

BOARD OF ALDERMEN

ITEM NO. A(4)

AGENDA ITEM ABSTRACT

MEETING DATE: December 4, 2007

TITLE: **A Request to Adopt a Budget Ordinance Reflecting Current Status of Loans and Reserve**

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Budget Ordinance	FOR INFORMATION CONTACT: L. Bingham Roenigk, 918-7439 James Harris, 918-7319

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, 2008. In addition, the loan approved by the Board on November 20th, Art-in-A-Pickle is appropriated.

INFORMATION

The budget ordinance updates the fund to show estimated revenues and expenditures through June 30, 2008.

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. In addition, the amendment removes the Crazie Mae loan that has been completely paid and reduces the Science Technology loan to \$35,000 from \$75,000. The contractual arrangement with Science Technologies was such that if they needed additional funds, they could request the funds within a year. It has been decided that no further loans are needed. The Revolving Loan Fund also provides budgeted funds of \$105,000 for the Art-in-A-Pickle loan approved on November 20, 2007.

The general ledger records through mid-November show that the fund has available cash reserves of \$490,690. Cash reserves are estimated at \$423,304 for June 30, 2008 with the processing of the Art-in-A-Pickle loan and receipt of recurring interest and principal repayments and general investment earnings.

RECOMMENDATION

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