

To Town of Elon, North Carolina

From Davenport & Company LLC

Date August 10, 2021

Subject 2021 Revenue Bond RFP Summary

Background

Davenport & Company LLC (“Davenport”), on behalf of the Town of Elon, NC (the “Town”), distributed a Request for Proposals (“RFP”) to secure a commitment for a direct bank loan evidenced by a Revenue Bond to fund the purchase of the Travis Creek Pump Station from the Town of Gibsonville.

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.

RFP Responses

Through this process, the Town was able to secure four responses to the RFP, including:

1. Capital One Public Funding, LLC (“Capital One”);
2. Pinnacle Financial Partners (“Pinnacle”);
3. Sterling National Bank (“Sterling”);
4. Truist Bank (“Truist”);

The remainder of this Memorandum contains a summary of the key terms and conditions for the responses received.

Discussion Points

1. Interest Rate

A summary of the interest rates proposed by the four bidders is outlined in Table 1 below. All interest rates are fixed through final maturity.

Table 1: Summary of Interest Rates

A	B	C
Lender	15 Years	20 Years
1 Capital One Public Funding, LLC	2.15%	2.49%
2 Pinnacle Financial Partners	1.80%	-
3 Sterling National Bank	1.72%	2.24%
4 Truist Bank	BQ: 1.83% NBQ: 1.93%	BQ: 2.38% NBQ: 2.49%

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The remainder of the memorandum will focus on the Pinnacle and Sterling proposals, which provided the lowest interest rates.

2. Prepayment Provisions

Prepayment provisions offered by the select lending institutions are shown in Table 2 below.

Table 2: Summary of Prepayment Provisions

Lender	Prepayment Provisions
Pinnacle	Prepayable in whole or in part upon thirty (30) days prior written notice to the Lender. Any partial prepayment of the Bond shall be applied in inverse order of scheduled maturities.
Sterling	No call in years 1-5, then prepayable in whole or in part on any date at 101% in years 6-9 and at par thereafter.

3. Bank Closing Fees

Bank closing fees required by the select lending institutions are shown in Table 3 below.

Table 3: Summary of Bank Closing Fees

Lender	Bank Closing Fees
Pinnacle	Not-to-Exceed \$5,000 (Lender's Counsel)
Sterling	\$0

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4. Estimated Debt Service

A summary comparison of the estimated debt service results for the Pinnacle 15-Year Proposal and Sterling 15 and 20-Year Proposals is shown below in Table 4. The preliminary estimated debt service shown accounts for estimated costs of issuance.

Table 4: Summary of Debt Service

A	B	C	D
Lender	Sterling National Bank	Pinnacle Financial Partners	Sterling National Bank
Term	15 Years	15 Years	20 Years
Sources			
Par Amount*	\$ 1,995,000	\$ 2,000,000	\$ 1,995,000
Total	\$ 1,995,000	\$ 2,000,000	\$ 1,995,000
Uses			
Project Funds*	\$ 1,838,064	\$ 1,838,064	\$ 1,838,064
Cost of Issuance*	155,000	155,000	155,000
Bank Fees	-	5,000	-
Additional Proceeds*	1,936	1,936	1,936
Total	\$ 1,995,000	\$ 2,000,000	\$ 1,995,000
Interest Rate*	1.7200%	1.8000%	2.2400%
All-In TIC*	2.8015%	2.9178%	3.0869%
Closing Date*	9/24/2021	9/24/2021	9/24/2021
First Interest Payment	9/1/2022	9/1/2022	9/1/2022
First Principal Payment	9/1/2022	9/1/2022	9/1/2022
Final Maturity	9/1/2036	9/1/2036	9/1/2041
Debt Service*			
Fiscal Year			
2023	\$ 152,122	\$ 153,700	\$ 126,833
2024	152,250	153,840	122,784
2025	150,186	151,680	125,992
2026	153,122	154,520	124,088
2027	150,972	152,270	127,184
2028	153,822	155,020	125,168
2029	151,586	152,680	123,152
2030	154,350	155,340	126,136
2031	152,028	152,910	124,008
2032	149,706	150,480	126,880
2033	152,384	153,050	124,640
2034	149,976	150,530	122,400
2035	152,568	153,010	125,160
2036	150,074	155,400	122,808
2037	152,580	152,700	125,456
2038	-	-	122,992
2039	-	-	125,528
2040	-	-	122,952
2041	-	-	125,376
2042	-	-	122,688
Total Debt Service	\$ 2,277,726	\$ 2,297,130	\$ 2,492,225

* Preliminary and subject to change

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Recommendation

Based upon our review of the proposals, related analyses, and discussions with Town Staff and Bond Counsel, Davenport recommends that the Town select the Sterling 15-year proposal. Sterling's 15-year proposal provides for the lowest overall debt service over the life of the loan, and maintains the flexibility to prepay the loan after the first five years.

Next Steps

August 10 th	Town Council Meeting – Town Council considers approval of winning lender and considers adopting a Preliminary Findings Resolution.
September 14 th	Town Council Meeting – Town Council considers adopting a Final Approving Resolution, considers adopting a Bond Order and considers adopting a Bond Resolution. LGC Meeting – LGC considers approving financing.
By September 24 th	Deadline to Close on Financing.

