

MEMORANDUM

TO: Mayor and City Council

FROM: Richard Meyers, City Manager

SUBJECT: APPROVAL OF LETTER OF COMMITMENT BANNER BANK FINANCING

DATE: March 14, 2022

Background

This item will replace the resolution on the agenda regarding item 8(c) Resolution Authorizing Full Faith and Credit Borrowings to Finance Community Center Roof Project. Some of the parameters of the agreement have not been fully worked out and we need a little more time to prepare the documents for the financing package. The Letter of Commitment will lock in the interest rate and give us time to prepare all the appropriate documents. A new resolution will be brought to the Council at a future City Council meeting.

It is recommended that this item be placed in Business From the City Council as new item 9(b) the current items (b) and (c) would shift to (c) and (d) respectively.


We would ask that item 8(c) be pulled from the agenda when we reach that item.

Recommendation

That the item be added to the agenda under Business From the City Council as item 9(b) with the remaining items renumbered accordingly to follow.

Cost

No Cost, at this time.



Richard Meyers, City Manager



March 14, 2022

Roberta L. Likens
Finance Director
City of Cottage Grove
400 Main Street
Cottage Grove, OR 97424

RE: City of Cottage Grove, OR – \$930,000 Full Faith and Credit Financing Agreement, 2022

Greetings:

Banner Bank ("Bank") is pleased to offer the following updated commitment of financing to the City of Cottage Grove, OR ("City" or "Borrower") in the form of a tax-exempt bank-qualified ("TEBQ"), Full Faith and Credit Financing Agreement ("Agreement") in the total amount of \$930,000. We understand the proceeds from this Agreement will be used to finance a building improvement project to reroof the Community Center Building including related projects and may be used to pay the cost of issuance.

This proposal is for the City to issue and the Bank to purchase a TEBQ Full Faith and Credit Financing Agreement through a private sale to the Bank for direct private placement of the Agreement into the Bank's portfolio where it will remain for the life of the Agreement. Servicing of this Agreement will be handled by the Bank's Southern Oregon Commercial Banking Center ("CBC") in Eugene in conjunction with the Cottage Grove branch of Banner Bank. Joseph Parkman will be the City's contact and Relationship Manager working closely with the Manager of the Bank's Cottage Grove Branch, Jim Gilroy, Vice President.

This Commitment Letter constitutes a commitment by the Bank to provide this financing in the form of an Agreement with the City and is for the purpose of substantially representing the Bank's terms and conditions based upon information provided. These terms and conditions have been approved in a formal credit underwriting and approval process within the Bank prior to the Bank making this commitment to the City for this financing.

City of Cottage Grove, Oregon
March 14, 2022

Issuer or Borrower: City of Cottage Grove, Oregon.

Form/Structure: Full Faith and Credit Financing Agreement.

Agreement Amount: \$930,000.

Term/Life: Approximately fifteen (15) years.

Maturity Date: Estimated March 1, 2037.

Interest Rate: Fixed tax-exempt bank-qualified interest rate of 2.77%.

Market Rates: The tax-exempt bank-qualified fixed interest rate described above is based upon today's market interest rates and is subject to change, at the sole discretion of the Bank, if the closing on this Agreement does not occur by May 4, 2022.

Taxable Rate: The tax-exempt bank-qualified fixed interest rate described above is based upon this Agreement qualifying for this tax-exempt status for the life of the indebtedness. In the event this Agreement or some portion of this Agreement ceases to qualify for tax-exempt status, the fixed interest rate described above shall be immediately converted to the equivalent taxable interest rate of 3.51%.

Interest Only: Interest only period payments will be due and payable quarterly on each June 1, September 1 and on December 1, 2022. Interest is calculated on the basis of twelve 30-day months and a 360-day year (30/360). All payments will be applied first to accrued interest and then to principal on the date payments are actually received by the Bank

Repayment: Principal and interest (P&I) payments will be due and payable quarterly on each March 1, June 1, September 1, and December 1, commencing March 1, 2023. The payments of principal and interest are to fully amortize the Agreement on or before the Maturity Date. All payments will be applied first to accrued interest and then to principal on the date payments are actually received by the Bank.

Bank Legal Fees: Bank origination fee is \$2,325 (0.25%). City is responsible for Bank's out-of-pocket attorney fees in the fixed amount of \$3,500 payable at closing.

Other Fees: The City is responsible for the City's legal/special counsel fees and City's financial advisor fees, if any.

