



Legislation Text

File #: 24-340, Version: 1

CITY COUNCIL AGENDA ITEM

Memo Date: June 6, 2024
 Agenda Date: July 9, 2024
 Prepared By: Rebecca Bowman, CGFO, CGFM, Finance Director
 Through: Stockton Whitten, City Manager
 Requested Action:
 Approval to Participate in a Public Offering for the HUD Section 108 Loan to Convert to a Fixed Interest Rate and for the City Manager to Sign Related Documents

BACKGROUND:

The City entered into a Section 108 loan from the Housing and Urban Development (HUD) on December 17, 2019 to provide financing for construction of the new Dr. Joe Lee Smith Center. At that time, the loan agreement stipulated that the loan would be a variable rate loan until such time that HUD had a public offering for loans to convert the interest to fixed rate interest. The previous variable rate was based on LIBOR until May 1, 2021, when the new basis was the 3-Month Treasury Bill High Auction Rate plus 35 basis points due to the end of LIBOR. On May 22, 2024, the Finance Director and Community Services Director received notice from HUD that they will be doing a public offering on July 23, 2024 and requested confirmation from the City as to whether they would like to participate in the public offering by May 31. Due to the short notice that was received, staff was unable to present this issue to City Council prior to May 31 (the next Council meeting was June 4, 2024). After reviewing the options available for this loan, the Finance Director and the City Manager determined that it was favorable for the City to participate in the public offering. Staff notified HUD that the City would like to participate in the public offering on the Section 108 loan due to rising interest rates. Staff subsequently received communication from HUD that they are deferring the public offering until late summer or fall of this year. When the public offering is made, staff requests approval to participate in the public offering and for the City Manager to sign the related documents for the financing. Estimated amounts for the interest on the Section 108 loan is included in the adopted budget each year.

STRATEGIC PLAN CONNECTION:

Organizational effectiveness - fiscal sustainability

BUDGETARY IMPACT:

Budgeted	Yes
If not budgeted, is amendment/transfer attached?	Choose an item.

Amount Requested \$
Account Number —
Account Name —

PREVIOUS ACTION:

City Council approved the HUD Section 108 loan on December 11,2019 on Resolution 2019-106.

RECOMMENDED MOTION:

Approval to Participate in a Public Offering for the HUD Section 108 Loan to Convert to a Fixed Interest Rate and for the City Manager to Sign Related Documents