



COBURG CITY COUNCIL ISSUE ITEM

TOPIC: Resolution 2020-19, A Resolution Authorizing the City of Coburg to Refinance Outstanding Loans and Providing for Related Matters

Meeting Date: September 22, 2020
Staff Contact: Tim Gaines, Finance Director
Contact: 541-682-7870, tim.gaines@ci.coburg.or.us

SUGGESTED COUNCIL ACTION

Adopt Resolution 2020-19, A Resolution Authorizing the City of Coburg to Refinance Outstanding Loans and Providing for Related Matters

"I move that the Council adopt Resolution 2020-19, A Resolution Authorizing the City of Coburg to Refinance Outstanding Loans and Providing for Related Matters."

COUNCIL GOALS

Improve Financial Position

BACKGROUND

The City currently has eight long term loans. There are two loans for the Water Fund, five loans for the Sewer Fund and a loan for the purchase of our current City Hall. The City has maintained a relationship with Matt Donahue from D.A. Davidson over the last few years and was contacted by Matt D about looking at the possibility of refinancing these loans to take advantage of the low interest rates in the current market. Staff has been working with Matt to provide some different options should we decide to go forward with refinancing.

OPTIONS

Staff is presenting four scenarios to consider. In Scenario A, we would refinance all existing long-term loans the City currently has. In Scenario B, we would only refinance all Water and Sewer long-term loans and not include the current loan for the purchase of our current City Hall. In scenario C, we would refinance only all current Sewer long-term loans. And in scenario D, we would do nothing and leave all long-term loans as they are today.

ANALYSIS

In scenarios A, the City would realize a savings of \$1,337,022. If we consider doing this, we would not have a savings on the City Hall loan. The City Hall loan would actually have a negative effect on the overall computation. However, we would have savings on all the other long-term loans. In scenario B the City would have an overall savings of \$1,383,989. In scenarios C, the City would have an overall savings of \$1,307,431. One important factor to know is that none of these loan obligations length of payment would be extended from what they are now. To be clear, we would not be adding years to any of the individual loans. Another issue to consider if we did refinance the Water and Sewer loans, we would no longer be required to account for restricted reserve debt funds on our balance sheet. This would free up capital for the two funds.

RECOMMENDATION AND ALTERNATIVES

The City had a Finance/Audit Committee meeting on September 15, 2020. After discussion of the different scenarios, both staff and the committee recommend Scenario A, refinancing all current long-term loans with a Full Faith and Credit bond. This will relieve some of the financial burden from the Water and Sewer funds. It also locks the City into a very low interest rate for the City Hall loan, and the City avoids a balloon payment of over \$480,000 in February of 2024.

BUDGET / FINANCIAL IMPACT

The budget impact of refinancing the City loans will be a long-term savings of up to approximately \$ 1,383,989 depending on which scenario is chosen.

PUBLIC NOTICE/INVOLVEMENT

N/A

NEXT STEPS

- Review and approval of preliminary official statement (disclosure document for investors).
 - Complete credit rating application (hour long conference call included).
 - Sale of pricing of obligations, approval of interest rates and terms.
 - Pre-closing (execution and signature of closing documents).
 - Closing - confirmation of fund delivery and release of the obligations.
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ATTACHMENTS

- A. Resolution 2020-19
 - B. Exhibit A, Exhibit B, Exhibit C
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REVIEWED THROUGH:

Anne Heath, City Administrator

Sammy Egbert, City Recorder

RESOLUTION NO. 2020-19

A RESOLUTION AUTHORIZING THE CITY OF COBURG TO REFINANCE OUTSTANDING LOANS AND PROVIDING FOR RELATED MATTERS

WHEREAS, the City is authorized by Oregon Revised Statutes Section 271.390 to enter into financing agreements to finance or refinance real or personal property which the City Council determines is needed, and to authorize obligations evidencing the right to receive the payments due from the City under those financing agreements; and

WHEREAS, the estimated weighted average life of a financing agreement shall not exceed the estimated dollar weighted average life of the real or personal property to be financed or refinanced by such financing agreement; and

WHEREAS, the City is also authorized by ORS 287A.360 to 287A.380 to refund outstanding borrowings; and

WHEREAS, the City has a number of loans outstanding (the "Outstanding Loans"), including:

Clean Water State Revolving Fund Loan Agreement No. R. 23041 that financed wastewater system improvements,

Clean Water State Revolving Fund Loan Agreement No. R. 23042 that financed wastewater system improvements,

Clean Water State Revolving Fund Loan Agreement No. R. 23044 that financed wastewater system improvements,

Infrastructure Finance Authority Loan B01003 that financed water system improvements,
Infrastructure Finance Authority Loan G01001 that financed water system improvements, and

Summit Bank Loan No 607600 that financed the purchase of property.

