City of Largo  
Agenda Item 15

Presenter: Rebecca Spuhler, Assistant Finance Director  
Department: FI – Finance

**TITLE:**
ORDINANCE NO. 2018-41 - SECOND 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

CHANGES FROM FIRST READING:
None.

PREVIOUS ACTION:
Approved on first reading, 7-0 on July 17, 2018

<table>
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<tr>
<th>Budgeted Amount:</th>
<th>$0.00</th>
<th>Available Amount:</th>
<th>$0.00</th>
<th>Expenditure Amount:</th>
<th>$1,665,000.00</th>
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<tr>
<td>Budget Page No(s.):</td>
<td>NA</td>
<td>Funding Source(s):</td>
<td>NA</td>
<td>Sufficient Funds Available:</td>
<td>Yes</td>
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<td>Available</td>
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Additional Budgetary Information: Not applicable

City Attorney Reviewed: Yes  
Advisory Board Recommendation: For  
Consistent With: Yes  
Strategic Plan

Potential Motion/Direction Requested: I MOVE TO ADOPT/DENY ORDINANCE NO. 2018-41 ON SECOND AND FINAL READING.

Staff Contact: Rebecca Spuhler, Assistant Finance Director  
727-586-7443  
rsuhler@largo.com

Attachments: First Reading Memo, Ordinance No. 2018-41
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  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

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

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

56 **Section 5.** That the City Manager is hereby designated as the authorized representative to
57 provide 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
59 SRF Loan Agreements. The SRF Loan Agreements will become binding obligations of the City and the
60 DEP 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
62 responsibilities under the SRF Loan Agreements. The City Manager is further authorized to delegate
63 responsibility to appropriate City staff to carry out technical, financial and administrative activities
64 associated with the SRF Loan Agreements.

65 **Section 8.** That all ordinances, resolutions or parts thereof in conflict with this ordinance are
66 hereby 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,
68 unlawful, or unconstitutional, it shall not be held to invalidate or impair the validity, force or effect of any
69 other section or part of this Ordinance.

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

72 **APPROVED ON FIRST READING**

73 **PASSED AND ADOPTED ON**
74 **SECOND AND FINAL READING**

75 **CITY OF LARGO, FLORIDA**

76 ________________________________

77 Louis L. “Woody” Brown, Mayor

78 ________________________________

79 Diane Bruner, City Clerk

80 **REVIEWED AND APPROVED:**
81 Alan S. Zimmer, City Attorney

82 **ATTEST:**