



OFFICE OF THE CLERK/TREASURER City of Burlington

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TO: Board of Finance and City Council
FROM: Rich Goodwin, Assistant Chief Administrative Officer Finance
DATE: November 7, 2013
RE: Investment of Cash

I am writing this memo to inform the Board of Finance of how we are implementing our investing authority designated in the City Council approved Investment Policy.

As Bob Rusten stated in his proposed savings memo - "With the City Council approval of our Investment Policy, and its guidelines, we can now invest General Fund money. The City cash position is strong enough to invest in some win-win situations where we can lend money to City Enterprise Funds at a rate higher than we are getting in our sweep account, but lower than these Funds would pay if they borrowed from a financial institution. Our Investment Policy allows us to invest up to \$5,000,000 in any fiscal year."

Our cash position is on track, and our investment policy demonstrates our commitment to stronger financial stability. We still need to work on improving our fund balance, but our cash position and liquidity have improved.

We have an opportunity to invest close to home at the Burlington International Airport.

On June 28, 2013, the City Council approved the entry into a \$3 million Grant Anticipation Line of Credit with Northfield Savings Bank (the "GAN") to reimburse the Airport for capital expenditures incurred for FAA grant funded projects. The GAN matures on June 30, 2014. This loan is secured by Airport improvement funded grants and a cash reserve of \$300,000 as required by Northfield Savings Bank.

The total outstanding amount of this loan is approximately \$2,500,000, and the interest rate is 4.5%. The City is able to offer an interest rate of 2%. We have an opportunity to pay off this existing loan in full.

This will benefit the Airport by decreasing their interest rate from 4.5% to 2%. This will result in a savings in interest expense of approximately \$25,000 in this fiscal year. This will also eliminate the cash reserve requirement and immediately improve the Airport's cash flow by \$300,000. The City of Burlington will generate approximately \$50,000 in interest income to the General Fund in this fiscal year by paying off the loan, and require the Airport sign a promissory note.

