

Office of Finance Director/Treasurer

To: City of Milton Common Council
CC: Lisa Brooks, Library Director
From: Dan Nelson, Finance Director/Treasurer
Date: March 1, 2016
Subject: Discussion and Possible Action Regarding Resolution 2016-06: Authorizing the Securing of a Line of Credit with Bank of Milton in the amount of \$700,000. Discussion and Possible Action Approving the Term Credit Agreement.

Discussion

The library fundraising for the expansion has raised approximately \$2.4 million including the City's contributions. However, a maximum of \$700,000 in pledges are to be paid over the next 3 – 5 years. In order to complete the entire project by the end of 2016, those pledges need to be funded (converted to cash) in order to pay the various contractors as work commences.

Lisa Brooks will be at the meeting to address any specific questions about the pledges or timing of the project.

City staff has reached out to First Community and Bank of Milton to explore economically feasible funding options. The necessary steps to complete and pay for the necessary line of credit would be as follows:

1. Adopt Resolution 2016-06: Authorizing the Securing of a Line of Credit with Bank of Milton in the amount of \$700,000. Approve "Exhibit A" Resolution – Term Credit Agreement.
2. As the project commences and funds are needed to pay for project costs, staff would draw the needed funds from the line of credit. The draws would not start until existing funds (cash) are exhausted.
3. As the pledges are fulfilled by the donors, those dollars would be immediately applied to the outstanding balance.

Pros:

1. Allows for completion of the entire library on the original timeframe.
2. All payments will be paid from the pledges. No tax dollars will be used to make payments on the line of credit.
3. The line of credit will be paid off before there is a need for a major capital borrowing.
4. Do not incur any issuance costs related to the line of credit. There will be no fees to bond attorneys or financial advisors. Other options staff explored would have had over \$7,000 in issuance fees.
5. Keeps all the public financing of the project within the community.
6. Interest is only incurred when dollars are drawn. We won't be signing a loan agreement and holding the funds in a lower interest rate account for a later date. The day funds are drawn, it will be paid to a vendor.
7. All interest will be capitalized and will be a project cost and paid for with pledges.

Cons:

1. This line of credit would count towards the City's debt limit. As payments are made, the lower amount will reduce what counts against the City's debt limit. This will be noted in the financial statements, but will be disclosed as outside pledges are paying for it.
2. City would have to fund any pledges that are not realized but are borrowed against.

Recommendation:

To adopt Resolution 2016-06: Authorizing the Securing of a Line of Credit with Bank of Milton in the amount of \$700,000. Approve the Term Credit Agreement.