



Board Agenda Item 9

DATE: September 27, 2016

TO: Board of Supervisors

FROM: Steven E. White, Director
Department of Public Works and Planning

SUBJECT: Resolution that Establishes a Policy for Cash-Flow Loans to County Service Areas and County Waterworks Districts to Facilitate Access to State and Federal Grants and Low-Interest Loans

RECOMMENDED ACTIONS:

Adopt Resolution which establishes the County of Fresno Policy for Cash-Flow Loans to County Service Areas and County Waterworks Districts to Facilitate Access to State and Federal Grants and Low-Interest Loans.

The recommended action establishes a policy by which the Board can lawfully provide cash-flow loans to the funds of County Service Areas (CSAs) and Waterworks Districts (WWDs) for water and wastewater improvement projects that have been awarded state or federal grants or low-interest loans. Such state or federal grants or loans may come from a variety of agencies such as the State Water Resources Control Board, the California Department of Public Health, and the United States Department of Agriculture. The recommended Resolution and policy is intended to comply with County Service Area Law at Government Code section 25214.4 and County Waterworks Districts Law at Water Code sections 55503 through 55503.6.

ALTERNATIVE ACTION(s):

An alternative action for the Board is to not establish a loan policy for cash-flow loans to funds of CSAs and WWDs for water and wastewater improvement projects that have been awarded grants or low-interest loans by state or federal agencies. Because these grants and low-interest loans pay reimbursement claims in arrears, these CSAs and WWDs would continue to carry negative cash balances until the reimbursement claims are paid. These negative cash balances may span over multiple fiscal years.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended action. The costs associated with the development of this item are funded through the districts that receive revenues through fees and assessments charged to water and wastewater customers. If the recommended action is approved, then staff would return to the Board with separate resolutions and loan requests for each CSA and WWD that requires a cash-flow loan. These separate Board items will abide by the adopted Resolution and cash-flow loan policy.

DISCUSSION:

There are currently several Fresno County CSAs and WWDs with water or wastewater system infrastructure issues which require large capital improvement projects. The infrastructure issues can result in violations of state regulations, federal regulations, or both. State and federal agencies have programs which help fund the correction of these violations through the necessary capital improvement projects. These funds are awarded to local agencies through either grants or low-interest loans. Currently, the County has funding agreements for

three CSAs and one WWD for either a grant or low-interest loan from these funding programs for a necessary project. These are: County Service Area 32 - Cantua Creek (CSA 32), County Service Area 44D - Monte Verdi (CSA 44D), County Service Area 49 - O'Neil Farming (CSA 49), and Waterworks District 40 - Shaver Springs (WWD 40) (maps of each CSA and WWD attached as Exhibit A-D).

The state and federal funding programs require that project expenses be paid in advance by the recipient and reimbursement for those costs be disbursed in arrears. Under state law, the County General Fund cannot be used to subsidize expenditures for CSAs or WWDs. Some of the CSAs and WWDs whose projects would ordinarily require funding through these programs do not have reserves available to fund the project-related expenses in advance of reimbursement claims.

The Auditor's Office recently made a determination that funds of CSAs and WWDs may not carry a negative cash balance, or deficit in operating funds, to facilitate the advance of project-related expenses. Instead, such advances need to be formalized through Board approval. Due to this determination, staff presented the CSA and WWD project-related funding issues to the Debt Advisory Committee (DAC) on July 15, 2016. The DAC directed staff to develop a formal policy that allows the Board to lawfully make loans to these CSAs and WWDs from the General Fund.

The recommended policy establishes a process for the Board to make cash-flow loans to the funds of CSAs and WWDs for the sole purpose of paying for eligible project-related costs in advance. Those loans would be repaid when reimbursement claims are received through state or federal grant or loan programs.

The recommended policy includes eligibility requirements for cash-flow loans; procedures for issuance, disbursement, and repayment; and annual reporting requirements.

Eligibility requirements include the existence of a project, the establishment of a state or federal grant or loan, a cash-flow analysis by the Auditor, and a determination that the funds of the CSA or WWD (including projected state or federal reimbursements) will be sufficient to repay the loan. For WWDs, the loan may not exceed 85 percent of the expected revenue for the WWD in the fiscal year in which the loan is made, or in the next fiscal year.

Issuance procedures require each loan to be approved separately by the Board. Disbursement procedures provide that expenditures must be reimbursable under the applicable state or federal grant or loan program. Disbursements of cash-flow loans may be made in a single lump sum, or drawn down as project expenditures arise, as provided in the Board resolution issuing the loan.

For repayment, WWDs must pay interest not to exceed the County's pool rate, as provided by state law. For CSAs the Board may choose not to charge interest and provide for that in its resolution issuing the loan.

For a qualified loan to a CSA that are approved by a three-fifths vote of the Board, the repayment period of the loan is the end of the fiscal year in which the loan is issued. For a qualified loan to a CSA that is approved by a four-fifths vote of the Board, and the issuing resolution included a finding that project expenditures are likely to be incurred within 90 to 120 days before the end of a fiscal year so that assistance program reimbursements are not likely to be received until the next fiscal year, then the repayment period of the loan is three years from the end of the fiscal year in which the loan is issued.

For WWDs, each loan must be repaid within 30 days after the last state or federal reimbursement, and in no case later than 10 years after the loan was made, as provided by state law.

Each year while any cash-flow loans are outstanding, the Department of Public Works and Planning will report on the status of the program, including statistical information. That report will be included in the CSA and WWD budget presentation, which usually occurs in June of each year.

The policy itself does not disburse loans to the funds of CSAs and WWDs. Staff will return to the Board for each CSA and WWD that requires a cash-flow loan and meets the minimum requirements as described in the policy.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A-D
On File with Clerk - Resolution

CAO ANALYST:

John Hays