

Analysis

This resolution repeals Resolution Nos. RS2006-1331 and RS2006-1403 to stop the practice of selling Metro's tax receivables. In June 2006, the Council approved Resolution No. RS2006-1331 electing to sell the tax receivables of the Metropolitan Government. This action was taken in accordance with state enabling legislation enacted that year (Tenn. Code Ann. § 67-5-2012), which provides that any taxing agency, by resolution of its governing body, may elect to sell its tax receivables to public or private parties. Resolution No. RS2006-1403 was approved in July 2006 to add some reporting requirements to Council regarding the sale of tax receivables.

Tax receivables are defined under state law as the right to receive revenue from a tax secured by a lien on real property that remains unpaid after its due date (delinquent tax bills). The sale of a tax receivable is essentially the sale of the right to the cash flow at a later date. The purchasers of the tax receivables are entitled to payment once the taxes are collected. However, unlike many other tax receivable sale programs, Metro has still had to collect the taxes rather than this responsibility being transferred to the buyer of the receivables.

The practice of selling Metro's tax receivables was started in 2006 for the purpose of providing an influx of cash into the operating budget for one single year (FY2007), but Metro has continued the program to avoid a substantial hole in the budget.

This resolution comes at the recommendation of the Director of Finance. The Council Office has requested information from the Finance Department as to the financial impact of this resolution. But even if it resulted in reduced revenue for one year, Metro would realize increased revenue in the years to come.