



## Legislation Text

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**File #:** 08-0434, **Version:** 1

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Resolution to Approve a Funding and Repayment Agreement with the Ann Arbor Employees Retirement System to Finance the Acquisition of Office Space for the Pension System (Not to Exceed \$400,000.00)

The resolution before you is to approve a funds transfer/repayment agreement with the Ann Arbor Employees Retirement System (AAERS).

Chapter 18, 1:556(7), of the City Code, grants AAERS the authority to purchase real and/or personal property, as it deems necessary for the operation of the system. The Board of Trustees has determined that a need exists to purchase real property in order to relocate its offices. It has passed the necessary resolutions, and has found suitable property at 532 S. Maple, Ann Arbor, Michigan 48103. The purchase price and build-out costs are expected to be \$350,000.00.

AAERS intends to finance the costs of acquisition and construction, and obtained proposals to do so from banking institutions. Subsequently, but prior to negotiation of a commercial loan, it was determined that a mutually beneficial arrangement between the City and AAERS was possible, in which both parties would receive an economic benefit.

The City, as plan sponsor for AAERS, can provide funds to AAERS via fund transfer which would be reimbursed by AAERS on an installment basis. AAERS 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, as well as avoid higher annual contributions.

By facilitating a transaction between the City and AAERS, without the involvement of a third party, the organizations recognize a shared economic benefit.

Passage of this Resolution is recommended.

Prepared by: Matthew V. Horning, Treasurer

Reviewed by: Tom Crawford, Financial Services Area Administrator

Approved by: Roger W. Fraser, City Administrator

Whereas, The Ann Arbor Employees Retirement System has authority under Chapter 18, 1:556(7) of the City Code to purchase real property;

Whereas, The Board of Trustees of the Ann Arbor Employees Retirement System has determined that a need exists to purchase real property for relocation of its offices;

Whereas, The Board of Trustees of the Ann Arbor Employees Retirement System has determined that the most beneficial method of financing the acquisition and construction of said offices is to borrow funds;

Whereas, The Board of Trustees of the Ann Arbor Employees Retirement System and the City have determined that execution of a Funding and Repayment Agreement will provide economic benefit to

both parties;

RESOLVED, That City Council approve a Funding and Repayment Agreement with the Ann Arbor Employees Retirement System (AAERS) in an amount not to exceed \$400,000.00 for the acquisition of real property for the relocation of the AAERS offices; ;

RESOLVED, That the Mayor and City Clerk are authorized and directed to execute the agreement after approval as to substance by the City Administrator and approval as to form by the City Attorney; and

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