

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS MEETING

MAY 23, 2019

ITEM 8c

RESOLUTION (2019-07) OF THE BOARD OF DIRECTORS OF THE KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT SALE AGREEMENT AND DIRECTING CERTAIN ACTIONS IN CONNECTION WITH THE ACQUISITION AND CONSTRUCTION OF A COMMUNITY CENTER REMODELING PROJECT

BACKGROUND

The Board of Directors, on March 28, 2019, adopted Resolution No. 2019-01 authorizing the execution of a lease agreement and site lease with Municipal Finance Corporation in the amount of \$250,000 to fund a portion of the costs associated with the Community Center Renovation Project. In subsequent discussions with the lender, an alternative financing option has been identified and is recommended for Board consideration. Rather than structuring the financing as a property lease, Municipal Finance Corporation has proposed an installment sale agreement with the same interest rate (3.8%) and repayment terms (ten years) as the financing option which was previously approved. One advantage of an installment sale financing structure is that it would eliminate the need to pledge the Community Center building as collateral for the loan. An additional advantage of this option is that there would be no requirement for a title insurance policy which would save the District approximately \$3,500.

Staff believes that this financing option would be more favorable to the District and is recommending that the Board authorize execution of the necessary documents to complete this financing. Municipal Finance Corporation has agreed to hold the very favorable interest rate on this loan through the end of May. Given the current market volatility, it is recommended that this financing be completed as soon as possible.

The annual debt service on the financing of \$250,000 at 3.8% interest for ten years is \$30,516.62. Should the Board decide to increase the amount financed to \$300,000, the annual cost would be \$36,619.95. Resolutions authorizing financing at both amounts have been provided for Board consideration.

RECOMMENDATION:

1. Discuss and receive comments;
2. Adopt Resolution 2019-07

FISCAL IMPACT: Approval of the recommended financing alternative will result in savings of approximately \$3,500.

ATTACHMENT:

Resolution 2019-07 (\$250,000 principal)

Resolution 2019-08 (\$300,000 principal)

SUBMITTED BY: Anthony Constantouros, General Manager