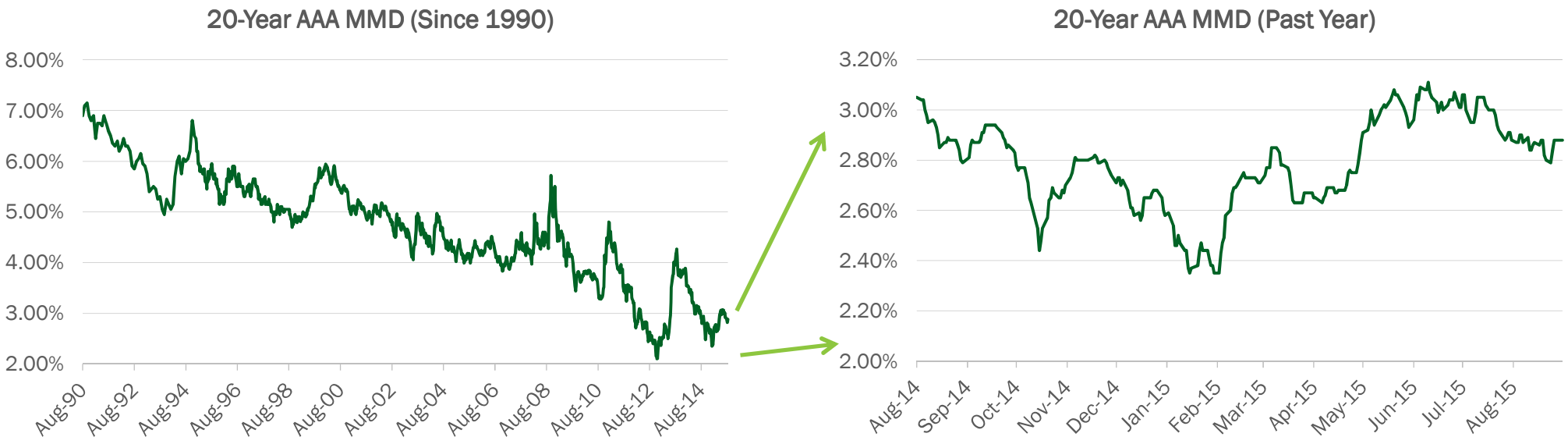
RFP Results Summary

Montgomery County, Virginia

Recent Interest Rate Trends

- Tax-exempt interest rates remain near all-time lows and have been relatively volatile since the start of 2015.
- It is unclear how long rates will remain at their current level.



Note: Data as of September 2, 2015.

Direct Bank Loan Solicitation

- On Tuesday, August 18, 2015, Davenport & Company on behalf of Montgomery County, Virginia (the "County"), distributed a Request for Proposal ("RFP") to over 25 local, regional and national lending institutions for the purchase of the Economic Development Authority of Montgomery County's (the "Authority") Taxable Revenue Refunding Bond up to $9,750,000.
  - The RFP was distributed to refund both of the Authority's outstanding Taxable Revenue Bond, Series 2011; and the Taxable Revenue Note, Series 2015 ***with the objective of reducing the combined debt service***.
- On Thursday, September 3rd, Davenport received a proposal from Union Bank & Trust
  - A detailed summary of their proposal has been included on the following page.
- Reasons other lending institutions elected not to provide a proposal for the County's Series 2015 Bond include but are not limited to the following:
  - The project is considered non-essential government use;
  - Montgomery County was not the underlying borrower (support only);
  - Montgomery County is out of their bank's market footprint;
  - Unable to provide a fixed rate for the desired term;
  - Do not have an appetite for taxable bonds; and,
  - Unable to provide financing for revenue/subject to appropriation type credits.

