

Introduced by: Councilmember Clay

First Reading: March 15, 2010
Second Reading: March 22, 2010

Effective Date: March 23, 2010

CITY OF TAKOMA PARK, MARYLAND

ORDINANCE NO. 2010-14

An Ordinance Awarding a Bid for the Purchase of a General Obligation Bond to be Issued by the City of Takoma Park for the Purpose of Paying a Deficit Arising From Less Asset Value than Accrued Benefit for Prior and Current Employees Under the State Retirement and Pension System of Maryland.

WHEREAS, the City has a deficit of approximately \$1,400,000.00 arising from less asset value than accrued benefit for prior and current City employees under the State Retirement and Pension System of Maryland; and

WHEREAS, the Council of the City of Takoma Park has determined that it is in the financial best interests of its citizens to refinance the deficit in the City's portion of the State Retirement and Pension System of Maryland because of the present low interest rate market; and

WHEREAS, City staff issued a Request for Proposals for the purchase of a general obligation bond to be issued by the City in an amount of up to \$1,400,000.00 by a private negotiated sale; and

WHEREAS, the City received two proposals--one from SunTrust Bank and one from TD Bank--in response to the Request for Proposals; and

WHEREAS, SunTrust Bank proposed a fixed interest rate on the bond of 3.59% for a 10 year term, with an upfront bank fee of \$2,500.00, and also gave proposals for a 15 and 20 year maturity date, as set forth on the City of Takoma Park Proposed Terms and Conditions ("term sheet") from SunTrust Bank, dated March 4, 2010, which is attached as Exhibit A to this Ordinance; and

WHEREAS, TD Bank proposed a fixed interest rate on the bond of 3.61% for 10 years with a \$10,000.00 upfront legal fee or a fixed interest rate on the bond of 3.75% for 10 years with no legal fee and TD Bank did not give proposals for a 15 or 20 year maturity date; and

WHEREAS, City staff has determined that it would be financially most prudent for the City to pay off the deficit in the City's portion of the State Retirement and Pension System of Maryland over a 10 year term; and

WHEREAS, City staff has reviewed the two proposals and determined that the proposal submitted by SunTrust Bank to provide tax-exempt bank qualified financing to the City for a 10 year fixed interest rate of 3.59% is the most beneficial to the City and recommends that the Council accept the SunTrust Bank financing proposal.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND, THAT:

SECTION 1. The proposal of SunTrust Bank for the purchase of a general obligation bond to be issued by the City in an amount of up to \$1,400,000.00 is accepted and approved. The bond will bear a fixed interest rate of 3.59 % per annum, with a maturity of 10 years, and with principal and interest thereon payable in quarterly installments. The bond proceeds will be used by the City to refinance the deficit arising from less asset value than accrued benefit for prior and current City employees under the State Retirement and Pension System of Maryland.

SECTION 2. This Ordinance is effective upon adoption.

ADOPTED THIS 22ND DAY OF MARCH, 2010, BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND, BY ROLL-CALL VOTE AS FOLLOWS:

Aye:	Williams, Clay, Robinson, Seamens, Schultz
Nay:	None
Absent:	Wright, Snipper
Abstain:	None

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EXHIBIT A

- General Structure:** Listed below is an outline of the significant terms and conditions of the financing subject to completion of due diligence, and final credit approval.
- Borrower:** City of Takoma Park, MD (the "City")
- Amount:** Up to \$1,400,000
- Facility:** A Tax-Exempt, Bank Qualified Note (the "Note")
- Purpose:** To fully fund the deficit in the City's portion of the State Retirement and Pension System of Maryland.
- Security:** General Obligation pledge of the City.
- Final Maturity:**
- A) 10 years from the date of closing.
 - B) 15 years from the date of closing.
 - C) 20 years from the date of closing (see Optional Put section)

Interest Rate:

Bank Qualified Fixed Rate

	Current Rate
A) Fixed rate – 10 years	*3.59%
B) Fixed rate – 15 years	*3.99%
C) Fixed rate – 20 years (see Optional Put section)	*3.97%
<i>Upfront Costs</i>	
Bank Fee	\$2,500
Accrual basis shall be 30/360 days	

* Rate will be held through April 5, 2010.

- Interest Due:** Quarterly, in arrears.
- Amortization:** Principal will be paid quarterly, in arrears.
- Funding:** The Note will be fully funded at closing.
- Optional** The Note may be prepaid in whole at any time with no

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- Redemption:** penalty.
- Optional Put:** Options C: At the end of Year 10 of the Note, SunTrust, in its sole discretion, has the option to re-negotiate an additional fixed rate and period with the City, or put the Note back to the City.
- Closing Date:** To be determined upon acceptance.
- Documentation:**
- Note Agreement between SunTrust and the City;
 - General Obligation resolution passed by City Council approving the transaction;
 - Others as required by Bond Counsel.
- Legal Fees and Transaction Costs:** The City will pay all fees and expenses of the transaction including but not limited to reasonable fees and expenses of its Bond Counsel. In order to reduce the City's financing costs, SunTrust does not anticipate using outside Bank Counsel.
- Legal Opinions:** Bond Counsel will give the customary opinion as to authorization, validity, permits and other matters requested by the Bank. A satisfactory opinion of recognized bond counsel as to bank qualification and the exclusion of interest from gross income for Federal and State income taxes would be necessary at or prior to closing.
- General Covenants:**
- Timely payment of principal and interest as required by the Note;
 - The City will provide written assurance that no material deterioration exists in financial condition from that reported in Fiscal Year 2009;
 - Annual receipt of the City's CAFR within 180 days of fiscal year end.
- References:** City of Greenbelt – Jeffrey Williams (301) 474-1552
Town of Cheverly – David Warrington (301) 773-8360
St. Mary's County – Elaine Kramer (301) 475-4200

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**Acceptance of
Proposal:**

Acceptance of SunTrust's proposal should be directed to
the following.

Richard Pylypko
(202) 879-6687

Tim Cecil
(804) 782-5219

Submitted by:


Richard Pylypko
Senior Vice President
SunTrust Bank

Disclaimer

This Term sheet is presented to the above-referenced borrower in connection with a credit facility proposed by SunTrust Bank. This Term Sheet describes some of the basic terms proposed to be included in loan documents between the Bank and the borrower. This Term Sheet is for discussion purposes only and is not a commitment, nor does it purport to summarize all of the conditions, covenants, representations, warranties, events of default or other provisions that may be contained in documents required to consummate this financing. The terms are subject to standard credit underwriting and approval and to negotiation and execution of loan documents in form and substance satisfactory to the Bank and its counsel. This Term Sheet is confidential and may not be disclosed to third parties without prior consent of the Bank.