



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: 6/2/2009  
Placement: Department  
Estimated Tme: 15 minutes  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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TO: Board of Supervisors

FROM: Department Bernice James, Treasurer – Tax Collector (805) 568 - 2490  
Director(s)  
Contact Info: Stacey Matson, CPA, Investment & Debt Officer (805) 568 - 2158

SUBJECT: **Tax and Revenue Anticipation Note Short Term Financing Program for Fiscal  
Year 2009 - 10**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller 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 2009-2010 AND THE ISSUANCE AND SALE OF COUNTY OF SANTA BARBARA, CALIFORNIA, 2009-2010 TAX AND REVENUE ANTICIPATION NOTES THEREFOR”;
- 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”;
- 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 \$105,000,000, with Series A not to exceed \$70,000,000 and at a yield not to exceed 1.0 percent, and with a Series B in an amount not to exceed \$35,000,000 and at a yield not to exceed 2.0%, to meet General Fund cash flow requirements during the 2009-2010 fiscal year;

- 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 2009-2010 Tax and Revenue Anticipation Notes in an amount not to exceed \$15,000; and
- E. Authorize the Treasurer – Tax Collector, with consultation of the Debt Advisory Committee, to abandon this issuance if market conditions are deemed financially unfavorable.

**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 2009-2010. The TRAN shall mature within 13 months after the date of original issuance. Based upon projected cash flows for the fiscal year 2009 – 2010 it is anticipated that Series A will be sized at approximately \$70 million. In the event that significant changes occur in revenue cash flow projections of the County, a balance amount of not-to- exceed \$35 million may be issued as Series B at a later date.

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 last issued a TRAN for the fiscal year 2005-2006 in a principal amount of \$47 million. The authorizing resolution was for a not-to-exceed Series A and B aggregate amount of \$70 million. For the fiscal years ending in June 2007, 2008, and 2009 cash flow projections did not establish a need to issue a TRAN. Cash flow projections for the 2009 – 2010 fiscal year differ from those years due to increased payment deferrals from State funding sources, including those due to delayed billings and delayed reimbursements from the State and Federal Government for Alcohol, Drug and Mental Health Services, and economic changes resulting in reduced local revenues.

On March 16, 2009, the Debt Advisory Committee considered the issuance of a TRAN for the fiscal year 2009-2010. They approved a motion recommending the County proceed with a TRAN issuance, and the hiring of De la Rosa & Company and Orrick, Herrington, Sutcliffe, as underwriter and bond

counsel, respectively. The agreement with Orrick, Herrington, Sutcliffe is not the County's standard agreement for the services of outside counsel.

**Performance Measure:**

N/A

**Fiscal and Facilities Impacts:**

**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 \$455,000, at a yield of 0.6 % for a TRAN with a \$70 million par. The actual coupon is estimated to be set at 1.50%, resulting in an estimated premium of \$1,130,770. In contrast, investors would demand an estimated yield of 1.5% for a taxable issuance, more than double the cost of the tax-exempt issuance.

The costs of issuance associated with 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 would act as bond counsel to the County for this transaction in an amount not to exceed \$15,000. De La Rosa & Company would perform underwriting services in an amount not to exceed \$80,000. This amount also includes expenditures to print the Preliminary Official Statement and the Official Statement, and fees for Standard & Poors rating agency services.

TRAN proceeds and set-asides for repayment may be invested. Earnings are allowed to remain with the County and would be used to reduce costs of the TRAN. Interest rates are expected to remain low and the proceeds will be drawn down, rather than available for investment over the full period that the issuance will be outstanding. Accordingly, although earnings will offset costs of the TRAN, they may not exceed its costs.

**Staffing Impacts:**

**Special Instructions:**

Please return four full sets of signed resolutions to Stacey Matson in the Treasurer – Tax Collector's Office. Our office will forward these documents 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

**Authored by: Stacey Matson, Investment & Debt Officer**