

Staff Report

For the Meeting of June 13, 2016

HERMISTON CITY COUNCIL

Agenda Item #

NO. 2016 –

**SUBJECT: Resolution for
Reimbursement of Funds**

Subject

In order to extend a loan to the Hermiston Urban Renewal Agency for design work on the festival street, the council must pass a reimbursement resolution as part of the loan process.

Summary and Background

The fiscal year 16-17 budget includes a loan of \$100,000 to the Hermiston Urban Renewal agency for design work on the festival street, SE 2nd Street/395 intersection realignment, and parking lot improvements. This loan will be repaid by the urban renewal agency using tax increment dollars starting in the 17-18 fiscal year. Construction of the festival street and other improvements is anticipated to be undertaken in the 17-18 fiscal year. It is anticipated that the city will issue a full faith and credit bond to pay for these improvements and extend that money to the urban renewal agency. The full bond will be repaid over the 20 year lifespan of the agency. The resolution itself is required for compliance with US Treasury regulations which require any use of funds intended for lending and future repayment between agencies to be authorized under a reimbursement resolution.

Fiscal Information

The \$100,000 loan has been approved and budgeted for the 16-17 fiscal year by the budget committee of both agencies. The terms of the loan itself, including interest charged on the loan, must be specified in a separate IGA to cover this loan.

Alternatives and Recommendation

The city council may choose to:

- Approve Resolution 2031
- Reject Resolution 2031

Staff recommends that the city council approve Resolution 2031.

Requested Action/Motion

CITY OF HERMISTON

Staff requests that the city council make a motion to adopt Resolution 2031 authorizing reimbursement of lent funds.

Reviewed by:

A handwritten signature in black ink, appearing to read 'C. Spencer', with a long horizontal flourish extending to the right.

Department Head – Clinton Spencer, City Planner

A handwritten signature in black ink, appearing to read 'Bryan Smith', written in a cursive style.

City Manager Approval

RESOLUTION NO. 2031

A RESOLUTION OF THE CITY OF HERMISTON, UMATILLA COUNTY, OREGON ADOPTING A STATEMENT OF OFFICIAL INTENT TO REIMBURSE CAPITAL EXPENDITURES FROM THE PROCEEDS OF A BORROWING REASONABLY EXPECTED TO BE ENTERED INTO BY THE CITY

WHEREAS, the Urban Renewal Agency (the “Agency”) of the City of Hermiston, Umatilla County, Oregon (the “City”) is currently planning the construction, acquisition, installation and equipping of Festival Street Improvements, as such term is described in the City of Hermiston Downtown Urban Renewal Plan dated August 2013 (the “Plan”), parking lot improvements and SE 2nd Street Gateway realignment (collectively, the “Project”); and

WHEREAS, it is advantageous to the Agency that the Agency and City enter into an intergovernmental agreement pursuant to Oregon Revised Statutes (“ORS”) 190.010 whereby the City issues its tax-exempt full faith and credit obligations (the “Obligations”) to finance the Project and the Agency agrees to transfer its tax increment revenues to pay the Obligations; and

WHEREAS, the City has already incurred, or intends to incur expenditures relating to the Project, all within the meaning of Treasury Regulations §1.150-2(f)(2), and the Council of the City desires to declare its intent to finance all or a portion of the Project with the proceeds of the Obligations, the interest on which shall be excluded from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and to reimburse the City for any expenditures relating to the Project incurred by the City prior to the issuance of the Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HERMISTON, UMATILLA COUNTY, OREGON AS FOLLOWS:

Section 1. Reimbursement Resolution. The Council adopts this Resolution as its official intent to allocate from the proceeds of a proposed borrowing reasonably expected to be entered into by the City, capital expenditures made not more than sixty (60) days prior to and following the adoption of this Resolution, to and including the date of the proposed borrowing. Preliminary expenditures in an amount not exceeding 20% of the proceeds of the Obligations or expenditures which do not exceed the lesser of \$100,000 or 5% of the proceeds of the Obligations are not subject to the 60 day limitation stated above. Preliminary expenditures include architectural, engineering, surveying, soil testing and similar costs incurred prior to commencement of acquisition, construction or rehabilitation of the Project, other than land acquisition, site preparation and similar costs incident to commencement of construction.

Section 2. Reimbursement Period. The City shall make the reimbursement allocation from the proceeds of the borrowing to the respective fund or accounts of the City from which the capital expenditures have been made no later than eighteen (18) months after the later of the date of the expenditure or the date that the Project is placed in service, but in no event more than three (3) years after the date of the expenditure. The Council acknowledges that such reimbursement from bond proceeds may be made only to the extent that all other applicable requirements of Treasury

Regulations §1.150-2 are met with respect to the tax-exempt borrowing, and hereby directs all City officials and personnel to take such lawful actions as may be necessary or appropriate in order to ensure that such expenditures may be reimbursed from bond proceeds to the fullest extent permitted by law.

Section 3. Description of Project. The Project consists of the construction, acquisition, installation and equipping of the Festival Street Improvements, parking lot improvements, SE 2nd Street Gateway realignment, and related capital projects.

Section 4. Project Cost and Amount of Obligations. It is anticipated that the cost of the Project, including costs incidental thereto, and the reasonably expected maximum principal amount of the Obligations is \$1,800,000.

Section 5. Further Action. The City Manager or Finance Director are hereby authorized to take such further action as is necessary to carry out the intent and purposes hereof in compliance with the applicable provisions of law.

Section 6. Effective Date. Pursuant to ORS 221.310(3), this resolution shall become effective upon passage by the Council.

PASSED by the Common Council this 13th day of June, 2016
SIGNED by the Mayor this 13th day of June, 2016

MAYOR

ATTEST:

CITY RECORDER

