



COUNTY OF NEVADA COUNTY EXECUTIVE OFFICE

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June 8, 2017

Honorable Board of Supervisors
Eric Rood Administrative Center
950 Maidu Avenue
Nevada City, CA 95959

DATE OF MEETING: June 20, 2017

SUBJECT: Resolution directing interest to be posted to the General Fund of the Local Agency unless directed otherwise by statute or the Board of Supervisors.

RECOMMENDATION: Approve the Resolution

FUNDING: The General Fund will receive revenue of approximately \$137,000 of interest accrued in 2015-16, and an estimated \$181,000 in 2016/17 on funds that historically had their interest transferred to the General Fund. Remaining funds with no specific interest restriction or commitment will undergo a legal and Budget Subcommittee review in Fiscal Year 2017-18 and a further recommendation will thereafter be brought to the Board of Supervisors. No budget amendment is needed at this time

BACKGROUND: A change in FY 15/16 in how the County has booked interest revenue has resulted in the need to clarify County policy consistent with the Government Code and Board of Supervisors direction.

Government Code section 53647 section 53647 (a) requires that “interest on all money deposited (by a local official or local agency) belongs to, and shall be paid quarterly into the general fund of, the local agency represented by the officer making the deposit, except as otherwise directed by law” and section 53647 (b) states that “notwithstanding the provisions of subdivision (a), and except as otherwise directed by law, if the governing body of the local agency represented by the officer making deposits so directs, such interest shall be paid to the fund which contains the principal on which the interest accrued.”

The intent behind the Government code is evident in a related Government Code (section 53630.1) which states that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state and all of its political subdivisions, and the deposit and investment of public funds by local agencies is an issue of statewide concern. In addition, discretionary revenue to the general fund supports the fiscal strength and creditworthiness of the local agency, and provides budget flexibility to sustain core services and meet county priorities in times where budgets are under

pressure from reduced revenues or increased expenses (for example to assist in mitigating pension liabilities, or to plug a budget gap during an economic downturn).

The possible fiscal impact to the General Fund is shown in the table below. County operations include 90 funds, with total actual 15/16 interest in the amount of \$527,000 and 16/17 interest estimated to be \$766,000. 21 of the funds keep their interest by authority of law or Board of Supervisors resolution. Of the remaining 69 funds, there are 21 funds where the interest has historically been posted to the General Fund (\$137,000 for 15/16 and \$181,000 estimated for 16/17), and 48 funds where the interest has historically been posted to the fund itself, but pending final legal review the statute to post interest to the General Fund may apply (\$209,000 for 15/16 and \$342,000 estimated for 16/17).

County Funds (\$thousands)				
Interest Assignment	# of Funds	15-16 Interest	16-17 Interest Est.	
Restricted by Law	14	\$ 123	\$	158
Committed by the Board	7	\$ 57	\$	85
Total Restricted/Committed	21	\$ 180	\$	243
Historical (general fund)	21	\$ 137	\$	181
Unassigned (general fund)	48	\$ 209	\$	342
Total (general fund)	69	\$ 347	\$	523
Total all Funds:	90	\$ 527	\$	766

For the fiscal year 15/16, the historical practice of posting interest from the 21 funds was halted, pending authority to post the interest, so there was no interest revenue from other funds posted to the General Fund as had been past practice. Pending further review it is recommended that for the years ending June 30, 2016 and June 30, 2017, interest shall be posted to the County General Fund according to historical practice (see table below for fund detail), and that in Fiscal Year 17/18 interest be posted according to historical practice until which time a recommendation to be developed by the County Executive Officer with direction from the Budget Subcommittee is brought for recommendation and adopted by the Board of Supervisors.

The resolution before the Board will bring the County into immediate compliance with Government Code section 53647, and will allow for further review and analysis before a final recommendation is made to the Board of Supervisors.

Once legal review is complete, the list of funds will be reviewed with the Budget Subcommittee to formulate a recommendation to the full Board of Supervisors as to the treatment of interest revenue.

Schedule of Funds where interest has historically posted to County General Fund			
Fund	Title	15/16 Interest	16/17 Interest (Estimated)
0101	GENERAL FUND	\$ 146,495	\$ 188,471
1480	HLTH/WELFARE LOCAL TRUST	\$ 76,191	\$ 84,562
1482	LRF 2011 - PUBLIC SAFETY	\$ 16,175	\$ 28,472
1481	LRF 2011 - HHSA	\$ 24,157	\$ 42,303
1649	MOTOR VEHICLE LICENSE FEE	\$ 9,054	\$ 8,802
1157	AUTOMATION	\$ 1,710	\$ 3,253
1155	SS# TRUNCATION	\$ 1,748	\$ 2,839
1169	ATTACHMENT ASSMT FEE	\$ 1,548	\$ 2,327
1168	CIVIL FEE - AB709	\$ 1,345	\$ 1,421
1468	PUBLIC SAFETY AUGMENT	\$ 2,556	\$ 2,836
1190	CABLE INET & PEG	\$ 728	\$ 1,170
1141	AUTOMATED WARRANT SYSTEM	\$ 574	\$ 817
1325	RIDGE ROCK QUARRY PROJ	\$ 438	\$ 437
1154	MICROGRAPHICS	\$ 256	\$ 410
1323	CORRECTL TRG-PROBATION	\$ 194	\$ 419
1130	FOREST RESERVES	\$ 129	\$ 155
1156	CHILDREN'S TRUST AB-2994	\$ 154	\$ 232
1672	TAYLOR RD/HANSON JUDG	\$ 105	\$ 138
1153	DOMESTIC VIOLENCE PRG	\$ 33	\$ 39
1369	DUI LAB FEES PC 1463.14	\$ 31	\$ 40
1324	CORRECTL TRG-SHERIFF	\$ 61	\$ 58
3150	GOV'T DEBT SERVICE	\$ 135	\$ 377
	Total Interest to be posted to General Fund	\$ 283,819	\$ 369,576

Item Initiated by:
Item Approved by:

Martin Polt, Deputy County Executive Officer
Richard A. Haffey, County Executive Officer

Submittal Date: 6/8/2017
Revision Date: 6/8/2017