

CITY OF CLARKSTON

ITEM NO: F6

CLARKSTON CITY COUNCIL MEETING

HEARING TYPE:
Council Meeting

BUSINESS AGENDA / MINUTES

ACTION TYPE:
Resolution

MEETING DATE: June 6, 2017

SUBJECT: Adopt Resolution Authorizing, Among Other Things, the Issuance and Sale of a Tax Anticipation Note in the Principal Amount of \$650,000

DEPARTMENT: Administration

PUBLIC HEARING: YES NO

ATTACHMENT: YES NO
Pages: 12

INFORMATION CONTACT: Keith Barker
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PURPOSE: To consider adopting the attached Resolution Authorizing, Among Other Things, the Issuance and Sale of a Tax Anticipation Note in the Principal Amount of \$650,000

NEED/ IMPACT: The City of Clarkston will receive approximately 61% of our total anticipated revenue for fiscal year 2017 between the months of September and December. The majority of this revenue comes from property taxes, insurance premium payments and municipal court fines. The bulk of this revenue; property taxes and insurance premium payments, is received during the months of September, October and November.

Staff has prepared a detailed schedule of monthly cash flow projections for the remainder of 2017 and expect a deficit balance in operating cash of approximately \$248,000 at the end of July 2017 and topping out with a deficit balance of \$650,000 by the end of August 2017.

Given that tax proceeds are not received until the 4th quarter of the fiscal year within which they are budgeted, this fiscal reality is not unusual. Many Georgia counties and municipalities take advantage of a State Law that authorizes the issuance of a Tax Anticipation Note (TAN), which will allow borrowing funds sufficient to cover the temporary cash flow deficit. Funds borrowed must be repaid in full prior to December 31st of each year.

Staff has received a quote from BB&T Bank for the issuance of a TAN in the amount of \$650,000 with an anticipated closing date of June 15, 2017 with full payment due of principal and interest on December 31, 2017. The interest rate charged on the principal balance will be approximately 1.85% annually amortized over 200 days. Accordingly, the interest payments to BB&T will be approximately \$6,589. Additionally, issuance of a TAN requires preparation of the TAN resolution and other associated documents by a bond attorney. The fee for the bond attorney will be \$5,000.

RECOMMENDATIONS: Staff recommends the City Council adopt the attached TAN Resolution and associated documents.