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CITY OF SACRAMENTO

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

CITY MANAGER'S OFFICE
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THOMAS P. FRIERY
TREASURER
DONALD E. SPERLING
ASST. TREASURER

November 3, 1982

City Council of the City
of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Status Report 1982 TRAN Sale
July 7, 1982 Through October 1, 1982 (Status TRAN Report)

SUMMARY

Attached is the Status TRAN report.

RECOMMENDATION

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

Respectfully submitted,

Thomas P. Friery
THOMAS P. FRIERY
City Treasurer

TPF/1v

Attachment

FILED
By the City Council
Office of the City Clerk

For City Council Information:

NOV 16 1982

Walter J. Slife
WALTER J. SLIFE, CITY MANAGER

November 16, 1982



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THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

November 3, 1982

TO: Budget and Finance Committee
Honorable Members in Session

FROM: Thomas P. Friery, City Treasurer

SUBJECT: Status Report City of Sacramento 1982 TRAN Sale
July 7, 1982 through October 1, 1982

SUMMARY

For the period July 7, 1982 through October 1, 1982, the actual average daily cash deficit position of the General Fund has been approximately \$1.1 million per day. On average, this deficit amount is approximately \$700 thousand per day greater than was originally estimated to Council on June 8, 1982. However, it is brought to your attention that the entire deficit occurred during the period September 4, 1982 through October 1, 1982 when the General Fund deficit actually averaged approximately \$3.5 million per day versus original estimates of only \$1.3 million per day (see Attachment A).

On June 8, 1982 the Treasurer estimated financing costs of the TRAN issue to be \$70 thousand and investment return on TRAN proceeds to be 14.38 per cent, which would produce a net benefit to the City of \$380 thousand in addition to meeting cash flow deficits. However, in actuality, financing costs were \$56,146.38 and the rate of investment return through October 1, 1982 has been 14.40 per cent.

The impact of the greater than estimated General Fund Cash Deficit during this period is that \$23,236.58 less in interest income will be earned from our June 8, 1982 estimate. However, since financing costs were \$13,853.62 less than estimated, the net effect is that only \$9,382.96 less will be earned on the 1982 TRAN issue or approximately \$371 thousand as opposed to the original \$380 estimate, on the assumption future General Fund deficits track previous estimates.

It is brought to your attention that presently General Fund cash flow deficits are greater than originally estimated. However, it is emphasized that the intent of the TRAN sale was to meet cash flow deficits on the General Fund and not earn interest income.

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BACKGROUND

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

Further, the City Treasury estimated that the TRAN proceeds could be reinvested at a 14.38% rate of return for the period July 7, 1982 through June 29, 1983, and based on estimates of General Fund cash deficits as computed by the City Department of Finance, a net benefit of \$380 thousand 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 were \$56,146.38 as opposed to the \$70 thousand originally estimated, which reduces the true interest cost of the TRAN sale from 9.23% to 9.11% and increases the potential for a net benefit from \$380 thousand to \$394 thousand.

Further, as of this time the reinvestment program of the TRAN proceeds is producing a rate of return of 14.40% as compared to our original estimate of 14.38%.

However, in spite of these positive developments, the actual General Fund cash deficit has averaged approximately \$700 thousand per day greater than was estimated for the period July 7, 1982 through October 1, 1982. The impact of this phenomenon is that an opportunity for approximately \$23 thousand in investment income has been lost and it appears that the net benefit of this transaction will be \$371 thousand as opposed to the \$380 thousand originally estimated.

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

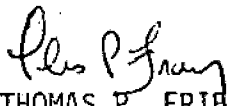
Following up the June 8, 1982 Council action awarding the TRAN sale, a report on Cash Flow and Investment Results is provided as Attachment A.

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

RECOMMENDATION

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

Respectfully,


THOMAS P. FRIERY
City Treasurer

TPF/iv
Attachment

APPROVED FOR COMMITTEE INFORMATION:

SOLON WISHAM, JR.
Assistant City Manager

BACKGROUND

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

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In actuality, the financing expenses were \$56,146.38 as opposed to the \$70 thousand originally estimated, which reduces the true interest cost of the TRAN sale from 9.23% to 9.11% and increases the potential for a net benefit from \$380 thousand to \$394 thousand.

Further, as of this time the reinvestment program of the TRAN proceeds is producing a rate of return of 14.40% as compared to our original estimate of 14.38%.

