

Recent Developments in Bank Placement Financing for Capital Projects

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Bank Placements: Traditional Determining Factors

- Term
- Issue Size/Type
- Flexibility (Call provisions, etc.)
- Issuance Costs
- Disclosure Issues
- Bank Qualification

Recent Developments

- Banking Market
- Structural Issues: Terms/Rates
- Credit Issues
- Flexibility/Cost Issues
- Tips for Financing in Current Environment

Bank Placement Market

- Impact of Bond Insurance Market
- Fewer Funding Sources
- Wave of Refinancings: Cost savings, Reserve Fund Issues
- Essentiality of Requests (core municipal functions)

Structural Issues

- Terms up to Twenty Years
- Transaction types haven't changed, but pricing differentiation based on type is more prominent
- Current Rate Scenarios (bank qualified):
 - Three years: 1.40% - 1.90%
 - Five years: 1.50% - 2.00%
 - Seven years: 1.80% - 2.30%
 - Ten years: 2.20% - 2.70%
 - Fifteen years: 2.80% - 3.30%
 - Twenty years: 3.70% - 4.20%

Credit Issues

- Financial Statements must be Current
- Cash Flow
- Leverage Ratio
- Undesignated Fund Balances
- Cash positions

Flexibility/Cost Issues

- Maximum of 45 day rate commitments
- Call protection for Longer Term Transactions
- Fees-bank underwriting fees common
- Insurance/ratings not required
- Reserve funds-case by case basis

Tips for Financing in the Current Environment

- Pro-Formas: Build your own case for financing
- Financial Statements
- Larger, longer term requests may require more extensive banking relationships
- Pay attention to the basics: cash flow, reserves, leverage ratios.

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