

W.3.E.1.

Memorandum Date: June 11, 2008

TO: Board of County Commissioners

DEPARTMENT: Management Services

PRESENTED BY: David Suchart, Management Services Director

AGENDA ITEM TITLE: IN THE MATTER OF AUTHORIZING A CAPITAL INTERFUND LOAN FOR THE CHARNELTON BUILDING IN AN AMOUNT NOT TO EXCEED \$3,100,000 FROM THE SOLID WASTE FUND AND \$1,000,000 FROM SOLID WASTE RESERVES IN THE FLEET FUND TO THE CAPITAL IMPROVEMENT FUND

I. MOTION

MOVE APPROVAL OF ORDER AND RESOLUTION 08-06-11-XX AUTHORIZING A CAPITAL INTERFUND LOAN FOR THE CHARNELTON BUILDING IN AN AMOUNT NOT TO EXCEED \$3,100,000 FROM THE SOLID WASTE FUND AND \$1,000,000 FROM SOLID WASTE RESERVES IN THE FLEET FUND TO THE CAPITAL IMPROVEMENT FUND

II. AGENDA ITEM SUMMARY

This item authorizes an interfund loan to cover capital construction costs to be incurred on the Charnelton Place building prior to the issuance of tax exempt obligations as authorized by Resolution and Order No. 07-3-14-6.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

On March 14, 2007 the Board authorized the acquisition of the Charnelton Place property for initial use by Health and Human Services pursuant to Board Order No. 07-3-14-5. Additionally on March 14, 2007 the Board authorized the reimbursement of expenditures with reimbursement obligation proceeds pursuant to Resolution and Order No. 07-3-14-6. The County reasonably expected at that time and still expects to make expenditures in connection with the Charnelton Place project that will be reimbursed with bonds, bond anticipation notes, or other obligation.

On May 22, 2008 the Finance and Audit Committee recommended that the Board of County Commissioners consider the proposed interfund loan.

B. Policy Issues

The acquisition and capital improvement of the Charnelton Place building supports the policy objective of efficient and effective delivery of services to the public.

C. Board Goals

This item supports the Priority Strategic Object "Safeguard delivery of public health services by the construction of a new public health building".

D. Financial and/or Resource Considerations

The Board authorized on March 14, 2007 the issuance of obligations to fund acquisition and capital improvement of the property. Working with our Financial Advisors and Bond Counsel, it has been determined that fall of 2009 should be a more advantageous date to issue obligations. The current municipal bond market is experiencing instability in part due to the downgrade of insurers resulting from the sub-prime mortgage market issues, and in part due to the overall economic climate. Additionally, the original acquisition included the assumption of a loan which does not allow prepayment prior to November 1, 2009. Holding proceeds from the obligation issuance until the prepayment date would result in economic losses to the County.

E. Analysis

ORS 294.460 allows loans from one fund to another whenever the loan is authorized by official resolution or ordinance and the loans are made in accordance with the requirements and limitations of the statute. Loans from one fund to another for capital construction purposes may be made for a term not to exceed 5 years and shall carry interest at a rate equal to the LGIP rate or such other rate as determined by the Board of Commissioners.

The Solid Waste Enterprise Fund has a current balance in reserve of approximately \$22 million and would not be negatively impacted by a short term loan of \$3.1 million, and the Fleet fund has a current balance in Solid Waste reserves of approximately \$5 and would not be negatively impacted by a short term loan of \$1 million. Borrowing internally would allow the Capital Improvement Fund to continue with the capital improvements on the Charnelton Place project until such time as obligations can be issued to finance the balance of the acquisition and improvements.

F. Alternatives/Options

1. Approve resolution authorizing an interfund loan from the Solid Waste Fund to the Capital Improvement Fund in an amount not to exceed \$3,100,000 and an interfund loan from the Solid Waste reserves in Fleet Fund to the Capital Improvement Fund, both bearing interest at the County's internal rate of return, payable in full at November 1, 2009.
2. Do not authorize the loan and instruct staff to seek alternative financing.

IV. RECOMMENDATION

The Management Services Director recommends authorization of the loan.

V. TIMING/IMPLEMENTATION

If approved, the \$1,000,000 Fleet Fund portion of the authorized loan amount will be transferred to the Capital Improvement Fund upon authorization. Additional amounts will be transferred as needed, and the repayment will be budgeted.

VI. FOLLOW-UP

None.

VII. ATTACHMENTS

Order and Resolution 08-06-11
-XX

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER AND RESOLUTION) IN THE MATTER OF AUTHORIZING A CAPITAL
) INTERFUND LOAN FOR THE CHARNELTON BUILDING
) IN AN AMOUNT NOT TO EXCEED
) \$3,100,000 FROM THE SOLID WASTE FUND AND
) \$1,000,000 FROM SOLID WASTE RESERVES IN THE
) FLEET FUND TO THE CAPITAL IMPROVEMENT FUND

WHEREAS, ORS 294.460 allows loans from one County fund to another and requires an ordinance or resolution authorizing the loan; and

WHEREAS, in March, 2007 the Board of County Commissioners authorized debt funding for acquisition and capital improvements to the Charnelton Place building (Order No. 07-3-14-5 and 07-3-13-6); and

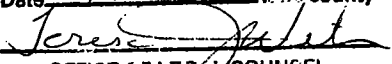
WHEREAS, after due consideration, the Board of County Commissioners has determined that it would be advantageous to utilize internal financing on a short term basis until debt obligations may be issued;

IT IS HEREBY ORDERED AND RESOLVED that the Board of Commissioners authorizes the Director of Management Services to effect an interfund loan pursuant to ORS 294.460 (the "Loan") to provide capital construction funds on a temporary basis as described below:

1. A loan shall be made from the Solid Waste Enterprise Fund in the aggregate principal amount not to exceed \$3,100,000.
2. A loan shall be made from the Solid Waste reserves in the Fleet Fund in the aggregate principal amount not to exceed \$1,000,000,
3. The loans are capital loans to be repaid in less than 60 months. Repayment of the principal is due in full on November 1, 2009.
4. The Loan shall bear interest at the County's internal rate of return. Accrued interest is due and payable in full on November 1, 2009.

Dated this day of June, 2008.

FAYE STEWART, CHAIR
Board of County Commissioners

APPROVED AS TO FORM
Date 6/3/08 Lane County

OFFICE OF LEGAL COUNSEL