

**Memorandum
Parks & Recreation Department
Finance Department**



To: Randall Tweet, City Manager

Number: 034-21

Subject: Highland Springs Clubhouse Financing

Date: 06/07/2021

Background Information:

The Parks & Recreation Department, in partnership with the First Tee Quad Cities, are constructing a new clubhouse at Highland Springs Golf Course. The new clubhouse will better fit the needs of the golf course, and provide classroom and meeting space for the First Tee to use as part of their program at Highland Springs.

Fundraising efforts are underway to support this project. However, financing is needed in order to start the project in a timelier manner.

The Parks and Recreation and Finance Department solicited proposals to borrow up to \$1.3 million for financing the new clubhouse at Highland Springs golf course. The requirements included a quote for (1) line of credit which would be converted into a taxable bond in the fall, (2) a 10-year bank loan structured with semi-annual interest only payments and (3) prepayment options.

Staff consulted with Speer Financial Consultants and Bond Counsel, Lewis Greenbaum during the process and the following information was provided: (1) due to upcoming bond refunding in the Fall, the loans are not eligible as bank-qualified (tax-exempt), (2) a line of credit would require an official intent resolution prepared by bond counsel, (3) bonds would have call protection and not redeemable for the first eight (8) years.

Two bids were received on May 14, 2021 from American Bank & Trust and JP Morgan Chase. Speer Financial Services provided an analysis for a 10-year general obligation bond using current market interest rates.

Financial Institutions	Taxable Fixed Rate	Fees	Total Principal	Total Interest	Total
American Bank & Trust	3.33%	\$ 500	1,300,000	251,385	1,551,385
JPMorgan Chase Bank, N.A.*	3.30%	\$4000 - \$5000			
General Obligation Bond/LOC**	3.00%	\$ 19,065	1,295,000	396,702	1,691,702
*Would not provide schedule until awarded					
**Converted from Line of Credit					

Staff met to discuss the proposals and eliminated the line of credit due to the cost associated with the general obligation bond and the redemption period. The remaining option was the taxable bank loan. Both institutions provided similar interest rates. However, American Bank & Trust fees were only \$500 compared to \$4500 that JPMorgan Chase quoted. Based on the City of Rock Island's current relationship with American Bank and the cost savings, it is recommended that their bank loan proposal be accepted as the winning bid.

Recommendation:

The Parks & Recreation and Finance Departments recommend that Council approve the proposal from American Bank and Trust.

Submitted by: John Gripp, Parks & Recreation Director
Linda Barnes, Interim Finance Director

Approved by: **Randall Tweet, City Manager**

May 13, 2021

City of Rock Island
ATTN: Linda Barnes – Interim Finance Director
1528 3rd Ave
Rock Island, IL 61201

Dear Linda:

American Bank & Trust appreciates the opportunity to submit a financing proposal for the Bank Loan or Revolving Line of Credit for the City of Rock Island to allow for the City to complete capital improvements within its Parks Department. Our pre-approved credit terms are outlined as follows:

Borrower:	City of Rock Island, Illinois
Loan Amount:	up to \$1,300,000
Purpose:	Term Loan or Revolving Line of Credit for capital improvements to the City's parks, specifically the clubhouse of Highland Springs Golf Course
Rate:	If Tax-Exempt: 2.19% Fixed If Taxable: 3.36% Fixed
Term:	maturity 12/1/31
Repayment:	Semi-annual interest payments due on June 1 and December 1, commencing December 1, 2021, with outstanding principal and interest due at maturity
Unused Fee:	n/a
Default Rate:	6.00% above the note rate
Collateral:	Unsecured
Loan Fee:	\$500
Prepayment Penalty:	n/a
Loan Approval Date:	May 19, 2021



Again, we thank you for allowing us the opportunity to submit this proposal and look forward to the prospect of working with you on this new project. If you should have any questions, please contact Becca Skafidas at rskafidas@ambankqc.com or 563.441.6593 or Jeff Rose at jrose@ambankqc.com or 563.441.6550.

Sincerely,

American Bank and Trust Company, N.A.

A handwritten signature in cursive script that reads "Jeffrey P. Rose".

Jeff Rose
President/CEO

A handwritten signature in cursive script that reads "Eric Spriet".

Eric Spriet
Vice President, Commercial Lending

