

MEMORANDUM

October 2, 2020

TO: Mayor John P. Kahl and Members of the City Council

FROM: Scott A. Brunton (City Attorney's Office)

SUBJECT: Financing for Access Road 6 Improvements / Special Service Area 2019A

DISCUSSION:

The City Council has previously approved the creation of Special Service Area 2019A for constructing the Access Road 6 road improvements. At this time, the City needs to obtain the financing to pay the costs for this Access Road 6 road improvement project. The City has sought proposals from local financial institutions for the \$400,000 loan for financing the Access Road 6 road improvement project. While the quotes were all favorable, Morton Community Bank offered the most favorable rate of 1.95% for the 10-year financing term.

As a reminder, under Special Service Area 2019A, the City will levy a special service area property tax against the properties in Special Service Area 2019A, which are the properties along the northern portion of Access Road 6 off of Illinois Route 116 (N. Main Street). These property tax revenues are then used to pay the annual loan payment under this special service area financing arrangement.

This Ordinance approves the \$400,000 loan with Morton Community Bank at a rate of 1.95% for the 10-year term of the loan. The proceeds from this loan will be used to pay the project costs associated with the Access Road 6 road improvement project.

RECOMMENDATION:

Approval of this Ordinance for financing the Access Road 6 road improvements.

ORDINANCE NO. 4523

**AN ORDINANCE APPROVING A LOAN FROM MORTON
COMMUNITY BANK FOR FINANCING THE ACCESS ROAD 6
IMPROVEMENT PROJECT FOR SPECIAL SERVICE AREA 2019A**

WHEREAS, the City of East Peoria, Tazewell County, is a municipal corporation duly organized and operating pursuant to the laws of the State of Illinois (the “City”); and

WHEREAS, pursuant to the Special Service Area Tax Law (35 ILCS 200/27-5, *et seq.*), as supplemented and amended from time to time (the “SSA Act”), the City adopted Ordinance No. 4514 on September 1, 2020, establishing the special service area known as Special Service Area 2019A; and

WHEREAS, pursuant to Ordinance No. 4514, Special Service Area 2019A was established to provide the special services consisting of repairing and improving Access Road 6 off of Illinois Route 116 (North Main Street) for those certain properties located along the adjacent portion of Access Road 6 (the “SSA Project”); and

WHEREAS, Ordinance No. 4514 authorizes the City to fund the SSA Project through the issuance of bonds, which under the Local Government Debt Reform Act (30 ILCS 350/1, *et seq.*) includes other debt instruments such as a bank loan (the “SSA Bond”); and

WHEREAS, Ordinance No. 4514 further authorizes the City to levy a special service area property tax against the designated properties within Special Service Area 2019A to pay the costs of financing the SSA Bond for the SSA Project (the “SSA Tax Levy”); and

WHEREAS, the estimated cost for the SSA Project is \$400,000.00, which includes construction costs, engineering costs, and other related project and SSA Bond costs, and the City has provided prior notice that the SSA Project cost shall not exceed \$400,000.00 as part of the public hearing required to initiate the process for establishing a special service area under the SSA Act; and

WHEREAS, the City hereby determines that the City should borrow an amount not to exceed \$400,000.00 with a ten-year payback period as authorized by Section 27-45 of the SSA Act and Ordinance No. 4514 to pay the SSA Project costs and related costs of issuance, and that a note be issued as a means to assist with this financing the SSA Project costs as provided herein; and

WHEREAS, Morton Community Bank (“MCB”) has offered to provide a loan in an amount not to exceed \$400,000.00 at an interest rate of 1.95% per annum

repayable in ten annual installments under the terms and conditions set forth in the promissory note attached hereto labelled as “Exhibit A” (the “Note”); and

WHEREAS, the City has the further authority to enter into the proposed Note as provided under the Local Government Debt Reform Act, and the financing terms of the proposed Note comply with the Illinois Bond Authorization Act (30 ILCS 305/0.01, *et seq.*); and

WHEREAS, the City Council finds it necessary to hereby approve the form of the Note for funding and financing the SSA Project costs and to designate the Note as a qualified tax exempt obligation;

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF EAST PEORIA, TAZEWELL COUNTY, ILLINOIS, THAT:

Section 1. Incorporation of Preambles. The above recitations are found to be true and correct and are hereby incorporate into this Ordinance by this reference.

Section 2. Note Approval and Execution. The offer by MCB is hereby accepted. The Mayor and City Clerk are hereby authorized and directed to execute the Note in substantially the form attached hereto together with such modifications therein as the Mayor, in his discretion, may approve.

Section 3. Additional Documentation and City Action. The Mayor and other elected and appointed officials of the City are further authorized and directed to execute and attest such other documents and take such other action as is necessary to fulfill the obligation undertaken by the City upon the execution of the Note.

Section 4. SSA Tax Levy. The City Council shall levy the SSA Tax Levy for the 2020 tax year against the designated properties for Special Service Area 2019A by a separate and subsequent SSA Tax Levy Ordinance, with such property tax being extended against these properties in 2021. The SSA Tax Levy revenues are to be applied to pay the annual installments under the Note. The City Council shall further impose this SSA Tax Levy on an annual basis thereafter over the course of ten (10) years to pay the annual installments for the Note.

Section 5. Status as Qualified Tax-Exempt Obligation. The City hereby designates the Note as a qualified tax exempt obligation under the provisions of Paragraph 265(b)(3) of the Internal Revenue Code of 1986.

Section 6. Severability. If any section, paragraph, clause, or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause, or provision shall not affect any of the other provisions of this Ordinance.

Section 7. Superseder and Effective Date. All ordinances, resolutions, and other, or parts thereof, in conflict herewith, are to the extent of such conflict hereby superseded; and this Ordinance shall be in full force and effect immediately upon its passage, approval and publication.

Section 8. Publication of Ordinance. A full, true, and complete copy of this Ordinance shall be published immediately after passage hereof by the City in pamphlet form and thereafter shall be effective as provided by law.

PASSED BY THE COUNCIL OF THE CITY OF EAST PEORIA, TAZEWELL COUNTY, ILLINOIS IN REGULAR AND PUBLIC SESSION, THIS _____ DAY OF _____, 2020.

APPROVED:

Mayor

ATTEST:

City Clerk

EXAMINED AND APPROVED:

Corporation Counsel

EXHIBIT A

MCB Promissory Note for SSA 2019A