

December 29, 2017

City of Tillamook
Attention: Abigail Donowho, Treasurer
210 Laurel Ave.,
Tillamook, Oregon 97141

RE: Bond Refunding G07001, current balance: \$781,084.00

Dear Abigail Donowho:

Current interest rates are generally lower than when the above-referenced loan was originated. This makes it possible for us to consider refunding certain bonds for debt service savings, including those that funded a portion of the City of Tillamook loan. Refunding involves issuing new bonds at a lower interest rate to retire old, higher-rate bonds. Subject to approval by the Oregon Infrastructure Finance Authority Board, we estimate issuing the refunding bonds April or May 2018; however our ability to do so depends on the availability of low interest rates at that time.

Current market conditions make it possible to issue refunding bonds for savings. If we issued the refunding bonds today and passed through the savings, the estimate for this loan would result in a percentage savings of 12.64% or a net present value savings of \$18,958.20. Actual savings will depend on the interest rate environment at the time that the refunding bonds are sold. For example, if interest rates increase by 1.00% (or 100 basis points) from current rates your estimated savings decline to 6.64%, or \$42,799.39 of present value savings. The estimate of savings includes the costs of issuing the refunding bonds. In other words, savings estimates include the Bond Bank's costs of issuance related to the sale of the refunding bonds. The City of Tillamook may, however, incur costs related to retaining local counsel to confirm the validity and enforceability of the refunding loan.

The savings would not come in a lump sum but through lower loan payments over the remaining term of the City of Tillamook loan. To set a new interest rate, we would need to amend the City of Tillamook loan document(s), which would be sent to you. Note the refunding bonds, and thus, the amended loan, cannot be prepaid without penalty for eight years. All existing post compliance requirements would remain in force for the loan.

We are notifying borrowers in advance of the refunding in order to offer them the opportunity to participate in the refunding or prepay their loans. We are not encouraging you to prepay. However, prepayment would affect the size and structure of the contemplated Bond Bank refunding, so we ask that you inform us if you intend to prepay. The deadline for notification is January 18, 2018, and the notification should be in writing at the above address.

We appreciate your business and hope you will stay with the loan program.

If you have any questions, please do not hesitate to call. Our number is 503-986-0123.

Sincerely,

Rich Rodriguez
Finance Officer