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MEMORANDUM

Finance Department

To: Mayor Jackola and City Council

April 9, 2025

From: Brandon Neish, Finance Director

Subject: Prepayment and Defeasance of Outstanding Special Public Works Fund Loan

I. INTRODUCTION

The City desires to prepay the remaining balance of loan B07002, a special public works fund loan from the State of Oregon's Business Oregon and the Oregon Bond Bank.

II. CURRENT REPORT

In 2009, the City of Lebanon borrowed money to construct infrastructure such as water, sewer and street access for an industrial site near the Airport off Oak Street. The infrastructure build out was part of an economic development incentive meant to lure business to town. In 2018, the City refinanced that debt with the Oregon Bond Bank. Presently, the City pays approximately \$350,000 annually which is split between the City's General Fund and the Northwest Urban Renewal District. As part of the 2025 proposed budget, the Budget Committee approved and the City Council adopted a plan to repay the portion coming from the General Fund to maximize cash flow in the General Fund moving forward and save on some of the long-term costs, specifically the interest expense associated with the loan.

With City Council approval, the City will pay \$464,344 (in addition to the \$124,094 paid in December) to defease (pay in full) a portion of the Special Public Works Fund loan plus additional fees. In the 2025 adopted budget, the City budgeted \$579,637 to pay off the loan. Additional funds will be necessary to comply with Local Budget Law and will come in the form of a transfer resolution reallocating funds from another expense line before the City Council in June 2025.

III. RECOMMENDATION

Move to approve Resolution No. 2025-04 authorizing the prepayment and defeasance of a portion of an outstanding Special Public Works Fund loan.