



Legislation Text

File #: 11-0949, **Version:** 2

Resolution to Approve an Inter-fund Loan from the Pooled Investment Fund (Fund 0099) to the Ann Arbor Municipal Center Fund (Fund 0008); (Not To Exceed \$3,000,000.00)

The resolution before you is to approve a short term inter-fund loan of up to \$3,000,000 from the Pooled Investment Fund (Fund 0099) to the Ann Arbor Municipal Center Fund (Fund 0008).

The funding plan for the costs of constructing the Ann Arbor Municipal Center included \$3,000,000 in revenue from the sale of City property located at First and Washington Streets. As the developer of the First and Washington project requires an extension to their agreement, that portion of the funding will be delayed. This delay in funding will result in the Municipal Center Fund having a negative position of up to \$3,000,000 in the investment pool.

This negative position in the investment pool is, in effect, a loan to the fund from the pool. Interest will be charged to the fund at the rate the pool earns interest, currently 1.93%. An internal loan for this short-term financing is preferable to securing financing from a bank because the fund benefits from lower transaction costs, lower interest rates and no prepayment penalties. The City benefits from receipt of interest equal to the daily rate of return it would have otherwise earned. If for any reason the sale of First & Washington does not occur, the General Fund is responsible for funding this portion of the Court/Police building. This internal loan does not change this risk for the General fund.

Passage of this Resolution is recommended.

Prepared by: Matthew V. Horning, Treasurer

Reviewed by: Mary Fales, Senior Assistant City Attorney

Approved by: Tom Crawford, Financial Services Area Administrator and Interim City Administrator

Whereas, The funding plan for the costs of constructing the Ann Arbor Municipal Center included \$3,000,000 in revenue from the sale of City property located at First and Washington Streets;

Whereas, The developer of the First and Washington project requires an extension to their agreement;

Whereas, The City expects \$3,000,000 of the funding for the Municipal Center will be delayed;

Whereas, This delay in funding will result in the Municipal Center Fund having a negative position of up to \$3,000,000 in the investment pool; and

Whereas, The City expects funding from the First and Washington project to be in place within six months;

RESOLVED, That City Council approves the temporary loan of up to \$3,000,000 from the from the Pooled Investment Fund (Fund 0099) to the Ann Arbor Municipal Center Fund (Fund 0008) for a period of time not to exceed six months; and

RESOLVED, That the City Administrator is authorized to take all necessary actions to implement this Resolution.