

Category: 200

Number: 222

Subject: **DELINQUENT TAX REVOLVING FUND POLICY**

1. PURPOSE: The purposes of this Policy are:

1.1 To formulate a written County policy for making planned annual transfers from the Saginaw County Delinquent Tax Revolving Fund (DTRF) into the General Fund while maintaining adequate reserves within the Delinquent Tax Revolving Fund, to assure prompt payment of all current and future outstanding General Obligation Limited Tax Notes as well as to assure the continuation of the DTRF.

1.2 To provide adequate cash flow within an Unpledged Note Reserve Account (UNRA) and to assure all outstanding notes, interest expense and other expenses are paid on a timely basis.

1.3 This Policy fully recognizes the proposition that unless adequate financial resources remain in the DTRF which are unpledged, it is impossible to predict with any certainty, whether it would be feasible for the County to enter the credit markets in order to borrow for future years. Only by maintenance of a reasonable cushion in the UNRA within the DTRF will it be feasible for the County to continue the DTRF.

2. AUTHORITY: Saginaw County Board of Commissioners.

3. APPLICATION: This policy applies to the Saginaw County Treasurer.

4. RESPONSIBILITY: It is the Saginaw County Treasurer's responsibility to implement this policy.

5. DEFINITIONS: NONE

6. POLICY:

6.1 Annual Mechanics

6.1.1 Each year after all the notes are paid off from a particular year's borrowing (usually from three years prior), or if self funding, after completion of foreclosures of a particular year's tax and the County Treasurer's Office has completed its internal audit of a particular year's 100% Tax Payment Fund (which audit must ascertain to the satisfaction of the Treasurer that the charge backs to be made against local units of government as well as other off setting entries have been made upon reasonable estimates), the entire current year General Fund appropriation for distribution (not to exceed available cash) shall be paid over to the General Fund by September 1st of that year based on amounts available as of August 31st of that year.

6.1.2 On or before August 31st of each year, the County Treasurer will determine whether there is available cash and investments on hand in the UNRA within the DTRF. In order to make this determination, the Treasurer will take into account the following:

6.1.2.1 The projected amount of indebtedness as of August 31st of that year with respect to outstanding General Obligation Limited Tax Notes.

6.1.2.2 The amounts that have been collected and are on hand in the form of cash and investments for the payment of such indebtedness, and current projections as to the collections which are expected to meet such debt payments.

6.1.2.3 Other factors which may affect the ability of the County to borrow in the current and future credit markets.

6.1.2.4 Current and projected future interest rates paid on debt outstanding, current and projected future interest rates on investments, feasibility of advancing funds for current and future borrowings and advisability of early retirement of outstanding debt.

6.1.2.5 Potential changes in the law authorizing the County to continue the DTRF or in the Federal Tax Laws which might have an impact on either the issuance of General Obligation Limited Tax Notes under Act 206 of P.A. 1893, as amended, or the maintenance of reserves.

6.1.3 Once the County Treasurer has determined the existence of available funds (or lack thereof) in the UNRA within the DTRF, the County Treasurer, on or before September 1st of each year shall recommend to the Board of Commissioners the minimum and maximum to be held in the UNRA, the minimum of which shall not be less than \$5,000,000 (five million dollars) including advances.

6.1.4 The actual transfer of cash from the UNRA, if any, within the DTRF to the County's General Fund will be made on or before September 1st of each year.

6.2 Transfers From the General Fund to Make Note Payments

6.2.1 Notwithstanding the existence of the various unpledged amounts maintained in the DTRF to ensure the continued stability of that fund and provide for continued accessibility to credit markets, the County Treasurer, without further action of the Board of Commissioners is authorized to

draw from the County's General Fund a cash advance which may be necessary to assure that the General Obligation Limited Tax Notes and interest thereon of the County are paid when due, after first drawing on the UNRA. The County Treasurer, however, must notify the Board of Commissioners at least 10 days before a draw occurs and also when the repayment is made to the General Fund.

