

CONSENT AGENDA ITEM NO. 4 & 5
MEETING DATE: SEPT. 18, 2023

SOUTH SANTA CLARA VALLEY
MEMORIAL DISTRICT

AGENDA REPORT

Date: Sept. 18, 2023

To: South Santa Clara Valley Memorial District Board of Directors

From: Christine West, Executive Director

Subject: **Approve Establishing Reserve for ERAF At-Risk Funds and Update Reserve Fund Policy to Reflect ERAF Funds**

RECOMMENDATION

Approve Establishing Reserve for ERAF At-Risk Funds and Update Reserve Fund Policy to Reflect ERAF Funds

DISCUSSION

In the 1990s state laws were enacted that called for the shift of some of the property tax revenue in certain counties from schools and community colleges to other local agencies. Santa Clara County is one of those counties. For historical reason, the shifted revenue is known as "Excess ERAF (Educational Revenue Augmentation Funds)". Recently, some of these counties were discovered to be calculating excess ERAF in ways that seem contrary to state law and shifted too much property tax revenue from schools to other agencies.

This has the potential to affect more than \$350 million in annual property tax revenue state wide. The Newsom administration is beginning to address these concerns and audits are currently underway.

To protect ourselves, the County of Santa Clara's Controller-Treasurer's Office is recommending establishing a reserve fund for the annual at-risk amounts on an ongoing basis and going back to the distribution in fiscal year. Originally, the county suggested an annual at-risk percentage of 30%. However, recent positive court rulings and audits, the county is now suggesting a 22% increase of the distribution. This percentage may fluctuate each year.

Following is the amount suggested.

| | |
|---------------------------------------|-----------------|
| FY20-21 Actual Distribution | \$8,421 |
| FY21-22 Actual Distribution | \$9,889 |
| FY22-23 Actual Distribution | \$9,586 |
| <u>FY23-24 Estimated Distribution</u> | <u>\$10,000</u> |
| Subtotal | \$37,896 |
| Estimated at-risk % | <u>22%</u> |

Estimated at-risk amount up to FY23-24 (Rounded to '000) **\$9,000**

Staff recommends adding this to the Reserve Fund Policy, which will now include

| Fund | Reserve Amount FY23-24 |
|---|-----------------------------------|
| Kitchen Improvement Funds (donations) | \$200,905 |
| Emergency Reserve Funds (50% equivalent to 6 months of the budgeted expenditures for the current fiscal year) | \$99,365 |
| ERAF At-Risk Percentage | <u>\$9,000</u> |
| Total Reserve | \$309,270 |