



Legislation Text

File #: 15-0375, Version: 1

TITLE:

Re-financing of Fire Station Construction Loan

PURPOSE: To consider a proposal from BB&T to modify the interest rate for the Town’s Fire Station Construction Loan

DEPARTMENT: Finance

CONTACT INFORMATION: Arche McAdoo, 918-7439

INFORMATION: On July 1, 2009 the Town entered into an installment financing agreement with Branch Banking and Trust (BB&T) to borrow \$3,250,000 for the construction of a new fire station in the northern area of Town. The term of this financing was 4.07% interest for 15 years with semi-annual payments. With assistance from First Tryon financial advisors, we have explored the market place to see if the Town could re-finance the balance of this loan at a rate lower than 4.07%. To do a formal RFP to refinance the balance of this loan would require additional upfront costs and time as well as the formal approval of the Local Government Commission. Based on contact with several financial institutions, the current market rate for this type of loan appears to be in the 1.75 - 2.75% range. However, there is no guarantee that the Town would receive a formal bid at the low end of this range if the Town were to issue a RFP for refinancing.

During this process we also requested a rate modification from BB&T. BB&T has offered the Town a rate modification of 2.59% (see Attachment B). This will save the Town approximately \$117,000 over the remaining life of the loan.

| <u>FY Ending (6/30)</u> | <u>BB&T Existing Rate @ 4.07%</u> | <u>BB&T New Rate @ 2.59%</u> |
|-------------------------|---|--------------------------------------|
| 2017 | 289,418 | 262,963 |
| 2018 | 280,600 | 257,351 |
| 2019 | 271,781 | 251,740 |
| 2020 | 262,963 | 246,128 |
| 2021 | 254,145 | 240,516 |
| 2022 | 245,326 | 234,905 |
| 2023 | 236,508 | 229,293 |
| 2024 | 227,690 | 223,681 |
| 2025 | 110,538 | 109,736 |
| Total Debt Service | 2,178,968 | 2,056,313 |
| Upfront Cost | - | 5,400 |
| Total Cost | 2,178,968 | 2,061,713 |

Savings over Existing - 117,255

Because the only change to this financing agreement would be a lower rate, it would not require approval by the Local Government Commission. However, the LGC staff would need to approve this modification.

FISCAL & STAFF IMPACT: The refinancing of the fire station construction loan at the new rate of 2.59% would save the Town \$117,000 over the remaining term.

RECOMMENDATION: That the Board of Aldermen adopt the resolution in Attachment A to approve terms of re-financing the fire station construction loan.