

CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: May 20, 2025

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**To:** Honorable Mayor and City Councilmembers  
**From:** Ana Kwong – Administrative Services Director  
**Subject:** Approval to Pay-Off Infrastructure Debt Early and Approval of a Budget Amendment For Such Payment

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**RECOMMENDATIONS:**

Adopt resolution approving a payment of \$210,000 to pay-off infrastructure debt early and approve a budget amendment of \$210,000.

**EXECUTIVE SUMMARY:**

The City has financing debt that was incurred for certain public improvement projects. The fire station is the collateral for the debt. Because ownership of the fire station will be transferred to the Gold Ridge Fire Protection District as part of the fire reorganization, the debt must be paid-off early prior to the fire station being transferred. The debt is scheduled to be paid off by June 30, 2026, so the City will need to payoff what otherwise would be due during next fiscal year. The total pay-off amount is \$315,493.63, of which \$210,000 is an early pay-off amount. A budget amendment is necessary to cover the early pay-off.

**BACKGROUND AND DISCUSSION:**

On May 16, 2006 the City adopted a resolution authorizing the lease financing for various public improvements in the amount of \$2,880,000, with an interest rate of 4.85% for 20 years. The semi-annual payments to repay the financing are \$113,284 and the lease were scheduled to be paid in full on June 1, 2026. The projects included replacing the sewer force main; construction of the Skate Park; installation of a Water Booster Pump which will interconnect the low and high water zones; drilling a new Well No. 2 on the existing site of the old well; Street improvements; and install solar ponds on the roof of the Sewer pump station, City Hall and Library, and the Police Station. The City has pledged the Fire Station as collateral for the lease financing.

To take advantage of low interest rates, On May 18, 2021 the City adopted a resolution authorizing refinancing of the City 2006 lease financing in the amount of \$1,109,000, with an interest rate of 1.1%. The total bi-annual payment to repay the financing is \$211,293 and the debt paid in full on June 1, 2026.

**STAFF ANALYSIS:**

The fire station is the collateral for the financing debt. Because ownership of the fire station will be transferred to the Gold Ridge Fire Protection District on July 1, 2025 as part of the fire reorganization, staff has evaluated two options: 1) paying-off the debt early, or 2) substitute other city property as collateral for the debt and maintaining the current pay-off schedule.

The lease agreement provides the City with the flexibility to substitute and release property used as collateral at any time, provided that the City obtains prior written consent and meet all specified requirements. These requirements include:

- a) The City must certify to the Corporation and the Assignee that no event of Default has occurred and is continuing.
- b) The City must file an amendment to the Lease with the Corporation and the Assignee, and ensure it is recorded in the office of the Sonoma County Recorder. This amendment should delete the Released Property from the description of the Leased Property.

- c) The City must submit a written certificate to the Corporation and the Assignee, stating that the estimated value of the remaining leased real property is at least equal to the remaining principal payments due under the Lease.

The estimated cost for substituting the property, which includes legal and bond counsel fees, is approximately \$6,500. On the other hand, if the City decides to advance the debt and pay off the obligation early, the savings from the actual debt service interest would amount to \$1,545. However, if the City chooses not to pay off the debt early and instead leaves the money in the bank, the estimated interest earned from not making the debt payment would be \$5,800.

In summary, the staff has weighted the financial implications of each option. The substitution of property involves a net cost of \$, which is equal \$6,500 in legal cost less an estimated \$5,800 retaining the funds in the bank would yield in interest earnings. In contrast, paying-off the debt early would generate \$1,545 in debt service interest, and avoid the City having to identify new property to substitute as collateral. Therefore, the staff recommends the early payoff. The table below provides a detailed breakdown of the scheduled lease payments and illustrates how they align with the payoff statement.

Original Lease Payment Date	Principal Component	Interest Component	Total Lease Payment	Comments
6/1/2025	103,765	1,724.71	105,489.71	Budgeted in FY24-25
12/1/2025	104,909	185.92	105,094.92	Request for Budget
6/1/2026	104,909	-	104,909.00	Adjustment
<b>Total</b>	<b>313,583</b>	<b>1,911</b>	<b>315,493.63</b>	

#### COMMUNITY OUTREACH:

This item has been noticed per the Ralph M. Brown Act and was available for public viewing and review at least 72 hours before the scheduled meeting date.

#### FISCAL IMPACT:

There was no prior appropriation authority for the advanced lease payment expenditure in the current fiscal year 24-25 budget. The last debt service payment is currently scheduled for FY25-26. The staff is now requesting a budget adjustment of \$210,000 to cover this early debt service obligation payment in FY 24-25.

The budget adjustment will be allocated as follows:

- **General Fund:** Account code 100-99-71-6100 for the principal amount of \$56,700
- **Park in Lieu Fund:** Account code 212-99-71-6100 for the interest amount of \$27,300
- **Water Fund:** Account code 500-99-71-6100 for the interest amount of \$67,200
- **Wastewater Fund:** Account code 510-99-71-6100 for the interest amount of \$58,800

This adjustment is essential to ensure that the City meets its financial obligations. Each of the identified funds will be utilized effectively to cover the debt.

#### OPTIONS:

Here are the options:

1. The City Council can decide not to authorize the advanced payment. Instead, they can direct staff to engage legal and bond counsel services to substitute the lease property, which would cost the City approximately \$6,500 in legal fees.
2. Alternatively, the City Council can approve the budget amendment and authorize staff to proceed with paying off the lease payment early, before June 30, 2025.

