



Item No. 16c

# AGENDA ITEM REQUEST FORM

**Town Manager**

**Connie Hoffmann**

Department Submitting Request

Dept Head's Signature

**REGULAR**  
**COMMISSION MTG**  
**Meeting Dates - 7:00 PM**

**DEADLINE TO**  
**Town Clerk**

**ROUNDTABLE/**  
**SPECIAL MEETING**  
**Meeting Dates / TIME**

**DEADLINE TO**  
**Town Clerk**  
**7 Days Prior (noon)**

- July 12, 2011
- July 26, 2011 SPECIAL BUDGET 5:30 PM
- July 26, 2011
- Aug 23, 2011
- Sept 12, 2011 1<sup>st</sup> PUBLIC HEARING
- Sept 13, 2011
- Sept 26, 2011 2<sup>nd</sup> PUBLIC HEARING
- Sept 27, 2011

- July 01 (5:00 pm)
- July 15 (5:00 pm)
- July 15 (5:00 pm)
- Aug 12 (5:00 pm)
- Sept 01 (5:00 pm)
- Sept 02 (5:00 pm)
- Sept 15 (5:00 pm)
- Sept 16 (5:00 pm)

- Insert Date/Time

- Presentation
- Resolution
- Reports
- Quasi Judicial
- Consent
- Old Business
- Ordinance
- New Business

**FY2011 DESIGNATED HIGH PRIORITY ITEM**  
**PRIORITY TOPIC:**

**SUBJECT TITLE: PARKING DEBT**

**EXPLANATION:** Earlier this year the Commission discussed the possibility of paying off the outstanding loan that was used to pay part of the acquisition cost of the A1A parking lot. The debt was issued on October 12, 2005, a 15 year promissory note for \$2 million at a 3.95% interest rate compounded monthly. The remaining principal on the loan as of July 1 is \$1,366,960. I have attached a table which shows the scheduled principal and interest payments for the remaining term of the loan. The principal and interest payments are – and have been since inception– made from the Parking Fund.

As we have discussed before, the promissory note has a prepayment penalty that is calculated by comparing the loan interest rate and the current interest rates. Given the extremely low interest rate environment we are in, the prepayment penalty if we paid off the loan today is high right now – approximately \$110,000. Sun Trust, in a conversation with former Interim Finance Director, indicated they would be willing to reduce the prepayment penalty by 20%. Neither I nor Finance Director Tony Bryan have attempted to negotiate a further reduction in the prepayment penalty with Sun Trust but certainly would do so if the Commission wishes us to do so after Tuesday's discussion.

The Commission decided to defer a decision on the matter until we were further into the budget preparation process and could better determine the impact paying off the loan would have.

In response to the various issues raised during the last Commission discussion on the matter, I provide the following:

1. **What amount of prepayment triggers the penalty?** The answer is clear in the loan documents; a prepayment penalty will be assessed on any amount of the principal that is prepaid.
2. **Where would the funds come from to pay off the loan?** The Parking Fund has a small fund balance and does not have sufficient funds to pay off the loan. The funds would come from the undesignated General Fund balance.



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3. **How would paying off the loan affect our ability to implement the Master Plan projects?** It would reduce the funds available to the CIP over a five year period by approximately \$500,000- \$580,000, depending on the disposition of the prepayment penalty. That assumes that the intent would be for the Parking Fund to pay back the General Fund the amount it spends retiring the debt. Once the promissory note is paid off, the Parking Fund could immediately start paying to the General Fund annually the \$177,000 it now pays in principal and interest on the note. Over a five year period, the Parking fund would pay back the General Fund \$885,000, which could be placed in the CIP. (At a 1% rate of return, we would not realize about \$14,000 on interest earned on the funds used to pay off the loan before we expended it on capital projects and that is included in the \$500,000-\$580,000 figure.)
  
