



Memorandum

TO: Mayor and City Council Members

FROM: Crystal Postell, Finance Director

CC: Stevie Cox, City Manager

DATE: 05/03/2024

REF: Internal Governmental Loan from the General Fund to the Sewer Fund to Decrease the Financial Burden on the Sewer Fund

Summary:

Per request of the City Council, the Finance Department has conducted a couple of loan amortization schedules to reduce some of the financial burden on the Sewer Fund.

Background:

Currently, the City has a total of \$11,653,654 in both General Obligation Bonds (\$11,233,093) and Sewer AARA Note Payables (\$420,561). Please keep in mind that this does not include the City's interlocal agreements with both the City of Thomasville and the City of High Point. The Sewer Fund debt services obligations started in April 2008. The loan balances are as follows:

2008 USDA Sanitary Sewer Bond	April 2008	\$1,432,000	4.375%
2010 USDA Sanitary Sewer Bond	February 2010	\$3,261,919	4.000%
Sewer AARA Note Payable	May 2012	\$420,561	0.000%
2013 USDA Sanitary Sewer Bond	March 2013	\$3,937,609	3.125%
2014 USDA Sanitary Sewer Bond	October 2014	\$2,601,565	3.500%

There is one example of removing (1) one debt service obligation due to the future planning of the sewer infrastructure maintenance and upgrades. The City of Trinity must exercise conservative fiscal management control and it is important for the City to have "liquid" cash for any mishaps that could occur. The City's sewer infrastructure is more than 18 years old, the City must be

prepared for possible pump station repairs, sewer pipe repairs, etc. We must have funds available for these potential repairs because the City may have to conduct a loan from the General Fund to the Sewer to cover the cost of those repairs since the Sewer Fund is not self-sufficient.

The internal governmental loan agreement would be for the 2008 USDA Sanitary Sewer Bond. It would increase the original annual payment by \$34,759.34 but the internal governmental would save a total of \$668,307 over the course of the loan in interest. Instead of the loan maturing Fiscal Year 2044 – 2047, the City could satisfy this debt by Fiscal Year 2035 – 2036. If the City chooses to utilize the additional \$300,000 payment after the City of Thomasville interlocal agreement is satisfied, it could be completed in the fiscal year 2030 – 2031.

Recommendation:

Staff recommends the City Council review the information presented for a future decision on conducting an internal governmental loan between the General Fund and Sewer Fund.

Attachments:

Loan Agreement
Loan Amortization Schedule