



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE May 20, 2008

SUBJECT: Non-Taxable Tax & Revenue Anticipation Notes
for 2008 - 2009

Report in Brief

The City has the opportunity to participate in the 2008 – 2009 Non-Taxable Tax and Revenue Anticipation Notes (TRANs), a statewide financing program for local governments. The funds used for this annual issuance are used to prepay the City's annual CalPERS contributions, provide the City operating cash flow and generate investment income. Prefunding the CalPERS obligation in this manner will generate a net return of \$100,000 in investment income and cost savings.

Staff recommends that the City Council adopt Resolution No. _____, authorizing the issuance by the City of Woodland of a not-to-exceed \$19,000,000 2008/2009 TRAN. The approved resolution will authorize the City Clerk, the Assistant Finance Director and the Senior Accountant to sign financing documentation in connection with the issuance of the TRAN. The resolution also appoints the law firm of Orrick, Herrington & Sutcliffe as bond counsel to the City. Orrick is a national law firm which specializes in municipal bond law.

Background

The City has the opportunity to participate in the 2008 – 2009 Non-Taxable Tax and Revenue Anticipation Notes (TRANs), a statewide financing program sponsored by the California State Association of Counties and the League of California Cities. The funds used for this annual issuance are used to prepay the City's annual CalPERS contributions with the excess funds invested. This will be the fourth year in a row that the City of Woodland has participated in the TRANs issuance. If the CalPERS prepayment is made by July 1, 2008, the net projected savings from prefunding and investing surplus funds is expected to be over \$100,000 which takes into account the TRANs interest and Cost of Issuance expenses. This prepayment discount from CalPERS totals 3.66% if the prepayment is made by July 1, 2008.

Discussion

The many advantages of participating in a statewide TRAN include lower issuance costs which are shared by the other participating governmental agencies, standardized documentation, and a streamlined issuance process. The interest expense from the Tax-Exempt TRAN is estimated to be 2%. For comparison purposes, the interest earned at the Local Agency Investment Fund (LAIF) is currently at 3.91%.

The attached resolution authorizes the issuance by the City of Woodland of a not-to-exceed \$19,000,000 2008/2009 TRAN. The maturity of the 2008/2009 TRAN will not exceed thirteen (13) months and will be dated July 1, 2009. The TRAN will be due no later than August 1, 2009. The City will determine the maturity of the TRAN depending on market conditions in June 2008.

In addition, the resolution authorizes various financing documentation, including a purchase agreement and an indenture, which is on file in the Finance Department. The resolution authorizes the City Clerk, the Assistant Finance Director and the Senior Accountant to sign financing documentation in connection with the issuance of the TRAN. The resolution also appoints the law firm of Orrick, Herrington & Sutcliffe as bond counsel to the City. Orrick is a national law firm which specializes in municipal bond law.

Fiscal Impact

If approved, use of 2008-2009 issuance is projected to generate net income to the City of over \$100,000 through investment income and cost savings.

Recommendation for Action

Staff recommends that the City Council adopt Resolution No. _____, authorizing the issuance by the City of Woodland of a not-to-exceed \$19,000,000 2008/2009 TRAN. The approved resolution will authorize the City Clerk, the Assistant Finance Director and the Senior Accountant to sign financing documentation in connection with the issuance of the TRAN. The resolution also appoints the law firm of Orrick, Herrington & Sutcliffe as bond counsel to the City. Orrick is a national law firm which specializes in municipal bond law.

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Finance Director

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City Manager

Attachments