



CITY OF SACRAMENTO

24

CITY MANAGER'S OFFICE
RECEIVED
SEP 8 1983

THOMAS P. FRIERY
TREASURER

PHILIP A. BARACH
ASST. TREASURER

OFFICE OF THE TREASURER
800 - 10th STREET SACRAMENTO, CA 95814
SUITE 1 TELEPHONE (916) 449-5318 (Operations)
(916) 449-5168 (Investments)

September 6, 1983

Sacramento City Council
Sacramento, California 95814

MEMBERS IN SESSION:

SUBJECT: 1982-83 Tax and Revenue Anticipation Note Sale (TRAN) - Close-out Report

SUMMARY

Transmitted herewith is a copy of the report to the Budget and Finance Committee regarding the 1982-83 TRAN sale. The fiscal year 1981-82 TRAN issue matured on June 29, 1983 and has produced a net profit of approximately \$491,000. This is \$111,000 more than originally estimated by the City Treasurer's Office in July, 1982.

The entire \$491,000 has been deposited in the General Fund. The major reasons resulting in the increased income from this transaction are:

- Implementation of a "Futures" investment program which generated \$94,000 in additional income and
- Achieving a higher interest rate on investments than estimated resulting in \$3,000 additional income and
- Financing expenses were \$14,000 less than estimated.

RECOMMENDATION

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

Respectfully submitted,

Thomas P. Friery
THOMAS P. FRIERY
City Treasurer

FILED
By the City Council
Office of the City Clerk

TPF/1v
Attachment

For City Council Information:

Walter J. Slipe, Jr.
For: WALTER J. SLIPE, City Manager

SEP 20 1983

September 20, 1983



CITY OF SACRAMENTO

CITY MANAGER'S OFFICE
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THOMAS P. FRIERY
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PHILIP A. BARACH
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September 6, 1983

Budget & Finance Committee
Sacramento, California 95814

MEMBERS IN SESSION:

SUBJECT: 1982-83 Tax and Revenue Anticipation Note Sale (TRAN) - Close-out Report

SUMMARY

The fiscal year 1981-82 TRAN issue matured on June 29, 1983 and has produced a net profit of approximately \$491,000. This is \$111,000 more than originally estimated by the City Treasurer's Office in July, 1982.

The entire \$491,000 has been deposited in the General Fund. The major reasons resulting in the increased income from this transaction are:

- Implementation of a "Futures" investment program which generated \$94,000 in additional income and
- Achieving a higher interest rate on investments than estimated resulting in \$3,000 additional income and
- Financing expenses were \$14,000 less than estimated.

My staff and I are here to discuss any questions you may have. This report is presented for your information and it is recommended to be forwarded to the full Council for file.

BACKGROUND

On June 8, 1982 the City Council approved the award of a bid by Bank of America for the TRAN at a net interest cost of 9.02%. At that time the City Treasury estimated that additional financing expenses of approximately \$70,000 would be incurred on the issue which would raise the true interest cost of the TRAN issue to 9.23%.

Further, the City Treasury projected that the TRAN sale proceeds could be reinvested at a 14.38% rate of return and based on estimates of General Fund cash deficits as forecast by the Department of Finance, a net benefit of \$380 thousand would inure to the City after having met the projected General Fund cash flow deficits and the repayment of all interest and costs associated with the TRAN sale.

The actual financing expenses for the TRAN issue were approximately \$56,000 as opposed to the \$70,000 originally estimated which increased the net benefit from \$380,000 to \$394,000.

The gross earnings from the TRAN were \$578,000. However, \$87,000 in income was lost due to the General Fund average daily cash deficit for a net of \$491,000. The reasons for the discrepancy between actual earnings of \$491,000 and projected earnings of \$380,000 are three-fold. First, financing expenses were \$14,000 less than expected; secondly, we realized a \$94,000 gain on interest rate futures contracts; third, City Pool A earned more than forecasted.

FINANCIAL

The net benefit from the 1982-83 TRAN issue was calculated as follows:

Par Value from Note sale (7/7/82)	\$11,300,000	
Earnings from Separately Invested Funds	1,234,097	
Gain from Sale of Futures Contract	94,109	
Earnings from Pool A: 1st Qtr. 82/83 13.664%	5,807	
2nd Qtr. 15.068%	131,527	
3rd Qtr. 11.085%	130,201 (est.)	
4th Qtr. 12.603%	35,009 (est.)	
	<u>\$12,930,750</u>	\$12,930,750
Deduct: Principal Payment to Bondholder 6/29/83	\$(11,300,000)	
Interest Expense Paid 6/29/83	(996,610)	
Financing Expenses	<u>(56,111)</u>	
	<u>\$(12,352,721)</u>	\$(12,352,721)
Gross Earnings from TRAN Issue		578,029
Less: Income Loss Due to the General Fund Average Daily Cash Deficit		<u>(87,224)</u>
Net Income from TRAN Issue		<u>\$490,805</u>


CONCLUSION

The TRAN issue has enabled the City of Sacramento to cover all of the financial obligations during fiscal year 1982-83. All interest and financing expense associated with the borrowing was recovered and an additional net benefit of \$491,000 was provided to the General Fund. As of July 1, the \$491,000 was transferred from the 1982-83 TRAN fund to the General Fund on the Treasury's books. The transfer will not increase the General Fund balance as the Finance Department had previously included the estimated income from the TRAN issue in their FY 1982-83 fund balance projection.

RECOMMENDATION

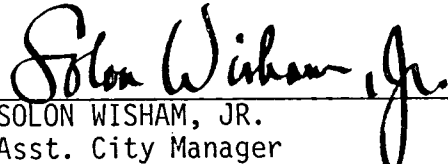
It is recommended that this report be accepted by the Budget and Finance Committee and forwarded to the full Council for its information and filing.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer

TPF/PAB/lv

RECOMMENDATION APPROVED:



SOLON WISHAM, JR.
Asst. City Manager

ROLL CALL

SACRAMENTO CITY COUNCIL, SACRAMENTO REDEVELOPMENT AGENCY, SACRAMENTO HOUSING AUTHORITY, SACRAMENTO PARKING AUTHORITY

MOVED BY: Kas SECONDED BY: Gan DATE: 9/20/83

MOTION: _____

		AYE	NO	ABSTAIN	ABSENT
FISHER	D2	/			
GARCIA	D6	/			
KASTANIS	D7	/			
POPE	D3	/			
ROBIE	D8	/			

		AYE	NO	ABSTAIN	ABSENT
RUDIN	D4	/			
SERNA	D5	/			
SHORE	D1	/			
MILLER	M	/			

NOTES: _____

APPROVED
BY THE CITY COUNCIL

SEP 20 1983

OFFICE OF THE
CITY CLERK

SEQUENCE ORDER 16

ITEM NO: 24

ROLL CALL

SACRAMENTO CITY COUNCIL, SACRAMENTO REDEVELOPMENT AGENCY, SACRAMENTO HOUSING AUTHORITY, SACRAMENTO PARKING AUTHORITY

MOVED BY: _____ SECONDED BY: _____ DATE: 9/20/83

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		AYE	NO	ABSTAIN	ABSENT
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RUDIN	D4				
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MILLER	M				

NOTES: _____

FILED
By the City Council
Office of the City Clerk

SEP 20 1983

SEQUENCE ORDER 15