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Butte County Successfully Obtains a Short-Term Cash Flow Loan

News Release

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Oroville, CA – Butte County officials announced that they successfully obtained a short-term cash flow loan, known as Tax and Revenue Anticipation Notes (TRAN), for \$24,320,000 at a yield of 58 basis points (0.58%) for a 12 month term. This is 17 basis points lower than last year's rate of 0.75%.

"I am delighted that our TRAN issue sold readily at a favorable rate," said Linda Barnes, Butte County Treasurer-Tax Collector. "Armed with two top short-term credit ratings (SP1+ from Standard and Poor's and MIG1 from Moody's) and a superior application package, we were most fortunate to receive credit approvals and full note purchase offers from five different money market funds."

The Butte County TRAN received the most investor interest and the best pricing outcome of all the 2010 California Statewide Communities Development Authority TRAN Program participants in large part due to a presentation that effectively reflected the overall strength and stability of the County, even in the face of a difficult economic environment. By comparison, other similarly rated agencies in the pool saw their offerings raised to 1.00%+ levels.

Most local governments, including Butte County, rely on a TRAN to meet their cash flow requirements because expenses are spread out through the year while revenues are received unevenly. The money, borrowed at the beginning of the fiscal year, allows the County to meet its ongoing financial obligations, including payroll, until property tax payments are received in December and April. The County sets aside funds for repayment of the TRAN in two installments, the first in January and the second in April.

The economic slowdown and weakness of the financial markets have made a TRAN more difficult to obtain than in prior years. Financial markets have required TRAN issuers to be in a stable financial position with a sound management plan and a top credit rating. Complicating this picture is the State's budgetary and cash flow challenges, which have served to bring down the standings of all local governments in California.

Despite the challenges, Butte County was able to demonstrate a sound management plan and a balanced budget allowing the County to obtain a TRAN at a favorable rate.

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