



CITY COUNCIL AGENDA ITEM

REQUESTED COUNCIL MEETING DATE 09/03/08

SUBJECT: Loan Commitment for Stormwater Utility Refunding

DEPARTMENT: Finance Dept.

RECOMMENDED MOTION:

Staff recommends the City Council approve the Loan Commitment for Stormwater Utility Refunding to Hancock Bank for their proposal as submitted with terms including interest at 3.69%, semi-annual payments on 10/1/ and 4/1/ maturing in ten (10) years,

SUMMARY:

Bids were solicited for the refunding of the stormwater utility loan. Five bids were received, with the most favorable one being from Hancock Bank payable over ten (10) years, at a rate of 3.69% with no prepayment penalty. Hancock has a Bond Council fee of \$1,000. In addition, and included in this analysis, the City's Bond Council and Financial Advisor fees have been estimated at \$50,000. Total debt service savings on this refunding can either be taken up front with an initial saving of \$184,000 or a level debt savings of about \$24,000 per year over the ten years.

Toby Wagner, the City's Financial Advisory has reviewed the proposals and he along with staff recommend that Council approve this loan to Hancock for their proposal as was submitted.

ATTACHMENTS: Ordinance Resolution Budget Resolution

Other Support Documents/Contracts Available for Review in Manager's Office

DEPARTMENT HEAD

John A. Shelley, Finance Director

Date

FINANCE DEPARTMENT

John A. Shelley

Approved as to Budget Requirements

Date

8/20/08

CITY ATTORNEY

Approved as to Form and Legality

Date

CITY MANAGER

WCC

Approved Agenda Item For:

9/3/08

COUNCIL ACTION:

- Approved as Recommended
- Disapproved
- Tabled Indefinitely
- Continued to Date Certain
- Approved with Modification:



RICHARD T. WAGNER
President

MEMORANDUM

TO: Kenneth W. Parker, City Manager
City of Port Orange, Florida (City)

FROM: Richard T. Wagner

RE: \$4,700,000 Stormwater Utility Refunding Revenue Notes, Series 2008

DATE: August 20, 2008

As Financial Advisor to the City, we're pleased to report that five (5) bids were received on August 19, 2008 as a result of a publicly advertised bid request process from financial institutions to fund the not to exceed \$4,700,000 Stormwater Utility Refunding Revenue Notes, Series 2008. The purpose of the financing is to generate economic savings by refunding the City's outstanding Series 1998 Stormwater Bonds.

The purpose of this memo, together with the attached Summary of Bids (Exhibit A), is to determine the best bid and offer a recommendation for City Council approval.

Bids were received from Branch Banking and Trust Company (BB&T); Compass Bank; Hancock Bank; RBC Bank; and SunTrust Bank. Based upon the attached Summary of Bids and current market conditions, we recommend an award to **Hancock Bank** at an interest rate of 3.69% for a ten (10) year loan. Hancock Bank has agreed to hold the rate until October 15, 2008, which will be adequate time in which to close the note issue.

We would recommend that the Council approve the preceding recommendation at their meeting on September 3rd, 2008 by adopting a Resolution prepared by Peter Dame, Akerman Senterfitt Law Firm, bond counsel to the City. We will be in attendance at the meeting to discuss these results and our recommendation.

Thank you.

RTW
Attachment

Exhibit A

City of Port Orange, Florida
\$4,700,000
Stormwater Utility Refunding Revenue Note, Series 2008
Summary of Bids

Prepared by
 Southeastern Investment Securities
 As of 8.20.08

Amount of Loan	BB&T \$4,700,000	Compass Bank \$4,700,000	Hancock Bank (1) \$4,700,000	RBC Bank \$4,700,000	SunTrust Bank \$4,700,000
Lender's Counsel Fees	\$3,700	\$10,500	\$1,000	\$4,500	\$2,100
Interest Rate	3.83%	4.15%	3.69%	3.72%	.67% x 6 yr swap rate + 1.38% (2) As of 8/19/08: 4.23%

Prepayment Options	Anytime with 1% prepayment penalty	One way make whole	In whole on any principal payment date; in part anytime, both without penalty	Not prepayable	Alt. 1: Anytime at par (add 12 basis points) Alt. 2: One way make whole
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Additional Covenants/ Notes	None	None	None	None	See footnote (2)
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(1) Recommended best bid

(2) SunTrust also bid with semi-annual, quarterly and monthly principal payments that, as of today 8/20/08, would have resulted in 4.15%; 4.11% and 4.08% respectively