However, in spite of these positive developments, the actual General Fund cash deficit has averaged approximately \$700 thousand per day greater than was estimated for the period July 7, 1982 through October 1, 1982. The impact of this phenomenon is that an opportunity for approximately \$23 thousand in investment income has been lost and it appears that the net benefit of this transaction will be \$371 thousand as opposed to the \$380 thousand originally estimated.

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

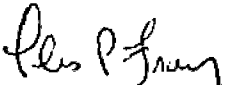
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Respectfully,


THOMAS P. FRIERY
City Treasurer

TPF/lv
Attachment

APPROVED FOR COMMITTEE INFORMATION:

SOLON WISHAM, JR.
Assistant City Manager

ATTACHMENT A

CASH FLOW AND INVESTMENT RESULTS
1982 CITY OF SACRAMENTO
\$11.3 MILLION TRAN ISSUE

CASH FLOW	(\$000's Omitted) Estimated Average Daily Cash Balances As of July 1, 1982	(\$000's Omitted) Actual Average Daily Cash Position	(\$000's Omitted) Variance
<u>GENERAL FUND AVERAGE DAILY CASH POSITION</u>			
July 7 - July 30, 1982	1/\$ -0-	\$ -0-	\$ -0-
July 31 - September 3, 1982	1/ -0-	-0-	-0-
September 4 - October 1, 1982	(1,327)	(3,443)	(2,116)
Average for Period July 7/October 1, 1982	<u>\$ (427)</u>	<u>\$ (1,108)</u>	<u>\$ (681)</u>

INVESTMENT INCOME	Separately Earned Interest Income	2/ Pool A & Other Interest Income Earned	Total Interest Income	TRAN Results 7/7/82 Thru 10/1/82
<u>INTEREST INCOME EARNINGS FROM TRAN SALE</u>				
July 7 - July 30, 1982	\$ 105,586.22	\$ 1,678.70	\$107,264.92	
July 31 - September 3, 1982	153,979.89	1,139.68	155,119.57	
September 4 - October 1, 1982	117,006.14	6,676.51	123,682.65	
Total Income for Period July 7/October 1, 1982	<u>\$ 376,572.25</u>	<u>\$ 9,494.89</u>	<u>\$386,067.14</u>	\$386,064.17
<u>DEDUCT: Financing Costs & Expenses</u>	3/ <u>TRAN Interest Expense</u>	4/ <u>Financing Costs</u>	<u>Total Costs & Expenses</u>	
July 7 - July 30, 1982	\$ (66,998.98)	\$ (3,774.55)	\$(70,773.53)	
July 31 - September 3, 1982	(97,706.84)	(5,504.55)	(103,211.39)	
September 4 - October 1, 1982	(78,165.47)	(4,403.63)	(82,569.10)	
Total Expenses & Costs for Period July 7/ October 1, 1982	<u>\$(242,871.29)</u>	<u>\$(13,682.73)</u>	<u>\$(256,554.02)</u>	<u>\$(256,554.02)</u>

GROSS INCOME PRIOR TO CONSIDERATION OF OPPORTUNITY
LOSS OF INTEREST INCOME DUE TO THE GENERAL FUND
EXCESS CASH FLOW DEFICIT

\$129,510.15

DEDUCT:	Loss of Interest Income Due to Estimate of Deficit in July, 1982	Loss of Opportunity Interest Income Due To Variance in General Fund Deficits	Total Opportunity Loss of Income Due to Deficits
TRAN Earning Rate July 7 - July 30, 1982 (14.504%)	\$ -0-	\$ -0-	\$ -0-
TRAN Earning Rate July 31 - September 31, 1982 (14.383%)	-0-	-0-	-0-
TRAN Earning Rate September 4 - October 1, 1982 (14.315%)	(14,572.28)	(23,236.58)	(37,808.86)
Total for Period July 1/October 1, 1982	<u>\$(14,572.28)</u>	<u>\$(23,236.58)</u>	<u>\$(37,808.86)</u>

Net Income from "TRAN" Sale for Period July 7 - October 1, 1982

\$ 91,701.29

1/ For purposes of this report, we have considered only those months in which the General Fund was estimated to have a negative balance.
2/ Includes interest income earned from fund balance participation in City Pool A and interest rate futures program.
3/ Interest Expense on \$11.3 million TRAN financing will be \$996,609.78 for the 352 day period to end June 29, 1983 (expenses amortized daily).
4/ Comprised of \$56,146.38 of financing costs for Bond Counsel, Special Consultant, Financing Consultant, Paying Agent & Trustee, Printing, Mailing, etc. (costs are amortized daily).

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