



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

C32

For the meeting of: June 5, 2018

Date: May 21, 2018

To: BOARD OF SUPERVISORS

From: John Bartholomew, Treasurer-Tax Collector

Subject: Issuance of Tax and Revenue Anticipation Notes (TRANS) on behalf of County School Districts

RECOMMENDATION(S): That the Board of Supervisors not authorize TRANS on behalf of any county board of education, school district, or community college district and designate the Clerk of the Board to notify these agencies that they may issue TRANS on their own behalf until further notice.

DISCUSSION: California Government Code Section 53853(a) provides that county board of supervisors issue TRANS on behalf of certain county boards of education, school districts, and community college districts. However, Section 53853(b) provides that if the county board of supervisors fails to authorize the issuance of a note or notes within 45 calendar days following receipt of the resolution of the county board of education, the governing board of the school district or community college district, or the governing body of the charter school requesting that issuance, or if the county board of supervisors notifies the requesting party that it will not authorize that issuance within that 45-day period, then the note or notes may be issued by the county board of education, school district, charter school, or community college district in its own name pursuant to the previously adopted resolution. Essentially if the board takes no action within 45 days or provides notice to the requesting agency that it will not take action, the TRANS are issued by the requesting agency.

This rule applies only in the case of a note or notes of a county board of education, school district, charter school, or community college district to be issued in conjunction with a note or notes of one or more other county board of education, school district, charter school, or community college district. A county board of supervisors, county treasurer, or county auditor is deemed to have no fiduciary responsibility with regard to

Prepared by John Bartholomew

CAO Approval

REVIEW:

Auditor \_\_\_\_\_ County Counsel SJD Personnel \_\_\_\_\_ Risk Manager \_\_\_\_\_ Other \_\_\_\_\_

TYPE OF ITEM:

Consent  
 Departmental  
 Public Hearing  
 Other \_\_\_\_\_

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor Wilson  
 Seconded by Supervisor Bass  
 And unanimously carried by those members present,  
 The Board hereby adopts the recommended action  
 contained in this report.

PREVIOUS ACTION/REFERRAL:

Board Order No. \_\_\_\_\_

Meeting of: \_\_\_\_\_

Dated: 6/5/18  
 Kathy Hayes, Clerk of the Board

By: \_\_\_\_\_

any note or notes issued pursuant to Section 53853(b).

Not authorizing TRANS on behalf of county schools has been the recommended course of action over the years but there has not been a Board order in place to adequately define the county's position when these requests have been received by law firms acting on behalf of school districts wishing to issue TRANS. The County has received a recent request from Eureka City Schools seeking a letter of non-authorization (Attachment 1). The notice of non-authorization (as opposed to letting the 45 days run) is sought in order to facilitate the timing of the issuance by Eureka City Schools. Therefore it is recommended that your Board take this action to respond to this specific request and so that county policy is documented to address future requests and allow school districts to issue TRANS debt independently.

SOURCE OF FUNDING:

Not applicable.

FINANCIAL IMPACT: None

OTHER AGENCY INVOLVEMENT: County Board of Education, School Districts, and the Redwood Community College District

ALTERNATIVES TO STAFF RECOMMENDATIONS: Not take this action and spend additional staff time to determine county policy, and appropriate response, each time a county schools TRANS request is received.

ATTACHMENTS:

1. TRANS Request for Eureka City Schools

# ATTACHMENT 1

BY FEDERAL EXPRESS

Humboldt County Board of Supervisors  
c/o Jeffrey S. Blanck,  
County Counsel  
825 – 5th Street, Room 110  
Eureka, California 95501

John Bartholomew,  
Treasurer/Tax Collector  
825 – 5th Street, Room 125  
Eureka, California 95501

Dr. Chris N. Hartley,  
County Superintendent of Schools  
Office of Education  
901 Myrtle Avenue  
Eureka, California 95501

Re: California School Cash Reserve Program  
2018-2019 Pool Bonds/Certificates of Participation

Dear Mr. Blanck, Mr. Bartholomew, and Dr. Hartley:

Pursuant to the provisions of California Government Code Section 53853, we are writing to you on behalf of the district listed on Schedule I attached hereto (as used hereinafter, the "District") that does not have fiscal accountability status.

