County of San Mateo

Inter-Departmental Correspondence

Department: CONTROLLER
File #: 19-201 Board Meeting Date: 3/12/2019

Board Meeting Date: March 12, 2019
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Juan Raigoza, Controller
Sandie Arnott, Treasurer-Tax Collector
Nancy Magee, County Superintendent of Schools

Subject: Temporary Transfer of Available Funds

RECOMMENDATION:
Adopt a resolution authorizing the Controller to temporarily transfer available funds from County Operating Funds to the Superintendent of Schools, the County Board of Education, and school districts during Fiscal Year 2019-2020.

BACKGROUND:
Each year after July 1, certain funds experience a cash-flow problem pending the receipt of 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 monies by the districts. The lending limit is 85 percent of the amounts expected to accrue to the school districts for the fiscal year, and the temporary loans are to be made out of County funds not immediately needed by the County to meet its own obligations. Annually, a Resolution is adopted by the Board which allows each school fund to reach a negative cash balance and pay interest expense with the assumption that the fund would have a non-negative cash balance at the end of the fiscal year. School districts in the County have not requested loans under this framework in the past 7 years, but the availability of such loans continues to serve as a safety net for the schools.

A resolution is needed to satisfy the County's obligations under Education Code Section 42620 because the prior Resolution (No. 075818) addressing these issues expires by its own terms on April 29, 2019. The new Resolution is identical in content to Resolution No. 075818 except for date references, which now address FY 2019-20.

DISCUSSION:
While Education Code Section 42620 obligates the County to loan funds to school districts under certain circumstances, the Resolution contains certain procedural "safeguards" that mitigate the

potential impact on the County. 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 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 be allowed to reach a negative balance, with the assurance that amounts borrowed will be repaid as required by law.

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

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.

PERFORMANCE MEASURE:

Measure	**FY 2017-18 Actual**	**FY 2018-19 Projected**
Percent of survey respondents rating Controller services good or better	97%	95%

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 balances by way of negative interest apportionments.