

FOR COUNCIL MEETING OF:
AGENDA ITEM NO.: _____

June 11, 2007
4.2 (c)

TO: MAYOR AND CITY COUNCIL
THROUGH: *Robert G. Wells*
ROBERT G. WELLS, CITY MANAGER
FROM: *John D. Wells for Rick L. Scott*
RICK L. SCOTT, DIRECTOR
URBAN DEVELOPMENT DEPARTMENT
SUBJECT: AUTHORIZING A TRANSFER OF APPROPRIATION AUTHORITY FOR
DEBT SERVICE PAYMENTS ON THE CITY'S SECTION 108 LOAN

ISSUE:

Shall the City Council approve Resolution No. 2007-55, transferring \$56,980 of appropriation authority from the FY 2006-07 Community Renewal Fund budget, Materials and Services, to the FY 2006-07 Community Renewal Fund budget, Debt Service for the purpose of making debt service payments on the City's Section 108 loan?

RECOMMENDATION:

Staff recommends the City Council approve Resolution No. 2007-55, transferring \$56,980 of appropriation authority from the FY 2006-07 Community Renewal Fund budget, Materials and Services, to the FY 2006-07 Community Renewal Fund budget, Debt Service for the purpose of making debt service payments on the City's Section 108 loan.

BACKGROUND:

The City received a Section 108 loan from HUD to assist with the construction of the Salem Conference Center. Several sources of repayment were pledged at the time the loan was made, including commercial loan repayments from the Urban Renewal Agency's Toolbox Loan program (Riverfront area) as well as all Community Development Block Grant (CDBG) program income (primarily housing rehabilitation loan repayments).

In accordance with the terms of the City's Contract for Loan Guarantee Assistance (Part II, Section 6), the City is required to deposit all funds pledged for repayment of the loan into a separate, identifiable custodial account (the "Loan Repayment Account"). Once funds are deposited into the Loan Repayment Account, the custodian of that account will invest the funds, as allowed by HUD, and make debt service payments on the City's behalf.

FACTS AND FINDINGS:

Program income for FY 2006-07 has been higher than anticipated, increasing the amount of funds available for debt service payments. See the table below for a summary of all funds the City currently has on hand, and estimates will be received by June 30, 2007, to place in the Loan Repayment Account :

FY 2006-07 Beginning Fund Balance - CDBG (prior year CDBG program income)	25,340
FY 2006-07 Program Income Received - CDBG	315,480
FY 2006-07 Commercial Loan Repayments Received - Riverfront/Downtown URA	234,810
Estimated June 2007 Program Income - CDBG	35,000
Estimated June 2007 Commercial Loan Repayments - Riverfront/Downtown URA	21,350
Total Resources Available for Debt Service	<u>631,980</u>
Total Budget Authority in Adopted FY 2006-07 Budget for Debt Service	575,000
<i>Additional Budget Authority Needed in Debt Service Category</i>	<i>56,980</i>

The City is required to deposit all funds pledged for repayment of the Section 108 Loan into a Loan Repayment Account. Placing the program income received to date into the City's Loan Repayment Account is not possible without budget authority in the "Debt Service" category. A transfer resolution, adopted by Council, provides the required budget authority.

Report Prepared By: Renee Frazier, Management Analyst

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RESOLUTION NO. 2007-55

A RESOLUTION AUTHORIZING A TRANSFER OF APPROPRIATION TO BE EXPENDED FOR THE PURPOSE OF MAKING DEBT SERVICE PAYMENTS ON THE CITY OF SALEM'S SECTION 108 LOAN.

Whereas, ORS 294.450 allows the Council to authorize transfers of appropriations within a given fund;

NOW, THEREFORE, THE CITY OF SALEM RESOLVES AS FOLLOWS:

Section 1. A transfer of appropriation in the amount of \$56,980 from Community Renewal Fund, materials and services 165-64201000-54850, to Community Renewal Fund, debt service 165-64201000-60130, to be expended for the purpose of making debt service payments on the City's Section 108 loan is hereby authorized.

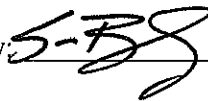
Section 2. This resolution is effective upon adoption.

ADOPTED by the Council this 11th day of June 2007.

ATTEST:

City Recorder

Approved by City Attorney:



Checked by: K. Jacobs