

AGENDA REPORT

DATE January 12, 2004

ITEM Resolution No. 9361 Annual Special Improvement District (SID) Revolving Fund
Analysis

INITIATED BY Fiscal Services Department

ACTION REQUESTED Approval of Closure of One (1) Sub-Fund to SID Revolving and Report
on Status of SID Revolving Fund.

PREPARED BY Judy Hardinger, Accounting Technician Sr.

REVIEWED & APPROVED BY Coleen Balzarini, City Controller/Fiscal Services Director

RECOMMENDATION:

Staff recommends the City Commission adopt Resolution No. 9361 authorizing the closure of one SID Subsidiary Debt Service Fund to the Revolving Fund.

MOTION:

I move the City Commission adopt Resolution No. 9361

The projected June 30, 2004 SID Revolving Fund balance will be \$468,127. This is \$418,414 **above** the minimum balance required by State Statute, and \$62,763 **below** the amount allowed by IRS Arbitrage Standards related to maximum debt service reserves. Staff feels this balance provides adequate reserves within the SID Revolving Fund.

Existing SID policies, along with retained SID debt service and revolving fund balances, will continue to provide exceptional security for the City's SID bonded debt.

BACKGROUND

Maximum Reserves:

We have been advised by bond counsel that the IRS considers any SID Revolving Fund balance over 10% of the original issue amounts of current outstanding bonds to be excessive, and subject to arbitrage. Accordingly, the City is currently limited to a maximum balance of \$530,890 in the SID Revolving Fund.

Minimum Reserves:

§7-12-4222 (a)(ii) & (b) provides for deposits equal to 5% of the original SID bond issue amounts to secure the SID Revolving Fund and the authority to transfer monies or levy taxes on all taxable property in the city as necessary to increase the balance in the SID Revolving Fund to 5% of the then-outstanding special improvement district bonds and warrants secured by the revolving fund. Accordingly, the City is currently required to have a minimum balance of \$49,712 in the SID Revolving Fund.

Revolving Fund Lending Authority:

§7-12-4223 states: “Whenever any special improvement district bond . . . or any interest thereon shall be due and payable and there shall then be either no money or not sufficient money in the appropriate district fund with which to pay the same, an amount sufficient to make up the deficiency may, by order of the council be loaned by the revolving fund to such a district fund.”

Revolving Fund Surplus Release Authority:

§7-12-4227 states: “Whenever there is an amount in the revolving fund in excess of the amount deposited in the revolving fund under §7-12-4169(2) and in excess of 5% of the outstanding special improvement district bonds and warrants and the council considers any part of the excess to be greater than the amount necessary for payment or redemption of maturing bonds or warrants secured thereby or interest thereon, the council may: (1) by vote of all its members at a meeting called for that purpose order the amount of excess that is greater than the amount necessary for the payment or redemption of maturing bonds or warrants secured thereby or interest thereon or any part thereof transferred to the general fund of the city or town.”

§7-12-4229 authorizes a municipality to transfer the funds placed in the revolving fund as a result of §7-12-4169(2) to the general fund after final payment of the district’s bonds or warrants are paid.

SID Revolving Fund and SID Subsidiary Cash Balances:

The SID Revolving Fund and the SID debt service funds retain security as follows:

1. \$173,130 Projected ending cash balances in excess of current debt service obligations for active SIDs (excludes Revolving Fund loan proceeds).
2. \$468,127 SID Revolving Fund balance retained as additional security for outstanding bonds, which reflects a 46.98% coverage on Current SID Bonds Outstanding.

**SID REVOLVING FUND
ANALYSIS SUMMARY**

ORIGINAL ISSUE VALUE OF CURRENT BONDS OUTSTANDING	5,308,900.00	
REVOLVING RESERVE @ 10% OF ORIGINAL ISSUE	<u>530,890.00</u>	
AVAILABLE FOR TRANSFER TO GENERAL FUND (PROJECTED REVOLVING FUND CASH BALANCE LESS 10% OF ORIGINAL BONDS ISSUED) (IF NEGATIVE, NO FUNDS ARE REQUIRED TO BE TRANSFERRED)		(\$62,763.18)
CURRENT BONDS OUTSTANDING	994,250.00	
REVOLVING RESERVE @ 5% OF CURRENT BONDS OUTSTANDING	<u>49,712.50</u>	
AVAILABLE FOR TRANSFER TO GENERAL FUND (PROJECTED REVOLVING FUND CASH BALANCE LESS 5% OF CURRENT BONDS OUTSTANDING)		\$418,414.32

REVOLVING FUND AND SID DEBT SERVICE FUNDS SECURITY		
SID REVOLVING CASH BALANCE DECEMBER 31, 2003		\$450,196.23
COMPLETED SID'S TO BE CLOSED TO THE REVOLVING FUND (PER 7-12-4222, MCA):		17,930.59
ACTIVE SID'S REQUIRING LOANS FROM THE SID REVOLVING FUND (PER 7-12-4223, MCA):		0.00
ACTIVE SID'S REPAYING LOANS TO THE REVOLVING FUND (PER 7-12-4227, MCA):		<u>0.00</u>
RECOMMENDED SURPLUS RELEASE (PER 7-12-4227 AND 7-12-4229, MCA):		0.00
SID REVOLVING FUND PROJECTED CASH BALANCE AFTER CLOSURES & LOAN TRANSACTIONS: AND RECOMMENDED SURPLUS RELEASE		<u>\$468,126.82</u>
TOTAL LOANS TO SID DEBT SERVICE FUNDS TO COVER 100% OF THE OUTSTANDING SID BONDS IN THOSE SID'S WITH ANTICIPATED DEFICIENCIES		
PRIOR YEAR LOANS		\$0.00
ADD: CURRENT YEAR LOANS		0.00
LESS: CURRENT YEAR PAYBACKS		0.00
LESS: CLOSED FUND WRITEOFFS		<u>0.00</u>
TOTAL LOANS		<u>\$0.00</u>
PROJECTED ENDING CASH BALANCES IN EXCESS OF CURRENT DEBT SERVICE OBLIGATIONS FOR THE ACTIVE SID'S (EXCLUDES REVOLVING FUND LOANS)		<u>\$173,130.25</u>

PREVIOUS LOANS MADE TO NOW CLOSED SID DEBT SERVICE FUNDS AND CONSIDERED UNCOLLECTABLE.
LOAN IS WRITTEN OFF...ANY DELINQUENT ASSESSMENTS RECEIVED IN THE FUTURE ARE
DEPOSITED DIRECTLY TO THE REVOLVING FUND: \$0.00