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Appendix

2021 Revenue Bond – Bid Summary

Town of Elon, North Carolina



July 28, 2021

Summary of Interest Rates



A	B	C	D
Lender	Call Provisions	15 Years	20 Years
1 Capital One Public Funding, LLC ¹	No call until 09/01/31, then in whole at par on any interest payment date.	2.15%	2.49%
2 Pinnacle Financial Partners ¹	Prepayable in whole or in part on any date upon thirty days written notice to the lender.	1.80%	-
3 Sterling National Bank ¹	No call in years 1-5, then prepayable in whole or in part on any date at 101% in years 6-9 and at par thereafter.	1.72%	2.24%
4 Truist Bank	A: Prepayable in whole at any time at 101%. B: Non-callable for the first half of the term and callable at par thereafter.	BQ: 1.83% NBQ: 1.93%	BQ: 2.38% NBQ: 2.49%

¹ Provided the same interest rate for both Bank Qualified and Non Bank Qualified.

Summary of Proposals



A		B	C
Lender		Pinnacle Financial Partners 	Sterling National Bank
Term		15 Years	15 Years 20 Years
1	Interest Rate	1.80%	1.72% 2.24%
2	Prepayment Language	Prepayable in whole or in part on any date upon thirty days written notice to the lender.	No call in years 1-5, then prepayable in whole or in part on any date at 101% in years 6-9 and at par thereafter.
3	Acceptance / Rate Expiration	August 11th / September 24th	August 11th / September 24th
4	Bank Fees	Not-to-Exceed \$5,000	\$0
5	Escrow Requirements	Pending disbursement, the proceeds will be held and invested at Pinnacle Bank in accordance with applicable law.	Proceeds can be deposited into an escrow account held at the Lender, with disbursements made as needed. Given a Trustee relationship is established, it is not required that the Lender holds the escrowed funds.
6	Credit Approval	Fully Approved	Pre-screened, subject to Final Approval
7	Lender's Counsel	Nexsen Pruet, PLLC (Steve Cordell)	Gilmore & Bell
8	Other	-For requisition, the Town will be required to submit a simple form with receipts to the Lender. Following a call from the Lender to confirm the validity of the request, the wire will usually be sent the same day.	-Any and all maintenance and insurance are the responsibility of Borrower. The Lender and its affiliates, successors and assigns must be named as loss payee and additional insured as applicable on all insurance policies, and evidence of such insurance must be satisfactory to the Lender. -For requisition, the Lender will require the use of a disbursement form and an invoice copy.

Estimated Debt Service



A	B	C	D	E
Lender	Sterling National Bank	Pinnacle Financial Partners	Sterling National Bank	Rate Study Debt Service
Term	15 Years	15 Years	20 Years	20 Years
Sources				
Par Amount*	\$ 1,995,000	\$ 2,000,000	\$ 1,995,000	
Total	\$ 1,995,000	\$ 2,000,000	\$ 1,995,000	
Uses				
Project Funds*	\$ 1,838,064	\$ 1,838,064	\$ 1,838,064	
Cost of Issuance*	155,000	155,000	155,000	
Bank Fees	-	5,000	-	
Additional Proceeds*	1,936	1,936	1,936	
Total	\$ 1,995,000	\$ 2,000,000	\$ 1,995,000	
Interest Rate*	1.7200%	1.8000%	2.2400%	
All-In TIC*	2.8015%	2.9178%	3.0869%	
Closing Date*	9/24/2021	9/24/2021	9/24/2021	
First Interest Payment	9/1/2022	9/1/2022	9/1/2022	
First Principal Payment	9/1/2022	9/1/2022	9/1/2022	
Final Maturity	9/1/2036	9/1/2036	9/1/2041	
Debt Service*				
Fiscal Year				
2023	\$ 152,122	\$ 153,700	\$ 126,833	\$ 147,164
2024	152,250	153,840	122,784	147,164
2025	150,186	151,680	125,992	147,164
2026	153,122	154,520	124,088	147,164
2027	150,972	152,270	127,184	147,164
2028	153,822	155,020	125,168	147,164
2029	151,586	152,680	123,152	147,164
2030	154,350	155,340	126,136	147,164
2031	152,028	152,910	124,008	147,164
2032	149,706	150,480	126,880	147,164
2033	152,384	153,050	124,640	147,164
2034	149,976	150,530	122,400	147,164
2035	152,568	153,010	125,160	147,164
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2037	152,580	152,700	125,456	147,164
2038	-	-	122,992	147,164
2039	-	-	125,528	147,164
2040	-	-	122,952	147,164
2041	-	-	125,376	147,164
2042	-	-	122,688	147,164
Total Debt Service	\$ 2,277,726	\$ 2,297,130	\$ 2,492,225	\$ 2,943,270

* Preliminary and subject to change

Financing Schedule



Date	Task
July 28 th at 2:30pm	<ul style="list-style-type: none">Conference call to discuss bids and determine a recommended winning bidder:<ul style="list-style-type: none">- Dial in: 202-860-2110- Code: 132 631 3470
Early August	<ul style="list-style-type: none">Submit LGC ApplicationLGC Documents and Due Diligence Call
August 2 nd	Work Session for August 10 th Board meeting
August 10 th	Town Board Meeting <ul style="list-style-type: none">Town Board considers adopting a Preliminary Findings ResolutionTown Board considers approval of winning bidder
September 3 rd	Agenda Deadline for September 14 th Board meeting
September 14 th	Town Board Meeting <ul style="list-style-type: none">Board considers adopting a Final Approving Resolution LCG Meeting <ul style="list-style-type: none">LCG considers approval of the financing
By September 24 th	Close on the financing

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