

**Priority:** Accountability  
**Program Offer Type:** Existing Operating  
**Related Programs:**

**Lead Agency:** Non-Departmental - All  
**Program Contact:** Harry Morton

**Program Characteristics:**

**Executive Summary**

Issuance costs, interest payments and interest earnings on short-term Tax and Revenue Anticipation Notes (TRANs).

**Program Description**

Oregon Revised Statutes Section 288.165 permits the County to issue Tax and Revenue Anticipation Notes (TRANs). The TRAN is issued in anticipation of taxes and other revenues not yet received and can not be issued in an amount greater than eighty percent (80%) of the amount of budgeted General Fund revenue in the adopted budget. The Board of County Commissioners will authorize the issuance of the TRAN by Resolution. With the assistance of a financial advisor the Chief Financial Officer or the Treasury Manager determines the principal amount, interest rate and denominations of the Notes, and selects the underwriter for the purchase. The selection of the underwriter is through a competitive bid process. The Notes are issued in the first few days of the fiscal year in July, and mature no later than the last business day of the same fiscal year in June.

**Program Justification**

Prior to the receipt of property tax payments in November, the County experiences a cash flow deficit that has been approximately \$20,000,000 in recent years. Because of this deficit caused by timing issues, the County issues TRANs to fund this temporary deficit. The cash flow deficit calculations are defined by Internal Revenue Service regulations as well as the United States Treasury. The County has utilized TRANs for this purpose since 1982.

**Performance Measures**

Measure Type	Primary Measure	Previous Year Actual (FY05-06)	Current Year Purchased (FY06-07)	Current Year Estimate (FY06-07)	Next Year Offer (FY07-08)
Output	Maintain Moody's MIG 1 rating on the County's TRAN	1	1	1	1
Outcome	Lower cost of borrowing than interest earnings	1	1	1	1

**Performance Measure - Description**

The performance measurement is to maintain Moody's highest short term investment rating for municipal debt, MIG 1. Maintaining this rating allows the County to issue the TRANs at the lowest possible interest rate, resulting in substantial savings and is thus linked to sound financial management in the Accountability Priority. This borrowing meets all statutory and regulatory requirements.

Performance Key: 1 = Achieved or exceeded ; 0 = Not Achieved

Last year's TRAN program resulted in the issuance of Notes totaling \$20,000,000 at a stated interest rate of 4.50% and an effective yield of 3.67%. Because of higher short term interest rates in the market since last year, the County expects to issue the FY 2008 TRAN at a slightly higher rate and in a face amount projected to be \$30,000,000, subject to cash flow calculations.

## Legal/Contractual Obligation

Oregon Revised Statutes and both Internal Revenue Service and US Treasury regulations allow the County to fund a short term cash flow deficit by the use of TRANs, subject to specific legal and accounting requirements.

## Revenue/Expense Detail

	Proposed General Fund	Proposed Other Funds	Proposed General Fund	Proposed Other Funds
	2007	2007	2008	2008
<b>Program Expenses</b>				
Contracts	\$30,000	\$0	\$30,000	\$0
Debt Service	\$950,000	\$0	\$1,350,000	\$0
Subtotal: Direct Exps:	<b>\$980,000</b>	<b>\$0</b>	<b>\$1,380,000</b>	<b>\$0</b>
Administration	\$0	\$0	\$0	\$0
Program Support	\$0	\$0	\$0	\$0
Subtotal: Other Exps:	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Total GF/non-GF:	<b>\$980,000</b>	<b>\$0</b>	<b>\$1,380,000</b>	<b>\$0</b>
Program Total:	<b>\$980,000</b>		<b>\$1,380,000</b>	
Program FTE	0.00	0.00	0.00	0.00
<b>Program Revenues</b>				
Other / Miscellaneous	\$100,000	\$0	\$100,000	\$0
Program Revenue for Admin	\$0	\$0	\$0	\$0
<b>Total Revenue:</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$0</b>

## Explanation of Revenues

Due to the legal ability of the County to issue tax exempt TRANs to the buyers, the cost of borrowing the funds is usually lower than the earnings on the funds during the part of the year when the borrowed funds are no longer required to cover the cash flow deficit (after property taxes receipts are received during November). This generally allows the County to cover the borrowing cost of the TRANs from the earnings and to realize approximately \$100,000 in General Fund Interest Revenue.

## Significant Program Changes

Last year this program was: #10020, Tax Revenue Anticipation Notes