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CITY OF SACRAMENTO

CITY MANAGER'S OFFICE
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THOMAS P. FRIERY
TREASURER
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ASST. TREASURER

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January 19, 1982

APPROVED
BY THE CITY COUNCIL

FEB 2 1982

OFFICE OF THE
CITY CLERK

City Council of the City
of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Status Report 1981 TRAN Sale November 28, 1981 through
January 1, 1982 and Cumulative from October 15, 1981 through
January 1, 1982

SUMMARY

Attached is the Status Report City of Sacramento 1981 Tax and Revenue
Anticipation Note Sale November 28, 1981 through January 1, 1982 and
cumulative from October 15, 1981 through January 1, 1982.

RECOMMENDATION

This report is for your information and no specific action is required.

Respectfully submitted,

Thomas P. Friery
THOMAS P. FRIERY
City Treasurer

TPF/lv
Attachment

For City Council Information:

Walter J. Slips
Walter J. Slips, City Manager

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JAN 26 1982

February 2, 1982



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THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

January 19, 1982

TO: Budget and Finance Committee
Honorable Members in Session

FROM: THOMAS P. FRIERY, City Treasurer

SUBJECT: Status Report City of Sacramento 1981 TRAN Sale, November 28, 1981
Through January 1, 1982 and Cumulative from October 15, 1981 Through
January 1, 1982

SUMMARY

For the period November 28, 1981 through January 1, 1982, the average daily cash deficit position of the General Fund averaged approximately \$2.2 million per day. This deficit amount on average is approximately \$400 thousand per day greater than originally estimated. Further, from October 15, 1981 (the TRAN issue date) through January 1, 1982, the cumulative effect is that the General Fund has averaged a cash deficit of \$2.3 million per day, or approximately \$1.4 million per day greater than was originally estimated to Council on October 6, 1981.

The effect of this negative action is that through January 1, 1982 approximately \$1.4 million less per day was available for investment from the TRAN proceeds to reduce costs and provide a net cash benefit to the City. The impact, on the assumption the balance of this fiscal year tracks with the cash flow estimates as of October 6, 1981, is that the City will derive approximately \$45 thousand in interest income less than was estimated in October, 1981 or \$320 thousand for the year as opposed to \$365 thousand.

It is brought to your attention that through the diligent efforts of the City's Revenues & Collections Officer, we received the City's \$7 million advance payment on property taxes on December 15, 1981 as opposed to January 2, 1982 which we had originally estimated. Had we not received this advance payment when we did, the average daily negative cash balance of the General Fund would have been an additional \$3.2 million per day greater than we have reported here for the period November 28, 1981 through January 1, 1982.

Further, it is pointed out that as of January 2, 1982, the General Fund cash balance is only \$1.7 million. In our original estimate to Council, we did not envision the General Fund to incur a deficit for the remainder of this fiscal year. At this time, we cannot be certain if in fact the General Fund will remain in a positive cash condition, which may result in further reductions to the estimated net interest income to be earned from this transaction.

However, it must be emphasized that the intent of the TRAN Sale was to meet cash flow deficits in the General Fund and not to earn interest income. To this point in time, the TRAN Sale has provided sufficient monies to meet the greater than estimated General Fund cash flow deficits.

BACKGROUND

On October 6, 1981 the City Council approved the award of bid for the TRAN Sale to Bank of America at a net interest cost of 9.94%. At that time the City Treasury estimated that additional financing expenses of approximately \$70 thousand would be incurred on the issue which would raise the true interest cost of the TRAN issue to 11.05%.

Further, the City Treasury projected that the TRAN Sale proceeds could be reinvested at a 16.39% rate of return for the period October 15, 1981 through June 29, 1982, and based on estimates of General Fund cash deficits as computed by the City Department of Finance, a net benefit of \$346 would inure to the City after having met the then projected General Fund cash flow deficits and the repayment of all interest and costs associated with the TRAN Sale.

It should also be noted that on December 15, 1981, due to the diligent efforts of the Revenues and Collections Officer, the City received from the County an advance payment of \$7 million for the estimated City's share of property taxes. Had this payment been received at its normal time in January, the general fund average daily cash deficit position would have been approximately \$1.5 million more per day than it actually is for the period October 15, 1981 through January 1, 1982. This additional deficit would have caused the City to receive an estimated \$47 thousand less in interest income, i.e., the estimated income to be derived from the TRAN sale would have been \$273 instead of the \$320 thousand as described in the preceding paragraph.

In actuality, the financing expenses of the TRAN issue were approximately \$49 thousand as opposed to the \$70 thousand originally estimated which reduces the true interest cost of the TRAN Sale from 11.05% to 10.71% and increased the potential for a net benefit from \$346 thousand to \$365 thousand.