The District has elected to participate in a cash flow borrowing program (the "Program") sponsored by the California School Boards Association Finance Corporation. As in prior years, the Program is structured to provide participating county boards of education, school districts and community college districts with economies of scale by reducing the staff time and issuance costs incurred in tax and revenue anticipation note ("TRAN") borrowings. One or more TRANs are expected to be issued from time to time by or on behalf of the District and pooled with some or all of the other participating county boards of education, school districts and community college districts in the Program to secure the issuance of Bonds or Certificates of Participation ("COPs"), depending on market conditions. If Bonds are selected, they would be issued by the California School Cash Reserve Program Authority in one or more series of Bonds (a single series of Bonds



corresponding to each pool of TRANs if there are more than one), the principal of and interest on which will be paid from principal and interest payments on the TRANs in the corresponding pool. If COPs are selected, they would be executed by a trustee to evidence and represent proportionate undivided interests in the payments of principal and interest on the TRANs in the corresponding pool. Enclosed is an Executive Summary of the Program prepared by Orrick, Herrington & Sutcliffe LLP, bond counsel, which provides an overview of how the Program is structured.

California Government Code Section 53853 provides that the County Board of Supervisors is to issue TRANs on behalf of county boards of education, school districts and community college districts that have not been accorded fiscal accountability status. However, an exception applies to TRANs issued in conjunction with other TRANs. Under this exception, if the County Board of Supervisors fails to authorize, by resolution, the issuance of a TRAN in the name of a requesting county board of education, school district or community college district within 45 calendar days following its receipt of the resolution requesting that issuance, or if the County Board of Supervisors notifies the county board of education, school district or community college district that it will not authorize that issuance within that 45-day period, then such TRAN may be issued by the requesting county board of education, school district or community college district in its name.

Due to the timing of the Program, we are respectfully requesting, on behalf of the District, that the County Board of Supervisors (i) exercise its option to notify the District that it will not authorize the issuance of the TRANs of the District within the 45-day period, and (ii) provide notice to that effect to the District by signing and returning the enclosed form of notice to Orrick, Herrington & Sutcliffe LLP in the enclosed letter-sized self-addressed, stamped envelope. The County's cooperation is greatly appreciated.

Pursuant to California Government Code Section 53853, we are enclosing a CD-Rom containing the resolution adopted by the District's Governing Board approving the borrowing and, as required by California Government Code Section 53853, officially requesting the County Board of Supervisors to adopt a resolution authorizing the issuance of the TRANs on its behalf. However, we would like to emphasize again that we are respectfully requesting, on behalf of the District, that the County Board of Supervisors exercise its option to notify the District that it will not authorize the issuance of the TRANs of the District within the 45-day period so that the District may issue the TRANs in its own name under the Program as soon as possible. For your convenience, we are also enclosing the forms of Indenture, Trust Agreement, Certificate Purchase Agreement, Purchase Agreement, Funding Agreement, if applicable, and alternative Credit Agreements (found in the enclosed CD-Rom) which will be used in connection with the Program. These documents are referenced in the resolutions. If you require an original or hard copy of any of the documents, please contact Seija McMillin at the number below.

If the County Board of Supervisors finds it necessary to issue the TRANs on behalf of the District, please contact **Laura Gao** at the number below and we will send you a resolution of



**the Board of Supervisors approving the issuance of the TRANs for the District. It will be critical to schedule the adoption of the resolution as soon as possible.**

Should you have any questions regarding the enclosed materials, please call the following individuals at Orrick, Herrington & Sutcliffe LLP:

- (1) Laura Gao, Project Manager (213) 612-2131;
- (2) Donald S. Field, Esq. (949) 852-7727;

or the following individuals at Dale Scott & Company:

- (1) Mark Farrell, Senior Financial Advisor (415) 956-1030;
- (2) Stephen Zhang, Financial Analyst (415) 956-1030.

On behalf of the District, we thank you for your cooperation in effecting a successful financing.

Very truly yours,

DALE SCOTT & COMPANY

cc: Humboldt County participating district  
Scott Beck, Kutak Rock LLP

**Humboldt County**  
**Schedule I**

Eureka City Schools



Orrick, Herrington & Sutcliffe LLP  
The Orrick Building  
405 Howard Street  
San Francisco, CA 94105-2669  
Tel +1 415 773 5700  
Fax +1-415-773-5759  
www.orrick.com

## EXECUTIVE SUMMARY OF THE 2018-2019 CALIFORNIA SCHOOL CASH RESERVE PROGRAM

We are acting as bond counsel in connection with the California School Cash Reserve Program (the "Program") in which numerous school districts, community college districts and County boards of education (collectively, the "Districts") throughout the State of California are participating by the simultaneous issuance of one or more series of tax and revenue anticipation notes (the "Notes"). The Program is being sponsored by the California School Boards Association Finance Corporation.

The resolutions adopted by the participating Districts approve the Program in two alternative structures. The traditional structure involves the issuance of bonds payable from a pool of Notes (see Traditional Structure: Pool Bonds below), while the alternate structure would involve the execution of certificates of participation (see Alternate Structure: Certificates of Participation below). The decision as to which structure will be implemented this year will be made based on market conditions.