CITY OF PORT ORANGE, FLORIDA

Current Refunding of Series 1998 Stormwater Bonds

Savings Analysis

Bank Loan-Hancock Bank

	Level Savings	Upfront Savings	
Series 1998 Original Bond Par Amount	\$7,565,000	\$7,565,000	
Series 1998 Outstanding Bond Par Amount	\$4,930,000	\$4,930,000	
Par Amount of Bonds to be Refunded	\$4,575,000	\$4,575,000	
Refunded Maturities	2009-2018	2009-2018	
Call Date	10/1/2008	10/1/2008	
Call Price	100%	100%	
Avg. Coupon	3.690%	3.690%	
Closing Date			
Refunding Bond Par Amount	10/1/2008	10/1/2008	
Debt Service Reserve Required	\$4,630,000	\$4,630,000	
Financing Rate	none	none	
Gross Debt Service Savings	3.69%	3.69%	
NPV Debt Service Savings	\$235,215	\$203,850	
<i>as % of Refunded Par</i>	\$200,000	\$200,000	
Year 1 (FYE 2009) Debt Service Savings	4.37%	4.37%	
	\$24,188	\$184,188	

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Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)**

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SOURCES AND USES OF FUNDS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)**

Dated Date 10/02/2008
Delivery Date 10/02/2008

Sources:

Bond Proceeds:	
Par Amount	4,630,000.00
	<hr/>
	4,630,000.00

Uses:

Refunding Escrow Deposits:	
Cash Deposit	4,575,596.00
Delivery Date Expenses:	
Cost of Issuance	50,000.00
Other Uses of Funds:	
Contingency	4,404.00
	<hr/>
	4,630,000.00

BOND DEBT SERVICE

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)**

Dated Date 10/02/2008
Delivery Date 10/02/2008

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>
10/01/2009	230,000	3.690%	170,372.43	400,372.43
10/01/2010	420,000	3.690%	162,360.00	582,360.00
10/01/2011	435,000	3.690%	146,862.00	581,862.00
10/01/2012	455,000	3.690%	130,810.50	585,810.50
10/01/2013	465,000	3.690%	114,021.00	579,021.00
10/01/2014	490,000	3.690%	96,862.50	586,862.50
10/01/2015	505,000	3.690%	78,781.50	583,781.50
10/01/2016	525,000	3.690%	60,147.00	585,147.00
10/01/2017	540,000	3.690%	40,774.50	580,774.50
10/01/2018	565,000	3.690%	20,848.50	585,848.50
	4,630,000		1,021,839.93	5,651,839.93

SAVINGS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)**

<i>Date</i>	<i>Prior Debt Service</i>	<i>Refunding Debt Service</i>	<i>Savings</i>	<i>Present Value to 10/02/2008 @ 3.6900176%</i>
10/01/2009	584,560.00	400,372.43	184,187.57	177,989.88
10/01/2010	583,280.00	582,360.00	920.00	1,163.24
10/01/2011	585,955.00	581,862.00	4,093.00	3,950.02
10/01/2012	587,527.50	585,810.50	1,717.00	1,736.34
10/01/2013	582,977.50	579,021.00	3,956.50	3,518.29
10/01/2014	587,517.50	586,862.50	655.00	716.09
10/01/2015	585,662.50	583,781.50	1,881.00	1,612.67
10/01/2016	587,625.00	585,147.00	2,478.00	1,970.09
10/01/2017	583,145.00	580,774.50	2,370.50	1,788.09
10/01/2018	587,440.00	585,848.50	1,591.50	1,146.41
	5,855,690.00	5,651,839.93	203,850.07	195,591.12

Savings Summary

PV of savings from cash flow	195,591.12
Plus: Refunding funds on hand	4,404.00
Net PV Savings	199,995.12

SUMMARY OF REFUNDING RESULTS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)**

Dated Date	10/02/2008
Delivery Date	10/02/2008
Arbitrage yield	3.690018%
Escrow yield	
Bond Par Amount	4,630,000.00
True Interest Cost	3.690018%
Net Interest Cost	3.690000%
Average Coupon	3.690000%
Average Life	5.981
Par amount of refunded bonds	4,575,000.00
Average coupon of refunded bonds	4.762734%
Average life of refunded bonds	5.875
PV of prior debt to 10/02/2008 @ 3.690018%	4,825,591.12
Net PV Savings	199,995.12
Percentage savings of refunded bonds	4.371478%
Percentage savings of refunding bonds	4.319549%

