

PLUMAS COUNTY SPECIAL DISTRICT LOAN POLICY AND PROCEDURAL GUIDELINES FOR LOAN APPLICATIONS

General:

- Applicants shall attempt to secure a loan with at least two other lending institutions prior to approaching the County.
Rationale: Loans from the County should be granted as a last resort. County loans requested for the purpose of obtaining a lower interest rate are discouraged.
- Loans shall not exceed an amount equal to 75% of the district's property tax revenue from the prior fiscal year.
- Security shall be required for all loans. This includes security in the form of tangible assets, such as property, and the district's future property tax allocation. The district shall make a pledge of collateral as authorized by Govt. Code § 5450, et. seq.
- Loans shall be limited to terms of six months or less.
Rationale: This prevents county funds from being encumbered for long periods of time.

- Prior to presentation to the Board, the Treasurer/Tax Collector will verify that the County has ample cash on hand.

Rationale: No loans shall be made if the County has inadequate cash reserves. In addition, from June to October, the County generally will not make loans in large amounts due to the fact that the County has less cash on hand during these months.

- If required by law, loans shall be given at the same rate as earned on County's funds. If not required by law, the interest rate shall be set at one-half percent lower than the prime interest rate.
- The loan application/request shall be accompanied by a resolution from the District's Board requesting the loan or authorizing staff to proceed with the loan request.

Loan Application Procedure:

- Applicant shall present a request for a loan to the County Administrative Office at least one month prior to the need to receive funds.
- The loan request shall describe the need for funding, the current financial obligations of the district, and the identified revenue source for loan repayment. The application shall also contain three years audited financial statements, copies of two other loan applications, and the reasons why such applications were rejected.
- If loan is recommended by Debt Advisory Committee, County Counsel shall review/create loan document prior to matter being set for the Board's agenda. The contract shall state that upon default, repayment shall occur from the entity's property tax allocation and the security guaranteeing the loan, that repayment shall have priority over all other obligations of the district's property tax apportionment, and that the entity agrees to pay all costs that may result from the County's efforts in obtaining full payment, including attorney's fees.
- The Board shall be presented with loan application after the request has been reviewed by Debt Advisory Committee and the loan document has been approved by County Counsel.

APPROVED BY BOS ON 7/12/2005