

Memo

To: Northfield Township Board
From: Howard Fink
Date: 7/7/2016
Re: Van Curler Financing

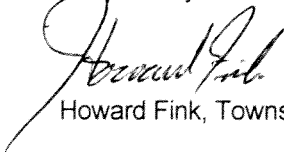
Dear Township Board,

I have conferred with Legal Counsel (Steve Mann, Miller Canfield), and we cannot borrow from the Sewer Treatment Plant to finance the Van Curler Property. We can structure it as a borrowing from the General Fund, but only if the Board authorizes a decrease in the 85% fund balance limit (assuming the fire department apparatus is funded). Internally, we can structure our budget to pay back the fund balance over a ten year period with a 2% interest rate. This to me seems like the best of both worlds. We pay cash, without any borrowing costs and give ourselves the internal flexibility with a borrowing scheme.

There are two alternatives. The first is to move forward with a contingent purchase agreement. We can structure the contingent financing so that there is no prepayment penalty, but that might come with a greater interest rate. Also, once we purchase the property, we cannot financing it after the fact. The costs associated with that would be roughly \$9,000 (\$3,500 legal costs \$5,500 financial advisor costs). The second alternative is to pay cash and not change the fund balance policy. This would limit any future projects that were not allocated in the General Fund Budget for some time.

I recommend an internal borrowing concept with a decrease of the fund balance policy for a set period of time. I further recommend a resolution outlining this concept that the board passes. Future boards do not need to abide by it, but passing the resolution makes this board's intention clear that the fund balance will be paid back over time.

Respectfully Submitted,



Howard Fink, Township Manager

\$165,000
TOWNSHIP OF NOTHFIELD
COUNTY OF WASHTENAW, STATE OF MICHIGAN
INSTALLMENT PURCHASE CONTRACT

SCHEDULE OF DEBT SERVICE REQUIREMENTS

On a Calendar Year Basis

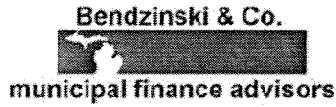
Year	Principal Due April 1	Interest Rate	Interest Due April 1	Interest Due October 1	Total Principal & Interest Requirements
2017	16,601	3.250%	2,681 *	2,411	21,694
2018	14,459	3.250%	2,411	2,177	19,047
2019	14,929	3.250%	2,177	1,934	19,039
2020	15,415	3.250%	1,934	1,683	19,032
2021	15,915	3.250%	1,683	1,425	19,023
2022	16,433	3.250%	1,425	1,158	19,016
2023	16,967	3.250%	1,158	882	19,007
2024	17,518	3.250%	882	597	18,997
2025	18,088	3.250%	597	303	18,989
2026	18,675	3.250%	303	0	18,978
	<u>\$165,000</u>		<u>\$15,252</u>	<u>\$12,571</u>	<u>\$192,823</u>

Assumptions:

Bonds Dated:	10/01/2016
First Interest Payment:	04/01/2017
Number of Days:	180 *
Subsequent Interest Payment:	10/01/2017
Number of Days:	180
First Principal Payment:	04/01/2017
Projected Interest Rate	3.25%

615 Griswold Street, Suite 1225, Detroit, Michigan 48226-3997
PHONE: (313) 961-8222 FAX: (313) 961-8220

The information contained herein was derived from sources generally recognized as reliable and does not make any representations as to correctness or completeness and has in no way been altered except to the extent that some information may be summarized, and is in no way intended to be a solicitation for orders.



\$165,000
 TOWNSHIP OF NOTHFIELD
 COUNTY OF WASHTENAW, STATE OF MICHIGAN
 INSTALLMENT PURCHASE CONTRACT

SCHEDULE OF DEBT SERVICE REQUIREMENTS

On a Calendar Year Basis

Year	Principal Due April 1	Interest Rate	Interest Due April 1	Interest Due October 1	Total Principal & Interest Requirements
2017	11,255	4.000%	3,300 *	3,075	17,630
2018	8,405	4.000%	3,075	2,907	14,387
2019	8,741	4.000%	2,907	2,732	14,380
2020	9,091	4.000%	2,732	2,550	14,373
2021	9,455	4.000%	2,550	2,361	14,366
2022	9,833	4.000%	2,361	2,164	14,358
2023	10,226	4.000%	2,164	1,960	14,350
2024	10,635	4.000%	1,960	1,747	14,342
2025	11,060	4.000%	1,747	1,526	14,333
2026	11,503	4.000%	1,526	1,296	14,325
2027	11,963	4.000%	1,296	1,057	14,316
2028	12,442	4.000%	1,057	808	14,306
2029	12,939	4.000%	808	549	14,296
2030	13,457	4.000%	549	280	14,286
2031	13,995	4.000%	280	0	14,275
	<u>\$165,000</u>		<u>\$28,312</u>	<u>\$25,012</u>	<u>\$218,323</u>

Assumptions:

Bonds Dated:	10/01/2016
First Interest Payment:	04/01/2017
Number of Days:	180 *
Subsequent Interest Payment:	10/01/2017
Number of Days:	180
First Principal Payment:	04/01/2017
Projected Interest Rate	4.00%

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