

# Refunding Opportunity(s) – RFP Results and Status Update

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Town of Purcellville, Virginia



March 24, 2020

- Davenport & Company LLC (“Davenport”), in its capacity as Financial Advisor to the Town of Purcellville (the “Town”), routinely monitors the Town’s outstanding Debt Portfolio for opportunities to refund outstanding loans for debt service savings.
- Davenport identified a potential opportunity(s) to refund existing Town loans for debt service savings and to provide additional up-front cash-flow relief (the “Refunding Opportunity(s)”).
- Davenport, on behalf of the Town, solicited refunding proposals from local, regional, and national banking institutions through a competitive Request for Proposals (RFP) Process.

**As a result of the competitive bidding process, the Town received favorable proposals that, if approved by Town Council, will allow the Town to achieve savings results well above the savings estimated for planning purposes.<sup>(1)</sup>**

(1) Estimated results are preliminary and subject to change. Bank loan estimates are based on bank proposals received March 10, 2020 and escrow SLGS rates as of March 23, 2020. Bank loan estimates are compared to planning estimates as of February 5, 2020. Actual results may vary from these estimates.

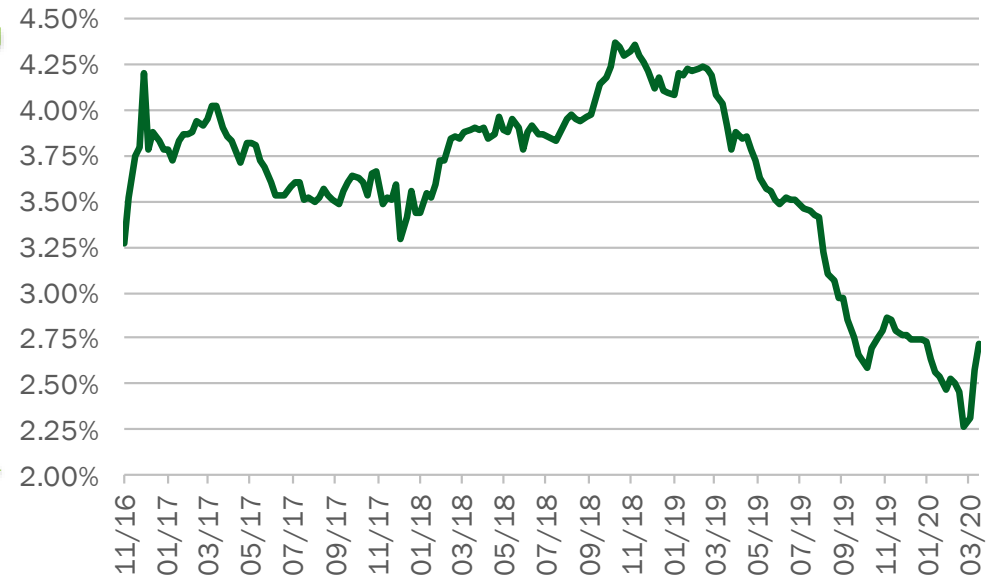
# Interest Rate Environment | Tax-Exempt



20-Bond Index (Since 2000)



20-Bond Index (Since November 2016)



*Long term interest rates have continued to decline and remain at historic lows.*

# Interest Rate Environment | Taxable



10 Year Treasury (Since 2000)



10 Year Treasury (Since November 2016)



*Long term interest rates have continued to decline and remain at historic lows.*

# The Refunding Opportunity(s) / Refunding Candidates



- Tax-Exempt and Taxable interest rates are currently at/near historically low levels.
- Based on the currently favorable interest rate environment, Davenport identified a potential opportunity(s) to refund outstanding Town loans for debt service savings.
  - **2020A Refunding Bond** – Potential Refunding of the Town’s 2012A G.O. Bond.
  - **2020B Refunding Bond** – Potential refunding of the Town’s 2013A G.O. Bonds and 2013B G.O. Bonds.

## Summary of Refunding Candidates

	Refunding Candidate	Fund(s)	Principal Refunded	Call Provisions	Existing Interest Rate of Principal Refunded	Existing Final Maturity
Refunded by 2020A	2012A G.O. Bond	General Fund, Water Fund	\$4,431,485 (FY 2021 – FY 2033)	Any Time at 101%	2.75%	FY 2033 (13 years)
Refunded by 2020B	2013A G.O. Bonds	General Fund, Sewer Fund	\$5,005,000 (FY 2026 – FY 2034)	Callable 2/1/2023 at 100%	4.76% (average rate)	FY 2034 (14 years)
	2013B G.O. Bonds (Taxable)	Sewer Fund	\$5,370,000 (FY 2028 – FY 2034)	Callable 2/1/2023 at 100%	4.60%	FY 2034 (14 years)
<b>Total</b>			\$14,806,485			

# Goals and Objectives of the Refunding Opportunity(s)

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The refunding proposals detailed on the next page accomplish all of the goals listed below.

