439,131.98
	15	06/16/2021	45,288.19	6,584.71	38,703.48	4,400,428.50
2021 Totals			**543,458.28**	**82,781.38**	**460,676.90**	
	16	07/16/2021	45,288.19	6,527.30	38,760.89	4,361,667.61
	17	08/16/2021	45,288.19	6,469.81	38,818.38	4,322,849.23
	18	09/16/2021	45,288.19	6,412.23	38,875.96	4,283,973.27
	19	10/16/2021	45,288.19	6,354.56	38,933.63	4,245,039.64
	20	11/16/2021	45,288.19	6,296.81	38,991.38	4,206,048.26
	21	12/16/2021	45,288.19	6,238.97	39,049.22	4,166,999.04
	22	01/16/2022	45,288.19	6,181.05	39,107.14	4,127,891.90
	23	02/16/2022	45,288.19	6,123.04	39,165.15	4,088,726.75
	24	03/16/2022	45,288.19	6,064.94	39,223.25	4,049,503.50
	25	04/16/2022	45,288.19	6,006.76	39,281.43	4,010,222.07
	26	05/16/2022	45,288.19	5,948.50	39,339.69	3,970,882.38
	27	06/16/2022	45,288.19	5,890.14	39,398.05	3,931,484.33
2022 Totals			**543,458.28**	**74,514.11**	**468,944.17**	
	28	07/16/2022	45,288.19	5,831.70	39,456.49	3,892,027.84
	29	08/16/2022	45,288.19	5,773.17	39,515.02	3,852,512.82

	30	09/16/2022	45,288.19	5,714.56	39,573.63	3,812,939.19
	31	10/16/2022	45,288.19	5,655.86	39,632.33	3,773,306.86
	32	11/16/2022	45,288.19	5,597.07	39,691.12	3,733,615.74
	33	12/16/2022	45,288.19	5,538.20	39,749.99	3,693,865.75
	34	01/16/2023	45,288.19	5,479.23	39,808.96	3,654,056.79
	35	02/16/2023	45,288.19	5,420.18	39,868.01	3,614,188.78
	36	03/16/2023	45,288.19	5,361.05	39,927.14	3,574,261.64
	37	04/16/2023	45,288.19	5,301.82	39,986.37	3,534,275.27
	38	05/16/2023	45,288.19	5,242.51	40,045.68	3,494,229.59
	39	06/16/2023	45,288.19	5,183.11	40,105.08	3,454,124.51
2023 Totals			**543,458.28**	**66,098.46**	**477,359.82**	
	40	07/16/2023	45,288.19	5,123.62	40,164.57	3,413,959.94
	41	08/16/2023	45,288.19	5,064.04	40,224.15	3,373,735.79
	42	09/16/2023	45,288.19	5,004.37	40,283.82	3,333,451.97
	43	10/16/2023	45,288.19	4,944.62	40,343.57	3,293,108.40
	44	11/16/2023	45,288.19	4,884.78	40,403.41	3,252,704.99
	45	12/16/2023	45,288.19	4,824.85	40,463.34	3,212,241.65
	46	01/16/2024	45,288.19	4,764.83	40,523.36	3,171,718.29
	47	02/16/2024	45,288.19	4,704.72	40,583.47	3,131,134.82
	48	03/16/2024	45,288.19	4,644.52	40,643.67	3,090,491.15
	49	04/16/2024	45,288.19	4,584.23	40,703.96	3,049,787.19
	50	05/16/2024	45,288.19	4,523.85	40,764.34	3,009,022.85
	51	06/16/2024	45,288.19	4,463.38	40,824.81	2,968,198.04
2024 Totals			**543,458.28**	**57,531.81**	**485,926.47**	
	52	07/16/2024	45,288.19	4,402.83	40,885.36	2,927,312.68
	53	08/16/2024	45,288.19	4,342.18	40,946.01	2,886,366.67
	54	09/16/2024	45,288.19	4,281.44	41,006.75	2,845,359.92
	55	10/16/2024	45,288.19	4,220.62	41,067.57	2,804,292.35
	56	11/16/2024	45,288.19	4,159.70	41,128.49	2,763,163.86
	57	12/16/2024	45,288.19	4,098.69	41,189.50	2,721,974.36
	58	01/16/2025	45,288.19	4,037.60	41,250.59	2,680,723.77
	59	02/16/2025	45,288.19	3,976.41	41,311.78	2,639,411.99
	60	03/16/2025	45,288.19	3,915.13	41,373.06	2,598,038.93
	61	04/16/2025	45,288.19	3,853.76	41,434.43	2,556,604.50
	62	05/16/2025	45,288.19	3,792.30	41,495.89	2,515,108.61
	63	06/16/2025	45,288.19	3,730.74	41,557.45	2,473,551.16
2025 Totals			**543,458.28**	**48,811.40**	**494,646.88**	
	64	07/16/2025	45,288.19	3,669.10	41,619.09	2,431,932.07
	65	08/16/2025	45,288.19	3,607.37	41,680.82	2,390,251.25
	66	09/16/2025	45,288.19	3,545.54	41,742.65	2,348,508.60
	67	10/16/2025	45,288.19	3,483.62	41,804.57	2,306,704.03
	68	11/16/2025	45,288.19	3,421.61	41,866.58	2,264,837.45
	69	12/16/2025	45,288.19	3,359.51	41,928.68	2,222,908.77
	70	01/16/2026	45,288.19	3,297.31	41,990.88	2,180,917.89
	71	02/16/2026	45,288.19	3,235.03	42,053.16	2,138,864.73

