

CITY OF CLARKSTON

ITEM NO: F3

CLARKSTON CITY COUNCIL MEETING

HEARING TYPE:
Council Meeting

BUSINESS AGENDA / MINUTES

ACTION TYPE:
Resolution

MEETING DATE: June 2, 2015

SUBJECT: Adopt Resolution Authorizing, Among Other Things, the Issuance and Sale of a Tax Anticipation Note in the Principal Amount of \$450,000

DEPARTMENT: Administration

PUBLIC HEARING: YES NO

ATTACHMENT: YES NO
Pages: 12

INFORMATION CONTACT: Keith Barker
PHONE NUMBER: 404-296-6489 ext. 413

PURPOSE: To consider adopting the attached Resolution Authorizing, Among Other Things, the Issuance and Sale of a Tax Anticipation Note in the Principal Amount of \$450,000

NEED/ IMPACT: The City of Clarkston will receive approximately 57% of our total anticipated revenue for fiscal year 2015 between the months of September and December. The majority of this revenue comes from property taxes, insurance premium payments and municipal court fines. The bulk of this revenue; property taxes and insurance premium payments, is received during the months of September, October and November.

The City anticipates receiving the 2015 tax digest in the next few weeks. While we will not receive property taxes until later this year, we have added additional staff, primarily in public safety with the addition of six new police officers. The use and subsequent reduction in surplus available cash on hand will result in a temporary cash flow problem in July through September if not addressed. (2015 tax proceeds will be remitted beginning the end of September through November). We have prepared a detailed schedule of monthly cash flow projections for the remainder of 2015 and expect our deficit balance in operating cash to be approximately \$178,000 in July 2015 and topping out with a deficit balance of \$450,000 by the end of August 2015.

Given that tax proceeds are not received until the 4th quarter of the fiscal year within which they are budgeted, this fiscal reality is not unusual. Many Georgia counties and municipalities take advantage of a State Law that authorizes the issuance of a Tax Anticipation Note (TAN), which will allow borrowing funds sufficient to cover the temporary cash flow deficit. Funds borrowed must be repaid in full prior to December 31st of each year.

Staff has obtained a quote from BB&T Bank for the issuance of a TAN in the amount of \$450,000 with an anticipated closing date of June 10, 2015 with full payment due of principal and interest on December 31, 2015. The interest rate charged on the principal balance will be 1.23% annually amortized over 204

days. Accordingly, the interest payments to BB&T will be approximately \$3,137. Additionally, issuance of a TAN requires preparation of the TAN resolution and other associated documents by a bond attorney. The fee for the bond attorney will be \$5,000.

RECOMMENDATIONS: Staff recommends the City Council adopt the attached TAN Resolution and associated documents.