- Create debt service savings by reducing the interest rate on the Refunding Candidates.
- Achieve annual savings in the Sewer Fund, Water Fund, and General Fund without extending final maturity of the Refunding Candidates.
- Create up-front cash-flow relief in the Sewer Fund over the next five years (FY 2021-2025).
- Maintain prepayment flexibility for potential future refundings.
- Lock in an interest rate fixed for the full term of the loan(s).

# Results of the Competitive RFP Process



- The Town received refunding proposals from 10 banking institutions:

- **Key Bank**
- Chase Bank
- TD Bank
- Atlantic Union
- Bank of America
- BB&T
- Sterling National Bank
- Raymond James
- Capital One
- First Bank & Trust

- Key Bank proposed interest rates that are “known” and can be locked in if approved at Tuesday’s Town Council meeting.

- Key Bank’s “known” proposals would allow the Town to achieve approximately \$2.0 million of debt service savings, nearly 3 times the savings estimated for planning purposes.<sup>(1)</sup>

*Note: Savings estimates are net of costs of issuance.*

- At Tuesday’s Town Council meeting, Town Council will be asked to approve documents that authorize the Refunding Opportunity(s) and lock in the Key Bank interest rates on the 2020A and 2020B Refunding Bonds.

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# Key Bank Refunding Results vs. Planning Estimates



## ■ Interest Rates

- Key Proposal = 1.459% (2020A) and 1.997% (2020B) to 1.578% (2023B).
- Planning Estimate = 2.00% (2020A) and 3.00% (2020B).

## ■ Total Savings

- Key Proposal = approx. \$2.0 million, equivalent to 12.4% Net Present Value (NPV) Savings. (Note: more than 4 times the industry standard minimum savings threshold of 3% NPV Savings).
- Planning Estimate = \$681,000, equivalent to 4.5% NPV Savings.

## ■ Sewer Fund Savings

- Key Proposal = approx. \$1,166,000.  
Includes \$122,000 per year in FY 2021-2025.
- Planning Estimate = approx. \$402,000.  
Includes \$80,000 per year in FY 2021-2025.

## ■ Water Fund Savings

- Key Proposal = approx. \$47,000.
- Planning Estimate = approx. \$16,000.

## ■ General Fund Savings

- Key Proposal = \$817,000.
- Planning Estimate = \$263,000.

## ■ Key Bank would allow the Town to prepay the loans at any time without penalty.

Estimated Savings by Fund Key Bank Proposal				
Fiscal Year	Sewer Fund Savings	Water Fund Savings	General Fund Savings	Total Savings
<b>Total</b>	<b>\$1,165,518</b>	<b>\$46,876</b>	<b>\$817,734</b>	<b>\$2,030,128</b>
2021	\$122,431	\$4,440	\$60,991	\$187,862
2022	122,623	3,941	59,735	186,299
2023	122,862	4,277	60,392	187,532
2024	122,368	3,599	56,364	182,330
2025	122,504	3,852	58,270	184,626
2026	63,135	4,094	59,123	126,353
2027	63,751	4,254	58,532	126,537
2028	60,449	4,402	61,560	126,411
2029	60,832	3,468	59,278	123,578
2030	61,049	3,538	59,242	123,829
2031	61,099	3,524	60,628	125,251
2032	60,287	3,486	60,828	124,601
2033	61,276	-	59,596	120,872
2034	60,852	-	43,193	104,046

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# Next Steps



<u>Date</u>	<u>Action</u>
Tuesday, March 24 (Today)	<u>Regularly Scheduled Meeting of Town Council.</u> Davenport presents results of the RFP process for the Refunding Opportunity(s).  Town Council authorizes Refunding Opportunity(s) and selects winning lender.
Late March / Early April	Davenport works with Town staff and the Town's Bond Counsel, Hunton Andrews Kurth, to prepare documents and numbers for closing on the Refunding Opportunity(s).
By Friday, April 17	Close on the 2020A and 2020B Refunding Bonds

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