**ATTACHMENTS:**

1. Resolution – Budget Amendment
2. Request for Loan/Lease Payoff-City of Sebastopol

**APPROVALS:**

Department Head Approval: Approval Date: 5/6/25

CEQA Determination (Planning): Approval Date: N/A

The proposed action is not a project under the California Environmental Quality Act (CEQA)

Administrative Services/Financial Approval: Approval Date: 5/6/25

Costs authorized in City Approved Budget: ☐ Yes ☐ No ☒ N/A

Account Code (f applicable) \_\_\_\_\_

City Attorney Approval: Approval Date: 5/8/25

Acting City Manager Approval: Approval Date: 5/8/25

RESOLUTION NUMBER: XXXX-2025

CITY OF SEBASTOPOL

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL APPROVING A PAYMENT OF \$210,000 TO PAY-OFF INFRASTRUCURE DEBT EARLY AND APPROVING A BUDGET AMENDMENT TO VARIOUS FUNDS IN A TOTAL AMOUNT OF \$210,000

WHEREAS, on May 16, 2006, the City Council adopted a resolution authorizing lease financing for various public improvements in the amount of \$2,880,000, with an interest rate of 4.85% for 20 years; and

WHEREAS, on May 18, 2021 the City adopted a resolution authorizing refinancing of the City 2006 lease financing in the amount of \$1,109,000, with an interest rate of 1.1%, with total annual payments of \$211,293, and the debt paid in full on June 1, 2026;; and

WHEREAS, the City's fire station is collateral for the lease financing; and

WHEREAS, because ownership of the fire station will be transferred to the Gold Ridge Fire Protection District on July 1, 2025 as part of the fire reorganization, the City must either: 1) pay-off the debt early, or 2) substitute other city property as collateral for the debt and maintain the current pay-off schedule; and

WHREAS, staff has determined that it is financially and operationally beneficial for the City to pay-off the lease financing debt early, by making a \$210,000 payment that would otherwise be due in FY 25-26; and

WHEREAS, the staff is requesting a budget adjustment of \$210,000 from various funds to settle the City's debt financing obligation. This adjustment will ensure that the necessary funds are allocated to cover debt obligation as follows:

- **General Fund:** Account code 100-99-71-6100 for the principal amount of \$56,700
- **Park in Lieu Fund:** Account code 212-99-71-6100 for the interest amount of \$27,300
- **Water Fund:** Account code 500-99-71-6100 for the interest amount of \$67,200
- **Wastewater Fund:** Account code 510-99-71-6100 for the interest amount of \$58,800

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Sebastopol does hereby approve a budget amendment of \$210,000 identified in the accounts listed.

BE IT FURTHER RESOLVED that the City Council authorizes the City Manager, or designee, to make an unscheduled payment of \$210,000 prior to June 30, 2025 in order to pay-off the outstanding lease financing debt.

The above and foregoing Resolution was duly passed, approved, and adopted at a meeting by the City Council on the 20<sup>th</sup> day of May, 2025, by the following vote:

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by the City of Sebastopol City Council by the following vote:

**VOTE:**

Ayes:

Noes:

Absent:

Abstain:

APPROVED:

Stephen Zollman, Mayor

ATTEST:

Mary Gourley, Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM:

Alex Mog, City Attorney



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**Truist Governmental Finance**

2713-B Forest Hills Road  
Wilson, NC 27893

5/8/2025

City of Sebastopol

Dear Valued Client,

Thank you for choosing Truist Bank as your financial provider. Enclosed is the payoff quote you requested. Please note that the payoff quote is subject to change.

The payoff quote provides the amount required to repay the referenced loan or specified collateral as of the stated payoff date. If funds will be received after the stated payoff date, kindly add the per diem amount to the total payoff amount for each additional day thereafter.

Once funds for the total payoff amount are received and validated, indebtedness in connection with the collateral will be satisfied provided that it does not secure another active loan.

Please include a copy of the payoff quote or reference the contract number with your payment.

As a courtesy, we will prepare one complimentary payoff quote per contract. Subsequent payoff quote requests may be subject to a processing fee due when the payoff is requested.

We appreciate your business and look forward to continuing to serve your finance needs.

Sincerely,

Truist Governmental Finance  
Enclosure(s)

**Truist Bank**  
**Governmental Finance**  
**2713-B Forest Hill Road**  
**Wilson, NC 27893**

**PAYOFF QUOTE**

Date: 5/8/2025  
Contract Number: 9905000443-00001  
Client Name: City of Sebastopol  
Quoted By: David Brown

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Quote For Payoff Date of: 6/30/2025

Principal Balance:		\$209,818.00
Accrued Interest:	+	\$185.92
Prepayment Premium:	+	\$0.00
Outstanding Payments:	+	\$105,489.71
Project Fund Balance:	-	\$0.00

**Total Payoff: \$315,493.63**

Per Diem: \$6.41

*This payoff quote is subject to change and is governed by the original contract terms and conditions.*

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Please remit funds to Truist Governmental Finance via certified check or wire transfer, and reference the contract number.

**Wire Instructions:**

Bank Name: Truist Bank  
BNF Name: Truist Governmental Finance  
BNF Physical Address: 5130 Parkway Plaza Blvd.  
Charlotte, NC 28217  
ABA: 053101121  
BNF Account: 0005203964953

**Remit to Address:**

Truist Governmental Finance  
Mail Code: 100-50-02-56  
2713-B Forest Hills Rd  
Wilson, NC 27893

Thank you for choosing Truist Governmental Finance.