



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Treasurer – Tax
Collector
Department No.: 065
For Agenda Of: 5/17/2011
Placement: Departmental
Estimated Tme: 10 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Harry E. Hagen, CPA, CPFO, Treasurer – Tax Collector *H.E. H.*
Director(s) (805) 568 - 2490
Contact Info: Kim Tesoro, CPA, CPFO, Investment & Debt Officer
(805) 568 - 2153
SUBJECT: Tax and Revenue Anticipation Note Short Term Financing Program for Fiscal
Year 2011 - 12

County Counsel Concurrence

As to form: Yes

Other Concurrence: Debt Advisory Committee

Recommended Actions:

That the Board of Supervisors:

- A. Adopt a Resolution “IN THE MATTER OF PROVIDING FOR THE BORROWING OF FUNDS FOR FISCAL YEAR 2011-2012 AND THE ISSUANCE AND SALE OF COUNTY OF SANTA BARBARA, CALIFORNIA, 2011-2012 TAX AND REVENUE ANTICIPATION NOTES THERFOR”;
- B. Adopt a Resolution “IN THE MATTER OF AFFIRMING THAT MONEYS IN INTERNAL SERVICE FUNDS ARE AVAILABLE ONLY FOR DESIGNATED PURPOSES AND ARE REASONABLY REQUIRED AND MAY BE LOANED FOR TEMPORARY CASH FLOW NEEDS”;
- C. Authorize the Treasurer – Tax Collector to execute the Contract of Purchase with De La Rosa & Company for the issuance of non-taxable Tax and Revenue Anticipation Notes in accordance with State and Federal law, in an amount not to exceed \$90,000,000, at a yield not to exceed 1.0%, to meet General Fund cash flow requirements during the 2011-2012 fiscal year;

Auditor-Controller Concurrence

As to form: Yes

- D. Authorize and execute an agreement with Orrick, Herrington, and Sutcliffe, LLP to perform legal services as bond counsel incident to the execution and delivery of 2011-2012 Tax and Revenue Anticipation Notes in the amount of \$20,000; and
- E. Authorize the Treasurer – Tax Collector to abandon this issuance if market conditions are deemed financially unfavorable.
- F. Determine that the above actions are government funding mechanisms and/or fiscal activities that are not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA Guidelines.

Summary Text:

Statutory provisions allow public agencies to issue Tax and Revenue Anticipation Notes (TRAN) to address seasonal cash flow requirements during a specified fiscal year. Proceeds from the short-term issuance of a non-taxable TRAN will allow the County to cover deficits in its cash position that result from the uneven flow of revenues, while expenditures remain relatively level through-out the fiscal year.

Background:

Secured property taxes constitute a significant portion of the County of Santa Barbara's revenues. They are primarily collected in December and April of each fiscal year. In addition, State and Federal program reimbursements for County expenditures are often delayed and received intermittently throughout the year. The County's expenditures typically occur in level amounts for each month of the fiscal year. Government Code Section 53850 et sequence allows a short – term issuance by certain local governments, including counties, to alleviate the discrepancies in the timing of revenue collections and actual cash draw downs for the payments of expenditures.

The principal and the interest of the TRAN, by law, is payable from taxes, income, revenues, cash receipts and other moneys which are received by the County, for the General Fund of the County, and which are solely attributable to the fiscal year 2011-2012. The TRAN shall mature within 13 months after the date of original issuance. It is anticipated that the 2011-2012 TRAN will be sized in an amount slightly below the 2010-2011 issuance of \$64.3 million. In the event that significant changes occur in revenue cash flow projections of the County, a Series B issuance up to the not-to-exceed amount (less the Series A amount already issued) could occur.

The Government Code allows the proceeds of a TRAN to be used and expended for any purpose for which the County is authorized to do so, including but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness.

The County issued a TRAN for the current fiscal year 2010-2011 in a principal amount of \$64.3 million. The authorizing resolution was for a not-to-exceed Series A and B aggregate amount of \$105 million. Cash flow projections for the 2011 – 2012 fiscal year are similar to those for 2010-2011 and include payment deferrals from State funding sources, including those due to delayed billings and delayed reimbursements for Alcohol, Drug and Mental Health Services, and economic changes resulting in reduced local revenues.

On March 31, 2011, the Debt Advisory Committee was informed that the County would be proceeding with a TRAN issuance with the same financing team in place as was used for the current year's TRAN issuance. Accordingly, De La Rosa & Co. and Orrick, Herrington, Sutcliffe, will serve as underwriter and bond counsel, respectively.

Fiscal Analysis: Principal and interest of the tax-exempt TRAN is a general fund obligation. The interest cost to the County is estimated to be \$1.19 million, at a yield of 0.50% for a TRAN with a \$60 million par and a 12-month maturity. The actual coupon rate is estimated to be set at 2.00%, resulting in an estimated premium of \$890,000.

Staff is also evaluating earlier maturity dates for all, or a portion, of the TRAN. The decision to shorten the TRAN maturity, or not, is dependent upon market rates for the issuance and projected earnings for TRAN proceeds. The maturity date for the TRANs will be no later than June 29, 2012.

The costs of issuance for the TRAN are included in the proceeds. In order for the County to issue a tax-exempt TRAN, bond counsel assesses statutory requirements and must issue an opinion that the issuance is in compliance. Orrick, Herrington, and Sutcliffe, LLP will act as bond counsel to the County for this transaction at a cost of \$20,000. De La Rosa & Co. will perform underwriting services in an amount not to exceed \$35,000, plus other expenses of \$15,500. Other expenses include underwriter's counsel, regulatory agency filing fees, and printing costs of the Preliminary Official Statement and the Official Statement.

Special Instructions:

Please return two full sets of signed resolutions and one signed Agreement for Bond Counsel Services to Kim Tesoro, Office of the Treasurer – Tax Collector to forward to bond counsel for inclusion in the TRAN proceedings transcripts.

Attachments:

Resolution (See Board Recommended Actions, item "A")
Resolution (See Board Recommended Actions, item "B")
Contract of Purchase
Agreement for Bond Counsel Services
Preliminary Official Statement
Continuing Disclosure Certificate

Authored by: Kim Tesoro, CPA, CPFO, Investment & Debt Officer