

BOARD OF TRUSTEES
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Budget Department

Derek Diederich
Township Budget Director
DPW Administrative
Superintendent

Barbara Miller
Assistant Budget Director
Accounting Manager

DATE: July 7, 2022
TO: Waterford Township Board of Trustees
FROM: Derek Diederich, Budget Director and DPW Admin. Superintendent
Barb Miller, Assit. Budget Director and Accounting Mgr. *Blm*
RE: Recommendation to payoff remaining interfund loan

D.D.

In 2001, the current Department of Public Works Building was constructed. This building houses the Water and Sewer Branch which is funded by the (590) Enterprise Fund, or water-sewer rate payers. The other portion of the building is occupied by the Facilities and Operations Branch. This branch is funded by tax revenues from the Township's (101) General Fund.

When the building was constructed the Township board at the time authorized the building to be paid for via cash/fund balance from the (590) Enterprise Fund. The F&O-General Fund portion was accounted for by instituting an interfund loan from the General Fund to the Enterprise Fund. Please see the attached amortization schedule for a breakdown of the loan and its related terms and components.

The interfund loan had an initial term of 30-years. The estimated payoff at the end of June 2022 would be: \$762,068.05. If the board were to elect to take this opportunity the general fund would realize an estimated \$106-K in interest savings over the remaining life of the loan. This would also have the effect of freeing up approximately \$108-K in annual operating space in the general fund by relieving itself from the aforementioned loan. Page 55 of the 2022 Budget displays the interfund principal and interest portions of what is being discussed.

At the end of Fiscal Year 2021 the Township's General Fund had an unassigned Fund Balance of \$11.8 – million. This amounts to an estimated 58% of annual operating expenditures. The writers of this memo believe this level constitutes an opportunity for the Township to relieve this loan from its obligations and garner some worthwhile interest savings.

Recommended Board Action:

Authorize Township Financial Staff to effectuate the transfer of \$762,068.05 from its (101) General Fund to its (590) Water Sewer Enterprise Fund for the purpose of paying off the 2001 DPW Building Interfund Loan.

cc. Debt-Loan File

Waterford Twp. DPW
 5240 Civic Center Drive
 Waterford, MI 48329

Purpose: To Account for F&O/General Fund obligation to the new Waterford DPW Facility
 Commenced in FY 2001. Payments should be made on an annual basis General Fund to the Enterprise Fund.

Loan Amount:	\$2,000,000.00	Annual PMT	Rate	PMTS	Loan
Annual Interest Rate:	4.5% for 2001 to 2012 and		3.0% for 2013 to 2030		
Number of Years:	30	\$122,783.09	4.5000%		30 (2,000,000.00)
Payments Per Year:	1				

FROM:	19650-99916	Transfer DPW Building.
TO:	59003-69400	General Revenues-Other.

<u>Year:</u>	<u>Payment Number:</u>	<u>Principal:</u>	<u>Interest:</u>	<u>Annual Payment:</u>	<u>Balance:</u>
					2,000,000.00
2001	1	\$32,783.09	\$90,000.00	\$122,783.09	\$1,967,216.91
2002	2	\$34,258.33	\$88,524.76	\$122,783.09	\$1,932,958.58
2003	3	\$35,799.95	\$86,983.14	\$122,783.09	\$1,897,158.63
2004	4	\$37,410.95	\$85,372.14	\$122,783.09	\$1,859,747.68
2005	5	\$39,094.44	\$83,688.65	\$122,783.09	\$1,820,653.23
2006	6	\$40,853.69	\$81,929.40	\$122,783.09	\$1,779,799.54
2007	7	\$42,692.11	\$80,090.98	\$122,783.09	\$1,737,107.43
2008	8	\$44,613.26	\$78,169.83	\$122,783.09	\$1,692,494.17
2009	9	\$46,620.85	\$76,162.24	\$122,783.09	\$1,645,873.32
2010	10	\$48,718.79	\$74,064.30	\$122,783.09	\$1,597,154.53
2011	11	\$50,911.14	\$71,871.95	\$122,783.09	\$1,546,243.39
2012	12	\$53,202.14	\$69,580.95	\$122,783.09	\$1,493,041.25
2013	13	\$63,763.16	\$44,791.24	\$108,554.40	\$1,429,278.09
2014	14	\$65,676.06	\$42,878.34	\$108,554.40	\$1,363,602.03
2015	15	\$67,646.34	\$40,908.06	\$108,554.40	\$1,295,955.69
2016	16	\$69,675.73	\$38,878.67	\$108,554.40	\$1,226,279.96
2017	17	\$71,766.00	\$36,788.40	\$108,554.40	\$1,154,513.96
2018	18	\$73,918.98	\$34,635.42	\$108,554.40	\$1,080,594.98
2019	19	\$76,136.55	\$32,417.85	\$108,554.40	\$1,004,458.43
2020	20	\$78,420.65	\$30,133.75	\$108,554.40	\$926,037.78
2021	21	\$80,773.27	\$27,781.13	\$108,554.40	\$845,264.52
2022	22	\$83,196.46	\$25,357.94	\$108,554.40	\$762,068.05
2023	23	\$85,692.36	\$22,862.04	\$108,554.40	\$676,375.70
2024	24	\$88,263.13	\$20,291.27	\$108,554.40	\$588,112.57
2025	25	\$90,911.02	\$17,643.38	\$108,554.40	\$497,201.54
2026	26	\$93,638.35	\$14,916.05	\$108,554.40	\$403,563.19
2027	27	\$96,447.50	\$12,106.90	\$108,554.40	\$307,115.69
2028	28	\$99,340.93	\$9,213.47	\$108,554.40	\$207,774.76
2029	29	\$102,321.16	\$6,233.24	\$108,554.40	\$105,453.60
2030	30	\$105,390.79	\$3,163.61	\$108,554.40	\$62.81
2031	31	\$62.81	\$0.00	\$62.81	\$0.00

Amount remaining after 2022:	\$762,068.05	\$106,429.96
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