BOND SUMMARY STATISTICS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)**

Dated Date	10/02/2008
Delivery Date	10/02/2008
First Coupon	04/01/2009
Last Maturity	10/01/2018
Arbitrage Yield	3.690018%
True Interest Cost (TIC)	3.690018%
Net Interest Cost (NIC)	3.690000%
All-In TIC	3.898773%
Average Coupon	3.690000%
Average Life (years)	5.981
Duration of Issue (years)	5.308
Par Amount	4,630,000.00
Bond Proceeds	4,630,000.00
Total Interest	1,021,839.93
Net Interest	1,021,839.93
Bond Years from Dated Date	27,692,138.89
Bond Years from Delivery Date	27,692,138.89
Total Debt Service	5,651,839.93
Maximum Annual Debt Service	586,862.50
Average Annual Debt Service	565,341.03
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

<i>Bond Component</i>	<i>Par Value</i>	<i>Price</i>	<i>Average Coupon</i>	<i>Average Life</i>
Serial Bonds	4,630,000.00	100.000	3.690%	5.981
	4,630,000.00			5.981

	TIC	All-In TIC	Arbitrage Yield
Par Value	4,630,000.00	4,630,000.00	4,630,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-50,000.00	
- Other Amounts			
Target Value	4,630,000.00	4,580,000.00	4,630,000.00
Target Date	10/02/2008	10/02/2008	10/02/2008
Yield	3.690018%	3.898773%	3.690018%

PRIOR BOND DEBT SERVICE

City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)

Dated Date 10/02/2008
Delivery Date 10/02/2008

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>
10/01/2009	370,000	4.400%	214,560.00	584,560.00
10/01/2010	385,000	4.500%	198,280.00	583,280.00
10/01/2011	405,000	4.550%	180,955.00	585,955.00
10/01/2012	425,000	4.600%	162,527.50	587,527.50
10/01/2013	440,000	4.650%	142,977.50	582,977.50
10/01/2014	465,000	4.700%	122,517.50	587,517.50
10/01/2015	485,000	4.750%	100,662.50	585,662.50
10/01/2016	510,000	4.800%	77,625.00	587,625.00
10/01/2017	530,000	4.850%	53,145.00	583,145.00
10/01/2018	560,000	4.900%	27,440.00	587,440.00
	4,575,000		1,280,690.00	5,855,690.00

ESCROW REQUIREMENTS

City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)

<i>Period Ending</i>	<i>Interest</i>	<i>Principal Redeemed</i>	<i>Total</i>
10/02/2008	596.00	4,575,000.00	4,575,596.00
	596.00	4,575,000.00	4,575,596.00

COST OF ISSUANCE

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Upfront Savings)**

<i>Cost of Issuance</i>	<i>\$/1000</i>	<i>Amount</i>
Other Cost of Issuance	10.79914	50,000.00
	10.79914	50,000.00

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(Level Savings)

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SOURCES AND USES OF FUNDS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Level Savings)**

Dated Date 10/02/2008
Delivery Date 10/02/2008

Sources:

Bond Proceeds:	
Par Amount	4,630,000.00
	<hr/> 4,630,000.00 <hr/>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	4,575,596.00
Delivery Date Expenses:	
Cost of Issuance	50,000.00
Other Uses of Funds:	
Contingency	4,404.00
	<hr/> 4,630,000.00 <hr/>

BOND DEBT SERVICE

City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Level Savings)

Dated Date 10/02/2008
Delivery Date 10/02/2008

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>
10/01/2009	390,000	3.690%	170,372.43	560,372.43
10/01/2010	405,000	3.690%	156,456.00	561,456.00
10/01/2011	420,000	3.690%	141,511.50	561,511.50
10/01/2012	440,000	3.690%	126,013.50	566,013.50
10/01/2013	450,000	3.690%	109,777.50	559,777.50
10/01/2014	470,000	3.690%	93,172.50	563,172.50
10/01/2015	485,000	3.690%	75,829.50	560,829.50
10/01/2016	505,000	3.690%	57,933.00	562,933.00
10/01/2017	520,000	3.690%	39,298.50	559,298.50
10/01/2018	545,000	3.690%	20,110.50	565,110.50
	4,630,000		990,474.93	5,620,474.93