Summary of Proposal

Union Bank & Trust's Proposal	
Refunding of Series 2011 Bond and 2015 Note	
Amount:	Up to $9,750,000
Rate:	Option 1: **2.57%** (**5** Year Rate/20 Year Amortization) Option 2: **3.50%** (**10** Year Rate/20 Year Amortization)
Prepayment:	Prepayable without penalty at anytime
Closing Costs:	None
Subject to Credit Approval:	Yes
Accept by:	Not Specified
Close by:	Week of October 5, 2015

Debt Service Comparison – 2.57%

Prior Bond Debt Service				Series 2015 Refunding 2.57%	Debt Service Savings
Fiscal Year	Union	Floyd*	Total	Total	Total
2016	$391,068	$54,593	$445,662	$398,580	$47,082
2017	586,602	72,791	659,393	613,199	46,194
2018	586,602	72,791	659,393	613,199	46,194
2019	586,602	72,791	659,393	613,199	46,194
2020	586,602	74,586	661,188	613,199	47,989
2021	586,602	83,558	670,160	613,199	56,961
2022	586,602	83,558	670,160	613,199	56,961
2023	586,602	83,558	670,160	613,199	56,961
2024	586,602	83,558	670,160	613,199	56,961
2025	586,602	83,558	670,160	613,199	56,961
2026	586,602	83,558	670,160	613,199	56,961
2027	586,602	83,558	670,160	613,199	56,961
2028	586,602	83,558	670,160	613,199	56,961
2029	586,602	83,558	670,160	613,199	56,961
2030	586,602	83,558	670,160	613,199	56,961
2031	586,602	83,558	670,160	613,199	56,961
2032	586,602	83,558	670,160	613,199	56,961
2033	586,602	83,558	670,160	613,199	56,961
2034	586,602	83,558	670,160	613,199	56,961
2035	586,602	83,558	670,160	613,199	56,961
Total	$11,536,508	$1,600,924	$13,137,432	$12,049,365	$1,088,067

Note: Shaded areas indicate years in which the interest rate is not fixed.

*Note: Starting in May 2020, the Bank of Floyd Note has an increase in monthly debt service from $6,065 to $6,963.

Debt Service Comparison – 3.50%

Fiscal Year	Prior Bond Debt Service: Union	Prior Bond Debt Service: Floyd*	Prior Bond Debt Service: Total	Series 2015 Refunding 3.50%: Total	Debt Service Savings: Total
2016	$391,068	$54,593	$445,662	$432,872	$12,789
2017	586,602	72,791	659,393	665,957	(6,564)
2018	586,602	72,791	659,393	665,957	(6,564)
2019	586,602	72,791	659,393	665,957	(6,564)
2020	586,602	74,586	661,188	665,957	(4,769)
2021	586,602	83,558	670,160	665,957	4,203
2022	586,602	83,558	670,160	665,957	4,203
2023	586,602	83,558	670,160	665,957	4,203
2024	586,602	83,558	670,160	665,957	4,203
2025	586,602	83,558	670,160	665,957	4,203
2026	586,602	83,558	670,160	665,957	4,203
2027	586,602	83,558	670,160	665,957	4,203
2028	586,602	83,558	670,160	665,957	4,203
2029	586,602	83,558	670,160	665,957	4,203
2030	586,602	83,558	670,160	665,957	4,203
2031	586,602	83,558	670,160	665,957	4,203
2032	586,602	83,558	670,160	665,957	4,203
2033	586,602	83,558	670,160	665,957	4,203
2034	586,602	83,558	670,160	665,957	4,203
2035	586,602	83,558	670,160	665,957	4,203
Total	**$11,536,508**	**$1,600,924**	**$13,137,432**	**$13,086,056**	**$51,376**

Note: Shaded areas indicate years in which the interest rate is not fixed.

*Note: Starting in May 2020, the Bank of Floyd Note has an increase in monthly debt service from $6,065 to $6,963.

Recommendation & Rationale

- Davenport recommends the County accept the 2.57% rate fixed for 5 years from Union Bank & Trust to refund the County's Series 2011 Bond and Series 2015 Note. This recommendation is based upon the following:
  - Union's proposal of 2.57% is lower than the existing rates of 3.40% and 3.04%.
  - The Authority is able to reduce debt service payments, in the first five years, by approximately $3,900 monthly, or $46,200 annually.
  - Union's proposal maintains prepayment flexibility of the outstanding Bond and Note.