CITY OF STOUGHTON, 207 S FORREST ST, STOUGHTON, WISCONSIN

RESOLUTION OF THE COMMON COUNCIL		
Irrevocable Standby Letters of Credit regarding Developer Agreement with Eldon Land Development, LLC for Magnolia Springs Development		
Committee Action:	Finance Committee recommended approval 7-0 on 11/14/2023	
Fiscal Impact:	$3,460,443 & $1,367,094	
File Number:	R-183-2023	**Date** 11/28/23

The City of Stoughton, Wisconsin, Common Council does proclaim as follows:

RECITALS:

WHEREAS, the Common Council approved the developer's agreement with Eldon Land Development, LLC for the Magnolia Springs Development under Resolution R-93-2023 on June 13, 2023; and,

WHEREAS, the developer's agreement required a letter of credit for $4,827,537 (Phase 1 - $3,460,443 and Phase 1A - $1,367,094) shall be provided to the City of Stoughton; and,

WHEREAS, the attached Irrevocable Standby Letters of Credit, Exhibit A, and Exhibit B have all been reviewed as to form by the City Attorney; and,

WHEREAS, the developer's agreement requires that the letter of credit shall be issued by an entity that is acceptable to the City or has a rating of its long-term unsecured debt not lower than A1 by Moody's Investors Service or A+ by Standard and Poor's; and,

WHEREAS, The Bank of New Glarus does not currently have a relationship with either rating agency because the bank is privately held and has not issued any public debt instruments; and,

WHEREAS, The Bank of New Glarus has provided information to both the City of Stoughton Finance Committee and City of Stoughton Common Council sufficient to deem that The Bank of New Glarus' Irrevocable Standby Letters of Credit are acceptable to the City;

NOW THEREFORE BE IT RESOLVED, that the Common Council finds the Irrevocable Letters of Credit from The Bank of New Glarus in the attached format approved by the City Attorney is hereby accepted by the City of Stoughton Common Council.

Council Action: ☐ **Adopted** ☐ **Failed** **Vote** _____

Mayoral Action: ☐ **Accept** ☐ **Veto**

_____

Mayor Tim Swadley Date

Council Action: _____ ☐ **Override** **Vote** _____

The development agreement requires the Letter of Credit be issued to the City of Stoughton by a Financial Institution with a rating of A1 (Moody's) or A+ (Standard and Poor's). Out of 4,236 FDIC-insured commercial banks in the US 21 banks meet the A1 Moody's rating and 17 meet the Standard and Poor's rating. The majority of Community banks do not have any relationship with these rating agencies due to being privately held and do not issue any public debt instruments. Bank of New Glarus was compared to a sampling of Financial Institutions who meet the requirements and are inline with similar ratios.

- **Net interest margin (NIM)** – A measure of the difference between interest paid and interest received, adjusted for the total amount of interest-generating assets held by the bank.
    - Wells Fargo – 3.62%
    - Bank of America – 2.78%
    - BMO – 3.55%
    - Bank of New Glarus – 3.54%

- **Efficiency ratio** – The ratio of non-interest expenses divided by revenue. This shows how well the bank's managers control their overhead (or back office) expenses.
    - Wells Fargo – 56.29%
    - Bank of America – 52.87%
    - BMO – 69.86%
    - Bank of New Glarus – 64.57%

- **Loans/Deposits Ratio (LDR)** – Expressed as a percentage, LDR is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period.
    - Wells Fargo – 81.55%
    - Bank of America – 76.71%
    - BMO – 86.54%
    - Bank of New Glarus – 89.87%

- **CET1 Ratio-**The CET1 ratio is similar to the leverage ratio. It measures the ability of a bank to cover its exposures. However, the CET1 ratio is a more stringent measurement, as it only considers the common equity tier 1 capital, which is less than the total tier 1 capital. Also, for the ratio's calculation, the risk level of the exposure (asset) is considered as well. A higher risk asset is given a higher weighting of risk, which lowers the CET1 ratio.
    - Wells Fargo – 12.66%
    - Bank of America – 13.29%
    - BMO – 11.32%
    - Bank of New Glarus – 13.36%

- **Equity/assets** – A way to look at a balance sheet and to condense it down.
    - Wells Fargo – 9.75%
    - Bank of America – 9.39%
    - BMO – 12.14%
    - Bank of New Glarus – 8.86%

