

DATE ISSUED: June 19, 2002

REPORT NO. 02-144

ATTENTION: Honorable Mayor and City Council
Docket of June 24, 2002

SUBJECT: De-appropriation of TransNet Commercial Paper

SUMMARY

Issues - 1) Should the City Council approve the de-appropriation of \$26,916,925 in TransNet Commercial Paper for the projects listed on Attachment "A"?

Manager's Recommendations - 1) Approve the de-appropriation of \$26,916,925 in TransNet Commercial Paper for the projects listed on Attachment "A".

Other Recommendations - None.

Fiscal Impact - Previously approved TransNet Commercial Paper appropriations will be reduced by \$26,916,925 for Fiscal Year 2002 of which \$26,461,149 will be reprogrammed in FY2003 as part of the FY2003 budget document.

BACKGROUND

In addition to the City's annual share of TransNet revenues, the City can request funds from SANDAG in the form of TransNet Commercial Paper. City TransNet funds then must be budgeted in subsequent fiscal years as debt service against the Commercial Paper. The receipt of such commercial paper funds allow the City to construct projects early in the TransNet program instead of having to wait until sufficient revenues accrue. Previous Council actions for several years approved the budget of numerous projects using Commercial Paper.

In an effort to better manage TransNet funding for capital improvement projects, a cash management process was implemented in 1997. Cash management is a process in which the City makes money available on an as-needed basis to complete a project.

The City's first priority is to use TransNet cash for projects as much as possible in an attempt to minimize the issuance of Commercial Paper. This is accomplished through a cash management system which identifies projects that require immediate financing and also identifies available cash. Cash is transferred to projects budgeted with Commercial Paper with an immediate financing need. To maintain the balance of appropriations within the capital improvement

program budget, an equal amount of commercial paper is then moved to the cash funded project. This cash management process continues throughout the year which reduces the use of debt and maximizes the use of available cash. This process has saved the City more than \$5 million in interest costs avoided.

With this process, any Commercial Paper not issued during the current fiscal year must be de-appropriated and reprogrammed in the new fiscal year. This necessarily occurs as the reprogrammed Commercial Paper may or may not appear in the same project(s). This action is merely a deferral process and by itself does not constitute a reduction in the overall Commercial Paper funding. The reason is that, although the issuance of Commercial Paper is deferred, the individual project needs remain the same which necessitates the sustenance of the programmed funding.

DISCUSSION

As part of the Fiscal Year 2002 Final Budget, the Mayor and City Council approved \$55.3 million in TransNet funded activities. Of this amount, \$28.3 million is from TransNet Sales Tax (cash and interest), and \$26.9 million is Commercial Paper programmed from prior year and carried over as a result of our cash management process.

Of the \$26.9 million programmed, \$26.4 million is proposed to be reprogrammed in Fiscal Year 2003. The difference of \$455,000 will not be reprogrammed as excess interest earnings were used in lieu of Commercial Paper.

RECOMMENDATION

It is recommended that \$26.9 million be de-appropriated this fiscal year for the projects listed on Attachment "A". Of this amount, \$26.4 million will be reprogrammed in the Fiscal Year 2003 Final Budget. With this action, there will be no fiscal impact to the projects listed on Attachment "A".

If the Council decides not to reprogram the \$26.4 million in Commercial Paper, then capital improvement projects or other TransNet funded activities in this amount will need to be deferred, canceled, or reduced.

ALTERNATIVES

1. De-appropriate Commercial Paper in the amount of \$26.9 million, but do not reprogram any Commercial Paper. This is not recommended as there is more than \$26 million in Commercial Paper funding for a variety of capital improvement projects yet to be constructed.

Respectfully submitted,

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BELOCK/SMC

Attachment: [A. Project Listing](#)