

# City Council Agenda Memo

**From:** Erick Rangel, Chief Financial Officer

**Council Meeting:** December 15, 2020

**Subject:** General Fund Bob Shelden short term Interfund Loan

**Person(s) Responsible:** Erick Rangel, Chief Financial Officer

## **Summary:**

The CFO has identified an opportunity to realize a savings utilizing existing cash for a short term with the Bob Shelden project. Action is required to authorize the short term financing through an Interfund Loan from the General Fund. This practice has been utilized in the past for other purposes and will save the City approximately \$15,000 in interest expense.

## **Background:**

The 2019A Sales Tax bond was primarily issued to fund the Larsen Ice Arena and the Bob Shelden upgrades. However, prior to its commitment expiration date of April 23<sup>rd</sup> 2021, this Bond bears interest at a variable interest rate for drawn down amounts.

At the end of 2019, \$3.7M was drawn to fund the Larsen Ice Arena upgrade project. Currently, the City's General Fund has the liquidity to delay the timing of the draw down period until its contractual Commitment Expiration Date. In addition, current Money Market returns are considerably low (0.01%). Staff proposes to internally finance \$3.03M to fund the Bob Shelden upgrade project's expense with an internal loan until spring 2021 to provide a savings. The full bond will be maximized once the project is complete.

At the end of the draw-down period, the proposed short term interfund loan will mature and the General Fund will be paid in full.

## **Item Details:**

The City recommends to finance this project in the short term internally with an interfund loan from the General Fund. The loan terms are below:

- Principal \$ 3,033,110.26
- Interest 0.0%
- Term Dec 15<sup>th</sup> 2020 - April 23<sup>rd</sup> 2021 (129 days)

## **Legal Consideration:**

None

**Strategic Plan Consideration:**

The implementation of this short term loan assists in attaining the goals of maximizing the use of our resources (Financial Responsibility)

**Financial Consideration:**

The city's CFO researched alternatives to save interest expense as it relates to the 2019A Sales Tax bond. The city's CFO and Financial Advisor, determined this option to be the most advantageous short term funding mechanism that would still comply with the bond's contractual obligations.

The execution of this interfund loan will result in approximately \$15,000 in interest savings for the City's 2021 CIP Budget

**Options and Recommendation:**

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Refer to a study session
5. Do nothing

Staff recommends approval of the resolution as presented.

**Supporting Documentation:**

Resolution