



Legislation Text

File #: 24-0363, **Version:** 1

TO: Mayor Richard C. Irvin

FROM: Chris Minick, Chief Financial Officer

DATE: May 8, 2024

SUBJECT:

Seeking Approval of a Resolution Authorizing the Renewal of the Line of Credit (LOC) in the amount of \$10 million with Old Second National Bank for a one-year term expiring on June 30, 2025.

PURPOSE:

To approve the renewal of the \$10 million Line of Credit (LOC) with Old Second Bank for one year.

BACKGROUND:

The City initially approved LOCs with Old Second Bank and Fifth Third Bank in 2019 for \$10.0 million. The City has used the LOC's to provide short-term financing for the City contributions to various land acquisition and economic development projects when bond financing is not practical. Staff anticipates that there will be additional need for short term financing of economic development projects in the future and the LOC's provide a practical and cost effective vehicle for those needs. The City makes periodic payments on the LOC's as appropriate when developer payments are received as well as when long term bonds are issued.

The Line of Credit taken through Fifth Third Bank was paid off during calendar year 2023. The LOC through Old Second is currently the only LOC that the City has outstanding. The LOC was renewed during July of 2023 and that renewal allowed for a subsequent one-year extension of the LOC until June 30, 2025. The executed 2023 renewal terms are attached.

DISCUSSION:

There have been no draws on the LOC since the last renewal and the outstanding balance on the Old Second LOC is currently \$6,688,000. The LOC will continue to be reduced by payments from future bond issuances and repayments of development costs from developers from various economic redevelopment costs initially financed by the City.

The rate for the renewed LOC will continue to be based on the 30-day Secured Overnight Financing Rate (SOFR) + 200 basis points (2%). SOFR is a published rate and is a common replacement for LIBOR in loans moving forward in the past few years. SOFR represents the overnight rate that financial institutions charge each other for overnight loans. The rate generated for the renewed LOC (if calculated today) is currently 7.32% due to the recent increases in interest rates.

IMPACT STATEMENT:

Approval of this resolution will renew this ongoing line of credit through Old Second National Bank, which is necessary for the City's continued economic development project financing when bond financing is not immediately practical.

RECOMMENDATIONS:

Seeking Approval of a Resolution authorizing the Renewal of the Line of Credit (LOC) in the amount of \$10 million with Old Second National Bank for a one-year term expiring on June 30, 2025.

cc: Finance Committee



CITY OF AURORA, ILLINOIS

RESOLUTION NO. _____
DATE OF PASSAGE _____

A Resolution Authorizing the Renewal of the Line of Credit (LOC) in the amount of \$10 million with Old Second National Bank for a one-year term expiring on June 30, 2025.

WHEREAS, the City of Aurora has a population of more than 25,000 persons and is, therefore, a home rule unit under subsection (a) of Section 6 of Article VII of the Illinois Constitution of 1970; and

WHEREAS, subject to said Section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs for the protection of the public health, safety, morals, and welfare; and

WHEREAS, The City of Aurora entered into a Line of Credit Agreement with Old Second Bank through the approval of resolution R19-159, and;

WHEREAS, this Line of Credit must be renewed on an annual basis, and;

WHEREAS, the renewal of the this line of credit will provide for the continued funding for economic development projects throughout the City Aurora when long-term bond financing is not immediately practical;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Aurora, Illinois, as follows: That the attached amendment to the Line of Credit agreement for \$10 million with Old Second Bank extending the agreement for an additional one-year term to expire on June 30, 2025 is hereby approved.