SAVINGS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Level Savings)**

<i>Date</i>	<i>Prior Debt Service</i>	<i>Refunding Debt Service</i>	<i>Savings</i>	<i>Present Value to 10/02/2008 @ 3.6900182%</i>
10/01/2009	584,560.00	560,372.43	24,187.57	23,718.78
10/01/2010	583,280.00	561,456.00	21,824.00	20,645.73
10/01/2011	585,955.00	561,511.50	24,443.50	22,232.40
10/01/2012	587,527.50	566,013.50	21,514.00	18,879.67
10/01/2013	582,977.50	559,777.50	23,200.00	19,580.80
10/01/2014	587,517.50	563,172.50	24,345.00	19,768.76
10/01/2015	585,662.50	560,829.50	24,833.00	19,404.60
10/01/2016	587,625.00	562,933.00	24,692.00	18,567.26
10/01/2017	583,145.00	559,298.50	23,846.50	17,253.35
10/01/2018	587,440.00	565,110.50	22,329.50	15,539.65
	5,855,690.00	5,620,474.93	235,215.07	195,590.99

Savings Summary

PV of savings from cash flow	195,590.99
Plus: Refunding funds on hand	4,404.00
Net PV Savings	199,994.99

SUMMARY OF REFUNDING RESULTS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Level Savings)**

Dated Date	10/02/2008
Delivery Date	10/02/2008
Arbitrage yield	3.690018%
Escrow yield	
Bond Par Amount	4,630,000.00
True Interest Cost	3.690018%
Net Interest Cost	3.690000%
Average Coupon	3.690000%
Average Life	5.797
Par amount of refunded bonds	4,575,000.00
Average coupon of refunded bonds	4.762734%
Average life of refunded bonds	5.875
PV of prior debt to 10/02/2008 @ 3.690018%	4,825,590.99
Net PV Savings	199,994.99
Percentage savings of refunded bonds	4.371475%
Percentage savings of refunding bonds	4.319546%

BOND SUMMARY STATISTICS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Level Savings)**

Dated Date	10/02/2008
Delivery Date	10/02/2008
First Coupon	04/01/2009
Last Maturity	10/01/2018
Arbitrage Yield	3.690018%
True Interest Cost (TIC)	3.690018%
Net Interest Cost (NIC)	3.690000%
All-In TIC	3.905263%
Average Coupon	3.690000%
Average Life (years)	5.797
Duration of Issue (years)	5.149
Par Amount	4,630,000.00
Bond Proceeds	4,630,000.00
Total Interest	990,474.93
Net Interest	990,474.93
Bond Years from Dated Date	26,842,138.89
Bond Years from Delivery Date	26,842,138.89
Total Debt Service	5,620,474.93
Maximum Annual Debt Service	566,013.50
Average Annual Debt Service	562,203.66
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

<i>Bond Component</i>	<i>Par Value</i>	<i>Price</i>	<i>Average Coupon</i>	<i>Average Life</i>
Serial Bonds	4,630,000.00	100.000	3.690%	5.797
	4,630,000.00			5.797

	TIC	All-In TIC	Arbitrage Yield
Par Value	4,630,000.00	4,630,000.00	4,630,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-50,000.00	
- Other Amounts			
Target Value	4,630,000.00	4,580,000.00	4,630,000.00
Target Date	10/02/2008	10/02/2008	10/02/2008
Yield	3.690018%	3.905263%	3.690018%

PRIOR BOND DEBT SERVICE

City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Level Savings)

Dated Date 10/02/2008
Delivery Date 10/02/2008

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>
10/01/2009	370,000	4.400%	214,560.00	584,560.00
10/01/2010	385,000	4.500%	198,280.00	583,280.00
10/01/2011	405,000	4.550%	180,955.00	585,955.00
10/01/2012	425,000	4.600%	162,527.50	587,527.50
10/01/2013	440,000	4.650%	142,977.50	582,977.50
10/01/2014	465,000	4.700%	122,517.50	587,517.50
10/01/2015	485,000	4.750%	100,662.50	585,662.50
10/01/2016	510,000	4.800%	77,625.00	587,625.00
10/01/2017	530,000	4.850%	53,145.00	583,145.00
10/01/2018	560,000	4.900%	27,440.00	587,440.00
	4,575,000		1,280,690.00	5,855,690.00

ESCROW REQUIREMENTS

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Level Savings)**

<i>Period Ending</i>	<i>Interest</i>	<i>Principal Redeemed</i>	<i>Total</i>
10/02/2008	596.00	4,575,000.00	4,575,596.00
	596.00	4,575,000.00	4,575,596.00

COST OF ISSUANCE

**City of Port Orange
Refunding of Series 1998 Stormwater Bonds
(Level Savings)**

<i>Cost of Issuance</i>	<i>\$/1000</i>	<i>Amount</i>
Other Cost of Issuance	10.79914	50,000.00
	10.79914	50,000.00
