

MEMORANDUM

TO: Mayor and City Council

FROM: Roberta Likens, Finance Director

SUBJECT: RESOLUTION AUTHORIZING FULL FAITH AND CREDIT
BORROWINGS AND OTHER MATTERS

DATE: April 6, 2022

Background

The City Council awarded the Community Center Roof Repair Project to Richard's Remodeling LLC, in the amount of \$781,328. In the loan proposal, we have included asbestos abatement of approximately \$25,000 and a 15% contingency amount of \$123,672 to address unforeseen costs during the contract period. The roof project is expected to be completed by the end of September, 2022.

As previously discussed, the financing proposals were sought in January, with one response from Banner Bank. US Bank responded after the closing of the proposal request but indicated they were not able to be competitive with Banner Bank's submission.

Banner Bank updated the commitment letter, extending the date to have closing documents perfected by May 4, 2022. The proposal remains as a fixed rate, tax-exempt bank-qualified interest rate of 2.77%, the City to make quarterly payments, with bank legal fees and origination fees of \$5,825. The City intends to utilize a draw down period of six months, or shorter, during the construction stage. The first draw down is anticipated to occur in May, 2022.

The City is responsible for any City legal counsel fees as well. The Local Government Law Group originally drafted the financing agreement. However, Banner Bank subsequently advised that Bond Counsel was necessary, beginning the process over again. This had not been the requirement for previous loans of the same type. We believe that the requirement to use Bond Counsel stems from changes in federal laws and insurance claims for tax-exempt loans, minimizing the risk as much as possible to the bank and transferring the risk to the City and its Bond Counsel.

In light of needing Bond Counsel, we have engaged with the firm of Hawkins, Delafield & Wood, LLP, in Portland, Oregon. It is anticipated final transaction documents will be executed no later than Wednesday, April 13th.


Recommendation

That the Council approve the proposed resolution and authorize the City Manager to sign the financing agreements and other required documents with Banner Bank.

Cost

The face value of the loan plus accrued interest and fees over the course of the loan.


Richard Meyers, City Manager


Roberta Likens, Finance Director

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING A FULL FAITH AND CREDIT BORROWING
AND RELATED MATTERS

WHEREAS, the City Council of Cottage Grove, Oregon finds and recites the following:

- A. The City of Cottage Grove (the "City") is authorized by Oregon Revised Statutes Section 271.390 to enter into financing agreements to finance real or personal property which the City Council (the "Council") determines is needed so long as the estimated weighted average life of the financing agreement does not exceed the estimated dollar weighted average life of the property that is financed; and
- B. The City has identified a need to reroof the Community Center (the "Project");
- C. The Council hereby determines that the Project is needed, and that it is desirable to finance the Project pursuant to ORS 271.390; and
- D. The City may make expenditures on the Project (the "Expenditures") before the City borrows to finance the Project, and the rules of the United States Internal Revenue Service require the City to declare its official intent to reimburse itself for amounts that the City will spend before it borrows in order for the City to reimburse itself for those Expenditures from the proceeds of a tax-exempt borrowing;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Cottage Grove as follows:

Section 1. Financing Agreement Authorized. The City is hereby authorized to enter into a financing agreement (the "Financing Agreement") pursuant to ORS 271.390 in a maximum principal amount of \$930,000. Proceeds of the Financing Agreement shall be used to pay costs of the Project and costs associated with the Financing Agreement. The Financing Agreement may be in the form of an agreement, line of credit or other structure and may convert from a line of credit structure to an amortizing loan.

Section 2. Delegation. The City Manager, the Finance Director, or the person designated by either of those individuals (each of whom is referred to herein as a "City Official") are hereby authorized, on behalf of the City and without further action by the Council, to:

- A. Determine the final principal amount, interest rate, payment dates and all other terms of the financing;
- B. Negotiate the final terms of, and execute and deliver the Financing Agreement and any related documents;

Resolution No. ____

C. Select a commercial bank or another lender to provide the financing authorized by this resolution. Subject to the limitations of this Resolution, the Financing Agreement may be in such form, including a draw down or fully amortized structure, and contain such terms as a City Official may approve;

D. Covenant for the benefit of the lender to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code") which are required for the interest paid under the Financing Agreement to be excluded from gross income for federal income tax purposes, if applicable;

E. Designate the borrowing as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Code, if applicable;

F. Enter into additional covenants for the benefit of the purchaser of the Financing Agreement that the City Official determines are desirable to obtain favorable terms for the Financing Agreement; and

G. Execute and deliver any other certificates or documents and take any other actions that the City Official determines are desirable to carry out this resolution.

Section 3. Security. Pursuant to ORS 287A.315, the City is authorized to pledge its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, and any and all of the City's legally available funds, to pay the amounts due under the Financing Agreement. The City is not authorized to levy additional taxes to pay the amounts due under the Financing Agreement.

Section 4. Declaration of Intent to Reimburse. The City hereby declares its official intent pursuant to Section 1.150-2 of the Treasury Regulations to reimburse itself with the proceeds of the Financing Agreement for any Expenditures paid before the Financing Agreement is issued.

BE IT FURTHER RESOLVED that this resolution shall take effect immediately upon its passage.

PASSED BY THE COUNCIL AND APPROVED BY THE MAYOR THIS 11th DAY OF APRIL, 2022.

Jeffery D. Gowing, Mayor

Dated: _____

ATTEST:

Richard Meyers, City Manager

Dated: _____

Resolution No. ____