

## RESOLUTION NO. 2023 - 58

A Resolution (1) adopting a contingency transfer in the budget for fiscal year 2023-2024 in the Wastewater Capital Fund and an appropriation transfer from the Wastewater Capital Fund to the General Fund and (2) authorizing an interfund loan from the Wastewater Capital Fund to the General Fund for purposes of a capital property acquisition.

### RECITALS:

This resolution proposes a budget amendment for the General Fund and Wastewater Capital Fund for the fiscal year 2023-24. This action is taking place because the City desires to move forward with the July 11, 2023, Purchase and Sale Agreement and acquire the Northwest Rubber property (Tax Lots R4421BA03800 and R4421BA03805, 904 NE 10<sup>th</sup> Street, and 835 NE Alpine Avenue respectively). As noted in Resolution 2023-43, this purchase will be done in cooperation with the McMinnville Urban Renewal District. The details regarding that cooperation will be set out in a separate intergovernmental agreement.

Oregon Revised Statute (ORS) 294.471 allows a local government to prepare a budget amendment when an occurrence or condition that was not known at the time the budget was prepared requires a change in financial planning. The governing body must adopt a resolution to adopt the budget amendment and make changes to appropriation details.

At the time of preparing the FY2023-24 budget, the City was aware of the possibility of the property acquisition, but the status of the property negotiation did not allow for incorporating this transaction into its budget. However, in June 2023, the Budget Committee did approve, and the City Council later appropriated, sufficient contingency in the Wastewater Capital Fund to provide for an interfund loan should it become needed.

The contingency transfer in the amount of \$4,350,000 in the Wastewater Capital Fund to the Transfers Out category is part of the budget amendment detailed below in Exhibit A.

The appropriation transfer from the Wastewater Capital Fund to the General Fund of \$4,350,000 in Transfer In resources as well as the added outlay in the same amount from the General Fund's Administration program, which includes city property expenditures, is noted in Exhibit A. Because this is an offsetting appropriation transfer from one city fund to another, the total city appropriations have not been increased and, therefore, no public budget hearing is required by statute.

This resolution further serves to provide City Council authorization of an interfund loan from the Wastewater Capital Fund to the General Fund. Oregon Local Budget Law ORS 294.468 allows a local government to loan money from one fund to another, provided the loan is authorized by an official resolution of the governing body and details the reason for the loan and terms and conditions associated with it.

An interfund loan for capital property investment in the amount of \$4,350,000 will be used to purchase the Northwest Rubber property as described in the purchase and sale agreement authorized by Resolution 2023-43.

ORS 294.468 requires that an interfund loan to acquire a capital asset be repaid in full within ten (10) years of the date of the loan. In this case, the term of the loan will be five (5) years. The loan term reflects the City's intention not to hold the property, instead to acquire it, assure that the property is cleaned of any hazardous materials and complete a request for development proposal process so that the property can be sold to an investor that will change the use of the 3+ acre property over 4 parcels from industrial to a new use within the term of the loan.

While ORS 294.468 does not require interest to be paid on interfund loans, in recognition that these reserve funds in the Wastewater Capital Fund would be earning interest, as is customary with previous City of McMinnville interfund loans, the interest rate will be set with at a premium over the current Local Government Investment Pool rate of 4.8% (as of September 18, 2023).

The loan includes a two-year callable feature, meaning that if the Wastewater Capital Fund needs the principal loan amount returned to it in order to complete capital project work, it will have the ability to request the full amount back at any point two years or later after the date of the loan.

The interest rate on the loan will be 4.8% plus a 0.25 premium, lower than the city's usual premium rate, due to the callable feature included in this interfund loan for an annual interest rate of 5.05%.

The interfund loan will be an interest-rate only loan, with the interest rate payments due each year on the day of the original loan and the principal amount in the final payment. The interfund loan may be repaid at any point during the loan term with no penalty. The loan amortization schedule is noted in Exhibit B of this resolution.