### Traditional Structure: Pool Bonds

Under the traditional structure of the Program, each District issues an initial series of Notes in July 2018 which is sold to a joint powers authority, the California School Cash Reserve Program Authority (the "Authority"). The Authority pools each District's Notes with Notes of other Districts issued in July 2018 under the Program. The Authority may form more than one pool of Notes, and the Authority sells one or more series of Pool Bonds, each of which is secured by a pool pursuant to an Indenture between the Authority and U.S. Bank National Association, as Trustee. The Pool Bonds would be purchased by Piper Jaffray & Co., as Underwriter, who would in turn sell the Pool Bonds to the investing public.

Following the initial issuance of Notes and corresponding Pool Bonds in July 2018, certain Districts (including ones that did not participate in the July 2018 initial issuance of Notes) may issue subsequent Notes in late 2018 and/or early 2019 depending on cash flow needs of such Districts, which Notes would be purchased by the Authority with the proceeds of additional Pool Bonds.

### Alternate Structure: Certificates of Participation

Under the alternate structure of the Program, each District would issue an initial series of Notes in July 2018 which would be deposited with the Trustee together with some or all of the Notes issued by other Districts participating in the Program pursuant to a Trust Agreement between such Districts and the Trustee. The Trustee would execute and deliver certificates of participation (the "Certificates") evidencing and representing proportionate undivided interests in the payments of principal of and interest on the Notes. The Certificates would be purchased by the Underwriter for resale to the investing public.

Following the initial issuance of Notes and corresponding Certificates in July 2018, certain Districts (including ones that did not participate in the July 2018 initial issuance of Notes) may issue subsequent





Notes in late 2018 and/or early 2019 depending on cash flow needs of such Districts, which Notes would be deposited with the Trustee pursuant to a Trust Agreement. The Trustee would execute and deliver Certificates and the Certificates would be purchased by the Underwriter for resale to the investing public.

#### Use and Investment of Note Proceeds

Under either structure, the proceeds of each District's Note and the funds used to repay such Note will be invested by the Trustee in the County Treasury of the county in which the District requesting such investment is situated or another type of permitted investment under the Indenture or Trust Agreement.

#### Credit Enhancement

Under either structure, all or a portion of the payments made by each District on its Notes may be secured by (i) a letter or letters of credit issued by a bank or banks holding the highest short-term rating issued by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") or Moody's Investors Service ("Moody's"), whichever is rating the applicable series of Pool Bonds or Certificates, and/or (ii) a policy of insurance backed by an insurance company holding the highest short-term rating issued by S&P or Moody's, whichever is rating the applicable series of Pool Bonds or Certificates. At the time each series of Notes is priced, each District will confirm the selection of the type or types of credit enhancement and the designation of a bank or banks or insurance company, if, and as applicable. Either method of securing all or a portion of the payments by all the Districts participating in a particular Pool will enable the corresponding Pool Bonds or Certificates to have the highest short-term rating issued by S&P or Moody's.

#### County Resolution

California law provides that the Board of Supervisors of the County in which a participating District that does not have fiscal accountability status is situated shall issue the Notes in one or more series in the name of the District as soon as possible following receipt of a resolution of the governing board of the District requesting the borrowing (Government Code § 53853). If the Board of Supervisors fails to adopt a resolution authorizing the issuance of the Notes within 45 calendar days following its receipt of the District resolution or notifies the District that it will not do so within the 45-day period, then the District is authorized to issue the Notes in one or more series in its name pursuant to the previously adopted resolution.


The Notes of the District will be payable exclusively from money of the District and no money of the County will ever be used to pay the principal of and interest on the Notes or any expenses relating to the Program. If the Board of Supervisors adopts a resolution of issuance, the County's sole responsibility is to issue the Notes by directing the appropriate officers of the County to execute the Notes and related closing documents. By the adoption of such a resolution, the County is also recognizing that the District has pledged certain of the District's moneys to the repayment of the Notes and that the County, upon request of the District, will be obligated to deliver the District's money on deposit in the County treasury in the amount necessary for the District to satisfy its obligations under the Notes and the resolution. Such obligation is mandated whether or not the County finds it necessary to adopt a resolution of issuance in connection with the Program.



We hope this letter answers any questions you may have and we look forward to another successful issuance of Notes under the Program. If you have further questions or if there is any way we may be of additional assistance to the County, please contact Donald Field at (949) 852-7727.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

By  Donald Field

cc: Alest Walker, California School Boards  
Association Finance Corporation  
Mark Farrell, Dale Scott & Company