

Board of Trustees Agenda Item

Board Meeting Date: 08/30/10

Title of Item: District Inter-Fund Borrowing Resolution

Background and Analysis:

It has been the County of Santa Clara's past practice to assist depositors in the event of a cash deficiency by making available temporary cash transfers. Recently, the county performed an evaluation of this longstanding practice. The evaluation included a legal review and a survey of peer counties. The findings of the evaluation are as follows:

1. Although Santa Clara County practices treated overdrawn accounts as inter-departmental borrowings, it was technically a direct loan from the County Treasury Pool.
2. Various authorizations would be required to ensure compliance with State law and to enable continued provision of temporary funding assistance.
3. A revision of operational procedures and policies was deemed necessary.

Implementing the use of inter-fund loan agreements shifts transfer activity from an informal borrowing arrangement (netting) to a formal lending agreement which re-enforces the use of the District's own funding sources and limits direct draws on the County Treasury Pool.

Resolution No. 2010-15 authorizes the County of Santa Clara Treasurer to make temporary transfers from and between the District's unrestricted funds for fiscal year 2010/11, and to honor warrants drawn on those funds regardless of their individual cash balances, provided that the aggregate cash balance of all of the District's unrestricted funds is positive and that such transfers will meet all legal and other requirements, including the requirements in Education Code Section 42603.

Recommendation: (specify if information only)

Staff recommends adoption of Resolution No. 2010-15

Submitted by:	Kevin McElroy
Additional contact names:	Hector Quinonez
Is backup provided?	Yes

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**RESOLUTION 2010-15
AUTHORIZING TEMPORARY TRANSFERS
BETWEEN DISTRICT ACCOUNTS FOR FISCAL YEAR 2010/2011**

WHEREAS, the Foothill-De Anza Community College District ("District") maintains funds on deposit with the County of Santa Clara treasury and, on occasion, the District may not have sufficient funds on deposit with the County treasury to meet its current maintenance obligations; and

WHEREAS, Education Code Section 42603 provides as follows:

The governing board of any school district may direct that moneys held in any fund or account may be temporarily transferred to another fund or account of the District for payment of obligations. The transfer shall be accounted for as temporary borrowing between funds or accounts and shall not be available for appropriation or be considered income to the borrowing fund or account. Amounts transferred shall be repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year. Borrowing shall occur only when the fund or account receiving the money will earn sufficient income, during the current fiscal year, to repay the amount transferred. No more than 75 percent of the maximum of moneys held in any fund or account during a current fiscal year may be transferred.

NOW, THEREFORE, BE IT RESOLVED by the Foothill-De Anza Community College District Board of Trustees as follows:

1. The County of Santa Clara Treasurer and his designees are authorized to make temporary transfers from and between the following District funds for fiscal year 2010/2011, and to honor warrants drawn on those funds regardless of their individual cash balances, provided that the aggregate cash balance of all of the District's unrestricted funds is positive and that such transfers will meet all legal and other requirements, including the requirements in Education Code Section 42603:

ALL UNRESTRICTED FUNDS

2. The District Chancellor or [his/her] designee are authorized to take all other actions and execute all necessary documents to comply with the County's requirements for temporary transfers.

PASSED AND ADOPTED by the Board of Trustees of the Foothill-De Anza Community College District on August 30, 2010, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Linda M. Thor, Chancellor and
Secretary of the Board of Trustees

**Santa Clara County
(Bank Funds)**

**Foothill-De Anza
(District Funds)**

