

BOARD OF ALDERMEN

ITEM NO. C(2)

AGENDA ITEM ABSTRACT

MEETING DATE: June 5, 2007

TITLE: A Request to Adopt a Budget Ordinance Reflecting Current Status of Loans and Reserve for the Revolving Loan Fund

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A: Budget Ordinance	FOR INFORMATION CONTACT: Sandy Svoboda, 918-7301

PURPOSE

The purpose of this item is to formally approve a budget ordinance to amend the Revolving Loan Fund to reflect the current status of loans and reserves in the fund. The Revolving Loan Fund is used to encourage community development in Carrboro by offering loans to new businesses, encouraging businesses to locate in Carrboro. Annually, the fund is updated to reflect estimated annual interest and principal payments on loans from the various businesses. The budget ordinance reflects estimated revenues and expenditures through June 30, 2007.

INFORMATION

The budget ordinance updates the fund to show estimated revenues and expenditures through June 30, 2007.

The Revolving Loan Fund sustains itself with the interest earned on loans provided to businesses. With this interest, a reserve is created that enables the Town to continue loaning funds to businesses. When a loan is made, the Board amends the Revolving Loan Fund to acknowledge the loan of funds and decrease the available reserves to reflect the outflow of cash. The Fund should be updated annually to reflect total interest and principal repayments that will accrue to the Town for that year. As loans are paid off, the Town closes the loans out removing them from financial records.

This budget ordinance updates the annual interest and principal repayments anticipated on current loans, and removes the Pen Paper and Ink and Phydeaux loans that have been completely paid. The Revolving Loan Fund also provides budgeted funds of \$3,000 for Small Business Development Technology Center to be used for three days of customized business education training for as many as 30 Carrboro area small businesses.

The general ledger records through mid-May show that the fund has available cash reserves of \$401,129. Cash reserves are estimated at \$412,585 for June 30, 2007.

RECOMMENDATION

Adopt the budget ordinance amending the Revolving Loan Fund to reflect current status of loans.