

GOVERNING BODY AGENDA ITEM

**AGENDA ITEM** 12A

**Name/Department:**

Winnie O'Neal/Treasurer

**Meeting Month:**

August

**Meeting Week:**

Week 1

Week 3

**Presentation**

**Consent**

**New Business**

**Unfinished Business**

**Time Sensitive?** Yes **XX** No \_\_\_\_\_

**Topic:** Renewal of Revenue Anticipation Note

**Brief Summary of Topic:** Need resolution for approval of \$3,000,000.00 revenue anticipation note.

## **Regular Business Meeting**

### **August 2010**

- Subject:** Revenue Anticipation Note
- Issue:** Resolution for Revenue Anticipation Note.
- Background:** The city established a Revenue Anticipation Line of Credit with Alliance Bank for fiscal years 2009 and 2010. We would like to establish a Revenue Anticipation Line of Credit with Alliance Bank for fiscal year 2011.
- Discussion:** This line of credit is necessary to ensure continuity of operations within the city. The line of credit will allow us to continue our daily operations and ensure our creditors get paid on time pending real estate tax dates of December 5<sup>th</sup> and June 5<sup>th</sup>. There is often a timing mismatch of payables and tax revenues and the line of credit would fill that gap.
- Cash flow becomes an issue each spring and fall. Cash reserves are depleted throughout the year by payroll, debt service and vendor invoice payments, while tax revenues are seasonal, peaking at the June and December real estate tax due dates. This line of credit would allow the city to bolster cash reserves in the critical 60 to 90 days preceding the tax due date, allowing continuity of operations by on-time payment of all obligations.
- Alternatives:** Delay all city and school payments of vendor invoices until after the next real estate collection cycle, once the cash concentration account reaches a predetermined floor balance.
- Advantage:** would save the interest cost of the revenue anticipation note.
- Disadvantage:** possible additional costs from late charges or loss of discounts from vendors; possible loss of vendor goodwill; possible creation of cash flow difficulties for vendors.

Recommendation: We recommend approval of the resolution.

Cost: Interest paid on amount drawn to cover necessary expenses at a variable rate equal to the Prime Rate as published in *The Wall Street Journal* (the "Interest Rate").

Prepared by: W. Wong Date: 8/11/10

Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
City Attorney

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
City Manager