

MEMORANDUM

TO: Mayor and City Council

FROM: Faye Stewart, Public Works & Development Director

SUBJECT: RESOLUTION AUTHORIZING FULL FAITH AND CREDIT BORROWINGS AND RELATED MATTERS

DATE: August 9, 2023

Background

On July 31, 2023 the City Council the Property Purchase and Sale Agreement to purchase of 61.06 acres of R-2 zoned property from Grace West Properties LLC. The Resolution authorizes the borrowing of not more than \$2.9 million in principal to pay for the property purchase and associated borrowing costs.

The Resolution also authorizes the borrowing of \$2.5 million to pay for the Cottage Grove Water Reclamation Facility's Clarifier #1 reconstruction project and 4 sewer mainline reconstruction projects. The projects were approved in the adoption of the 2023-2024 City Annual Budget.


Staff is working with D.A. Davidson, Banner Bank, and Legal Counsel on selling bonds to cover the purchase and wastewater improvements. Approving the resolution will allow Banner Bank and D.A. Davidson to proceed with acquiring the funding necessary for property purchase and wastewater projects.


Recommendation

Staff recommends City Council approve the Resolution authorizing full faith and credit borrowings and related matters.

Cost

The sale of bonds will fund the purchase and associated closing costs. The Street, Water, Wastewater, Storm, and Park funds will purchase the needed property for the new infrastructure and sell of the remaining property will repay the debt. The Wastewater fees will service the debt for the wastewater improvements.


Richard Meyers, City Manager


Faye Stewart, Public Works &
Development Director

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING
FULL FAITH AND CREDIT BORROWINGS AND RELATED MATTERS**

WHEREAS, the City Council of Cottage Grove, Oregon finds and recites the following:

- A. The City of Cottage Grove (the "City") is authorized by Oregon Revised Statutes Section 271.390 to enter into financing agreements to finance real or personal property which the City Council (the "Council") determines is needed so long as the estimated weighted average life of each financing agreement does not exceed the estimated dollar weighted average life of the property that is financed with such financing agreement; and
- B. The City has identified a need to i) acquire and improve real property (the "Property Acquisition Project"); and ii) Rehabilitate the Secondary Clarifier #1 and improve the wastewater collection system (the "Wastewater Improvement Projects," and together with the Property Acquisition Project, the "Projects"); and
- C. The Council hereby determines that the Projects are needed; and
- D. The City may make expenditures on the Projects (the "Expenditures") before the City borrows to finance the Projects, and the rules of the United States Internal Revenue Service require the City to declare its official intent to reimburse itself for amounts that the City will spend before it borrows in order for the City to reimburse itself for those Expenditures from the proceeds of tax-exempt borrowings, which may be issued in one or more series;

NOW, THEREFORE, the City of Cottage Grove resolves as follows:

Section 1: Financing Agreement Authorized for Property Acquisition Project. The City is hereby authorized to enter into a financing agreement (the "Property Acquisition Financing Agreement") in a principal amount of not to exceed \$2,900,000 to finance the Property Acquisition Project and to pay costs related to issuing the Property Acquisition Financing Agreement.

Section 2: Financing Agreement Authorized for Wastewater Improvement Project. The City is hereby authorized to enter into to a financing agreement (the "Wastewater Improvement Financing Agreement" and together with the Property Acquisition Financing Agreement, the "Financing Agreements") in a principal amount of not to exceed \$2,500,000 to finance the Wastewater Improvement Project and to pay costs related to issuing the Wastewater Improvement Financing Agreement.

Section 3. Delegation. The City Manager, the Finance Director, or the person designated by either of those individuals (each of whom is referred to herein as a “City Official”) are hereby authorized, on behalf of the City and without further action by the Council, to:

- A. Negotiate, execute, and deliver one or more Financing Agreements to accomplish the financings authorized in Section 1 and 2. Subject to the limitations of this Resolution, the Financing Agreements may be in such form and contain such terms as the City Official may approve and the City may enter into multiple Financing Agreements to accomplish the financings authorized in Sections 1 and 2.
- B. Negotiate, execute and deliver one or more escrow agreements or similar documents (the “Escrow Agreements”) that provide for the issuance of one or more series of full faith and credit obligations (the “Obligations”) that represent ownership interests in the principal and interest payments due from the City under the Financing Agreements. Subject to the limitations of this Resolution, the Escrow Agreements and each series of Obligations may be in such form and contain such terms as the City Official may approve.
- C. Deem final and authorize the distribution of a preliminary official statement for each series of Obligations, and authorize the preparation and distribution of a final official statement or other disclosure document for each series of Obligations.
- D. Undertake to provide continuing disclosure for each series of Obligations in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
- E. Apply for ratings for each series of Obligations, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancements for each series of Obligations, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.
- F. Enter into covenants which the City Official determines are desirable to obtain favorable terms for the Financing Agreements.
- G. Engage the services of escrow agents, and any other professionals whose services are desirable to accomplish the financings.
- H. Determine the final principal amount, interest rates, prepayment rights, and other terms of each Financing Agreement and each series of Obligations.
- I. Sell the Obligations to D. A. Davidson & Co. or place any Financing Agreement directly with a commercial bank or other lender.
- J. Issue any qualifying Financing Agreement as a “tax-exempt obligation” bearing interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended (the “Code”) and enter into covenants to maintain the

excludability of interest on those Financing Agreements from gross income under the Code.

- K. Designate any qualifying Financing Agreement as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code, if applicable.
- L. Issue any qualifying Financing Agreement as a “taxable obligation” bearing interest that is includable in gross income under the Code.
- M. Execute and deliver any other certificates or documents and take any other actions that the City Official determines are desirable to carry out this Resolution.

Section 4. Security. Pursuant to ORS 287A.315, the City is authorized to pledge its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, and any and all of the City’s legally available funds, to pay the amounts due under the Financing Agreements. The City is not authorized to levy additional taxes to pay the amounts due under the Financing Agreements.

Section 5. Declaration of Intent to Reimburse. The City hereby declares its official intent pursuant to Section 1.150-2 of the Treasury Regulations to reimburse itself with the proceeds of each Financing Agreement for any Expenditures paid before such Financing Agreement is issued.

BE IT FURTHER RESOLVED that this Resolution is effective immediately upon adoption.

**PASSED BY THE COUNCIL AND SIGNED BY ME IN AUTHENTICATION OF
IT’S PASSAGE THIS _____ DAY OF AUGUST, 2023.**

Candace Solesbee, Mayor

Dated: _____

ATTEST:

Richard Meyers, City Manager

Dated: _____

Resolution No. ____