RESOLUTION NO. 17-0374

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EDGECOOD, PIERCE COUNTY, WASHINGTON AUTHORIZING THE MAYOR TO CAUSE THE EDGECOOD SEWER LID NO. 1 LOAN WITH USDA TO BE PAID DOWN USING EARLY ASSESSMENT PAYMENT REVENUE

WHEREAS, in 2014 the Edgewood Sewer LID No.1 secured a USDA Rural improvement loan to cover the outstanding BAN loan with US Bank, and;

WHEREAS, the loan has no prepayment penalty and is designed for annual payments including interest at 4%, and;

WHEREAS, the LID NO. 1 parcel assessments collect interest on the outstanding balances at 4.25%, of which .25% goes toward building a reserve fund balance as part of the USDA loan covenants, and;

WHEREAS, when assessments are paid in full, the collected revenue receives a lower interest income than the 4% USDA loan, and therefore, paying down the USDA loan, saving the 4% rate on the paid in full balance will lower the total interest cost to the LID NO.1, and;

WHEREAS, the LID NO. 1 Fund Balance has accumulated approximately $3,806,991 as of March 31, 2017, a large portion of which has come from assessment payments in full since the USDA loan funding, and the LID NO.1 reserve fund is currently funded pursuant to the USDA loan covenants, and;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EDGECOOD, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The Mayor is hereby authorized to cause the Sewer LID NO.1 USDA loan to be paid down in an amount not to exceed the current fund balance as of March 31, 2017 of approximately $3,806,991.00, ensuring in doing so the LID NO. 1 annual principal and interest payment schedule and reserve fund balance requirements be met from said fund balance together with assessment collections of 2017. The intent of the Council is to be conservative (assume no penalty revenue for 2017) in the pay down.


Daryl Eidinger, Mayor

ATTEST:

Rachel Pitzel, City Clerk