Draw Period: The City has the option for the Agreement to have a draw down period of approximately 9 months. Required minimum draw at closing is 5.0% of the Agreement amount or \$51,000, whichever is smaller. Agreement proceeds can be advanced one time each month with written request to the Bank (Banner Bank's Eugene CBC) at least three (3) business days prior to the day the Draw will be deposited into the City's bank account at the Cottage Grove Banner Bank branch. Draw Down Period shall commence on the date of closing and the full \$930,000 Agreement amount must be drawn down on or before November 29, 2022, the end of Draw Period. The Bank may be open to a different Draw Period to meet the City's need.

Prepayment: The City may not prepay this Agreement in years one and two. City may prepay this Agreement on or after March 1, 2024; in whole or in part, together with accrued interest to the date of prepayment, on any payment date with fifteen days prior written notice to the Bank. The Bank will charge a 4% fee on any amounts prepaid during the third year; a 3% fee on any amounts paid during the fourth year; a 2% fee during the fifth year; a 1% fee during the sixth year; and no fee on any amounts prepaid after the sixth year. Prepayments shall not result in a change in the quarterly payment amount but in an earlier retirement of the term debt.

Security: For as long as the Agreement is outstanding, the City will irrevocably pledge that the Agreement will be secured by and payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including revenues from an ad valorem tax authorized to be levied under the City's permanent rate limit under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable or contract, that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. The City pledges its full faith and credit and taxing powers to the repayment of the Agreement as contemplated by ORS 287A.315, and any successor statute. And the full faith, credit and resources of the City will also be pledged for the inclusion in its annual budget of sufficient funds to pay interest and principal payments when due, for the prompt payment of that principal and interest and for compliance with a mandamus order, if necessary.

- Legal Opinion:** Bank shall receive a legal opinion from the Borrower's special counsel satisfactory to the Bank, (1) stating that all of the terms and conditions of the applicable Agreement documents and the transaction described therein are in full compliance with Oregon law and with Federal Law, are binding upon and enforceable against the Borrower and do not violate Borrower's formation or constituent documents or any applicable law; (2) stating that the indebtedness being incurred is a legal, valid and binding obligation of the Borrower; (3) stating that the Borrower's transaction with the Bank is a qualified, tax-exempt obligation pursuant to Section 265(b)(3) of the United States IRS Code ("Code") and the interest income to the Bank is excluded from federal income tax pursuant to Section 103 of the Internal Revenue Service ("IRS") Code; (4) confirming the authority of the Borrower to incur the indebtedness; and (5) confirming that the Borrower's Resolution and other bond documents authorizing this indebtedness and irrevocably pledging the security for repayment of this indebtedness are valid and authorized.
- Resolution:** Receipt of a certified copy of the Resolution adopted by the City Council authorizing the incurring of this bond indebtedness and pledging the security for repayment of the Agreement.
- Agreement:** Bank shall receive original certified fully executed Agreement and fully executed Agreement Note, if any, at closing.
- Form 8038-G:** Receipt of a copy of the IRS Form 8038-G and affidavit of mailing to the IRS following closing.
- Reports:** Financial information of the City shall be provided to the Bank periodically, including the City's annual audited financial statements to be provided by the City no later than 270 days after each fiscal year end, and such other financial statements/reports, audit reports, and other reports or budgets as the Bank may reasonably request.
- Documentation:** The Resolution, the Agreement and other financing documents are to be prepared by the City's special counsel and are subject to review and acceptance by the Bank and the Bank's legal counsel, Chris Graving of the Stokes Lawrence law firm.

City of Cottage Grove, Oregon
March 14, 2022

We appreciate this opportunity to work with you and the City of Cottage Grove on this significant financing for the City and its citizens. Please acknowledge the City's approval and acceptance of this Commitment Letter by signing below and returning a copy of this signed Commitment Letter to the Bank. Please contact either one of us with questions, suggestions, and/or other feedback.

Sincerely,

Joseph Parkman

Joseph Parkman
Commercial Relationship Manager
Office: 541-334-5847
Cell: 541-398-1877
Email: Joseph.Parkman@bannerbank.com

Darwin W. Parker

Darwin W. Parker
Vice President Public Finance
Office: 509-735-0889
Cell: 509-308-2790
Email: DParker@bannerbank.com

City of Cottage Grove:

The undersigned, on behalf of the City of Cottage Grove, hereby acknowledges and accepts this \$930,000 Full Faith and Commitment Financing Agreement (Agreement) Commitment Letter from Banner Bank and agrees to all the terms and conditions of this Agreement Commitment Letter as set forth hereinabove.

City of Cottage Grove

By: _____ Date: _____

Title: _____

ORS 41.580 (3) (a) NOTICE UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BANK CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE BANK TO BE ENFORCEABLE.