City of Largo  
Agenda Item 15

Meeting Date: 07/17/18

Presenter: Kimball R. Adams, Finance Director  
Department: FI – Finance

TITLE:
ORDINANCE NO. 2018-41 FIRST READING - AUTHORIZING BORROWING FROM THE FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION REVOLVING LOAN PROGRAM IN AN AMOUNT NOT TO EXCEED $62 MILLION; AUTHORIZING LOAN APPLICATION; AUTHORIZING EXECUTION OF LOAN AGREEMENTS; ESTABLISHING PLEDGED REVENUES; DESIGNATING AUTHORIZED REPRESENTATIVES; PROVIDING ASSURANCE

This memo requests approval to apply for a 20-year loan from the Florida Department of Environmental Protection (DEP) State Revolving Fund program (SRF) to finance construction of wastewater system capital improvements, specifically the Biological Treatment System project ("middle plant" project). The City recently used the SRF program to finance construction of the three Consent Order projects with favorable results.

As discussed at the City Commission Work Session of June 12, 2018, the SRF program is considered the most economical borrowing method available, due to lower interest rates. The SRF program interest rate is estimated to be 2%-3% lower than conventional tax-exempt bond interest rates (the current SRF rate is 0.30%).

Based on the construction schedule and estimated funding required, borrowing will likely require two loan agreements over two fiscal years, because the FDEP's lending capacity is limited to $20-$35 million per borrower per year.

SRF loan costs will be higher than for bond financing, due primarily to a 2% loan fee ($1,240,000). Other costs include: legal fees of $25,000 and compliance fees of $300,000-$400,000 (estimated total cost $1,665,000). Loan costs will be included in the FY 2019 budget.

Estimated bond costs are approximately 1.5% of loan proceeds (approximately $1 million), including underwriting fees, rating agency fees, legal fees, accounting fees, and other administrative costs, plus ongoing costs over the life of the loan for paying agent fees, registrar fees, and continuing disclosure fees (estimated total cost over 20 years $300,000).

Estimated net cost savings over the life of the loan of using the SRF program compared to bond financing is $10-$20 million, depending on the final interest rate differential, inclusive of all costs (up-front and ongoing).

Approval of this borrowing ordinance authorizes the Mayor to execute all loan documents, including Loan Agreements, which must be ratified by the City Commission by Resolution.

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Budgeted Amount: $0.00  
Budget Page No(s.): NA  
Available Amount: $0.00  
Expenditure Amount: $1,665,000.00

Additional Budgetary Information: Estimated loan costs will be included in the FY 2019 budget.

Funding Source(s): NA  
Sufficient Funds Available:  
Yes  
No

Budget Amendment Required:  
Yes  
No

Advisory Board Recommendation:  
For  
Against  
N/A

Consistent With:  
Yes  
No  
N/A

City Attorney Reviewed:  
Yes  
No  
N/A


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Attachments: Ordinance No. 2018-41
ORDINANCE NO. 2018-41

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF LARGO, FLORIDA, AUTHORIZING THE BORROWING OF MONEY FROM THE FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION STATE REVOLVING FUND LOAN PROGRAM IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $61,747,429; AUTHORIZING SUBMITTAL OF FUND LOAN APPLICATIONS; AUTHORIZING EXECUTION OF LOAN AGREEMENTS; ESTABLISHING PLEDGED REVENUES; PROVIDING THAT SUCH LOAN SHALL ALSO BE A LIMITED OBLIGATION OF THE CITY PAYABLE FROM LEGALLY AVAILABLE NON-AD VALOREM REVENUES BUDGETED, APPROPRIATED AND DEPOSITED AS PROVIDED IN THE LOAN AGREEMENTS; DESIGNATING AUTHORIZED REPRESENTATIVES; PROVIDING ASSURANCE; PROVIDING FOR CONFLICTS AND SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Florida Statutes provide for loans to local government agencies to finance the construction of municipal collection system improvements and wastewater reclamation facility improvements (the "SRF Loan Program"); and

WHEREAS, the Florida Administrative Code rules require authorization to (i) apply for loans, (ii) establish pledged revenues, (iii) designate an authorized representative, (iv) provide assurances of compliance with loan program requirements, and (v) enter into loan agreements; and

WHEREAS, the SRF Loan Program list designates the City of Largo, Florida’s Project Number CW 52027 (the "Project") as eligible for available funding; and

WHEREAS, the City of Largo, Florida (the "City") intends to enter into one or more loan agreements (the "SRF Loan Agreements") with the Department of Environmental Protection ("DEP") under the SRF Loan Program to finance the Project; and

WHEREAS, Section 5.06 of the Charter of the City (the "City Charter") requires the aforementioned loans to be approved by ordinance.

NOW, THEREFORE, THE CITY COMMISSION OF THE CITY OF LARGO, FLORIDA HEREBY ORDAINS:

Section 1. That the foregoing findings are true and correct and are incorporated herein by reference and made a part hereof.

Section 2. That this Ordinance is adopted pursuant to the provisions of Article VIII, Section 2 of the Constitution of the State of Florida, Chapter 166, Florida Statutes, the City Charter and other applicable provisions of law, and complies with the provisions of Section 5.06 of the City Charter.

Section 3. That the City is authorized to apply for loans (each an "SRF Loan") for financing of the Project in an aggregate principal amount not to exceed $61,747,429 and with a maximum maturity of not later than twenty (20) years following the date each of the SRF Loan Agreements are entered into by the City.

Section 4. That the revenues pledged for the repayment of the SRF Loan are net revenues of the City’s wastewater system (the "Pledged Revenues"). Further, in order to induce the DEP to enter into the SRF Loans with the City and to the extent Pledged Revenues are insufficient in any fiscal year to pay the
Section 5. That the City Manager is hereby designated as the authorized representative to provide the assurances and commitments required by the applications for the SRF Loans for the Project.

Section 6. That the Mayor is hereby designated as the authorized representative to execute the SRF Loan Agreements. The SRF Loan Agreements will become binding obligations of the City and the DEP in accordance with their respective terms when signed by both parties to the agreements.

Section 7. That the City Manager is authorized to represent the City in carrying out the City's responsibilities under the SRF Loan Agreements. The City Manager is further authorized to delegate responsibility to appropriate City staff to carry out technical, financial and administrative activities associated with the SRF Loan Agreements.

Section 8. That all ordinances, resolutions or parts thereof in conflict with this ordinance are hereby repealed to the extent of such conflict.

Section 9. That if any section or portion of a section of this ordinance proves to be invalid, unlawful, or unconstitutional, it shall not be held to invalidate or impair the validity, force or effect of any other section or part of this Ordinance.

Section 10. That the provisions of this ordinance shall take effect immediately upon its final passage and adoption.

APPROVED ON FIRST READING

PASSED AND ADOPTED ON SECOND AND FINAL READING

CITY OF LARGO, FLORIDA

Louis L. “Woody” Brown, Mayor

Diane Bruner, City Clerk