



# CITY OF SACRAMENTO

CITY MANAGER'S OFFICE  
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OFFICE OF THE TREASURER  
800 - 10TH STREET SACRAMENTO, CA 95814  
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THOMAS P. FRIERY  
TREASURER  
DONALD E. SPERLING  
ASST. TREASURER

January 8, 1982

City Council of the City  
of Sacramento  
Sacramento, California

Honorable Members in Session:

SUBJECT: Status Report 1981 TRAN Sale  
October 15, 1981 through November 27, 1981

SUMMARY

Attached is the Status Report City of Sacramento 1981 Tax and Revenue  
Anticipation Note Sale October 15, 1981 through November 27, 1981.

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

Office of the City Clerk

For City Council Information:

*Walter J. Slize*  
Walter J. Slize, City Manager

JAN 19 1982 January 19, 1982



# CITY OF SACRAMENTO

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## OFFICE OF THE TREASURER

800 - 10TH STREET SACRAMENTO, CA 95814  
SUITE 1 TELEPHONE (916) 449-5318

THOMAS P. FRIERY  
TREASURER

DONALD E. SPERLING  
ASST. TREASURER

December 21, 1981

TO: Budget and Finance Committee  
Honorable Members in Session

FROM: THOMAS P. FRIERY, City Treasurer

SUBJECT: Status Report City of Sacramento 1981 TRAN Sale  
October 15, 1981 Through November 27, 1981

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### SUMMARY

For the period October 15, 1981 through November 27, 1981, the actual daily cash deficit position of the General Fund has averaged approximately \$2.4 million per day. This deficit amount on average is approximately \$2.2 million per day greater than what was originally estimated to Council on October 6, 1981.

The effect of this negative action is that through November 27, 1981 approximately \$2.2 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 \$41 thousand in interest income less than was estimated in October, 1981 or \$325 thousand for the year as opposed to \$365 thousand.

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.

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 16.82% 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 \$2.2 million per day greater than was estimated for the period October 15, 1981 through November 27, 1981. The impact of this action is that an opportunity for approximately \$41 thousand in investment income has been lost and it appears at this time that the net benefit of this transaction will be \$324 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 their information.

Respectfully,

  
THOMAS P. FRIERY  
City Treasurer

TPF/lv

FOR TRANSMITTAL:

  
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FINANCE ADMINISTRATION AND BUDGET

Attachment

ATTACHMENT A

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

CASH FLOW	(\$000's Omitted) Estimated Average Daily Cash Balance As of August, 1981	(\$000's Omitted) Actual Average Daily Cash Position	(\$000's Omitted) Variance	
<u>GENERAL FUND AVERAGE DAILY CASH POSITION</u>				
October 15 - October 30, 1981	\$ -0-	\$ (779)	\$ (779)	
October 31 - November 27, 1981	(350)	(3,310)	(2,960)	
Average for Period 10/15 through 11/27/81	<u>(223)</u>	<u>(2,390)</u>	<u>(2,167)</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 11/27/81</u>
October 15 - October 30, 1981 (16.81% Rate of Return on TRAN Issue)	\$ 69,406	\$ 439	\$ 69,845	
October 31 - November 27, 1981 (16.84% Rate of Return on TRAN Issue)	<u>117,838</u> <u>187,244</u>	<u>4,255</u> <u>4,694</u>	<u>122,093</u> <u>191,938</u>	\$ 191,938
<u>DEDUCT: Financing Costs &amp; Expenses</u>	<u>1/ TRAN Issue Expense</u>	<u>2/ Financing Costs</u>	<u>Total Expenses</u>	
October 15 - October 30, 1981	\$ (41,972)	\$ (3,106)	\$ (45,078)	
October 31 - November 27, 1981	(73,451)	(5,436)	(78,887)	
Total Expenses for Period 10/15 through 11/27/81	<u>(115,423)</u>	<u>(8,542)</u>	<u>(123,965)</u>	\$ (123,965)
<u>GROSS INCOME PRIOR TO CONSIDERATION OF LOSS OF INTEREST DUE TO THE GENERAL FUND DAILY CASH DEFICIT</u>				\$ 67,973
<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 - October 30 (14.29%)	\$ -0-	\$ (4,877)	\$ (4,877)	
City Pool A Earning Rate October 31 - November 27 (15.68%)	(4,210)	(35,606)	(39,816)	
Total for Period 10/15 through 11/27/81	<u>(4,210)</u>	<u>(40,483)</u>	<u>(44,693)</u>	\$ (44,693)
Net Income from TRAN Sale for Period October 15 - November 27, 1981				\$ <u>23,280</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.