

October 31, 1995  
REPORT TO THE COMMITTEE ON RULES, FINANCE  
AND INTERGOVERNMENTAL RELATIONS

Short Term Borrowing Program:  
Proposed Charter Amendment

At the City Council meeting of October 10, 1995, the City Council requested the City Attorney and City Manager prepare a proposed Charter amendment which would clearly authorize the establishment of a short term borrowing program, i.e., commercial paper program, as a cash and debt management tool for the City.

Existing Charter section 92 provides that short term notes may be issued in anticipation of taxes and certain revenues. However, such short term notes must be payable out of the taxes and revenues of the fiscal year in which they are issued. In addition, this section appears to allow short term borrowing only for the general fund and does not appear to address short term borrowing for our various enterprise funds, such as the Sewer Revenue Fund. Our view on this current provision is supported by the views of various bond counsel including Orrick, Herrington & Sutcliffe, who are currently advising the City on Sewer Revenue Bond issues.

Even assuming Charter section 92 could be construed to allow for short term enterprise fund borrowings, any notes issued in the commercial paper format would be secured by the revenues generated in the fiscal year in which they are issued. The City therefore could only issue new notes annually due to the requirement that notes can only carry a pledge of revenues from the fiscal year in which the notes are issued.

Thus, an amendment to the Charter is deemed by us to be necessary in order to proceed with a short term borrowing program for the Sewer Revenue Fund as well as other enterprise funds. A proposed amendment to the Charter which would allow the City to issue short term notes for City revenue or enterprise funds will be provided shortly to the Rules Committee. The notes shall be payable as to principal, premium, if any, and interest out of a specified revenue or enterprise fund.

Respectfully submitted,  
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