6.3 Maintenance of Long-Term General Fund Advance and An Unpledged Note Reserve Account

6.3.1 In order to permit continued market access and to otherwise assure funds will be available for payment of outstanding Notes, there will be maintained within the DTRF a new account titled "Unpledged Note Reserve Account." There will be maintained within this account a minimum amount of \$5,000,000 (five million dollars) to insure adequate cash flow and liquidity to properly operate the DTRF.

7. ADMINISTRATIVE PROCEDURES:

7.1 Saginaw County Delinquent Tax Collection Cycle (Example)

7.1.1 The local Treasurer in July and December as applicable, sends property tax bills to the taxpayer. The taxpayer has until a certain date in order to pay these current bills. However, if the taxpayer does not pay the bill before March 1st of the succeeding year, the taxes will be returned delinquent to the County Treasurer. For example, in a township which issued a bill in December 2001, if the taxpayer does not pay before March 1, 2002, the taxes on that property are then returned delinquent to the County Treasurer.

7.1.2 All local Treasurers return delinquent property taxes to the County Treasurer on March 1, 2002. For example, Saginaw County Treasurer will receive approximately ten and one half million dollars in unpaid property taxes.

7.1.3 The County Treasurer reviews the taxes returned delinquent and summarizes those and issues approximately ten and one half million dollars in tax notes in the general financial markets. This happens sometime in May, 2002. The tax notes are to be paid off over a variable period dependent on County collections of delinquent property taxes. If the County Treasurer has adequate funding in the Delinquent Tax Revolving Fund, he may determine not to borrow and use existing funds.

7.1.4 After the County Treasurer sells the notes, the approximately ten and one half million dollars in cash is then paid to each of the local treasurers depending on their proportionate share of the delinquent taxes. This is done around June, 2002.

- 7.1.5 During 2002 the County Treasurer collects all delinquent taxes for 2001 and prior years carefully separating cash collections by tax year.
- 7.1.6 The County Treasurer uses these delinquent tax collections and interest earnings on investments to pay off the tax notes and interest expense which come due during 2002 or reimburses the Unpledged Note Reserve if he self funds.
- 7.1.7 The County Treasurer repeats the same process in 2003 with respect to the 2002 tax bills as indicated in Steps 7.1.5 and 7.1.6.
- 7.1.8 Again, the County Treasurer repeats the same process in 2004 with respect to collection of taxes and payments of notes as indicated in Steps 7.1.5 and 7.1.6.
- 7.1.9 Again, the County Treasurer repeats the same process as indicated in Steps 7.1.5 and 7.1.6 and makes the final payment on the 2002 note issuance in 2005.
- 7.1.10 The County Treasurer returns the available cash in the 2002 Delinquent Tax Fund to the General Fund on or before September 1, 2004.
- 7.1.11 The County Treasurer then collects the remaining unpaid 2001 taxes after September 1, 2004 and chargebacks to local units for uncollectible taxes. Adjustments are also made depending on the nature of the problem. Available cash in the 2002 Delinquent Tax Fund will be transferred to the Unpledged Note Reserve Account as of September 30th of each subsequent year.
- 7.1.12 The County Treasurer will eventually close the 2002 Delinquent Tax Fund when in his/her judgment he/she deems it appropriate.

- 8. CONTROLLER/CAO LEGAL COUNSEL REVIEW: The Controller/CAO has determined that this policy as submitted to the Board of Commissioners contains the necessary substance in order to carry out the purpose of the policy. County Civil Counsel has determined that this policy as submitted contains content that appears to be legal activities of the Saginaw County Board of Commissioners.

Approved as to Substance:
Saginaw County Controller/CAO

Approved as to Legal Content:
Saginaw County Civil Counsel

ADOPTED: November 23, 1999
AMENDED: August 13, 2002; August 21, 2007