IRREVOCABLE STANDBY LETTER OF CREDIT

The Bank of New Glarus
501 First St, P O Box 129, New Glarus WI 53574

BENEFICIARY	LETTER OF CREDIT NO.	DATE
The City of Stoughton, a Wisconsin municipal corporation	4009563	October 18, 2023

This Letter of Credit is issued to secure certain obligations of Eldon Land Development LLC ("Developer") under the Master Agreement to Undertake Development entered as of June 13, 2023 and the Agreement for Subdivision Improvements Phase 1 and 1A entered as of June 13, 2023 (collectively the "Development Agreement"). We hereby authorize you to draw on us for the account Developer up to an aggregate amount of Three Million Four Hundred Sixty Thousand four hundred forty-three dollars ($3,460,443) available at sight upon presentation of the following:

1. Your draft in the form attached as Exhibit A.

2. This original Letter of Credit.

2. An affidavit in the form attached as Exhibit B.

This Letter of Credit and each extended, renewed or replacement letter of credit shall be automatically extended without amendment for a period of one year from its expiration date, unless at least 45 days before such expiration date we notify the City of Stoughton in writing at 207 S. Forrest Street, Stoughton, WI, 53589, Attn: Finance Director, that the Letter of Credit will not be extended for an additional one-year period, or that the Letter of Credit will be renewed or replaced by a letter of credit in an amount that is less than the amount required by the Development Agreement.

SPECIAL INSTRUCTIONS:

Partial drawings are ☒ permitted.

All drafts must be marked "Drawn Under The Bank of New Glarus Letter of Credit No. 4009563 Dated October 18, 2023"

Insofar as applicable, this Letter of Credit is subject to the International Standby Practices (1998), International Chamber of Commerce Publication #590. This Letter of Credit shall be construed and interpreted in accordance with the laws of the State of Wisconsin, including insofar as applicable the Uniform Commercial Code as in effect in the State of Wisconsin.

We agree with you to pay draft(s) drawn under and in compliance with the terms of this Letter of Credit if presented at this office together with this Letter of Credit on or before the close of our business on October 18, 2025.

Dated: 10/27/2023

The Bank of New Glarus

By: _____
Name: Jance Marty
Its: SVP, COO

IRREVOCABLE STANDBY LETTER OF CREDIT

The Bank of New Glarus
501 First St, P O Box 129, New Glarus WI 53574

BENEFICIARY	LETTER OF CREDIT NO.	DATE
The City of Stoughton, a Wisconsin municipal corporation	4009626	October 30, 2023

This Letter of Credit is issued to secure certain obligations of Eldon Land Development LLC ("Developer") under the Master Agreement to Undertake Development entered as of June 13, 2023 and the Agreement for Subdivision Improvements Phase 1 and 1A entered as of June 13, 2023 (collectively the "Development Agreement"). We hereby authorize you to draw on us for the account Developer up to an aggregate amount of One Million Three Hundred Sixty Seven Thousand and Ninety-four dollars ($1,367,094) available at sight upon presentation of the following:

1. Your draft in the form attached as Exhibit A.

2. This original Letter of Credit.

2. An affidavit in the form attached as Exhibit B.

This Letter of Credit and each extended, renewed or replacement letter of credit shall be automatically extended without amendment for a period of one year from its expiration date, unless at least 45 days before such expiration date we notify the City of Stoughton in writing at 207 S. Forrest Street, Stoughton, WI, 53589, Attn: Finance Director, that the Letter of Credit will not be extended for an additional one-year period, or that the Letter of Credit will be renewed or replaced by a letter of credit in an amount that is less than the amount required by the Development Agreement.

SPECIAL INSTRUCTIONS:

Partial drawings are ☒ permitted.

All drafts must be marked "Drawn Under The Bank of New Glarus Letter of Credit No. 4009636 Dated October 30, 2023"

Insofar as applicable, this Letter of Credit is subject to the International Standby Practices (1998), International Chamber of Commerce Publication #590. This Letter of Credit shall be construed and interpreted in accordance with the laws of the State of Wisconsin, including insofar as applicable the Uniform Commercial Code as in effect in the State of Wisconsin.

We agree with you to pay draft(s) drawn under and in compliance with the terms of this Letter of Credit if presented at this office together with this Letter of Credit on or before the close of our business on October 30, 2025.

Dated: 10/27/2023

The Bank of New Glarus

By: _____
Name: Jance Marty
Its: SVP, COO