



March 20, 2019

## Recommendation Memorandum

**To:** David Maxwell, *Chief Financial Officer*  
**From:** Jay Glover, *Managing Director* – PFM Financial Advisors LLC  
Elise Lomel, *Senior Managing Consultant* – PFM Financial Advisors LLC  
**Re:** City of Savannah, Georgia – Downtown Savannah Authority Refunding Revenue Bond (City of Savannah Project), Series 2019 – Award Recommendation Memo

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PFM Financial Advisors LLC (“PFM”) was engaged by the City of Savannah, Georgia (the “City”) to serve as financial advisor for the proposed issuance of the Downtown Savannah Authority’s Refunding Revenue Bond (City of Savannah Project), Series 2019 (the “Bond”). The Bond will be issued in order to refund the City’s outstanding Capital Improvement Revenue Bonds (City of Savannah Project), Taxable-Build America Bonds – Direct Payment, Series 2009B (the “Refunded Bonds”). Based on the size (\$8.4 million), average life (10.3 years), reduced costs of issuance and ability to implement in an expedited manner, the City preferred to pursue a direct bank loan rather than a competitive bond sale through the public markets.

At the City’s direction, PFM distributed a Request for Offers (“RFO”) to a list of local, regional and national financial institutions to identify the lending institution that could provide the City with a fixed rate term loan at the lowest overall borrowing cost and terms most favorable to the City. Prior to the submittal deadline (March 18, 2019 at 1:00 PM) the City received ten (10) proposals from the following firms: SunTrust, JP Morgan Chase, Regions, PNC, Sterling National Bank, Zions Bank, Capital One Public Funding, BB&T, Trustmark, and Pinnacle Public Finance. A summary of each proposal is included as Exhibit A.

Based on PFM’s review and discussions with City staff and Bond Counsel, it was determined that SunTrust provided the best combination of interest rate and terms most favorable to the City. Their proposal provided a fixed interest rate of 2.75% that would be held through the expected closing date of April 22, 2019. PFM and Bond Counsel have reviewed all of the other terms and conditions of the SunTrust proposal and concluded that they are standard for transactions of this nature.

By refunding the Refunded Bonds via the issuance of the Bond with SunTrust, we estimate that the City will realize approximately \$550,000 of net present value debt service savings (net of all costs associated with completing the transaction) or over 6.5%



**pfm**

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of the Refunded Bonds' par amount. Based on the fixed interest rate and favorable terms and conditions provided in their proposal, PFM recommends selecting SunTrust as the loan provider for the Bond. If you have any questions please feel free to contact me at 407-406-5760 or [gloverj@pfm.com](mailto:gloverj@pfm.com).

# Exhibit A



City of Savannah, Georgia  
Refunding Revenue Bond (City of Savannah Project), Series 2019

Bidder/Proposer	SUNTRUST	JPMorganChase	REGIONS®
<b>Bid Summary*:</b>			
Interest Rate	Option 1: 2.75%	Option 1: 2.88%	3.040%
Prepayment Provision	Option 1: Callable any time (w/2 days' notice) subject to make whole provision	Option 1: Non-Callable	Callable at any time (w/5 days' notice); subject to premium of 5% if called in first or second year, 4% in third or fourth, 3% in fifth, 2% in sixth, 1% in seventh, and 0% thereafter
All-in TIC (includes all proposer and bank counsel fees)	2.858%	2.989%	3.150%
Total Gross Cash Flow Savings	\$672,196	\$558,055	\$418,084
Net PV Savings (\$)	\$564,732	\$464,030	\$341,945
Net PV Savings (%)	6.829%	5.611%	4.135%
Average Annual Cash Flow Savings	\$48,014	\$39,861	\$29,863
Average Life	10.264 years	10.271 years	10.277 years
<b>Term Sheet Details:</b>			
Proposal Type	Fixed Rate	Fixed Rate	Fixed Rate
Stated Rate	Option 1: 2.75% Option 2: 2.96%	Option 1: 2.88% Option 2: 3.03% Option 3: 2.90%	3.040%
Term of Commitment	Provide verbal award by 4/1; provisions subject to change if closing is after 4/26	Rate is indicative and subject to execution of rate lock letter at time of award; must close by 4/22 or proposal is subject to change	Provide verbal award by 3/22; provisions subject to change if closing is after 4/22
Prepayment Provision	Option 1: Callable any time (w/2 days' notice) subject to make whole provision Option 2: Callable at par on 8/1/24	Option 1: Non-callable Option 2: Callable at par on 8/1/24 Option 3: Callable at par on 8/1/29	Callable at any time (w/5 days' notice); subject to premium of 5% if called in first or second year, 4% in third or fourth, 3% in fifth, 2% in sixth, 1% in seventh, and 0% thereafter
Fees (Bank Counsel, Bank Fees)	\$7,500	\$8,500	\$7,500
Default Rate	8.50%	8.00%	Interest rate otherwise applicable to the bond + 2%
Taxable Rate	Upon occurrence of taxable event, interest rate will be adjusted to maintain same after tax yield	N/A	If City causes bonds to be taxable, they will pay an after-tax yield at least equal to the after-tax yield if taxability had not occurred
Other Covenants	Audited financial statements w/in 270 days of year end; annual budget w/in 30 days of adoption; other info as requested	Audited financial statements w/in 180 days of year end	Audited financial statements w/in 365 days of year end; annual budget w/in 60 days of year end; other info as requested
Opinions	Bond counsel opinion	Bond counsel opinion	Bond counsel opinion

\*Assumes escrow is funded with SLGS.



