

## **CITY COUNCIL AGENDA ITEM**

### **CITY OF SHORELINE, WASHINGTON**

**AGENDA TITLE:** Adoption of Resolution No. 348, Authorizing an Interfund Loan to the General Capital Fund for the Brugger's Bog Maintenance Facility Acquisition and Improvements Project, from the General Fund in an Amount Not to Exceed \$3,348,000 through November 30, 2013

**DEPARTMENT:** Administrative Services Department

**PRESENTED BY:** Robert Hartwig, Administrative Services Director

**ACTION:**        ☐ Ordinance        ☒ Resolution        ☐ Motion  
                 ☐ Discussion        ☐ Public Hearing

**PROBLEM/ISSUE STATEMENT:**

On June 17 the City Council awarded a contract to The PFM Group for City financial advisory services. One of its tasks is to provide the City with a recommendation regarding long-term financing for the Brugger's Bog Maintenance Facility Acquisition and Improvements Project. It will take a couple of months to arrange to close on this financing. However, the City intends to close on the property acquisition within the next few weeks. In order to close on the property a short term interfund loan is needed from the General Fund. Council approval of Resolution No. 348 (Attachment A) is needed to provide for an interfund loan to the General Capital Projects Fund during the interim time period.

The actual price of the acquisition and improvements is budgeted at \$3,348,000 and is expected to be repaid no later than November 30, 2013.

**RESOURCE/FINANCIAL IMPACT:**

The General Fund ended 2012 with a cash and investments balance of \$9.6 million. It has the capacity to temporarily loan up to \$3.348 million to the General Capital Fund. This temporary loan would provide sufficient cash flow to cover the gap between the closing date on the property acquisition and the receipt of the long-term financing proceeds. Once the bonds are issued, the loan will be repaid to the General Fund. There is no budgetary effect when making an interfund loan.

As required by state law the borrowing fund must pay interest to the lending fund. The additional interest expense for the project is estimated not to exceed \$2,100, with an interest rate of 0.15%. This expense is included in the total loan request.

### **RECOMMENDATION**

Staff recommends that Council approve Resolution No. 348 authorizing an interfund loan from the General Fund to the General Capital Fund for the Brugger's Bog Maintenance Facility Acquisition and Improvements Project in an amount not to exceed \$3,348,000 through November 30, 2013.

Approved By:        City Manager ***DT***    City Attorney ***IS***

### **ATTACHMENTS**

Attachment A – Resolution No. 348

**ATTACHMENT A**

**RESOLUTION NO. 348**

**A RESOLUTION OF THE CITY OF SHORELINE, WASHINGTON, AUTHORIZING AN INTERFUND LOAN TO THE GENERAL CAPITAL FUND FOR THE BRUGGER'S BOG MAINTENANCE FACILITY ACQUISITION AND IMPROVEMENTS PROJECT FROM THE GENERAL FUND IN AN AMOUNT NOT TO EXCEED \$3,348,000 WITH INTEREST CHARGES THROUGH NOVEMBER 30, 2013.**

**WHEREAS**, the City Council approved Ordinance No. 650 on November 26, 2012 adopting the 2013 Budget; and

**WHEREAS**, the 2013 Budget included an appropriation for the Brugger's Bog Maintenance Facility Acquisition and Improvements Project; and

**WHEREAS**, the General Capital Fund was established to account for activities related to land and building capital projects; and

**WHEREAS**, the total funding for the project will be funded through the issuance of bonded indebtedness; and

**WHEREAS**, the property acquisition will occur before the bonds can be issued; and

**WHEREAS**, an interfund loan is needed from the General Fund in order to temporarily finance the approximate lag of 30 to 150 days between when payments for acquisition and improvements are made and bond proceeds are received from investors; and

**WHEREAS**, the cash and investment balance in the General Fund at the end of 2012 was over \$9,600,000 and the General Fund has the capacity to make the interfund loan; now therefore

**THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, HEREBY RESOLVES:**

Section 1. The General Fund is authorized to loan to the General Capital Fund an amount up to \$3,348,000.

Section 2. The loan amount will be assessed an interest rate of 0.15% beginning on the date of property acquisition closing, which is equal to the current rate of return that the City would receive for a one-year investment on that date. Interest charges will be assessed monthly based on the loan balance and are expected not to exceed \$2,100.

**ADOPTED BY THE CITY COUNCIL ON JULY 8, 2013.**

**ATTACHMENT A**

Keith A. McGlashan, Mayor

**ATTEST:**

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Scott Passey, City Clerk