



City Council Agenda Bill

20227

Bill Number

Subject: An Ordinance amending the 2014 Budget authorizing a restructuring of the \$1,800,000.00 loan from the Natural Resource Protection and Restoration Fund to the Public Facilities District.

Summary Statement: In 2007, the City of Bellingham loaned the Public Facilities District (PFD) \$2.8 M to help finance the new museum and Mount Baker Theatre projects. The current loan was structured over ten years with the first five years being interest only. In 2014, the principal and interest payments increases to \$369,597 in order to pay off the loan by December 31, 2018. Due to the recession and corresponding reduction in sales tax revenue to the PFD, there is insufficient reserves to pay the debt service over such a short period of time. Restructuring the loan will allow additional time for sales tax revenue growth as well as possibly restructuring other PFD debt. The PFD Board and city staff continue to monitor and work to resolve the PFD funding issues.

Previous Council Action: 2007-07-053 Contingent Loan Agreement

Fiscal Impact: Annual principal and interest payments of \$160,203 to the Natural Resource Protection & Restoration Fund will be paid back over fourteen years instead of five.

Funding Source:

Attachments: Ordinance
Interfund Loan Policy
Debt Schedule

Meeting Activity	Meeting Date	Staff Recommendation	Presented By	Time
Committee Briefing Council Vote Requested	09-Dec-2013	Vote to Approve	Brian Henshaw	5

Council Committee:

Committee of the Whole
Seth Fleetwood, Chair

Committee Actions:

Council Action:

Agenda Bill Contact:

Brian Henshaw

Reviewed By	Initials	Date
Brian Henshaw, Finance	BH	11/19/13
Tara Sundin, Econ. Dev.	TS	11.19.13
Legal	MTS	11/20/13
Mayor	KL	11.26.13

ORDINANCE NO. _____

AN ORDINANCE RELATING TO THE 2014 BUDGET AUTHORIZING A RESTRUCTURING OF THE \$1,800,000.00 LOAN FROM THE NATURAL RESOURCE PROTECTION AND RESTORATION FUND TO THE BELLINGHAM WHATCOM PUBLIC FACILITIES DISTRICT USED FOR THE CONSTRUCTION OF THE ART AND CHILDREN'S MUSEUM.

WHEREAS, the City and the Bellingham Whatcom Public Facilities District ("BWPFDD") entered into a Contingent Loan and Bridge Loan Agreement in October 2007 to help finance the new Museum and Mount Baker Theatre projects (City Contract No. 2007-0552); and

WHEREAS, as a part of the aforementioned agreement, the City agreed to make a loan to the BWPFDD in an amount up to \$2,800,000.00; and

WHEREAS, the BWPFDD repaid \$1,000,000.00 of this loan in December 2010; and

WHEREAS, the existing interfund loan calls for annual principal and interest payments of \$369,597 to repay the loan by December 31, 2018; and

WHEREAS, the recession and corresponding reduction in sales tax revenue has significantly reduced the Public Facilities District's reserves; and

WHEREAS, refinancing this loan will provide additional time for the Public Facility District's revenue to increase and is in the best interest of the city.

NOW, THEREFORE, THE CITY OF BELLINGHAM DOES ORDAIN:

The loan of \$1,800,000.00 from the Natural Resource Protection and Restoration Fund to the Bellingham Whatcom Public Facilities District is hereby approved as appropriated in the 2014 Budget.

The loan will be for a period of up to fourteen years at 3.25% interest. Beginning on or before January 31, 2014, monthly payments will be paid to the Natural Resource Protection and Restoration Fund. The payments annual payments of \$160,203.00 will include interest and principle sufficient to retire the loan in full no later than December 31, 2027.

PASSED by the Council this _____ day of _____, 2013.

Council President

APPROVED by me this _____ day of _____, 2013.

Mayor

ATTEST: _____
Finance Director

APPROVED AS TO FORM:

Office of the City Attorney

Published:

City of Bellingham Policy

Title:	FIN 09.00.01 Interfund Loans
Code:	FIN 09.00.01
Chapter:	Financial Management
Date Issued:	2/1/2002
Level of Policy:	Administrative
Developed by:	Therese Holm, Finance Director
Approved by:	Mark Asmundson, Mayor

Purpose

This document sets forth the policy and procedures for governing loans between funds. Interfund borrowing is a financial tool used to fund short term cash flow needs of one fund with surplus cash in another fund.

Scope

All City departments and all funds as established by City Council.

Policy/Conditions

Controlling Laws

Washington State Laws provide the authority for making loans from one fund to another. (BARS Manual CAT I, VOL 1, PT 3, CH 4, PAGE 1.)

Procedure

Responsibilities

The Finance Director is responsible for developing, implementing, monitoring and administering interfund loans. Interfund loans are an appropriate financing alternative for meeting City short term borrowing requirements. When a need for short term financing is determined, the Finance Director shall be notified and the accompanying procedures followed:

1. The Finance Director will work with the department and the department's accountant to verify that there will be adequate cash flow in the borrowing fund to cover the debt service on the interfund loan
2. The Finance Director, in consultation with Budget staff, will determine the lending fund and review its cash position and future needs with the administering department
3. The term of the loan will generally not exceed five years, with the exception of local improvement districts, whose terms may be up to twelve years
4. Interest rates shall be based on the current yield of the City's pooled investments at the commencement of the loan. This represents a fair rate at which the money could otherwise be invested on behalf of the lending fund. Interest rates shall be re-established annually during budget preparation, using the most current yield available on the City's pooled investments

5. The Finance Department shall prepare a repayment schedule, based upon the interest rate and term. They will maintain a record of loan payments, interest paid and current balance
6. An ordinance shall be prepared, and the Finance Director will present the loan request for City Council's approval. All interfund loans will be created by ordinance. Interfund loan requests in the annual budget ordinance will not constitute City Council approval, but will serve only to notify City Council that interfund loan packages will be presented during the budget year

Payments	Yearly Total	Principal Paid	Interest Paid	Balance
Year 1 (1-12)	\$160,203.00	\$103,231.71	\$56,971.29	\$1,696,768.29
Year 2 (13-24)	\$160,203.00	\$106,637.17	\$53,565.83	\$1,590,131.12
Year 3 (25-36)	\$160,203.00	\$110,154.97	\$50,048.03	\$1,479,976.15
Year 4 (37-48)	\$160,203.00	\$113,788.82	\$46,414.18	\$1,366,187.33
Year 5 (49-60)	\$160,203.00	\$117,542.54	\$42,660.45	\$1,248,644.78
Year 6 (61-72)	\$160,203.00	\$121,420.10	\$38,782.90	\$1,127,224.68
Year 7 (73-84)	\$160,203.00	\$125,425.57	\$34,777.43	\$1,001,799.12
Year 8 (85-96)	\$160,203.00	\$129,563.17	\$30,639.83	\$872,235.95
Year 9 (97-108)	\$160,203.00	\$133,837.27	\$26,365.73	\$738,398.68
Year 10 (109-120)	\$160,203.00	\$138,252.36	\$21,950.64	\$600,146.33
Year 11 (121-132)	\$160,203.00	\$142,813.10	\$17,389.90	\$457,333.23
Year 12 (133-144)	\$160,203.00	\$147,524.29	\$12,678.71	\$309,808.94
Year 13 (145-156)	\$160,203.00	\$152,390.90	\$7,812.10	\$157,418.04
Year 14 (157-168)	\$160,203.00	\$157,418.04	\$2,784.95	\$0.00
Totals	\$2,242,841.98	\$1,800,000.00	\$442,841.98	