WHEREAS, under current market conditions refunding all or a portion of the Outstanding Loans may produce debt service savings; and,

NOW THEREFORE, THE COBURG CITY COUNCIL RESOLVES AS FOLLOWS:

1. Financing Authorized. The City Council hereby authorizes the issuance of full faith and credit financing agreements to refund all or any portion of the Outstanding Loans. The financing agreements authorized by this Section shall be executed and sold pursuant to ORS 271.390, ORS 287A.360 through 287A.380 and the other relevant provisions of ORS Chapter 287A and as provided in this resolution. The financing agreements may be issued in an amount sufficient to prepay the portions of the Outstanding Loans that are being refinanced and to pay estimated costs related to the refunding and the financing agreements.

2. Determination of Need. The City Council hereby determines that the projects being refinanced were needed at the time they were financed and that they remain needed.
3. Delegation. The City Manager, the Finance Director, or the person designated by the City Manager to act on behalf of the City under this resolution (each of whom is referred to herein as a "City Official") is hereby authorized, on behalf of the City and without further action by the City Council, to:
 - a. Negotiate, execute and deliver one or more financing agreements (the "Financing Agreements") to accomplish the financing authorized in Section 1. Subject to the limitations of this Resolution, the Financing Agreements may be in such form and contain such terms as the City Official may approve.
 - b. Negotiate, execute and deliver one or more escrow agreements or similar documents (the "Escrow Agreements") that provide for the issuance of one or more series of "full faith and credit obligations" (the "Obligations") that represent ownership interests in the principal and interest payments due from the City under the Financing Agreements. Subject to the limitations of this Resolution, the Escrow Agreements and each series of Obligations may be in such form and contain such terms as the City Official may approve.
 - c. Deem final and authorize the distribution of a preliminary official statement for each series of Obligations, and authorize the preparation and distribution of a final official statement or other disclosure document for each series of Obligations.
 - d. Undertake to provide continuing disclosure for each series of Obligations in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
 - e. Apply for ratings for each series of Obligations, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancements for each series of Obligations, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.
 - f. Enter into additional covenants for the benefit of the purchasers of the Obligations which the City Official determines are desirable to obtain more favorable terms for the Financing Agreements.
 - g. File any required advance refunding plans with the State of Oregon.
 - h. Appoint and enter into agreements with service providers whose services are desirable for the financing, including municipal advisors, verification agents and escrow agents to accomplish the refunding.
 - i. Determine what portions of the Outstanding Loans to refund; call, prepay, and fund escrow deposit accounts for the Outstanding Loans and take any other

action necessary or desirable to accomplish the prepayment of the Outstanding Loans.

- j. Determine the final principal amount of each Financing Agreement, the interest rate or rates which each Financing Agreement shall bear, the City's prepayment rights and other terms of each Financing Agreement and each series of Obligations.
 - k. Negotiate the sale of any series of the Obligations with D.A. Davidson & Co. and enter into a contract for purchase with that institution, or solicit competitive bids for the purchase of the Obligations and award the sale to the bidders offering the most favorable terms to the City, or place any Financing Agreement directly with a commercial bank or other lender.
 - l. Issue any qualifying Financing Agreement as a "tax-exempt bond" bearing interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, (the "Code") and enter into covenants to maintain the excludability of interest on those Financing Agreements from gross income under the Code.
 - m. If federal law changes to allow federal tax credits, federal interest rate subsidies or other federal benefits for any Financing Agreements, issue any qualifying Financing Agreement as a "tax credit bond," "federal subsidy bond" or other obligation that is eligible for federal tax credits, federal interest rate subsidies or other federal benefits, and enter into any covenants and take any actions that are required to qualify for those federal benefits.
 - n. Issue any Financing Agreement as a "taxable bond" bearing interest that is includable in gross income under the Code.
 - o. Designate any qualifying Financing Agreement as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Code, if applicable.
 - p. Execute and deliver any other certificates or documents and take any other actions which the City Official determines are desirable to carry out this Resolution.
4. Security. The Financing Agreements may constitute unconditional obligations of the City, which are payable from all legally available funds of the City. The City Official may pledge the City's full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution pursuant to ORS 287A.315.
5. Effective Date. This resolution takes effect upon adoption by the City Council.

Adopted by the **City Council** of the **City of Coburg**, Oregon, by a vote of ____ for and ____ against, this 22nd day of September, 2020.

Ray Smith, Mayor

ATTEST:

Sammy L. Egbert, City Recorder