

POTENTIAL REFINANCING MEMORANDUM

To: Columbus Consolidated Government
CC: Columbus Hospital Authority
From: Davenport & Company LLC
Date: July 11, 2023
Subject: Refunding of Columbus Hospital Authority's Series 2013 Certificates

Background / Overview

Davenport & Company LLC ("Davenport"), in our capacity as Financial Advisor to the Columbus Consolidated Government ("Columbus" or "Consolidated Government") and the Columbus Hospital Authority (the "Authority"), identified the Authority's Series 2013 Certificates as a potential refinancing opportunity. On April 11, 2023, City Council approved an Intent Resolution authorizing the Authority to pursue the financing and execute necessary documents with caveat that the final pricing results ultimately needed to go back in front of Council for approval. Within the Intent Resolution, it recited the Consolidated Government's debt policy which requires refinancings to achieve 3.00% net present value savings of the principal amount being refunded.

On May 23, 2023, the Authority received bids through a Competitive Sale. However, due to a last minute increase of interest rates, the bids received were not strong enough to warrant accepting due to the fact the savings level was not producing the 3.00% net present value savings required in Columbus' debt policy. Davenport made the recommendation to reject the winning bid submitted by KeyBanc Capital Markets.

Over the course of the last few weeks, the interest rate environment has stabilized. As such, the potential refinancing opportunity has come back "in the money", albeit by a small margin. The refinancing continues remain sensitive to minor movements in the market and could be "out of the money" with a single day's movement.

Davenport is exploring potential solutions that might mitigate the risk of going out for another competitive bid and not having it produce enough savings while simultaneously allowing the Authority to execute on a refinancing opportunity, if possible.

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The Method of Sale

Since Davenport has been Financial Advisor to Columbus and the Authority, when issuing bonds in the public market, the Competitive Method of Sale has been the recommendation. A Competitive Sale takes bids on Columbus’/Authority’s debt offering from the municipal market on a date / time certain, with the lowest bidder winning the bond sale. It is truly a competitive process and Davenport, the Consolidated Government and Authority are unbiased as to which firm provides the lowest rate. This helps achieve the lowest possible borrowing costs in the market at that time. Under most circumstances, this has been and will continue to be, Davenport’s recommendation.

However, there is another possible option when selling bonds in a public market sale. It is called a negotiated sale. This is when an underwriter is selected in advance of the pricing and Columbus/Authority truly “negotiate” pricing terms / conditions when going to market. While competitive sales are the preferred method, there are certain instances in which a negotiated sale may prove to be beneficial. The ones that apply to this potential transaction are as follows:

- 1) Deal Structure Knowledge – The Consolidated Government / Authority would receive direct input from the underwriter in advance and only pursue if savings were above 3.00%. We wouldn’t enter the market unless 100% confident a deal would be reached. In a competitive sale, this is harder to know until the exact time bids are due. This would prevent having to reject bids a second time. A concern is that if we reject bids a second time this could make the third attempt that much more difficult to sell to the marketplace in any sale format.
- 2) Additional Timing Flexibility – The Negotiated Sale date is not set to a date / time certain. So if savings were producing 3.00% on any given date / time, the “trigger” could be more easily pulled.
- 3) Pricing Flexibility – Could potentially allow interest rates to be locked in further in advance of a regularly scheduled Council meeting.
- 4) Interest Market Volatility – Allows for a more regular monitoring and updates on market conditions.

Recommendation / Next Steps

While traditionally competitive sales are pursued, we are requesting the flexibility to pursue a negotiated sale in the event market conditions warrant. The Intent Resolution allows decisions to be made by Columbus/Authority Staff with input from Davenport, but with this being a change from the normal process, we wanted to inform the City Council of this possibility.

Knowing that the competitive process is an important consideration for City Council, if a negotiated sale is pursued, it is Davenport’s thought that we would award to the underwriter who put in the most aggressive bid for the bonds that were put out for bid back on May 23, 2023. KeyBanc Capital Markets put in the most aggressive bid on that day. This way we reward the low bid for the May 23, 2023 competitive sale. In fact, on Wednesday, June 21, 2023, KeyBanc Capital Markets contacted Davenport unsolicited and inquired about them potentially underwriting on a negotiated basis. Therefore, it is Davenport’s opinion that they would be ready to act, if requested.