



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 *MN*

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

DATE: September 8, 2016

SUBJECT: Resolution 2016- 050, Approving the Third Amendment To The 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 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.

This agreement was amended again on April 20, 2016 to show the actual principal amount of the bond of \$12,359,388, acknowledge payments received, and change future payment dates to decrease the length of the loan. The final payment will be due September 1, 2024, instead of April 1, 2025.

The loan agreement currently requires the amortization of the principal to be adjusted after any prepayment of principal so that each remaining scheduled payment of principal and interest shall be in equal amounts. Several prepayments could be paid within a year but regular installments are only due once a year. This amendment changes the agreement to require just one annual adjustment to the amortization scheduled be prepared not less than five days before the due date of each annual installment. It also clarifies the agreement by reorganizing Section 3.03. The Homer City Council approved this amendment on August 22, 2016.

The administration respectfully requests assembly approval of this resolution.