	72	03/16/2026	45,288.19	3,172.65	42,115.54	2,096,749.19
	73	04/16/2026	45,288.19	3,110.18	42,178.01	2,054,571.18
	74	05/16/2026	45,288.19	3,047.61	42,240.58	2,012,330.60
	75	06/16/2026	45,288.19	2,984.96	42,303.23	1,970,027.37
2026 Totals			**543,458.28**	**39,934.49**	**503,523.79**	
	76	07/16/2026	45,288.19	2,922.21	42,365.98	1,927,661.39
	77	08/16/2026	45,288.19	2,859.36	42,428.83	1,885,232.56
	78	09/16/2026	45,288.19	2,796.43	42,491.76	1,842,740.80
	79	10/16/2026	45,288.19	2,733.40	42,554.79	1,800,186.01
	80	11/16/2026	45,288.19	2,670.28	42,617.91	1,757,568.10
	81	12/16/2026	45,288.19	2,607.06	42,681.13	1,714,886.97
	82	01/16/2027	45,288.19	2,543.75	42,744.44	1,672,142.53
	83	02/16/2027	45,288.19	2,480.34	42,807.85	1,629,334.68
	84	03/16/2027	45,288.19	2,416.85	42,871.34	1,586,463.34
	85	04/16/2027	45,288.19	2,353.25	42,934.94	1,543,528.40
	86	05/16/2027	45,288.19	2,289.57	42,998.62	1,500,529.78
	87	06/16/2027	45,288.19	2,225.79	43,062.40	1,457,467.38
2027 Totals			**543,458.28**	**30,898.29**	**512,559.99**	
	88	07/16/2027	45,288.19	2,161.91	43,126.28	1,414,341.10
	89	08/16/2027	45,288.19	2,097.94	43,190.25	1,371,150.85
	90	09/16/2027	45,288.19	2,033.87	43,254.32	1,327,896.53
	91	10/16/2027	45,288.19	1,969.71	43,318.48	1,284,578.05
	92	11/16/2027	45,288.19	1,905.46	43,382.73	1,241,195.32
	93	12/16/2027	45,288.19	1,841.11	43,447.08	1,197,748.24
	94	01/16/2028	45,288.19	1,776.66	43,511.53	1,154,236.71
	95	02/16/2028	45,288.19	1,712.12	43,576.07	1,110,660.64
	96	03/16/2028	45,288.19	1,647.48	43,640.71	1,067,019.93
	97	04/16/2028	45,288.19	1,582.75	43,705.44	1,023,314.49
	98	05/16/2028	45,288.19	1,517.92	43,770.27	979,544.22
	99	06/16/2028	45,288.19	1,452.99	43,835.20	935,709.02
2028 Totals			**543,458.28**	**21,699.92**	**521,758.36**	
	100	07/16/2028	45,288.19	1,387.97	43,900.22	891,808.80
	101	08/16/2028	45,288.19	1,322.85	43,965.34	847,843.46
	102	09/16/2028	45,288.19	1,257.63	44,030.56	803,812.90
	103	10/16/2028	45,288.19	1,192.32	44,095.87	759,717.03
	104	11/16/2028	45,288.19	1,126.91	44,161.28	715,555.75
	105	12/16/2028	45,288.19	1,061.41	44,226.78	671,328.97
	106	01/16/2029	45,288.19	995.80	44,292.39	627,036.58
	107	02/16/2029	45,288.19	930.10	44,358.09	582,678.49
	108	03/16/2029	45,288.19	864.31	44,423.88	538,254.61
	109	04/16/2029	45,288.19	798.41	44,489.78	493,764.83
	110	05/16/2029	45,288.19	732.42	44,555.77	449,209.06
	111	06/16/2029	45,288.19	666.33	44,621.86	404,587.20
2029 Totals			**543,458.28**	**12,336.46**	**531,121.82**	
	112	07/16/2029	45,288.19	600.14	44,688.05	359,899.15

	113	08/16/2029	45,288.19	533.85	44,754.34	315,144.81
	114	09/16/2029	45,288.19	467.46	44,820.73	270,324.08
	115	10/16/2029	45,288.19	400.98	44,887.21	225,436.87
	116	11/16/2029	45,288.19	334.40	44,953.79	180,483.08
	117	12/16/2029	45,288.19	267.72	45,020.47	135,462.61
	118	01/16/2030	45,288.19	200.94	45,087.25	90,375.36
	119	02/16/2030	45,288.19	134.06	45,154.13	45,221.23
	120	03/16/2030	45,288.19	66.96	45,221.23	0.00
2030 Totals			**407,593.71**	**3,006.51**	**404,587.20**	
Grand Totals			**5,434,582.80**	**459,582.80**	**4,975,000.00**	