

BOARD OF ALDERMEN

ITEM NO. A(3)

AGENDA ITEM ABSTRACT

MEETING DATE: June 22, 2004

TITLE: A Request to Approve a Budget Amendment

DEPARTMENT: Management Services	PUBLIC HEARING: YES ___ NO <u>x</u>
ATTACHMENTS: A. Budget Ordinance	FOR INFORMATION CONTACT: L. Bingham Roenigk, Assistant Town Manager, 918-7315

PURPOSE:

The Board of Aldermen, on May 25, held a public hearing to receive public comment on the proposed installment financing for the Adams Tract, a 27-acre parcel of land that has been identified for preservation and public use purposes. The Board, upon closing the public hearing, adopted a resolution to enable the Town to proceed with financing for the Adams Tract. The financing will likely be approved by the Local Government Commission during the Board's summer break. A budget amendment appropriating funds to enable the Adams Tract purchase is required.

INFORMATION

In a joint effort with Orange County, the Town has actively pursued purchase of the Adams Tract. Recently, negotiations have accelerated for the possible purchase of this property and the various parties may be close to an agreement for that sale. The Town expects that any sale arrangements will require the Town to contribute to the purchase price in an amount of up to \$600,000. In addition, the Town has also been awarded a grant in the amount of \$202,000 from the Clean Water Management Trust Fund that shall supplement its installment financing. The Town has also applied for another grant application, totaling \$250,000, which is on file with the U.S. Department of the Interior's Land and Water Conservation Fund. The Town will not be notified of final funding until after the start of the federal fiscal year in early October. It is assumed that the sum of all of these funding streams will be sufficient to purchase the property. Should the Town receive this grant, the Town has the opportunity to reduce the amount financed by BB&T from \$600,000 to \$350,000.

FISCAL IMPACT:

The budgetary impact of financing the Adams Tract land purchase will result in an annual debt service payment, beginning in FY05-06, of approximately \$65,311 based on the current interest rate offered by BB&T. This cost estimate is based on a 4.10% interest rate, fixed principal amortization (required by LGC), and a loan term of 15 years. The impact of such an amortization schedule is that the payments decline over time. However, the Town will be financing at a later date and expects the interest rate to increase. The resolution adopted by the Board allows for the worse case scenario of borrowing at 5%, meaning that the first year of debt service payment will approximate \$71,381, an increase of \$6,070. The first debt service payment will not be until FY05-06.

Should the Town receive the \$250,000 grant from the Department of the Interior, the ultimate amount borrowed will be reduced to \$350,000, resulting in a lower debt payment.

ADMINISTRATION'S RECOMMENDATION:

Approve the Budget Amendment.