



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

County Counsel

DATE: July 2, 2009
BOARD MEETING DATE: July 14, 2009
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Tom Huening, Controller
Jean K. Holbrook, County Superintendent of Schools
Lee Buffington, Tax Collector-Treasurer

SUBJECT: Resolution Authorizing Temporary Transfer of Available Funds to County Operating Funds, the Superintendent of Schools, County Board of Education and School Districts

RECOMMENDATION:

Adopt a resolution to provide for the temporary transfer of available funds to the County operating funds, the County Superintendent of Schools, County Board of Education and the School Districts.

BACKGROUND:

Each year after July 1, certain funds experience a cash-flow problem pending the receipt of real property taxes. Education Code Section 42620 provides that the County shall temporarily loan to school districts such amounts as are necessary to meet the cash flow needs of school districts in anticipation of receipt of property taxes and other moneys by the districts. The lending limit is 85 percent of the amounts expected to accrue to the school districts, and the temporary loans are to be made out of County funds not immediately needed by the County to meet its own obligations. Historically, the resolution adopted each year by the Board simply allowed each school fund to "go negative" and pay interest expense with the assumption that the fund would be "in the black" at the end of the fiscal year.

A new resolution is necessary to allow the flexibility needed to finance the needs of the County, the Superintendent of Schools, County Board of Education and the School Districts for FY 2009-10, because Resolution No. 069452 passed and



adopted June 3, 2008, expires by its own terms on June 30, 2009. Because of the uncertain financial situation, a review of the standard form of resolution has been undertaken to determine if any modifications are needed.

DISCUSSION:

Given the uncertainties presented by the current fiscal situation, and the possibility that the State may take actions in the future to reduce funding both to the County and school districts, it has become necessary to consider the incorporation of certain procedural “safeguards” in the resolution which authorizes temporary borrowing by school districts. These safeguards would ensure (1) that school districts and the County Superintendent of Schools, to the maximum extent possible, fully avail themselves of Education Code provisions which allow school districts to borrow on an intra-district basis, allow the County Superintendent to make temporary loans to school districts, and require that school districts fully consider and avail themselves of the issuance of Tax Revenue Anticipation Notes (TRANS) under the authority of the Government Code before borrowing from the County, (2) that temporary borrowing by any school district from the County will neither occur after the last Monday in April of any fiscal year nor, at any time, exceed 85 percent of the remaining estimated amount of funds to accrue to the school district during the fiscal year, and (3) that the County is never put in the position of being unable to meet its own immediate needs as a result of such borrowing. These safeguards would also ensure close communication and coordination between the County Superintendent of Schools and County officials to ensure compliance with constitutional and statutory provisions which authorize and limit temporary borrowing. With these safeguards in place, funds will still be allowed to “go negative”, with the assurance that amounts borrowed will be repaid as required by law.

The Shared Vision 2025 outcome of collaborative community is achieved by this action because it facilitates financial assistance to other agencies when such assistance is needed.

FISCAL IMPACT:

There is no fiscal impact to the County, since any amounts accrued by the school districts which borrow temporarily from the County must first be applied to pay down the amounts borrowed. Interest is charged to sub-funds that run negative cash balance by way of negative interest apportionment.