

MONTEREY COUNTY BOARD OF SUPERVISORS

MEETING: July 27, 2010	AGENDA NO: 66.3
SUBJECT: Adopt the attached restated local agency resolution, originally approved on April 27, 2010, authorizing and approving the borrowing of funds for fiscal year 2010-11, the issuance and sale of a 2010-11 Tax and Revenue Anticipation Note ("TRAN") therefore increasing the maximum approved TRAN borrowing to the legal limit, but not to exceed \$55 million through the issuance and sale of Tax and Revenue Anticipation Notes. The original financing team remains intact.	
DEPARTMENT: Auditor-Controller	

RECOMMENDATION:

Adopt the attached restated local agency resolution, originally approved on April 27, 2010, authorizing and approving the borrowing of funds for fiscal year 2010-11, the issuance and sale of a 2010-11 Tax and Revenue Anticipation Note ("TRAN") therefore increasing the maximum approved TRAN borrowing to the legal limit, but not to exceed \$55 million through the issuance and sale of Tax and Revenue Anticipation Notes. The original financing team remains intact.

SUMMARY:

The County of Monterey requires short term financing to provide cash flows to fund operating expenditures due to delayed State funding, delay in property tax receipts, and a dramatic increase in property tax delinquencies precipitated by the slowing economy and the current housing market difficulties. During previous years, it has been determined that the California State Communities Development Authority ("CSCDA") pooled program has provided the lowest cost method of providing cash flow borrowing. Recent interpretations or IRS regulations have significantly limited the County's TRAN borrowing ability, requiring staff to explore more creative and less costly methods of financing cash flow borrowing.

DISCUSSION:

The County of Monterey is a member of the CSCDA, a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, formed to provide local governments and private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities throughout California. An application for participation has been submitted on behalf of Monterey County by the debt manager for participation in the 2010-11 TRAN program. On April 27, 2010, the Board of Supervisors approved financing documents allowing a cash flow borrowing of up to \$30 million. Recent improvements in cash monitoring provided by the ERP project implementation have resulted in an increase in the maximum TRAN size. The resolution format is supplied by CSCDA. The resolution authorizes various financing documentation, including a purchase agreement and a trust agreement which is on file in the Auditor-Controller's office. The resolution authorizes the Auditor-Controller, Treasurer, and CAO to sign financing documentation in connection with the issuance of the TRANs. The resolution also appoints the law firm of Orrick, Herrington, and Sutcliffe as bond counsel to the County of Monterey.

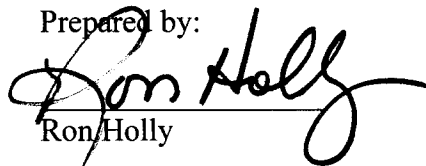
OTHER AGENCY INVOLVEMENT:

The Budget Committee and the County Administrative Office have been kept apprised of the potential TRAN issuance.

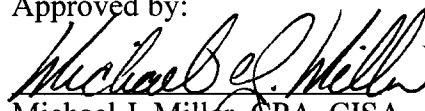
FINANCING:

Utilizing a projected coupon rate of 2.0% on an assumed \$45 million issuance, the expected yield ranges between 0.50% and 0.85%, depending upon market conditions at time of pricing. The resulting estimated interest cost totals less than \$400,000, with the cost of issuance, letter of credit, and legal expenses estimated at \$145,000. Investment of the proceeds will be determined at the time of issuance, but may be placed in either the Treasury Pool, another approved pooled investment, or some other investment vehicle like a guaranteed investment contract. For conservative estimate purposes, the investment calculations will assume an annualized return of .50%. Net County Cost of the borrowing is estimated to be \$325,000 the cost of which is budgeted in FY 2010-11 in Auditor Controller Department budget Fund 1 Unit 8009.

Prepared by:


Ron Holly

Approved by:


Michael J. Miller, CPA, CISA
Auditor-Controller

Date: July 14, 2010