

CITY OF WESTMORLAND

CITY COUNCIL REPORT

DATE: March 4, 2025

FROM: Laura Bryant, Manager

SUBJECT: Authorize staff to pursue funding for Public Safety Building matching funds from IBank.

ISSUES: Shall the City Council authorize staff to pursue funding for Public Safety Building matching funds from IBank?

MANAGEMENT RECOMMENDATION:

It is recommended that the Council authorize staff to pursue funding for Public Safety Building matching funds from IBank.

FISCAL IMPACT:

The estimated total project cost is \$3.65 million with the city's match at \$912,500. City Council has authorized staff to recommend a funding source for the city's matching portion.

DISCUSSION:

This is the next step to move the public safety building forward. To date the city has secured a grant for \$2,737,500 million from USDA for construction, development cost and equipment. The city must commit to a 25% match to the grant, which totals \$684,375, but total cost to complete the project was estimated at \$912,000. This is the amount that the city must match to receive the grant from USDA.

City staff and representatives from ILG Boost program met with representatives from commercial banks, state programs (Go-Biz) and non-profits to determine favorable financing terms. This is the first time the City of Westmorland would apply for an IBank Infrastructure loan. The Financing would provide funds necessary to complete the Public Safety Building Project, including but not limited to design, engineering, architecture, construction, construction contingency, demolition, removal, resurfacing, restoration, landscaping, permitting, construction management, project administration, and general project development activities. IBank's loan origination fee and a portion of the contingency will be paid by the City.

The following is what we will need to complete for IBank's preliminary review (8-10 weeks):

- Project description, including detailed explanation of each major component/Construction kick-off and completion timeline /Preliminary cost estimates/Contingency Amount /Feasibility Study Report
- The Repayment Fund (General Fund)'s historical 5-year ACFR
- Repayment Fund's future 5-year revenue projection with assumptions on each line item-
- Public Benefits from the Projects
- Complete the pre-application financing information form-
- Provide the General Fund Addendum -

- Details on the leased assets the city will pledge. The project itself could be the leased asset, in which case capitalized interest will come into play, or any other unencumbered asset(s) that the we own can also be the leased asset.
- Other sources of financing for the project.

After we submit all of the documentation IBank will formally invite us to apply if their internal credit risk committee approves the preliminary review report. Typically, it takes 60-90 days to get IBank board approval for the project. Below are some key points related to the ISRF loan.

1. They want to have the borrower's resolution ASAP, and we should have it at least 3 weeks before the IBank board meeting.
2. Interest rate and fees:
 - IBank issues their own ISRF bonds, and since they are AAA rated, cost of funds tends to be lower. They pass those savings on to borrowers.
 - Interest rate is based on the Reuters MMD and their model includes Median housing Income, Unemployment Rate, Rating of the Fund, etc.
 - Final interest rates are approved by the IBank Board when the loan is presented to the IBank Board.
 - A 1% origination fee can be paid by the city or included in the loan amount.
3. Term: IBank can go up to a 30-year term loan as long as the useful life of the project is 30 years or more. The loan can't be prepaid until after 10 years, but if we borrowed over a 20 year period our repayment rate would be low and we could pay off the balance after 10 years with lower total interest to be paid.
4. General Fund Loan Structure: We will need to put up a building, that we own, as a lease collateral which will be released and cleared upon loan repayment.

The repayment of the loan would be made from our General Fund. After the city paid off the Love's Development Agreement we have seen an increase in our Sales Tax Revenue by \$240K from July 2025 to date. These sales tax dollars can be used as part of the financial analysis to determine if IBank can loan us the funds needed to complete the project.

After our discussion with IBank regarding the cost to secure the loan, they suggested that we borrow a minimum of \$1.5 million for the project. This will ensure that any additional cost that may be determined during the design and bidding stage can be included. The design we used to secure cost estimates was generic and cost estimates are from over a year ago. It is recommended that we consider borrowing at minimum \$1.5M for the project.

ALTERNATIVES:

- 1) Do not Authorize staff to pursue funding for Public Safety Building matching funds from IBank.
- 2) Provide alternative direction to staff.

Respectfully Submitted, Laura Fischer