



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.

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 **Source:** N/A

City Attorney Reviewed: Yes No N/A **Advisory Board Recommendation:** For Against N/A **Consistent With:** Yes No N/A Strategic Plan

Potential Motion/Direction Requested: I MOVE TO APPROVE/DISAPPROVE ORDINANCE NO. 2018-41 ON FIRST READING AND SCHEDULE A SECOND READING AND PUBLIC HEARING ON AUGUST 7, 2018.

Staff Contact: Kim Adams, Finance Director 727-587-6747 kadams@largo.com

Attachments: Ordinance No. 2018-41

ORDINANCE NO. 2018-41

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

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

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

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

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

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

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

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

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

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

43 **Section 4.** That the revenues pledged for the repayment of the SRF Loan are net revenues of the
44 City's wastewater system (the "Pledged Revenues"). Further, in order to induce the DEP to enter into the
45 SRF Loans with the City and to the extent Pledged Revenues are insufficient in any fiscal year to pay the

46debt service due on each respective SRF Loan in such fiscal year, the City shall covenant, in each of the
47SRF Loan Agreements, to budget and appropriate legally available non-ad valorem revenues in the
48amount of the deficiency. Notwithstanding any provisions of this ordinance or the SRF Loan Agreements
49to the contrary, the SRF Loan Agreements and the indebtedness evidenced thereby shall not constitute a
50lien upon any real or personal property of the City, or any part thereof, or any other tangible personal
51property of or in the City, but shall constitute a lien only on funds budgeted, appropriated and deposited
52for the repayment of the SRF Loans, all in the manner and to the extent provided herein and in the SRF
53Loan Agreements. In addition, the City shall never be obligated to maintain or continue any of the
54activities of the City which generate user service charges, regulatory fees or any non-ad valorem
55revenues.

56 **Section 5.** That the City Manager is hereby designated as the authorized representative to
57provide the assurances and commitments required by the applications for the SRF Loans for the Project.

58 **Section 6.** That the Mayor is hereby designated as the authorized representative to execute the
59SRF Loan Agreements. The SRF Loan Agreements will become binding obligations of the City and the
60DEP in accordance with their respective terms when signed by both parties to the agreements.

61 **Section 7.** That the City Manager is authorized to represent the City in carrying out the City's
62responsibilities under the SRF Loan Agreements. The City Manager is further authorized to delegate
63responsibility to appropriate City staff to carry out technical, financial and administrative activities
64associated with the SRF Loan Agreements.

65 **Section 8.** That all ordinances, resolutions or parts thereof in conflict with this ordinance are
66hereby repealed to the extent of such conflict.

67 **Section 9.** That if any section or portion of a section of this ordinance proves to be invalid,
68unlawful, or unconstitutional, it shall not be held to invalidate or impair the validity, force or effect of any
69other section or part of this Ordinance.

70 **Section 10.** That the provisions of this ordinance shall take effect immediately upon its final
71passage and adoption.

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APPROVED ON FIRST READING _____

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**PASSED AND ADOPTED ON
SECOND AND FINAL READING** _____

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CITY OF LARGO, FLORIDA

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Louis L. "Woody" Brown, Mayor

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83REVIEWED AND APPROVED:

ATTEST:

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85 Alan S. Zimmet, City Attorney

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Diane Bruner, City Clerk