



City of LaBelle, Florida

Bridge Financing for Capital Improvement Grants Update

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Overview of Bridge Financing Need

- ◆ The City of LaBelle has been awarded up to approximately \$107.3 million of Grants from the Department of Environmental Protection (DEP) and the Supplemental Appropriation for Hurricane Fiona and Ian (SAHFI) (along with other funding sources) to fund various water and sewer utility improvements, including but not limited to:
 - Critical Drinking Water Treatment Expansion and Distribution System Upgrades
 - New Wastewater Treatment Facility and Expansion
 - Septic to Sewer Conversion
- ◆ Due to the Grants being paid on a reimbursement basis, the City will need a bridge financing product to cover the approximately 90-120 day gaps between payments to contractors and the receipt of Grant reimbursements
 - The bridge financing ensures construction is not delayed and the City does not need to tap into its own reserves/operating income while waiting for reimbursement
- ◆ The interim bridge financing product most municipalities use for this type of need is a Line of Credit (LOC)



Review of RFP Results

- At the direction of the City, PFM distributed a Revolving LOC RFP to potential Lenders on January 27th
- The City received offers to provide a Revolving LOC in an amount of up to \$20 million from two Banks

	First Bank	United Community Bank
Financing Term	3-Year & 4-Year	3-Year & 4-Year
Borrowing Rate Offers	<u>3-Year</u> Fixed: 3.90% Variable Rate: Est 4.00% <u>4-Year</u> Fixed: 4.10% Variable Rate: Est 4.00%	<u>3-Year</u> Fixed: N/A Variable Rate: Est 3.91% <u>4-Year</u> Fixed: N/A Variable Rate: Est 3.91%
Prepayment Penalty	None	None
Unutilized Fee	None	None
Estimated Lender Related Fees	\$7,000	\$8,500



Selection of the Lender

- ◆ Following the receipt of the offers, City Staff and PFM reviewed the two proposals in detail
- ◆ Both the First Bank and United Community Bank offers were strong and featured no prepayment penalties and no unutilized fee
- ◆ City Staff had a preference for the LOC to feature a Fixed Rate, as it removes any future interest rate risk
 - Variable Rate options would fluctuate monthly based on general market conditions
- ◆ It was also the preference of the City to select a 4-year term to provide additional flexibility if the planned capital improvements are delayed
- ◆ Based on the above goals of the City, the First Bank 4-year Fixed Rate option was selected



Estimated LOC Monthly Cost

- The graph below estimates the monthly LOC interest expense, based on the City's current expected monthly expenditures related to the capital improvements





Next Steps

- ◆ Summary of the next steps to close the LOC with First Bank:
 - **Approval at Tonight's City Commission Meeting**
 - **Receive Consent from FDEP & USDA to issue enter the LOC**
 - City has outstanding Loan Obligations from FDEP & USDA
 - Expect Consent from both entities in the next week or two
 - **Close and make initial Draw from LOC**
 - Expected to Close by the end of March or early April



Disclosures

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