



Board Agenda Item 7

DATE: February 7, 2017

TO: Board of Supervisors

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

SUBJECT: Resolution for Establishment of a County Service Area Revolving Fund under California Government Code § 25214.5

RECOMMENDED ACTIONS:

- A. Adopt Resolution which establishes the “County Service Area Revolving Fund” under California Government Code § 25214.5 and establishes a policy for use of the revolving fund, including eligibility criteria and repayment requirements. (\$600,000)**
- B. Adopt Resolution increasing the FY 2016-17 Committed Fund Balance in the General Fund in the amount of \$600,000 for County Service Area Revolving Fund and decreasing the Unassigned Fund Balance in the General Fund in the amount of \$600,000.**

The recommended action would establish a County Service Area Revolving Fund (Revolving Fund) under Government Code § 25214.5 in the amount of \$600,000 as well as a policy that establishes eligibility criteria and repayment requirements. The Revolving Fund would give the Board a legal mechanism to provide temporary financial assistance to County Service Areas (CSAs) that have or are projected to have short-term financial deficits and have approved a lawful revenue stream that would allow the CSA to repay any borrowed funds within ten years from the disbursement date.

ALTERNATIVE ACTION(s):

As an alternative action the Board may direct staff to return with a different policy document.

Another alternative action for the Board is the denial of the proposed establishment of a Revolving Fund and accompanying policy. The Board would need to direct staff to reduce or terminate services for CSAs with a financial deficit.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended actions as the Unassigned Fund Balance in the General Fund is only being committed. Approval of the second recommend action will increase the FY 2016-17 Committed Fund Balance in the General Fund in the amount of \$600,000 to establish the CSA Revolving Fund using funds freed up from a decrease in the Unassigned Fund Balance in the General Fund in the amount of \$600,000. The first recommended resolution also requires that disbursements from the Revolving Fund must be repaid within ten years in accordance with the Government Code. If the recommended actions are approved, then staff would return to the Board with separate resolutions for each CSA that needs to draw funds from the CSA Revolving Fund. Those separate Board items would abide by criteria set forth by the recommended resolution and will have an increase to Net County Costs. The Net County Costs would be repaid by the CSA(s) participating in the CSA Revolving Fund with interest, as required by the recommended resolution. The interest

rate paid by the CSAs may not exceed the rate that the County earns on its Treasury Pool.

DISCUSSION:

The County operates and maintains facilities and administers services in 37 CSAs. Of these, staff has estimated a projected financial deficit of \$270,000 by the end of FY 2016-17. Due to those projected deficits, staff recommends that the CSA Revolving Fund be established for use by CSAs in accordance with the Government Code and in accordance with the Policy established with the resolution in the first recommended action.

Due to the estimated financial deficits, staff presented the recommended action to the Debt Advisory Committee (DAC) during several DAC meetings. During these presentations, staff explained the various requirements under the Government Code to establish a Revolving Fund, which includes the adoption of an establishing resolution and policy which details the criteria under which CSAs are allowed to draw loans from the Revolving Fund, and how those loans must be repaid. At the July 15, 2016 DAC meeting, the DAC directed staff to develop a policy in consultation between the Department of Public Works and Planning, the Auditor-Controller/Treasurer-Tax Collector, and the Administrative Office, and to bring the item to the Board for consideration and adoption.

The recommended resolution adheres to the criteria in the Government Code under which the Board can lawfully establish a Revolving Fund. The recommended resolution identifies the purposes for which the Revolving Fund may be accessed and establishes eligibility criteria for participation in the Revolving Fund, as well as requirements for repayment of loans. Loans from the CSA Revolving Fund would be made by separate Board resolutions on later dates. Each loan resolution would identify the purpose of the loan, state the basis for a reasonable expectation that CSA funds will be available for repayment within the statutory period (or a shorter period as determined by the Board), authorize disbursements, and set the rate of interest for the loan, which may not exceed the rate that the County earns on its Treasury Pool.

The recommended resolution would establish a \$600,000 CSA Revolving Fund with the following features: CSAs would only be allowed to access funds from the CSA Revolving Fund if they have approved revenues (such as an assessment, fee, or special tax) that are sufficient to repay the requested loan from the CSA Revolving Fund no later than ten years after the loan is made and stabilize the CSA's cash reserve balance no later than five years after the loan is repaid. The recommended resolution allows for the borrowed funds be paid back within ten years, at the latest, after accessing the funds, in accordance with the Government Code. The recommended resolution would also establish that the interest rate to be charged to the funds accessed by the CSAs must be equal to the County of Fresno Treasury interest rate, which is calculated quarterly. The recommended resolution also establishes procedures for the repayment period, limits the circumstances when the Board may waive repayment, and requires staff to report annually to the Board regarding the CSA Revolving Fund program.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Resolution
On file with Clerk - Budget Resolution

CAO ANALYST:

John Hays