4. **Does the Parking System not already owe the General Fund money?** – In FY 2005/2006, \$1.4 million was transferred from the General Fund to the Parking Fund. Those funds were used to help acquire the property where the A1A parking lot is located today. We could not find anything in the Commission minutes that explains why approximately \$165,000 is transferred from the Parking Fund to the General Fund each year but, since that payment started in FY 2005/2006, I assume there is some relationship. However, when I looked at the relationship between the General Fund and Parking Fun over the past ten years, the General Fund has actually realized a net profit of \$1.8 million over that period from parking revenues and transfers from the Parking Fund, even taking into account that \$1.4 million infusion the General Fund made to the Parking Fund in FY 2005/2006.
  
5. **How much would the Town save in interest if the note was paid off?** – If paid off soon, the Town would save \$271,564 in scheduled interest payments over the nine years remaining on the term of the note.

I hope this information is helpful to the Commission in discussing this matter further.

**EXHIBITS: Schedule of remaining principal & interest payments**

Reviewed by Town Attorney  
 Yes     No

Town Manager Initials CH

## Ammortization of Remaining Loan Payments

Current Balance				1,366,960.54
	Payment	Interest	Principle	Balance
30-Sep-2011	44,284.45	13,498.74	30,785.71	1,336,174.83
31-Dec-2011	44,284.45	13,194.73	31,089.72	1,305,085.11
31-Mar-2012	44,284.45	12,887.72	31,396.73	1,273,688.38
30-Jun-2012	44,284.45	12,577.67	31,706.78	1,241,981.60
30-Sep-2012	44,284.45	12,264.57	32,019.88	1,209,961.72
31-Dec-2012	44,284.45	11,948.37	32,336.08	1,177,625.64
31-Mar-2013	44,284.45	11,629.05	32,655.40	1,144,970.24
30-Jun-2013	44,284.45	11,306.58	32,977.87	1,111,992.37
30-Sep-2013	44,284.45	10,980.92	33,303.53	1,078,688.84
31-Dec-2013	44,284.45	10,652.05	33,632.40	1,045,056.44
31-Mar-2014	44,284.45	10,319.93	33,964.52	1,011,091.92
30-Jun-2014	44,284.45	9,984.53	34,299.92	976,792.00
30-Sep-2014	44,284.45	9,645.82	34,638.63	942,153.37
31-Dec-2014	44,284.45	9,303.76	34,980.69	907,172.68
31-Mar-2015	44,284.45	8,958.33	35,326.12	871,846.56
30-Jun-2015	44,284.45	8,609.48	35,674.97	836,171.59
30-Sep-2015	44,284.45	8,257.19	36,027.26	800,144.33
31-Dec-2015	44,284.45	7,901.43	36,383.02	763,761.31
31-Mar-2016	44,284.45	7,542.14	36,742.31	727,019.00
30-Jun-2016	44,284.45	7,179.31	37,105.14	689,913.86
30-Sep-2016	44,284.45	6,812.90	37,471.55	652,442.31
31-Dec-2016	44,284.45	6,442.87	37,841.58	614,600.73
31-Mar-2017	44,284.45	6,069.18	38,215.27	576,385.46
30-Jun-2017	44,284.45	5,691.81	38,592.64	537,792.82
30-Sep-2017	44,284.45	5,310.70	38,973.75	498,819.07
31-Dec-2017	44,284.45	4,925.84	39,358.61	459,460.46
31-Mar-2018	44,284.45	4,537.17	39,747.28	419,713.18
30-Jun-2018	44,284.45	4,144.67	40,139.78	379,573.40
30-Sep-2018	44,284.45	3,748.29	40,536.16	339,037.24
31-Dec-2018	44,284.45	3,347.99	40,936.46	298,100.78
31-Mar-2019	44,284.45	2,943.75	41,340.70	256,760.08
30-Jun-2019	44,284.45	2,535.51	41,748.94	215,011.14
30-Sep-2019	44,284.45	2,123.24	42,161.21	172,849.93
31-Dec-2019	44,284.45	1,706.89	42,577.56	130,272.37
31-Mar-2020	44,284.45	1,286.44	42,998.01	87,274.36
30-Jun-2020	44,284.45	861.83	43,422.62	43,851.74
30-Sep-2020	44,284.78	433.04	43,851.74	
<b>Total</b>	<b>1,638,524.98</b>	<b>271,564.44</b>	<b>1,366,960.54</b>	