



KENAI PENINSULA BOROUGH

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**MIKE NAVARRE
BOROUGH MAYOR**

MEMORANDUM

TO: Blaine Gilman, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *P.O. for M.N.*

FROM: Craig Chapman, Finance Director *C Chapman*
Colette Thompson, Borough Attorney *C Thompson*

DATE: January 21, 2016

SUBJECT: Resolution 2016- 006, A Resolution Approving the Second Amendment To Loan Agreement Between the Kenai Peninsula Borough and the City of Homer Regarding Financing a Utility Special Assessment District (Mayor)

In 2013 the Kenai Peninsula Borough entered a loan agreement with the City of Homer ("City") in which the borough agreed to finance the City's construction of a natural gas pipeline. The original agreement was for a loan in the maximum amount of \$12,700,000 with annual payments due on April 1. The first two payments due April 1, 2014 and 2015 were interest only, and the remaining payments would include interest and principal with the final balance due April 1, 2025.

The agreement was amended in June 2015 to allow the City to prepay a portion of the principal of the loan to reflect a reduction in the amount of allowable assessments stemming from a court decision and from certain city council decisions, and to agree to additional sources for those payments.

The City timely made the two interest-only payments and on September 1, 2015, made an additional payment of interest and principal. The City has requested this second amendment to reflect the actual principal amount advanced by the borough of \$12,359,388, acknowledge the payments made to date, and change the future payment due dates under the loan agreement which will shorten the length of the loan. The final payment will be due September 1, 2024, instead of April 1, 2025.

The administration supports this request. Your approval is respectfully requested.