

# REQUEST FOR CITY COUNCIL CONSIDERATION

Meeting Date: May 21, 2007

Agenda Item: 2(C)	Prepared By: William P. Harrison
	Date: May 15, 2007
Agenda Section:	
Business: RESOLUTION	
Subject: APPROVAL OF BANK LINE OF CREDIT	Department: Finance

**BACKGROUND:** City Council is requested to consider approval of a not-to-exceed \$20 million line of credit with Bank of America to reimburse funds expended for the Septic Tank Replacement Program and to fund continued construction in 2007.

In previous actions, City Council has approved a bond resolution for each assessment area in the Septic Tank Replacement Program. The intent of the City is to use available internal financial resources or short-term borrowing to pay for construction. At the end of construction in each assessment area, property owners will be offered the option to either make a cash payment of the assessment for a discount or to finance the assessment. Cash payments from property owners will be used to replenish City reserves or to pay down the short-term borrowing. Permanent financing 20-year bonds will be issued to finance the project costs of those property owners electing to finance their assessments. The five assessment districts for 2007 will be financed through the State Revolving Loan Fund.

Through discussions with the City's Financial Advisor and Bond Counsel, the recommendation is made to issue short-term debt through a bank loan to reimburse funds expended on plant and collection system expansions financed with the STRP Capacity Assessment and funds expended for the Tigertail and South Barfield neighborhood construction cost, financed with STRP Construction Assessments. Those expenditures currently total in the range of \$12 million. The balance of \$8 million will be available to finance construction of the 2007 assessment areas as we complete contract documentation with the State Revolving Loan Fund.

Due to the nature of this transaction, we have been advised to pursue a negotiated bank loan with a variable interest rate. Bank of America has proposed a variable rate for a loan equal to 63.7% of the 30-day LIBOR plus 68 basis points. Currently, that rate would be 4.07%. The City's Financial Advisor has analyzed current market conditions and has found that rate to be competitive.

**RECOMMENDED ACTION:** Approval of a resolution authorizing a \$20 million line of credit with Bank of America.

Reviewed by Department Director

Reviewed by City Manager

Council Action: Motion by:

Second by: