



## Legislation Text

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**File #:** 12-0700, **Version:** 1

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Recommendation to adopt resolution authorizing the issuance of Tax and Revenue Anticipation Notes in an amount not to exceed \$25 million, and authorize City Manager to execute all necessary documents. (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 annually issues a TRAN and repays it within 13 months. For FY 13, the City expects to receive the proceeds from this issuance on October 2, 2012 and will repay the principal on October 1, 2013.

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 and the General Fund's property tax in-lieu payments in January. To bridge this projected cash need, the attached Resolution provides for the issuance of a TRAN in an amount not to exceed \$25 million.

This matter was reviewed by Assistant City Attorney Charles Parkin on August 2, 2012 and Budget Management Officer Victoria Bell on August 3, 2012.

City Council action is requested on August 21, 2011 to facilitate the sale of the TRAN, which is scheduled for September 13, 2012.

The expense for the TRAN issuance is budgeted in the FY 13 Proposed Budget in the Debt Service Fund (DS 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, which may generate a higher market interest rate. 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 July 27, 2012, TRAN interest costs were estimated to be approximately 0.30 percent. It is anticipated that the reinvested proceeds from the TRAN will earn approximately 0.40 percent, with the principal amount of the note being repaid by October 1, 2013. The total net cost for the TRAN is estimated at \$377,000; net interest of approximately \$77,000 and issuance cost estimated at \$300,000, which includes legal, underwriting 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 2012-2013 TAX AND REVENUE ANTICIPATION NOTES OF THE CITY OF LONG BEACH, CALIFORNIA.

JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST  
CITY MANAGER