



## **County of Santa Cruz Board of Supervisors**

### **Agenda Item Submittal**

**From:** Auditor-Controller-Treasurer-Tax Collector

**Subject:** Fiscal Year 2025-26 Tax and Revenue Anticipation Notes

**Meeting Date:** May 20, 2025

**Formal Title:** Consider authorizing the issuance of Fiscal Year 2025-26 Tax and Revenue Anticipation Notes in the amount of \$42,000,000, and take related actions

### **Recommended Actions**

1. Authorize the Auditor-Controller to proceed with necessary actions to secure the 2025-26 Tax and Revenue Anticipation Notes in the amount of \$42,000,000; and
2. Adopt the attached resolution providing for the issuance and sale of 2025-26 Tax and Revenue Anticipation Notes in an amount not exceeding \$42,000,000 and approving the execution and delivery of a continuing disclosure certificate, approving an Official Notice Inviting Bids, A Notice of Intention to Sell Notes, an Official Statement, a Continuing Disclosure Certificate and certain other matters relating thereto.

### **Executive Summary**

For the 2025-26 fiscal year, we recommend that the Board authorize the issuance of twelve-month Tax and Revenue Anticipation Notes (TRAN) in the amount of \$42,000,000.

### **Discussion**

In the ordinary course of business, local governments may experience temporary cash flow deficits during the fiscal year due to a mismatch in the timing of the receipt of revenues, which is largely focused on the months surrounding tax payment dates of December and April, and the ongoing payment of expenditures that happens throughout the fiscal year. To meet these short-term cash flow needs, the County has historically issued an annual Tax and Revenue Anticipation Note (TRAN) to manage its cash flow. The TRAN is paid back with funds received in the same fiscal year for which the TRAN is issued.

Further mismatch between receipts and disbursements has recently been caused by delay in receipt of FEMA reimbursements for emergency expenditures during the COVID-19 Pandemic.

The 2025-26 TRAN will be issued in the amount of \$42,000,000, which is in line with the amount the County has historically borrowed for cashflow purposes.

The 2025-26 TRAN will include an amount necessary to cover a portion of Fiscal Year 2024-25 delinquencies under the Teeter plan. This is consistent with past practice. Under the Teeter Plan, the County allocates property tax revenues based on the total amount billed, but not yet collected. In exchange, the County receives the penalties and interest on any delinquent taxes when collected. This plan provides tax receiving entities to have a stable revenue stream.

The Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) has been working with the County Executive Office to develop the necessary documentation for the issuance

of the TRAN, including revenue, expenditure and cash flow projections for fiscal year 2025-26 and estimated actual data for fiscal year 2024-25.

We recommend that the County of Santa Cruz contract with Norton Rose Fulbright, as bond counsel, Best Best & Krieger as disclosure counsel, and Harrell & Company Advisors as Municipal Advisor.

The County has sold its TRAN at either a public competitive or negotiated sale, depending on the market conditions. During the Pandemic years, the best method to offer the TRAN for sale was through a negotiated sale due to the uncertainty regarding the impacts on the County's major revenues and emergency expenditures. The County returned to competitive sale for the 2022-23 TRAN.

This year, the ACTTC and the County Executive Office again consulted with the County's Municipal Advisor about the best method to offer this year's TRAN for sale. The Municipal Advisor is recommending a competitive sale for the 2025-26 TRAN.

In prior years, the County's short-term SP1+/MIG-1 ratings were in the highest categories from S&P and Moody's. No change in these ratings is anticipated, however, the rating agencies will not release their current ratings until the middle of June after review of the Proposed Budget.

A form of the Preliminary Official Statement is attached for the Board's review.

The attached resolution:

- authorizes the issuance of the 2025-26 TRAN in the amount not to exceed \$42,000,000 at a true interest rate not to exceed 5%,
- provides for the set aside of funds for repayment of the TRAN in installments throughout the year,
- provides for the sale of the TRAN by competitive sale pursuant to an Official Notice Inviting Bids and Notice of Intention to Sell Notes,
- approves the form of the Preliminary Official Statement, and
- approves the form of the Continuing Disclosure Certificate included as an appendix to the Preliminary Official Statement.

The resolution also authorizes the County Executive Officer, the Assistant County Executive Officer, and the Auditor-Controller-Treasurer-Tax Collector to execute documents and take related actions in connection with the issuance of the 2025-26 TRAN.

### **Financial Impact**

The 2025-26 TRAN will be an obligation of the County's General Fund. The principal amount of the TRAN, together with the interest thereon, shall be payable from taxes, revenue and other moneys which are received by the County for the general fund. The County is required to set aside funds for the repayment of the TRAN by the end of the Fiscal Year 2025-26.

The estimated cost of issuance is \$90,000, which includes fees and expenses for Bond Counsel (\$11,000), Disclosure Counsel (\$8,000), Municipal Advisor (\$10,000),

Underwriter (\$15,000), rating fees (\$42,000) and other miscellaneous closing costs.

The estimated interest is expected to be approximately 3.30% based on current rates and the net interest cost for the TRAN will be approximately \$1,512,000.

**Strategic Initiatives**

Operational Plan - Operational Excellence

**Submitted By:**

Edith Driscoll, Auditor-Controller-Treasurer-Tax Collector

**Recommended By:**

Carlos J. Palacios, County Executive Officer

**Artificial Intelligence Acknowledgment:**

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.