COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Controller

Date: March 14, 2014
Board Meeting Date: May 20, 2014
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Bob Adler, Controller
Sandie Arnott, Treasurer-Tax Collector
Anne E. Campbell, County Superintendent of Schools

Subject: Temporary transfer of available funds

RECOMMENDATION:
Adopt a Resolution authorizing the Controller to temporarily transfer available funds to County Operating Funds, the Superintendent of Schools, County Board of Education and School Districts during the Fiscal Year 2014-15.

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 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 FY2014-15, because Resolution No.072489, which addressed these issues by incorporating certain safeguards and was passed and adopted May 7, 2013, expires by its own terms on April 28, 2014. The new resolution is identical to Resolution No. 072489 except for date references, which now address FY2014-15.

DISCUSSION:

In the event of unforeseen financial needs and the possibility that the State might take actions in the future to reduce funding both to the County and school districts, it is necessary to incorporate certain procedural “safeguards” in the resolution authorizing temporary borrowing by school districts. These safeguards 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 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.

Approval of this Resolution contributes to the Shared Vision 2025 outcome of a Collaborative Community because it facilitates financial assistance to other agencies when such assistance is needed.

County Counsel has reviewed and approved the Resolution as to form.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Percent of survey respondents rating Controller services good or better	97%	90%

Note: Since Fiscal Year 2012/13, the Controller’s Office has consistently exceeded the projected target of 90%.

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.