

FISCAL IMPACT NOTE
TAX ANTICIPATION NOTE
O-27-11
As of June 6, 2011

OPTION I: 12 month TAN

The City Administration is requesting that the City Council provide authorization to allow issuance of \$10 million Tax Anticipation Note for a twelve month term. If provided, this issuance will increase short-term borrowing to \$20,000,000. The Administration has not concluded negotiations with potential lenders, therefore the interest rate is unknown at this time, however, it is expected that it will be based on LIBOR plus a premium. Based on current market rates and premiums, the combined rate is expected to be 2% or under. Assuming these general terms, the associated interest expense on this TAN will equal \$200,000 annually. It should be noted that the interest expense associated with this TAN has not been budgeted for FY 2012.

Currently, the City has two temporary lines of credits outstanding with Bank of America. Each line of credit was issued for \$5 million; accordingly, there is \$10,000,000 currently outstanding in temporary lines of credit borrowing. The first line was issued on February 22, 2011 and matures on February 12, 2012. The purpose of this line allowed the City to re-allocate bond proceeds to a restricted bond fund. The second line was issued on April 15, 2011 and matures on April 15, 2012. The purpose of the second line of credit is specifically for operating purposes.

Relative to how and when the City will pay-down its short-term borrowing, the following is a general overview. Based on the current Fiscal Year 2012 budget, projections identify an increase of approximately \$10 million in excess revenues. Using this projection, the City will have \$10 million in excess FY 2012 revenues to pay-down outstanding debt, essentially decreasing short-term borrowing needs to \$10 million for FY 2013. I anticipate that the City will retire the bond-allocation line-of-credit in February 2012, or prior, as required by the note. Furthermore, I anticipate that the City will pay-down the second line of credit in April of 2012. These pay-downs will use the FY 2012 tax-payments that the City will receive in November 2011 and January 2012.

The important time-frame to ascertain the City's capabilities to pay-down outstanding short-term borrowings will be December 2011 / January 2012. This is an important time-frame because the City will have received the majority of its property taxes and will have essential trending information relative to the impact of the new fee structures on realized revenues. Based on the City's revenues through January 2012, the City will be in position to better evaluate to what extent it can pay-down its short-term borrowings, however, I expect that the City will need to extend its short-term borrowing needs by \$8 to \$12 million in May / June 2012 which will then be paid-down in December 2012 / January 2013 using FY 2013 revenues.

As noted above, the above outline is tentative and is contingent on FY 2012 outcomes, and the City's ability to respond to continuing fiscal/budgetary constraints.

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OPTION II: 18 month TAN

The City Administration is requesting that the City Council provide authorization to allow issuance of \$10 million Tax Anticipation Note for an eighteen month term. If provided, this issuance will increase short-term borrowing to \$20,000,000. The Administration has not concluded negotiations with potential lenders, therefore the interest rate is unknown at this time, however, it is expected that it will be based on LIBOR plus a premium. Based on current market rates and premiums, the combined rate is expected to be 2% or under. Assuming these general terms, the associated interest expense on this TAN will equal \$200,000 annually, or \$300,000 for the life of the TAN. The benefit of this option is that it reduces borrowing risks, including interest rate risk. It should be noted that the interest expense associated with this TAN has not been budgeted for FY 2012

Currently, the City has two temporary lines of credits outstanding with Bank of America. Each line of credit was issued for \$5 million; accordingly, there is \$10,000,000 currently outstanding in temporary lines of credit borrowing. The first line was issued on February 22, 2011 and matures on February 12, 2012. The purpose of this line allowed the City to re-allocate bond proceeds to a restricted bond fund. The second line was issued on April 15, 2011 and matures on April 15, 2012. The purpose of the second line of credit is specifically for operating purposes.

Relative to how and when the City will pay-down its short-term borrowing, the following is a general overview. Based on the current Fiscal Year 2012 budget, projections identify an increase of approximately \$10 million in excess revenues. Using this projection, the City will have \$10 million in excess FY 2012 revenues to pay-down outstanding debt, essentially decreasing short-term borrowing needs to \$10 million for FY 2013. I anticipate that the City will retire the bond-allocation line-of-credit in February 2012, or prior, as required by the note. Furthermore, I anticipate that the City will pay-down the second line of credit in April of 2012. These pay-downs will use the FY 2012 tax-payments that the City will receive in November 2011 and January 2012.

The City will repay the TAN using revenues received in December 2012 / January 2013.

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OPTION III: 12 month TAN with 6 month option

The City Administration is requesting that the City Council provide authorization to allow issuance of \$10 million Tax Anticipation Note for a twelve month term with a six month option to extend. If provided, this issuance will increase short-term borrowing to \$20,000,000. The Administration has not concluded negotiations with potential lenders, therefore the interest rate is unknown at this time, however, it is expected that it will be based on LIBOR plus a premium. Based on current market rates and premiums, the combined rate is expected to be 2% or under. Assuming these general terms, the associated interest expense on this TAN will equal \$200,000 annually or \$300,000 for the life of the TAN if the option is initiated. It should be noted that the interest expense associated with this TAN has not been budgeted for FY 2012

Currently, the City has two temporary lines of credits outstanding with Bank of America. Each line of credit was issued for \$5 million; accordingly, there is \$10,000,000 currently outstanding in temporary lines of credit borrowing. The first line was issued on February 22, 2011 and matures on February 12, 2012. The purpose of this line allowed the City to re-allocate bond proceeds to a restricted bond fund. The second line was issued on April 15, 2011 and matures on April 15, 2012. The purpose of the second line of credit is specifically for operating purposes.

Relative to how and when the City will pay-down its short-term borrowing, the following is a general overview. Based on the current Fiscal Year 2012 budget, projections identify an increase of approximately \$10 million in excess revenues. Using this projection, the City will have \$10 million in excess FY 2012 revenues to pay-down outstanding debt, essentially decreasing short-term borrowing needs to \$10 million for FY 2013. I anticipate that the City will retire the bond-allocation line-of-credit in February 2012, or prior, as required by the note. Furthermore, I anticipate that the City will pay-down the second line of credit in April of 2012. These pay-downs will use the FY 2012 tax-payments that the City will receive in November 2011 and January 2012.

Based on realized revenues received during November 2011 through 2012, the Administration will be in position to evaluate to what extent it will need to operating cash, but I expect that the City will need to initiate the six month option which will then be paid-down in December 2012 / January 2013 using FY 2013 revenues. The benefit of this option is that it reduces borrowing risks, including interest rate risk.

As noted above, the above outline is tentative and is contingent on FY 2012 outcomes, and the City's ability to respond to continuing fiscal/budgetary constraints.