Because the property is located within the McMinnville Urban Renewal Area and the objectives of the property acquisition are in function of urban renewal goals to enhance economic growth in the downtown and NE Gateway District, it is the intention of the City to enter into an intergovernmental agreement with the McMinnville Urban Renewal Agency whereby the Agency will make the annual loan payments on the property.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF McMINNVILLE, OREGON, as follows:

- 1. Make Contingency and Appropriation Transfers and Adopt Budget Amendment:** The contingency and appropriation transfer for fiscal year 2024-2024 are detailed in Exhibit A. The Common Council of the City of McMinnville adopts the budget amendment in the General Fund and Wastewater Capital Fund as reflected in Exhibit A.



## Exhibit A

<b>Wastewater Capital Fund:</b>	<b>Adopted Budget</b>	<b>Budget Adjustment</b>	<b>Amended Budget</b>
<b>Resources:</b>			
All resources - unchanged	\$ 55,149,444	\$ 0	\$ 55,149,444
<b>Requirements:</b>			
Program	\$ 25,228,300		\$ 25,228,300
Transfers Out	5,959,174	4,350,000	10,309,174
Contingency	6,750,000	(4,350,000)	2,400,000
Ending Fund Balance	<u>17,211,970</u>	<u>-</u>	<u>17,211,970</u>
Total Requirements	<u>\$ 55,149,444</u>	<u>\$ 0</u>	<u>\$ 55,149,444</u>

<b>General Fund:</b>	<b>Adopted Budget</b>	<b>Budget Adjustment</b>	<b>Amended Budget</b>
<b>Resources:</b>			
Transfers In	\$ 8,392,300	\$ 4,350,000	\$ 12,742,300
All other resources unchanged	<u>41,031,274</u>	<u>-</u>	<u>41,031,274</u>
Total Resources	<u>\$ 49,423,574</u>	<u>\$ 4,350,000</u>	<u>\$ 53,773,574</u>
<b>Requirements:</b>			
Administration	\$ 2,235,513	\$ 4,350,000	\$ 6,585,513
All other requirements unchanged*	<u>47,188,061</u>	<u>-</u>	<u>47,188,061</u>
Total Requirements	<u>\$ 49,423,574</u>	<u>\$ 4,350,000</u>	<u>\$ 53,773,574</u>

\* Total includes unappropriated ending fund balance

- 2. Authorize an Interfund Loan:** Interfund loans from the Wastewater Capital Fund to the General Fund are authorized. The five (5) year loan will be made from unrestricted contingency funds available in the Wastewater Capital Fund and will not exceed a total of \$4,350,000. Repayment of the loan may be made in advance at any time. The loan is callable at any time after two (2) years. It will be an interest-only loan at a rate of 5.05% per annum with the payment schedule noted in Exhibit B.

**Exhibit B**

Principal 4,350,000 (not to exceed amount)  
Interest rate 5.05%  
Interest Only Duration 5  
First payment date\* 10/13/2024

Payment Date*	Interest	Principal	Payment
10/13/2024	219,675		219,675
10/13/2025	219,675		219,675
10/13/2026	219,675		219,675
10/13/2027	219,675		219,675
10/13/2028	219,675	4,350,000	4,569,675

Other features of loan:

Callable in 2 years 10/13/2025  
Because of the call feature, will provide 0.25% premium, not customary 0.50% premium  
Current LGIP rate of return 4.8%  
Prepayment allowed without penalty at any time during loan term

\* payment dates are projections and will correspond to the actual date of the closing

**3. Acknowledge and Approve Environmental Reports:** the City acknowledges and approves the Phase I Environmental Site Assessment Report dated September 29, 2023, the Phase II Environmental Site Assessment Report dated September 29, 2023, and the Regulated Building Materials Survey dated September 29, 2023, for the properties at 904 NE 10<sup>th</sup> Avenue and 835 NE Alpine Avenue.

Adopted by the Common Council of the City of McMinnville at a regular meeting held the 10th day of October 2023 by the following votes:

Ayes: Chenoweth, Garvin, Geary, Menke, Payne

Nays: \_\_\_\_\_

Approved this 10th day of October 2023.



\_\_\_\_\_  
MAYOR

Approved as to form

  
\_\_\_\_\_  
CITY ATTORNEY

Attest:

  
\_\_\_\_\_  
CITY RECORDER