



# CITY OF SAINT PAUL

## ALASKA

### MEMORANDUM TO COUNCIL

**TO:** Mayor and City Council Members

**FROM:** Phillip A. Zavadil, City Manager

**CC:** Aubrey Wegeleben, City Clerk; Stephanie Mandregan, Finance Director

**DATE:** March 20, 2024

**RE:** Resolution 24-09 – A Resolution of the Council of the City of Saint Paul Authorizing the City to Apply for a Line of Credit From Northrim Bank to Serve as Gap Funding to Start on Electric Utility Upgrades While the USDA Loan is Processed

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**SUMMARY:** Resolution 24-09 authorizes the City to apply for a line of credit from Northrim Bank to serve as gap funding to start on Electric Utility upgrades while the USDA Loan is processed.

**PREVIOUS COUNCIL ACTION:** Council has not acted on this subject previously.

**BACKGROUND AND DISCUSSION:** The Council approved Resolution 22-21 on November 3, 2024, authorizing the City to apply for a US Department of Agriculture Rural Electric Program Loan for the Saint Paul Municipal Electric Utility upgrades. On February 27, 2024, the City received notice that a loan guarantee commitment in the amount of \$13,695,000 was approved by the USDA Rural Utility Service (*see attached letter*). It could take up to six months to process the USDA Loan to provide funds necessary to the City to start on the Electric Utility upgrades. There are several Electric Utility upgrades that have been started or are critical to begin as soon as possible. The City Administration has spoke with the USDA Loan representative and confirmed that the City could seek a commercial loan to start on the Electric Utility upgrades while the City waits for the USDA Loan to be processed. The City Administration has been working with Northrim Bank to determine a loan solution that will work for starting on the Electric Utility upgrades while the City waits for the USDA Loan to be processed.

**ALTERNATIVES:** Council could choose not to approve this resolution, which will result in the City waiting for the USDA loan to be processed before work can commence on the Electric Utility upgrades.

**FINANCIAL IMPLICATIONS:** The City would use its investments as collateral to secure the line of credit. The Northrim loan would be repaid from the USDA loan. Both loans would include low interest. The payment of Northrim loan interest would be by the USDA loan. Payment on

interest on the Northrim loan could be minimized by repayment of the entire loan amount with the USDA loan.

**LEGAL:** The City's legal counsel has reviewed and revised this resolution.

**ADMINISTRATION COMMENTS AND RECOMMENDATION:** Administration recommends approval of this ordinance.

**PROPOSED MOTION:** I move to approve Resolution 24-09.

**ATTACHMENTS:** Resolution 24-09 and USDA Loan Approval Letter.