

Program # 10028 - Tax and Revenue Anticipation Notes

Version 6/23/2009 s

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

Lead Agency: Non-Departmental - All
Program Contact: Mark Campbell

Executive Summary

This program offer includes issuance costs, interest expense and interest earnings on short-term Tax and Revenue Anticipation Notes (TRANS).

Program Description

Oregon Revised Statutes 288.165 permits the County to issue Tax and Revenue Anticipation Notes (TRANS). The TRANS are issued in anticipation of the receipt of taxes and other revenues not yet received in order to fund an anticipated cash flow deficit. The TRANS 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 by resolution the issuance of the TRANS. With the assistance of a financial advisor the Chief Financial Officer and Finance staff determine the principal amount, interest rate and denominations of the notes, and select the underwriter for the issuance. The selection of the underwriter is through a competitive bid process. The notes are issued during the first few days of the fiscal year in July and mature no later than the last business day of June in the same fiscal year.

Program Justification

Prior to the receipt of property tax payments in November, the County typically experiences a cash flow deficit of more than \$20 million. The deficit is caused by timing issues related to the inflow of property taxes in November, and the ongoing and regular expenditures in the preceeding months, 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 (FY07-08)	Current Year Purchased (FY08-09)	Current Year Estimate (FY08-09)	Next Year Offer (FY09-10)
Output		0	0	0	0
Outcome		0	0	0	0

Performance Measure - Description

The performance measurement requires the County 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

This program offer allows the County to issue a TRAN of approximately \$20,000,000, subject to cash flow projections, at the onset of FY10.

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
Program Expenses	2009	2009	2010	2010
Contracts	\$30,000	\$0	\$10,000	\$0
Debt Service	\$850,000	\$0	\$940,000	\$0
Subtotal: Direct Exps:	\$880,000	\$0	\$950,000	\$0
Administration	\$0	\$0	\$0	\$0
Program Support	\$0	\$0	\$0	\$0
Subtotal: Other Exps:	\$0	\$0	\$0	\$0
Total GF/non-GF:	\$880,000	\$0	\$950,000	\$0
Program Total:	\$880,000		\$950,000	
Program FTE	0.00	0.00	0.00	0.00
Program Revenues				
Other / Miscellaneous	\$100,000	\$0	\$50,000	\$0
Program Revenue for Admin	\$0	\$0	\$0	\$0
Total Revenue:	\$100,000	\$0	\$50,000	\$0

Explanation of Revenues

Due to the legal ability of the County to issue tax exempt TRANs to buyers, the cost of borrowing the funds is usually lower than the interest earnings on the funds during the portion of the year when the borrowed funds are no longer required to cover the cash flow deficit (due to the receipt of property tax payments in November). This generally allows the County to cover the cost of the funds borrowed with the interest earnings and to realize approximately \$50,000 in General Fund Interest Revenue.

Significant Program Changes

Last year this program was: #10025, Tax and Revenue Anticipation Notes