



Legislation Text

File #: 22-0458, Version: 1

TO: Mayor Richard C. Irvin

FROM: Chris Minick, City Treasurer - Chief Financial Officer

DATE: June 3, 2022

SUBJECT:

Renewal Of the \$10 million Line of Credit (LOC) with Old Second Bank

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 long term bonds are issued.

Each LOC is renewed separately, and the Fifth Third renewal will be presented at a future Finance Committee meeting. The LOC may not be used for any project not specifically approved by the City Council.

DISCUSSION:

The attached table shows the activity of the Old Second Bank LOC. The current balance on the LOC is \$7,883,408. The LOC is anticipated to be reduced by payments from the recent GO Bond Series 2022B. Additionally, the City will also receive repayments from developers from various costs initially financed by the City, primarily related to historic preservation tax credits. Once received, we will apply these payments to the LOC used to initially finance the short-term timing difference between construction costs and repayment of these credits.

The renewal LOC, has slightly different interest rate terms due to the elimination of the London Interbank Loan Rate (LIBOR) on which the expiring LOC interest rate is based. The rate for the renewed LOC will 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. 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 2.85% which is the same as the expiring rate on the Old Second LOC.

IMPACT STATEMENT:

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

RECOMMENDATIONS:

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, 2023.

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, 2023.

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 resolutions 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, 2023 is hereby approved.