

MEMORANDUM

DATE: **January 6, 2009**

TO: **Mayor & City Council**

FROM: **Mitchell Johnson, City Manager**

SUBJECT: **ITEMS FOR YOUR INFORMATION**

Update of Financing of Property Acquisitions and Guaranteed Energy Savings Project

Pursuant to City Council request for an update on these two issues, I have asked Finance Director, Mr. Rick Lusk, to provide a summary on these items. Mr. Lusk's response is attached. Should you have questions, please contact Mr. Lusk at 373-2077.

Greensboro Marathon

I know that several of you have reviewed the concerns, regarding the Greensboro Marathon, expressed via Talk to Council Form, you received last week. I have been working with Mr. Scott Johnson, Greensboro Coliseum-Special Event Manager, and Chief Tim Bellamy of the Greensboro Police Department, to evaluate how best we can accommodate the United Healthcare NC Marathon. This event is being sponsored as a charitable event and as such, we do not have a policy to underwrite the police costs. Council did agree to provide a \$10,000.00 underwrite last year due to it being billed as part of the Bicentennial. I have scheduled a meeting with Chief Bellamy, Mr. Scott Johnson, Ms. Melissa T. Fourrier, myself and other organizers of this event, for January 9th. I will keep you updated on our progress.

Attachment:

December 31, 2008

Mitch Johnson, City Manager

Rick Lusk, Finance Director

Update on Financing of Property Acquisitions (Canada Dry Facility and Coliseum Inn) and Guaranteed Energy Savings Project

Coliseum Inn Property

- On November 18, 2008, subject to the required public hearing, City Council approved the purchase of this property and on December 16, 2008, subject to the required public hearing, City Council approved an installment financing agreement to fund the property purchase and also adopted the related budget ordinance.

- The Coliseum Inn property was acquired on December 19, 2008 and the City was reimbursed from proceeds of an installment financing agreement with Bank of America, N.A., which closed on December 30, 2008.

- The loan is in the amount of \$2,130,000, funding the purchase price of \$2,100,000 and estimated closing costs of \$30,000. It is a taxable fixed interest rate loan of 4.96%, interest only beginning 11-30-09 of \$96,844 and 11-30-10 through 11-30-12 of \$105,648 annually and final interest and principal payment of \$2,235,648 due 11-30-13, for a total of \$2,649,436. The interest and principal on this loan will be paid from the Debt Service Fund and the Debt Service Fund will be reimbursed from the proceeds of the future sale of the property.

Canada Dry/Elon University Properties

- On November 18, 2008, subject to the required public hearing, City Council approved the purchase of these properties and on December 16, 2008, City Council adopted the related budget ordinance based on funding the property purchase via an installment financing agreement. The property was subsequently acquired on December 17, 2008.

- On January 6, 2009, the agenda includes a public hearing on the proposed installment financing agreement to fund the property purchases. If the council chooses to use installment financing, we expect to enter into a short-term financing agreement of approximately 5 years with Bank of America, N.A., on January 8, 2009, at which time the City will be reimbursed from proceeds of the installment financing. The terms of the loan are as follows:

– Loan of \$3,240,000 to fund purchase price of \$3,200,000 and estimated closing costs of \$40,000, with tax-exempt fixed interest rate of 4.19%, interest only beginning 11-30-09 of \$122,935 and 11-30-10 through 11-30-12 of \$135,756 annually and final interest and principal payment of \$3,375,756 due 11-1-13, for a total of \$3,905,959.

The interest and principal on this loan will be repaid from the following sources:

Debt Service Fund:

Down payment received on sale of Library	\$ 100,000
Interest earned on note FY2006 – FY2014	510,125
Interest earned on accumulated funds needed to pay off loan (estimated earnings at least \$85,000)	71,834
Elon Law School, LLC note due October 2013	2,100,000
Coliseum Fund:	
Allocate resources currently being used to fund debt service on Certificates of Participation maturing FY2010 - \$156,000 per year FY2011 – FY2014	624,000
Parking lot rental to UNCG of \$100,000 per year, FY2010 – FY 2014	<u>500,000</u>
Total	\$3,905,959

If the council chooses not to use installment financing, then funding would have to come from another source such as the Capital Reserve Account in the General Fund; current balance of \$3,980,187.

Guaranteed Energy Savings Contract

- On December 16, 2008 the City Council authorized filing an application with the Local Government Commission to request approval of a Guaranteed Energy Savings Contract with Pepco Energy Services and the financing of equipment to be acquired and installed under the contract via an installment financing agreement authorized with RBC Bank.
- On January 6, 2009 the City Council will consider approval of the contract with Pepco.

The terms of the loan with RBC are as follows:

Loan of \$6,100,000 to fund estimated equipment costs, installation and closing costs, with a tax-exempt fixed interest rate of 4.38% and a term of approximately 13 years. The loan will be funded on or before January 27, 2009, with interest only of \$157,572 due August 2009 and monthly interest and principal payments of \$42,361 due from February 2010 through January 2022, for a total of \$7,984,334. The interest and principal on this loan will be repaid from the guaranteed savings in utility costs in future annual operating budgets.