Further, as of this time the reinvestment program with TRAN proceeds is producing a rate of return of approximately 16.69% as compared to our original estimate of 16.39%.

However, in spite of these positive developments, the actual general fund cash deficit has averaged approximately \$1.4 million per day greater than was estimated for the period October 15, 1981 through January 1, 1982. The impact of this action is that an opportunity for approximately \$45 thousand in investment income has been lost and it appears at this time that the net benefit of this transaction will be \$320 thousand.

It is reemphasized that should the actual cash flow deficits remain greater than projected, it may not be possible to earn the net benefit presently estimated.


Following up the October 6, 1981 Council action awarding the bond sale, a report on the Cash Flow and Investment Results is provided as Attachment A.

My staff and I are here to answer any questions of the Budget and Finance Committee regarding this issue.

RECOMMENDATION

It is recommended that the Committee accept this report and forward the same to the full Council for its information.

Respectfully,


THOMAS P. FRIERY
City Treasurer

TPF/1v

FOR TRANSMITTAL:



FINANCE ADMINISTRATION AND BUDGET

Attachment

ATTACHMENT A

CASH FLOW AND INVESTMENT RESULTS
1981 CITY OF SACRAMENTO
\$9.5 MILLION TRAN ISSUE

<u>CASH FLOW</u>	(\$000's Omitted) Estimated Average Daily Cash Balance As of August, 1981	(\$000's Omitted) Actual Average Daily Cash Position	(\$000's Omitted) <u>Variance</u>	
<u>GENERAL FUND AVERAGE DAILY CASH POSITION</u>				
October 15 - November 27, 1981	\$ (223)	\$ (2,390)	\$ (2,167)	
November 28, 1981 - January 1, 1982	\$ (1,800)	\$ (2,150)	\$ (350)	
Average for Period 10/15 through 1/1/82	\$ <u>(922)</u>	\$ <u>(2,283)</u>	\$ <u>(1,361)</u>	

<u>INVESTMENT INCOME</u>				
<u>INTEREST INCOME EARNINGS FROM TRAN SALE</u>	<u>Separately Earned Interest Income</u>	<u>Pool A Particip. of Interest Income</u>	<u>Total Interest Income</u>	<u>TRAN Results 10/15 Thru 1/1/82</u>
October 15 - November 27, 1981 (16.83% Rate of Return on TRAN Issue)	\$ 187,244	\$ 4,694	\$ 191,938	\$
November 28, 1981 - January 1, 1982 (16.69% Rate of Return on TRAN Issue)	\$ 139,433	\$ 10,928	\$ 150,361	\$ 342,299
	\$ <u>326,677</u>	\$ <u>15,622</u>	\$ <u>342,299</u>	
<u>DEDUCT: Financing Costs & Expenses</u>	<u>1/ TRAN Issue Expense</u>	<u>2/ Financing Costs</u>	<u>Total Expenses</u>	
October 15 - November 27, 1981	\$ (115,423)	\$ (8,542)	\$ (123,965)	
November 28, 1981 - January 1, 1982	\$ (91,813)	\$ (6,796)	\$ (98,609)	
Total Expenses for Period 10/15 through 1/1/82	\$ <u>(207,236)</u>	\$ <u>(15,338)</u>	\$ <u>(222,574)</u>	\$ <u>(222,574)</u>
 <u>GROSS INCOME PRIOR TO CONSIDERATION OF LOSS OF INTEREST DUE TO THE GENERAL FUND DAILY CASH DEFICIT</u>				 \$ 119,725
 <u>DEDUCT:</u>	<u>Loss of Interest Income Due to Estimate of Deficit in August, 1981</u>	<u>Loss of Interest Income Due to Variance In General Fund Deficit</u>		
City Pool A Earning Rate October 15 - November 27, 1981 (15.17%)	\$ (4,210)	\$ (40,483)	\$ (44,693)	
City Pool A Earning Rate November 28, 1981 - January 1, 1982 (14.54%)	\$ (25,096)	\$ (4,873)	\$ (29,969)	
Total for Period 10/15 through January 1, 1982	\$ <u>(29,306)</u>	\$ <u>(45,356)</u>	\$ <u>(74,662)</u>	\$ <u>(74,662)</u>
 Net Income from TRAN Sale for Period October 15, 1981 - January 1, 1982				 \$ <u>45,063</u>

1/ Includes Interest Expense less Amortization of Premium on 1981 TRAN Note Issue

2/ Comprised of \$49,900.00 of Financing Expenses for Bond Counsel, Special Consultant, Financing Consultant, Printing, Mailing, etc. These costs are amortized daily over the period.