

South State 20-Year Bid vs. 20-Year Public Sale

Key Assumptions



| Key Assumptions | | |
|------------------------|--|--|
| Variable | SouthState Option 1 Bid | Public Sale |
| Project Fund | | \$17,000,000 |
| Cost of Issuance | \$100,000 | \$215,000 |
| Underwriter's Discount | None | \$5 per Bond |
| Interest Rate | 3.81% | Aa2/AA+ Current Public Market Rates (March 4, 2026) |
| Tax Status | | Tax-Exempt |
| Term | | 20 Years |
| Debt Service Structure | | Level Debt Service |
| Call Provision | Anytime at No Penalty | Standard 10-Year Call Provision |
| Payment Dates | Semi-Annual Interest Payments, commencing December 15, 2026 Annual Principal Payments, commencing December 15, 2026 | |
| Closing Date | April 1, 2026 | |

South State 20-Year Bid vs. 20-Year Public Sale

Estimated Debt Service / Sources & Uses Comparison



| Option 1 Bid - SouthState | | | | Public Sale | | | Differential |
|---|------------------------|--------------------|---------------------|---|------------------------|---------------------|-----------------|
| FY | Principal | Interest | Total | Principal | Interest | Total | |
| 2026 | \$474,500 | \$459,677 | \$934,177 | \$400,000 | \$530,538 | \$930,538 | \$3,638 |
| 2027 | 612,000 | 633,432 | 1,245,432 | 510,000 | 731,944 | 1,241,944 | 3,488 |
| 2028 | 635,500 | 610,114 | 1,245,614 | 535,000 | 706,444 | 1,241,444 | 4,171 |
| 2029 | 659,500 | 585,902 | 1,245,402 | 565,000 | 679,694 | 1,244,694 | 708 |
| 2030 | 684,500 | 560,775 | 1,245,275 | 590,000 | 651,444 | 1,241,444 | 3,831 |
| 2031 | 711,000 | 534,695 | 1,245,695 | 620,000 | 621,944 | 1,241,944 | 3,752 |
| 2032 | 738,000 | 507,606 | 1,245,606 | 650,000 | 590,944 | 1,240,944 | 4,663 |
| 2033 | 766,000 | 479,489 | 1,245,489 | 685,000 | 558,444 | 1,243,444 | 2,045 |
| 2034 | 795,000 | 450,304 | 1,245,304 | 720,000 | 524,194 | 1,244,194 | 1,110 |
| 2035 | 825,500 | 420,014 | 1,245,514 | 755,000 | 488,194 | 1,243,194 | 2,321 |
| 2036 | 857,000 | 388,563 | 1,245,563 | 790,000 | 450,444 | 1,240,444 | 5,119 |
| 2037 | 889,500 | 355,911 | 1,245,411 | 830,000 | 410,944 | 1,240,944 | 4,467 |
| 2038 | 923,500 | 322,021 | 1,245,521 | 870,000 | 369,444 | 1,239,444 | 6,077 |
| 2039 | 958,500 | 286,836 | 1,245,336 | 915,000 | 325,944 | 1,240,944 | 4,392 |
| 2040 | 995,000 | 250,317 | 1,245,317 | 960,000 | 280,194 | 1,240,194 | 5,123 |
| 2041 | 1,033,000 | 212,408 | 1,245,408 | 1,010,000 | 232,194 | 1,242,194 | 3,214 |
| 2042 | 1,072,500 | 173,050 | 1,245,550 | 1,060,000 | 181,694 | 1,241,694 | 3,856 |
| 2043 | 1,113,500 | 132,188 | 1,245,688 | 1,105,000 | 139,294 | 1,244,294 | 1,394 |
| 2044 | 1,156,000 | 89,764 | 1,245,764 | 1,145,000 | 95,094 | 1,240,094 | 5,670 |
| 2045 | 1,200,000 | 45,720 | 1,245,720 | 1,195,000 | 49,294 | 1,244,294 | 1,426 |
| Total | \$17,100,000 | \$7,498,785 | \$24,598,785 | \$15,910,000 | \$8,618,320 | \$24,528,320 | \$70,465 |
| Sources | | | | Sources | | | |
| | Par Amount | | \$17,100,000 | | Par Amount | \$15,910,000 | |
| | Premium | | 0 | | Premium | 1,388,294 | |
| | Total Sources | | \$17,100,000 | | Total Sources | \$17,298,294 | |
| Uses | | | | Uses | | | |
| | Project Fund | | \$17,000,000 | | Project Fund | \$17,000,000 | |
| | Cost of Issuance | | 100,000 | | Cost of Issuance | 215,000 | |
| | Underwriter's Discount | | 0 | | Underwriter's Discount | 79,550 | |
| | Additional Proceeds | | 0 | | Additional Proceeds | 3,744 | |
| | Total Uses | | \$17,100,000 | | Total Uses | \$17,298,294 | |
| All-In True Interest Cost: 3.88% | | | | All-In True Interest Cost: 3.85% | | | |

Recommendation & Rationale



- Davenport also compared the best 20-year bank bid versus the best 25- and 30-Year bank bids. While the longer amortizations lowers the annual payment, the additional interest over the extra 5 and 10 years is very high. The best 25-Year bank rate saved roughly \$95,000 per year in cash flow but cost an additional \$3.9 million in interest costs due to the additional length of the loan and higher interest rate. The best 30-Year fixed rate was lower annually by \$143,000 but cost an additional \$8.2 million over the life of the loan versus the 20-Year option. This analysis can be found in the appendix.
- Davenport recommends that the City accept the 20-Year (Option 1) bid from SouthState Bank to finance the Series 2026C Warrant. This recommendation is based upon the following:
 - The SouthState Bank 20-Year bid was the lowest amongst all proposals, while still offering maximum prepayment flexibility at anytime with no penalty;
 - The SouthState Bank 20-Year bid is very comparable to a hypothetical Public Sale in terms of debt service. The City would be subject to interest rate risk if we were to start the process of a public sale which would not guarantee that method would result in an overall lower cost of funds;
 - As mentioned above, while the 25-year and 30-year options produced slightly lower annual cash flow, the overall cost of debt service was significantly higher than the 20-year option from SouthState;
 - The fully fixed interest rate from SouthState 20-Year bid would eliminate any future interest rate risk;
 - Lenient continuing disclosure covenants; and,
 - No closing costs.

Summary of Methods of Sale



| | Direct Bank Loan | Public Market Issuance |
|---------------------------|---|---|
| Credit Rating Requirement | Credit rating not required to seek financing. | Credit rating conventionally required to seek financing. |
| Offering Document | No formal offering document required. Approximately 5-page RFP distributed to financial institutions instead. | Comprehensive page formal offering document required to be prepared by bond/disclosure counsel and distributed. |
| Offering Type | Competitive RFP Process | Either Competitively Bid on by Underwriters or Negotiated where Underwriter's are hired through RFP process. |
| Purchasers | Single institution purchases Bond for its own account. May be local, regional, or national lender. | Multiple purchasers through underwriting process including insurance companies, pension funds, individual investors, etc. |
| Timing Flexibility | Shorter timeline – financing completed over the course of 60-90 days. | Longer timeline – financing completed over the course of 90-120 days |
| Interest Rates | Typically a single fixed rate for all maturities | Individually fixed rates for each maturity |
| Structuring Flexibility | Somewhat flexible | Complete flexibility |
| Term Limitations | Typically up to 20 years | Typically up to 30 years |
| Prepayment | More flexibility with the possibility of prepayment without penalty | Some flexibility with 10 year call protection period being industry standard. |