



COUNTY OF HUMBOLDT

For the meeting of: 8/20/2019

File #: 19-1088

To: Board of Supervisors

From: Treasurer/Tax Collector

Agenda Section: Consent

SUBJECT:

County Policy Memorializing Practice of Interest Expense with Quarterly Apportionment

RECOMMENDATION(S):

That the Board of Supervisors:

1. Formally recognize the long-standing practice of charging interest expense to interest bearing funds which carry a negative average daily balance during any interest apportionment period; and
2. Authorize by resolution _____ that charging an interest expense, also known as negative interest, is a recognized and authorized practice which has been used and will continue to be used during the quarterly interest apportionment process to all interest-bearing funds participating in the County Treasury Pool.

SOURCE OF FUNDING:

Not Applicable

DISCUSSION:

A common practice of charging interest expense to funds with negative average daily balances is utilized by most, if not all, counties across California; but a policy to charge this interest expense, also referred to as negative interest, has not yet been memorialized by your Board. The intent of this item is to put in writing the long-standing practice of charging that negative interest to funds which have a negative average daily balance during any interest apportionment period as detailed in the attached resolution.

The vast majority of county funds maintain a positive dollar amount on average day to day, week to week, month to month, and quarter to quarter; but some county funds are allowed to operate in the negative long enough to have an average daily balance which is negative throughout interest apportionment rate reporting periods. These negative balances reduce the amount of principle in the treasury pool by the amount of their negative balance throughout each reporting period thereby reducing the amount of interest generated in the treasury pool by the negative amount they carry.

In order to treat all interest-bearing funds equitably the long-standing practice of charging interest to

those negative balance funds has been warranted and been part of the interest apportionment procedures at the county for many years.

FINANCIAL IMPACT:

No change from current practice.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by facilitating the establishment of local revenue sources to address local needs .

OTHER AGENCY INVOLVEMENT:

All Agencies participating in the County Treasury Pool.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Changing the long-standing procedures from charging negative interest.

ATTACHMENTS:

Resolution Memorializing Interest Apportionment Practice

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

File No.: N/A