


**M E M O**

TO: Finance Committee

FROM: Michael Montplaisir 

DATE: June 8, 2016

SUBJECT: Temporary Financing

As you know Kent Costin, John Shockley, Terri Heaton from Springstead, and myself have been looking at augmenting our current \$100 million temporary financing with U.S. Bank with another \$100 million to finance the required CORP payment that is expected to be paid later this year and other ongoing Diversion Authority activities. The attached spreadsheet gives us a comparison of the short term financing options that we are considering.

Of particular concern with the U.S. Bank loan is they are only prepared to extend another \$50 million in temporary financing vs. the \$100 we are seeking.

The State of ND/PFA option isn't the short term option we are seeking and the interest rate is higher.

With the Wells Fargo option we really need to borrow \$200 million, using the first \$100 million to retire the U.S. Bank loan to release the pledge on sales tax that U.S. Bank has. It is anticipated that the city and county would each borrow up to \$100 million under this proposal.

Fargo Moorhead Diversion Project <i>Comparison of Short Term Financing Options</i>						
Terms	US Bank Existing Loans	US Bank New Loan Proposal	State of ND/PFA Short Term Bonding Proposal	State of ND/PFA Long Term Bonding Proposal	Wells Fargo Loan Proposal	Wells Fargo Loan Proposal
Face Amount Available for Construction	\$100,000,000 \$100,000,000	\$50,000,000 \$50,000,000	\$94,870,000 \$100,000,000	\$96,425,000 \$100,000,000	\$100,000,000 \$100,000,000	\$100,000,000 \$100,000,000
Maturity Date Term	7/31/2017 24 months	7/31/2017 14 months	6/1/2020 4 years	6/1/2031 15 years	7/31/2017 1 year	7/31/2018 2 years
Pledged Revenue	Sales Tax 3T dedicated to flood mitigation (500 year protection level)	Sales Tax 3T dedicated to flood mitigation (500 year protection level)	Sales Tax 3S and 3U	Sales Tax 3S and 3U	First lien on Sales Tax 3T of both the County and the City, and a subordinate lien on all other sales taxes; County and City 3T Sales Taxes would be cross pledged	First lien on Sales Tax 3T of both the County and the City, and a subordinate lien on all other sales taxes; County and City 3T Sales Taxes would be cross pledged
Interest Rate	75% of 30 day LIBOR + 50bps	75% of 30 day LIBOR + 85bps	3% Coupon to Yield 1.17%	3% Coupon with Annual Yields Similar to AAA MMD	70% of 30 day LIBOR + 50bps	70% of 30 day LIBOR + 60bps
Interest Rate subject to Adjustment Unused Commitment Fee	N/A 0.38%/ year	N/A 0.50%/year	N/A N/A	N/A N/A	Index rate subject to adjustment if either the City or County rating is downgraded 0.30%/ year	Index rate subject to adjustment if either the City or County rating is downgraded 0.30%/ year
Prepayment Penalty	None	None	N/A	First optional call date of June 1, 2020 (all maturities are callable); two year call feature might be possible but this may require a negotiated bond sale by the State and that will require more time to complete the financing	None	None
Interest Due	quarterly	monthly	Semiannually	Semiannually	monthly	monthly
Estimated rate (as of May 1, 2016)	0.8291%	1.1791%	1.5557%	2.5773%	0.8072%	0.9072%
Principal Due	At maturity	At maturity	At maturity	Annually beginning 2021	At maturity	At maturity
Revenue Covenants	<i>Ratio of sales tax revenue collected in prior 12 months to sum of accrued interest on undrawn and drawn amounts of the loan shall not be less than 2.0 to 1.0</i>	<i>Ratio of sales tax revenue collected in prior 12 months to sum of accrued interest on undrawn and drawn amounts of the loan shall not be less than 2.0 to 1.1</i>	120%	120%	<i>Ratio of sales tax revenue collected in prior 12 months to sum of accrued interest and undrawn fees shall not be less than 2.0 to 1.0</i>	<i>Ratio of sales tax revenue collected in prior 12 months to sum of accrued interest and undrawn fees shall not be less than 2.0 to 1.1</i>
Trust Account	N/A	N/A	N/A	N/A	Required in the event the sales tax extension does not pass	Required in the event the sales tax extension does not pass
Credit Approval Timeframe / Receipt of Funds	10-15 days	10-15 days	8 to 12 weeks after receipt of Loan Application (State has to sell bonds to provide funds)	8 to 12 weeks after receipt of Loan Application (State has to sell bonds to provide funds)	Close by July 1, 2016	Close by July 1, 2017
Bank Counsel Fee	\$35,000	\$25,000 - \$30,000	N/A	N/A	\$60,000	\$60,000
Banking Services	N/A	Required	N/A	N/A	Already established	Already established
Bank Waiver or amendment fee	N/A	\$3,500 per item	N/A	N/A	\$2,500 per time	\$2,500 per time
Bond Premium	N/A	N/A	\$6,566,901	\$5,100,765	N/A	N/A
Costs of Issuance	N/A	N/A	\$200,000	\$200,000	N/A	N/A
Underwriter Discount	N/A	N/A	\$189,740	\$578,550	N/A	N/A
Letter of Credit Fee	N/A	N/A	\$994,309	\$696,939	N/A	N/A
North Dakota PFA Fee	N/A	N/A	\$50,000	\$50,000	N/A	N/A
Finance Team Notes	<i>Additional short term borrowing that is not provided by US Bank requires the existing US Bank loans to the County and the City to be repaid in full.</i>	<i>The US Bank proposal does not provide the required amount of funds. As a condition the providing the loan, the County and the City must transfer other banking services to US Bank.</i>	<i>The North Dakota Public Finance Authority has determined they cannot provide this short term borrowing option.</i>	<i>Existing US Bank loan stays in place and the dedicated sales taxes will consist only of City sales taxes, excluding the 1/2% for flood mitigation (3T). Pursuant to State statutes, the financing must demonstrate an economic benefit to the Diversion Authority.</i>	<i>Amendment to Intergovernmental Pledge Agreement required; actions required by governing bodies of both the City and the County and actions could be completed by early August 2016.</i>	<i>Amendment to Intergovernmental Pledge Agreement required; actions required by governing bodies of both the City and the County and actions could be completed by early August 2016.</i>
Prepared by Cass County and City of Fargo staff and Springsted Incorporated <i>June 3, 2016</i>						
RATE INFORMATION Spread to LIBOR as of May 1, 2016						
LIBOR 2-days prior to May 1, 2016	0.43880%	0.43880%			0.43880%	0.43880%
Times percent of LIBOR	75.00000%	75.00000%			70.00000%	70.00000%
Plus "LIBOR RATE" Definition	0.329100%	0.329100%			0.307160%	0.307160%
	0.50000%	0.85000%			0.50000%	0.60000%
	0.82910%	1.17910%			0.80716%	0.90716%
All-in TIC for NDPFA Loan			1.55578%	2.57735%		