City of Savannah, Georgia  
Refunding Revenue Bond (City of Savannah Project), Series 2019

Bidder/Proposer	PNC BANK	STERLING NATIONAL BANK	ZIONS BANK
<b>Bid Summary*:</b>			
Interest Rate	3.130%	3.150%	3.160%
Prepayment Provision	Callable at any time (w/30 days' notice) subject to make-whole provision	Callable at 101% from 2/1/23 - 8/1/26; Callable at par on 2/1/27	Callable anytime at par (w/30 days' notice)
All-in TIC (includes all proposer and bank counsel fees)	3.240%	3.254%	3.264%
Total Gross Cash Flow Savings	\$339,221	\$328,360	\$319,703
Net PV Savings (\$)	\$274,160	\$264,123	\$256,706
Net PV Savings (%)	3.315%	3.194%	3.104%
Average Annual Cash Flow Savings	\$24,230	\$23,454	\$22,836
Average Life	10.280 years	10.281 years	10.281 years
<b>Term Sheet Details:</b>			
Proposal Type	Fixed Rate	Fixed Rate	Fixed Rate
Stated Rate	3.130%	3.150%	3.160%
Term of Commitment	April 22, 2019	Proposal expires 3/30; rate is good through anticipated closing on 4/22; if we close after 4/22, rate is subject to rate lock formulat to be locked in 5 days prior to closing	60 days
Prepayment Provision	Callable at any time (w/30 days' notice) subject to make-whole provision	Callable at 101% from 2/1/23 - 8/1/26; Callable at par on 2/1/27	Callable anytime at par (w/30 days' notice)
Fees (Bank Counsel, Bank Fees)	\$6,000	\$0	\$0
Default Rate	A rate equal to 300 basis points in excess of the then applicable rate	N/A	N/A
Taxable Rate	N/A	N/A	N/A
Other Covenants	Annual audited financial statements and other info as requested	Annual audited financial by an agreed upon date	Audited financials w/in 270 days of year end; Requests (1) certificates stating that representations in the purchase agreement are correct; (2) acknowledgement of COI budget; and (3) all signed docs by 12 PM the day before closing
Opinions	Bond counsel opinion	Bond counsel opinion	Bond counsel opinion

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City of Savannah, Georgia  
Refunding Revenue Bond (City of Savannah Project), Series 2019

Bidder/Proposer				
<b>Bid Summary*:</b>				
Interest Rate	3.230%	3.290%	3.390%	3.570%
Prepayment Provision	Callable at par (on any interest payment date) on or after 8/1/25	Option 1: Callable at par anytime beginning 8/1/26 Option 2: Callable anytime w/a 1% premium	Callable anytime at par	Callable on 8/1/25 at par
All-in TIC (includes all proposer and bank counsel fees)	3.334%	3.401%	3.495%	3.683%
Total Gross Cash Flow Savings	\$258,300	\$198,668	\$117,382	-\$46,869
Net PV Savings (\$)	\$204,583	\$155,207	\$86,857	-\$48,275
Net PV Savings (%)	2.474%	1.877%	1.050%	-0.584%
Average Annual Cash Flow Savings	\$18,450	\$14,191	\$8,384	-\$3,348
Average Life	10.284 years	10.287 years	10.292 years	10.297 years
<b>Term Sheet Details:</b>				
Proposal Type	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate
Stated Rate	3.230%	3.290%	3.390%	3.570%
Term of Commitment	Provide verbal award by 3/25; provisions subject to change if closing is after 4/22	April 29, 2019	April 30, 2019	April 26, 2019
Prepayment Provision	Callable at par (on any interest payment date) on or after 8/1/25	Option 1: Callable at par anytime beginning 8/1/26 Option 2: Callable anytime w/a 1% premium	Callable anytime at par	Callable on 8/1/25 at par
Fees (Bank Counsel, Bank Fees)	\$0	\$5,500	\$2,500	\$5,000
Default Rate	N/A	N/A	N/A	6.00% - 7.00% depending on tax status at the time of default
Taxable Rate	N/A	N/A	N/A	4.52%
Other Covenants	Audited financials upon request, as soon as available	Provisions in documents (acceptable to BB&T) related to an event of taxability caused by the City	Annual audited financial statements and other info as requested	Annual audited financial statements w/in 210 days of year end and other info as requested; Needs executed transcript by noon on day prior to closing
Opinions	Bond counsel opinion	Bond counsel opinion	Bond counsel opinion	Bond counsel opinion

\*Assumes escrow is funded with SLGS.