

BOARD OF ALDERMEN

ITEM NO. C(4)

AGENDA ITEM ABSTRACT

MEETING DATE: June 2, 2009

TITLE: Request for Board Approval to Allow Town Staff to Proceed with Installment Financing for Fire Substation

DEPARTMENT: PLANNING	PUBLIC HEARING: YES <u>X</u> NO <u> </u>
ATTACHMENTS: A. Resolution B. Comparison of Bank Proposals	FOR INFORMATION CONTACT: L. Bingham Roenigk, 918-7439

PURPOSE: The Board is requested to adopt a resolution approving the installment financing for the development and construction of the fire substation with BB&T as the lender (contingent upon LGC approval).

INFORMATION: The Board of Aldermen, at its regularly scheduled meeting of May 26 2009 held a public hearing to receive public comment on the proposed installment financing of up to \$3,500,000 for the construction of a fire substation at 1411 Homestead Road.

In addition, the Management Services Department sought proposals from banking institutions to get quotes on debt financing. Request for proposals were sent to 11 banking and financing institutions; five responded. Of primary importance in evaluating the proposals were the proposed financing structures, interest rates offered, total financing costs and prepayment penalties required if the Town chooses to retire the loan early. Based on the analysis of the proposals, town staff recommends the 15-year installment financing with BB&T, which offers the most competitive financing arrangement. BB&T bank offers the most competitive interest rate and lowest combined interest and closing costs. In the event that the Town decides to exercise prepayment on the loan, a 1% prepayment penalty will be assessed.

It is recommended that the Town, with Board approval and then with LGC approval, enter into an installment financing contract with BB&T for the fire substation. The Board is requested to approve a resolution (Attachment A) authorizes town staff to award a contract with BB&T to finance \$3,250,000 for the fire substation (contingent upon LGC approval). With the construction bid in hand and all costs reviewed, town staff expects to borrow \$3,250,000, \$250,000 less than the maximum allowed in the financing proposal. Should the Board act and approve the resolution tonight, all LGC requirements regarding Board action will be completed.

Copies of the draft documents referred to in the resolution are available upon request from Bing Roenigk, Assistant Town Manager/Finance Officer.

FISCAL AND STAFFING IMPACT: The budgetary impact of financing the fire substation will result in an annual debt service payment, beginning in FY09-10. Funds have been set aside in the FY09-10 budget for the first debt service payment. A spreadsheet is attached showing the results of the competitive bid based on borrowing the maximum of \$3,500,000 (Attachment B). The Town expects to borrow from BB&T bank at a 4.07% interest rate, fixed principal amortization (required by LGC), and a loan term of

15 years. In FY10-11, the debt service cost will peak at \$342,328, a \$142,814 increase over the FY09-10 budgeted debt service.

STAFF RECOMMENDATION:

The Board is requested to approve a resolution approving the installment financing for the property with BB&T (contingent upon LGC approval).