



**AUDITOR-CONTROLLER  
COUNTY OF TULARE  
AGENDA ITEM**

**BOARD OF SUPERVISORS**

ALLEN ISHIDA  
District One

PETE VANDER POEL  
District Two

PHILLIP A. COX  
District Three

J. STEVEN WORTHLEY  
District Four

MIKE ENNIS  
District Five

**AGENDA DATE:** March 16, 2010

Public Hearing Required	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Scheduled Public Hearing w/Clerk	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Published Notice Required	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Advertised Published Notice	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Meet & Confer Required	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Electronic file(s) has been sent	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Budget Transfer (Aud 308) attached	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Personnel Resolution attached	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Resolution, Ordinance or Agreements are attached and signature line for Chairman is marked with tab(s)/flag(s) Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>						
CONTACT PERSON: Paul Sampietro PHONE: 559-636-5204						

**SUBJECT:** Approval of budget adjustment to cover unanticipated arbitrage expense on Building Debt Service Fund.

**REQUEST(S):**

That the Board of Supervisors:

1. Approve the necessary budget adjustments per the attached AUD 308 (4/5 vote required), which cover the unanticipated arbitrage expense on the Building Debt Service Fund.

**SUMMARY:**

Arbitrage is the profit that results from investing the proceeds of tax-exempt bonds in higher yielding taxable securities. Tax law generally requires a rebate of arbitrage profits to the U.S. Treasury.

In 1996, the Tulare County Public Facilities Corporation issued the 1996 Certificates of Participation (COPs), and it reinvested the proceeds in taxable securities that often earn a higher yield than the bonds, which in turn may produce a profit. Each year a portion of the profit (arbitrage rebate) is payable to the IRS, and in the final year when the bonds mature, whatever remaining arbitrage has not been paid to the IRS then becomes due. Due to the complexity of the calculation to figure the

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expense the County has had an outside attorney group perform the calculation each year.

In budgeting for this year's arbitrage, which was the final year for the 1996 COPs, and taking into consideration current market conditions the Auditor's office did not anticipate such a large expense.

**FISCAL IMPACT/FINANCING:**

The Building Debt Service Fund has unanticipated interest income of over \$300,000, so the unanticipated expense from the arbitrage will be covered by the revenue within the fund.

**LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:**

The County's five-year strategic plan includes an organizational performance initiative, which calls for effective communication, collaboration, and decision making at and between all levels of the organization. Ensuring that the budget accounts for potential expenses is a key factor in communicating to management the obligations of the County that are required to facilitate effective decision making.

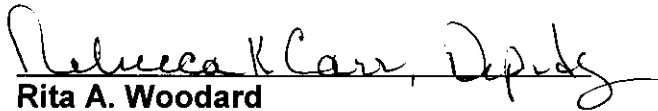
**ALTERNATIVES:**

Since the Board cannot legally allow a fund to expend more than the budget, there is no alternative. It is recommended the board take action and approve the attached agenda item.

**INVOLVEMENT OF OTHER DEPARTMENTS OR AGENCIES:**

Only Tulare County Auditor's Office.

**ADMINISTRATIVE SIGN-OFF:**



**Rita A. Woodard**

Auditor-Controller/Treasurer/Tax Collector

Cc: Auditor/Controller  
County Counsel  
County Administrative Office (3)



**BEFORE THE BOARD OF SUPERVISORS  
COUNTY OF TULARE, STATE OF CALIFORNIA**

IN THE MATTER OF UNANTICIPATED )  
ARBITRAGE EXPENSE FOR )  
BUILDING DEBT SERVICE FUND FOR) )  
FISCAL YEAR 2009/2010 )

RESOLUTION NO. \_\_\_\_\_

UPON MOTION OF SUPERVISOR \_\_\_\_\_, SECONDED BY  
SUPERVISOR \_\_\_\_\_, THE FOLLOWING WAS ADOPTED BY THE  
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD \_\_\_\_\_  
\_\_\_\_\_, BY THE FOLLOWING VOTE:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

ATTEST: JEAN M. ROUSSEAU  
COUNTY ADMINISTRATIVE OFFICER/  
CLERK, BOARD OF SUPERVISORS

BY: \_\_\_\_\_  
Deputy Clerk

\* \* \* \* \*

1. Approved the necessary budget adjustments per the attached AUD 308 (4/5 vote required), which cover the unanticipated arbitrage expense on the Building Debt Service Fund.