



Legislation Text

File #: 21-1018, **Version:** 1

Chief Administrative Office recommending the Board decline to authorize the issuance of Tax and Revenue Anticipation Notes ("TRANs") on behalf of various school districts, thus allowing those school districts to issue such TRANs in their own name.

FUNDING: N/A

DISCUSSION / BACKGROUND

On June 23, 2020, with Legistar item 20-0805, at the request of various local school districts, the Board of Supervisors took action to allow those school districts to issue Tax and Revenue Anticipation Notes ("TRANs") for Fiscal Year 2020/2021. On February 9, 2021, with Legistar item 21-0154, the Board took action to allow some of those districts to issue another series of TRANs for Fiscal Year 2020/2021 up to an increased maximum cumulative amount. On May 26, 2021, County Counsel and the Treasurer-Tax Collector received a letter on behalf of the El Dorado Union High School District and the Lake Tahoe Unified School District (collectively referred to herein as the "Districts") notifying the County of their desire to issue a new series of TRANs for Fiscal Year 2021/2022 in the following cumulative maximum amounts:

- El Dorado Union High School District: maximum amount of \$15,000,000
- Lake Tahoe Unified School District: maximum amount of \$7,000,000

TRANs are a form of short-term borrowing used to manage cash flow when revenues and expenditures are uneven over the course of a fiscal year. Though the notes may mature up to fifteen months after issuance, they are payable solely from the revenue received or accrued during the fiscal year within which they are issued. Additionally, such notes are limited to an amount up to 85% of the issuer's estimated taxes to be collected, income, revenue, cash receipts, and other moneys available for making note payments.

The procedure to authorize issuance of TRANs is set forth in Government Code section 53853. It provides that, for school districts that have not been accorded fiscal accountability status, the notes may be issued by the Board of Supervisors. However, when the notes are to be issued in conjunction with other notes (i.e., pooled), then should the Board of Supervisors fail or decline to authorize issuance of the notes within forty-five days of receipt of the resolution from the requesting district, then the district may issue the notes in its own name. In that situation, the Board, the County Treasurer, and the County Auditor shall not be deemed to have any fiduciary responsibility with regard to any such notes. The notes are considered general obligations of the Districts and will be payable exclusively from money of the Districts.

The above-referenced Districts have adopted resolutions authorizing issuance of TRANs in varying amounts as part of the California School Cash Reserve Program, which is a program sponsored by the California School Boards Association Finance Corporation and in which numerous school districts through the state are participating through the simultaneous issuance of TRANs. The Districts have chosen to issue TRANs to provide operating liquidity. The Districts are requesting that the Board

exercise its option to decline to issue the notes and notify the Districts of that decision within the 45-day period so that the Districts may issue TRANS in their own names as soon as possible.

In accordance with the Districts' request, we are recommending that the Board decline to issue the subject TRANS and direct the Clerk of the Board of Supervisors to provide notice of this action to the Districts. The County Treasurer-Tax Collector concurs with this recommended course of action.

ALTERNATIVES

The Board could choose to authorize the County to issue the subject TRANS on behalf of the Districts. Should the Board choose this course of action, staff will return to the Board with a resolution authorizing issuance of the notes pursuant to Government Code section 53853.

PRIOR BOARD ACTION

Legistar 20-0805 (June 23, 2020) and Legistar 21-0154 (February 9, 2021): The Board declined to authorize the issuance of Tax and Revenue Anticipation Notes ("TRANS") on behalf of various school districts, thus allowing those school districts to issue such TRANS in their own name for Fiscal Year 2020/2021.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

County Counsel
Treasurer-Tax Collector

FINANCIAL IMPACT

There is no financial impact associated with declining to authorize the issuance of TRANS on behalf of various school districts

CLERK OF THE BOARD FOLLOW UP ACTIONS

The Clerk of the Board of Supervisors will send notice of the Board's action to the Districts by emailing the signed memo to Dale Scott & Company at trans@dalescott.com

STRATEGIC PLAN COMPONENT

Good Governance

CONTACT

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