

INDIAN RIVER COUNTY
INTER-OFFICE MEMORANDUM
OFFICE OF MANAGEMENT AND BUDGET

TO: Members of the Board of County Commissioners

DATE: June 6, 2017

THROUGH: Jason E. Brown, County Administrator

FROM: Michael Smykowski *MS*
Director, Office of Management & Budget

SUBJECT: Interfund Loan – Lakes Golf Course

Background

The Lakes Golf Course at Sandridge Golf Club opened for play in 1992. Since that time, the course had operated with the original irrigation system meaning that the system was over twenty-five (25) years old, including the grow-in period of the course. The life expectancy for these systems is about 20 years.

On February 7, 2017, the Board of County Commissioners awarded Bid No: 2017016 to Duinick Inc. in the amount of \$1,246,000 for the replacement of the irrigation system. The project was scheduled to commence on May 1, 2017 with a 120 day completion deadline. As part of that agenda item, staff requested initial authorization for an interfund loan in a not to exceed amount of \$1,246,000 for this project. Following peak tourist season, staff would re-evaluate the cash position in the Golf Course fund and determine the final amount and term of the interfund loan required to finance this project.

Funding

Due to continued profitable operations at the Golf Course, the interfund borrowing needs are less than the \$1,246,000 originally anticipated. At this time, staff is requesting approval of an interfund loan from the General Fund in the amount of \$1,100,000. This principal amount will be repaid to the General Fund over a four (4) year period.

Staff recommends an interest rate of 1.5%, which provide borrowed funds at a relatively low interest rate for the golf course. Additionally, it will provide increased interest earnings for the General Fund. The average yield on county investments for the quarter ending March 31, 2017 was 0.75%. This results in a win-win scenario where the Golf Course obtains a slightly lower interest rate than would be available otherwise, and the General Fund receives interest at a higher rate than it is receiving in other investments currently. Please see the proposed debt service schedule attached. Principal and interest payments for the four (4) year period total about \$285,000 per year.

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Staff Recommendation

Staff recommends that the Board authorize an interfund loan from General Fund reserves in the amount of \$1,100,000 at an interest rate of 1.5% per year. The principal of this loan will be repaid over a four (4) year period as shown in the attached Proposed Debt Service Schedule.

Attachment

Proposed Debt Service Schedule