



Legislation Text

File #: 200975., **Version:** 1

Authorizing a Loan, Approving the Form of a Capital Improvement Revenue Refunding Note, Series 2021, and a Loan Agreement (B)

A Resolution of the City of Gainesville, Florida authorizing: A loan in a principal amount of up to \$12,000,000 to refinance certain outstanding loans and other items described herein and to pay the costs of such loan; approving the form of a capital improvement revenue refunding note, series 2021, and a loan agreement, providing other details with respect thereto; and providing effective date.

The City's outstanding debt is continuously monitored for potential refunding opportunities that would lower the City's debt service payments. Given the current interest rate environment, the City has an opportunity to refund the outstanding Capital Improvement Revenue Bonds, Series 2010 (the "2010 Bonds") and the Capital Improvement Revenue Note, Series 2017 (the "2017 Note") on a tax-exempt basis to achieve significant net present value debt service savings via the issuance of a Capital Improvement Revenue Refunding Note, Series 2021 (the "2021 Note").

The 2010 Bonds are outstanding in the par amount of \$2,535,000 with a final maturity of October 1, 2030 and interest rates ranging from 3.625% to 4.375%. The 2017 Note is outstanding in the par amount of \$9,205,000 with a final maturity of October 1, 2037 and an interest rate of 2.75%. The 2010 Bonds and 2017 Note are both currently callable without penalty.

Based on the size of the proposed 2021 Note (approximately \$11.5 million), term (approximately 16 years), reduced cost of issuance, and recent aggressive bids for similar transactions, the City issued a Request For Proposal to local, regional and national financial institutions for a privately placed direct placement bank loan as the means to complete this refunding opportunity. The City received two proposals, of which the City recommends awarding to STI Institutional & Government Inc. an affiliate of Truist Bank (formerly SunTrust Bank).

STI Institutional & Government Inc. provided the most cost-effective option at a fixed interest rate of 1.75% for the life of the loan. Additionally, this interest rate is locked through a closing date no later than April 17, 2021, which eliminates the risk of rising interest rates between the proposal submittal date and closing date. Their proposal also included the option to prepay the 2021 Bond without penalty after 10 years for an additional four basis points (0.04%), but due to the current low interest rate environment, the City decided to forego this option.

Strategic Connection

This item is connected to Goal 5 "Best in Class" Neighbor Services

Based on STI Institutional & Government Inc.'s proposed interest rate (1.75%), the City is estimated to realize approximately \$1,000,000 of net present value debt service savings.

The City Commission approve: 1) A resolution authorizing the Capital Improvement Revenue Note Series 2021

in the principal amount not to exceed \$12,000,000, and 2) award the Request for Proposal for a new bank loan at a fixed 1.75% interest rate to STI Institutional & Government Inc. an affiliate of Truist Bank (formerly SunTrust Bank).