



Item: Resolution 9862 Annual Special Improvement District (SID) Revolving Fund Analysis

From: Martha Capps, Operations Supervisor

Initiated By: State and Federal SID Revolving Fund Cash Balance Guidelines

Presented By: Coleen Balzarini, Fiscal Services Director

Action Requested: City Commission Adopt Resolution 9862

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (adopt/deny) Resolution 9862”

2. Mayor calls for a second, discussion, inquiries from the public, and calls for the vote.

Staff Recommendation: Staff recommends the City Commission adoption of Resolution 9862, authorizing the closure of two SID Subsidiary Debt Service Funds to the Revolving Fund, and no lending or release of SID Revolving Fund dollars to any subsidiary fund or to the General Fund at this time.

Background: Each year, staff analyzes the fund balances of the SID Subsidiary Funds and the SID Revolving Fund.

The City is authorized under IRS code to maintain a “reasonable required reserve” balance in the Revolving Fund to assure the re-payment of outstanding debt. This reserve is based on the lesser amount of:

- a) 10% of original issue principal amount of bonds currently outstanding;
- b) Maximum annual principal and interest; or
- c) 125% of the average annual principal and interest of bonds currently outstanding

Closing of Subsidiary Funds: M.C.A 7-12-4229 authorizes a municipality to transfer the funds placed in the revolving fund as a result of M.C.A 7-12-4169(2) to the general fund after final payment of the district’s bonds or warrants are paid. The repayment of debt for SID 1210 and 1268 is complete, and the subsidiary funds need to be closed to the SID Revolving Fund in the total amount of \$64,394.

Minimum Reserves: M.C.A, 7-12-4222 (1) (b) provides for deposits equal to 5% of the original SID bond issue amounts to secure the SID Revolving Fund. M.C.A, 7-12-4222 (2) states the City Commission must transfer to the revolving fund monies in the district fund that are not required for payment of any bond or warrant of the district. Accordingly, the City is currently required to have a minimum balance of \$27,750 in the SID Revolving Fund.

Revolving Fund Lending Authority: M.C.A 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.” Accordingly, the annual analysis indicates no subsidiary fund cash deficiencies and therefore, no revolving fund loans are necessary at this time.

Revolving Fund Surplus Release Authority: M.C.A 7-12-4227 (1)states: “Whenever there is an amount in the revolving fund in excess of the amount deposited in the revolving fund under M.C.A 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 member 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.”

Staff recommends no release of funds at this time, leaving the revolving fund balance at \$169,972.98, as security for the \$555,000 in SID Bonds currently outstanding.

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

1. \$43,766.43 projected ending cash balance in excess of current debt service obligations for active SID’s
2. \$169,972.98 SID Revolving Fund balance retained as additional security for outstanding bonds, which reflects 5.8 times greater debt service coverage than the minimum required on Current SID bonds outstanding.

Concurrences: Analysis has been conducted in a manner that demonstrates compliance with State Statutory and Federal IRS cash balance limits.

Fiscal Impact: The SID Revolving Fund cash balance will increase to \$169,972.98, and the SID Subsidiary Fund cash balances will be \$43,766.73.

Alternatives: The City Commission may transfer any amount up to \$142,222.98 of Revolving fund monies to the General Fund. Doing so may have a negative effect on future SID debt issuance interest rates and terms as the SID investors market may prefer a larger reserve balance as evidence of security for their investment

Attachments/Exhibits: Resolution 9862
SID Revolving Fund Analysis Summary