



Legislation Text

File #: 14-0709, **Version:** 1

Recommendation to adopt resolution authorizing the issuance of Tax and Revenue Anticipation Notes in an amount not to exceed \$30 million, and authorize City Manager to execute all documents necessary for such issuance. (Citywide)

The Tax and Revenue Anticipation Note (TRAN) is a cash management tool used by public agencies to fund cash flow needs during a fiscal year. A TRAN enables public agencies that receive revenues sporadically throughout the year (e.g., property taxes, property tax in-lieu of vehicle license fees and property tax in-lieu of sales tax) to have the cash on hand needed for expenditures while awaiting the receipt of these revenues. The City regularly issues a TRAN and repays it within 13 months or less. For Fiscal Year 2015 (FY 15), the City expects to receive the proceeds from this issuance on October 1, 2014 and will repay the principal on September 30, 2015.

The General Fund is expected to experience short-term cash needs prior to the receipt of the City's first major property tax payment in December 2014. To bridge this projected cash-timing gap, the attached Resolution provides for the issuance of a TRAN in an amount not to exceed \$30 million.

This matter was reviewed by Deputy City Attorney Richard Anthony on August 19, 2014 and by Budget Management Officer Victoria Bell on August 20, 2014.

City Council action is requested on September 9, 2014 to facilitate the sale of the TRAN, which is scheduled for September 23, 2014.

The expense for the TRAN issuance is included in the FY 15 budget in the Debt Service Fund (OS 600) in the Citywide Activities Department (XC). This transaction will provide the required cash flow to meet the timing of obligations in the City's General Fund. TRANs are tax-exempt notes and, until needed, the proceeds are invested in taxable investments, as allowed by Federal Tax Code. As long as the projected cash flow needs are met, the City is permitted to keep, rather than rebate, positive interest earnings. The interest income will partially offset the costs of issuance and interest expense associated with the TRAN.

As of the week ending August 11, 2014, TRAN interest costs were estimated to be approximately 0.20 percent. The principal amount of the note will be repaid by September 30, 2015. The total net cost for the TRAN is estimated at \$150,000; net interest of approximately \$60,000 and issuance cost estimated at \$90,000, which includes legal, advisory and related fees. Final cost is dependent on the TRAN amount and prevailing market conditions at the time of pricing. There is no local job impact associated with this recommendation.

Approve recommendation.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH PROVIDING FOR THE ISSUANCE OF 2014-2015 TAX AND REVENUE ANTICIPATION NOTES OF THE CITY OF LONG BEACH, CALIFORNIA IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$30,000,000

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER