

CITY OF CLARKSTON

ITEM NO: F6

CLARKSTON CITY COUNCIL MEETING

HEARING TYPE:
Council Meeting

BUSINESS AGENDA / MINUTES

ACTION TYPE:
Resolution

MEETING DATE: June 7, 2016

SUBJECT: Adopt Resolution Authorizing, Among Other Things, the Issuance and Sale of a Tax Anticipation Note in the Principal Amount of \$770,000

DEPARTMENT: Administration

PUBLIC HEARING: YES NO

ATTACHMENT: YES NO
Pages: 12

INFORMATION CONTACT: Keith Barker
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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 \$770,000

NEED/ IMPACT: The City of Clarkston will receive approximately 61% of our total anticipated revenue for fiscal year 2016 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.

Our current fund balance levels will result in a temporary cash flow problem during the months from June through September if not addressed. (2016 tax proceeds will be remitted from DeKalb County beginning the end of September through November). We have prepared a detailed schedule of monthly cash flow projections for the remainder of 2016 and expect our deficit balance in operating cash to be approximately \$210,000 at the end of June 2016 and topping out with a deficit balance of \$770,000 by the end of September 2016.

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 \$770,000 with an anticipated closing date of June 14, 2016 with full payment due of principal and interest on December 31, 2016. The interest rate charged on the principal balance will be approximately 1.43% annually amortized over 200 days. Accordingly, the interest payments to BB&T will be approximately \$6,033.

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.