Legislation Details (With Text)

File #:	23-326 **Version:** 1		
Type:	Resolution	**Status:**	Agenda Ready
		In control:	City Council
On agenda:	8/28/2023	**Final action:**	8/28/2023
Title:	Internal Borrowing from the City's Utility Fund to the Airport Fund for property acquisition and capital improvements. Ward(s): All Wards Councilor(s): All Councilors Neighborhood(s): All Neighborhoods Result Area(s): Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Resolution No. 2023-27, 2. Resolution No. 2023-27, Exhibit A, 2023 Utility Fund / Airport Fund Interfund Loan Amortization Schedule, 3. Public Comments received by 2:30 p.m., August 28, 2023		

Date	Ver.	Action By	Action	Result
8/28/2023	1	City Council	adopted	

TO: Mayor and City Council

THROUGH: Keith Stahley, City Manager

FROM: Josh Eggleston, Chief Financial Officer

SUBJECT:

Internal Borrowing from the City's Utility Fund to the Airport Fund for property acquisition and capital improvements.

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods
Result Area(s): Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy

SUMMARY:

The City Council is considering a property purchase at 2790 25th Street SE adjacent to the Salem Municipal Airport. The intent of the property acquisition is to create additional parking capacity to support increased activity with commercial air service and other potential use of the buildings. To make this purchase, an internal loan is needed. Approval of this resolution will execute a loan between the Utility Fund and the Airport Fund in the amount not to exceed $1,839,000.

ISSUE:

Shall the City Council adopt Resolution No. 2023-27, approving an internal borrowing from the City's Utility Fund to the Airport Fund for property acquisition and capital improvements in an amount not to exceed $1,839,000 to expand available parking at the Airport?

RECOMMENDATION:

Adopt Resolution No. 2023-27, approving an internal borrowing from the City's Utility Fund to the Airport Fund for property acquisition and capital improvements in an amount not to exceed $1,839,000 to expand available parking at the Airport.

FACTS AND FINDINGS:

The Utility Fund is in good fiscal health due to prudent financial management including the refinancing of outstanding debt, payoff of debt, and stable rate increases. This has resulted in sufficient balances and reserves to meet the requirements of Council Policy C-14, the Utility Fund Financial Policy. Due to the nature of the services provided, the Utility Fund has maintained unrestricted reserves which have been used in recent years for other internal borrowings. These funds are immediately available for this property acquisition and improvements at competitive rates and favorable terms.

The Utility is still able to meet its debt coverage and reserve requirements while the debt service payments that the Utility receives approximates the interest it would receive if the funds remained in the City of Salem's investment portfolio. The interest rate for the borrowing will be 2.83% for the rest of the fiscal year at which point the rate will coincide with other internal loans at a rate of 0.5% above the prior year's combined portfolio rate as outlined in Council Policy C-2 on debt. The loan will be paid back over a 10-year term with an estimated annual payment of $210,620 (adjusted annually for investment returns). This internal loan was not anticipated during budget development and thus there is another resolution tonight for the FY 2024 Supplemental Budget 1. There is no anticipated delay or disruption in the Utility funded projects because of this internal loan.

Funding from this internal loan will be used to purchase the property, pay taxes and closing costs, restripe the lot, add payment kiosks, construct sidewalks, mechanical repairs, and other associated costs. The total amount to be funded will be up to $1,839,000.

BACKGROUND:

Oregon Revised Statue 294.268 allows the City to conduct an internal borrowing between funds for capital projects provided that the funds are repaid within 10 years and that the borrowing is approved by resolution or ordinance. The City of Salem's Council Policy C-2 further outlines the City's debt management policy, including internal borrowings. In addition to the requirements outlined in ORS 294.268, consideration for an internal borrowing include cost benefit analysis where the rate of interest and borrowing costs from external sources are weighed against the anticipated interest

earnings for internal funds, proper budget authority, and whether the borrowing fund can repay the loan.

Kelli Blechschmidt
Management Analyst II

Attachments:

1. Resolution No. 2023-27
2. Resolution No. 2023-27 Exhibit A, 2023 Utility Fund / Airport Fund Interfund Loan Amortization Schedule