

## Memorandum



FROM: Robert Kuntz, City Administrator

DATE: October 13, 2014

TO: Mayor Pogue  
Board of Aldermen

RE: **Government Center Financing**

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Based on the discussion at the last Board meeting, it is my understanding that the preferred option in dealing with this issue would be to defer construction until sufficient funding is available to complete this project.

In accordance with this direction, I hereby offer the following financial plan for your consideration based on current conditions and certain assumptions.

We have an unassigned reserve fund balance of \$6,579,900. This takes into account the budgeted deductions for Pointe renovations and the \$348,044 allocation to balance the 2014 budget. Our policy calls for a set aside (rainy day fund) of 25% of the general operating budget, this equates to \$4,571,500. Our annual Pointe debt obligation is \$770,000 a year. The final debt payment of \$340,000 is due on 2/12/17.

Based on the above, it is recommended that we commit funds earmarked for future construction and require, by ordinance, that it can only be tapped for this purpose unless there is a super majority override.

There is a \$2,000,000 spread between fund balance and policy requirement. It is recommended that we transfer 50% of the annual excess into this new fund. Under this scenario, we would have about \$1,000,000 in the pot at the start of 2015. It could grow thereafter based on favorable economic conditions.

Under this plan, you should be able to start construction in the spring of 2017 with completion in the 2018 budget cycle. You will have at least \$1,400,000 to start with. If you choose to short term finance another \$2,000,000, the annual debt service should be comparable to what we are paying now. (\$770,000 a year for 3 years). Hence there is no additional strain on reserves or competing budgetary priorities.

Respectfully submitted,

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Robert Kuntz, City Administrator