



# COUNTY OF HUMBOLDT

For the meeting of: 6/2/2020

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File #: 20-559

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**To:** Board of Supervisors

**From:** Treasurer/Tax Collector

**Agenda Section:** Consent

**SUBJECT:**

Dry Period Financing

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Adopt the attached resolution (Attachment 1) to authorize temporary transfers to Humboldt County School Districts and the Community College as required by California Constitution Article XVI, Section 6;
2. Approve the Dry period Financing Temporary Transfer Agreement (Attachment 2) and direct the Treasurer-Tax Collector to execute Temporary Transfer Agreements on behalf of the county as needed; and
3. Authorize the use of the Dry Period Financing Request form (Attachment 3) to ensure adequate and accurate financial data is used for all Temporary Transfers.

**SOURCE OF FUNDING:**

Interim financing to be done through the Investment Pool

**DISCUSSION:**

Approval of Temporary Transfers will assist the Humboldt County school and community college districts to meet critical cash flow needs expected to be in excess of \$40 million annually and significantly reduce their costs relating to borrowing money for maintenance purposes.

California Constitution Article XVI, Section 6, and California Education Code Section 42620, provides that the Treasurer-Tax Collector (Treasurer) has the power and the duty to make Temporary Transfers (Transfer or Transfers) for any district or other political subdivision whose funds are held in custody by the Treasurer and paid out solely through the Treasurer's office. Such Transfers shall be made only upon resolution adopted by the governing body of the County and to meet the obligations incurred for maintenance purposes by the district. Further, they also provide that such Transfer of funds cannot exceed 85% of the anticipated revenues accruing to such district cannot be made prior to the first day

of the fiscal year nor after the last Monday in April of the current fiscal year, and must be replaced from the revenues accruing to such political subdivision before any other obligation is met from such revenue. Finally, the California Education Code Section 42620 provides if a district does not have sufficient money to its credit to meet current expenses of maintenance, the Board of Supervisors shall order the Treasurer to make a Transfer from any funds of the county not immediately needed to pay claims against them to the fund of the district.

The Treasurer is a fiduciary of the funds held in custody for all Districts and has included safeguards to provide for the safety and liquidity of all Humboldt County school and community college districts in the proposed Transfer Program. Both the Resolution and the Agreement provide that the Transfer will only be made from the total funds on deposit with the Treasurer for all of the Humboldt County school districts and community college districts excluding debt service and bond project funds and not from funds belonging to the County. In addition, the Agreement provides that the Treasurer determines, in addition to exercising his trust and fiduciary duties with respect to protecting all of the Humboldt County school and community college districts from any principal loss and ensuring adequate liquidity to meet operating cash needs, that such monies are available for such Transfers. The Treasurer will make Transfers only to those Districts, which can demonstrate an ability to meet their financial obligations under an Agreement, and funds to be transferred cannot exceed 85% of the anticipated revenues accruing to the District for that fiscal year. This statement and amount will be certified by the District and by the Superintendent of Schools or Chancellor of the Community College District, as applicable, and must be accompanied by a copy of the resolution from the District authorizing the Agreement with the Treasurer. In addition, the Agreement provides for charging interest at the gross investment pool rate plus a liquidity fee not to exceed 15 basis points to participating Districts, and to reimburse the Treasurer for actual costs related to the Transfers including reviewing, processing, analysis and documentation, legal services and administration. The repayment of the Temporary Transfer is made from incoming District revenues deposited with the Treasurer eliminating credit risk. The rate of interest on the temporary transfer is the pooled funds gross yield plus a liquidity factor of up to 15 basis points (current liquidity premium is up to 10 basis points and is currently 10 basis points). The Treasurer is fully reimbursed for the costs of this program by billing the school and community college districts for actual costs incurred. The Humboldt County Educational Investment Pool is reimbursed for having to maintain additional liquidity in case a district requests a Transfer under the Transfer Program by adding up to 15 basis points to the gross pool yield.

The approval of this Resolution provides an additional critically needed resource for Districts to meet their cross fiscal year short-term cash flow needs. Districts can utilize these transfers to minimize their use of funding short-term cash flow needs in the Tax and Revenue Anticipation Note (TRAN) market and incurring the significant costs of issuance with the risk of higher interest rates. This Resolution will allow the Treasurer to provide the necessary bridge for Districts until any deferrals are fully repaid by the State. The Districts are requesting that the Transfer Program be reauthorized for a five-year period and allow for future planning by Districts.

The Treasurer requests the Board to adopt the Resolution reauthorizing such Transfers of monies to the Districts from funds that are in custody of the Treasurer for the Districts. The Districts and the Treasurer will then execute a Temporary Transfer Agreement (Agreement) that provides for repayment

with interest generally no later than October 31 following the end of fiscal year.

FINANCIAL IMPACT:

N/A

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by providing community-appropriate levels of service.

OTHER AGENCY INVOLVEMENT:

Humboldt County School Districts and / or the College of the Redwoods

ALTERNATIVES TO STAFF RECOMMENDATIONS:

None

ATTACHMENTS:

1. Resolution to authorize temporary transfers to school districts
2. Dry Period Financing Temporary Transfer Agreement
3. Dry Period Financing Temporary Transfer Request Form