

**A Resolution of the Board of Supervisors for the County of Fresno Establishing a
County Service Area Revolving Fund and Establishing a Policy for Use of the
County Service Area Revolving Fund**

WHEREAS, the County of Fresno (County) administers a variety of County Service Areas (CSAs) in unincorporated areas to provide governmental services and facilities that the County does not provide to the same extent countywide, including water and wastewater service, road maintenance, snow plowing, street lighting, public landscaping, structural fire protection, and other authorized services and facilities;

WHEREAS, the Board has affirmed a policy that certain CSAs administered by the County (specifically, CSAs where the County provides structural fire protection, refuse collection, landscaping, park maintenance, road maintenance, street lighting, or water and sewer service) should maintain a minimum cash reserve,¹ and other CSAs not covered by that policy also generally maintain cash reserves, so that money is available to pay charges for contractual obligations, utility fees, operations and maintenance costs, County staff time, and other lawful expenses as they arise, whether ordinary or extraordinary, even if revenues are not yet received;

WHEREAS, Proposition 218² limits the ability of the County to increase revenues for CSAs if the property owners disapprove them through a majority protest proceeding;

WHEREAS, for a variety of reasons, including large extraordinary expenses, increased ordinary expenses, insufficient revenues approved by property owners, or a combination of those things, lawful expenses of individual CSAs sometimes exceed lawful revenues of those CSAs over a period of months or years, which depletes cash reserves and limits the County's ability to timely pay charges on behalf of those CSAs for lawful expenses; and

WHEREAS, in limited circumstances, reducing services to avoid further charges for lawful expenses is not feasible, even when a CSA's cash reserves are fully depleted;

WHEREAS, the law requires CSAs to be financially self-supporting;

WHEREAS, governmental accounting standards likewise require the County to establish and maintain internal controls over revenues, liabilities, and expenditures of CSAs as separate, self-supporting accounting units;

WHEREAS, the County Service Area Law, at Government Code section 25214.5, subdivision (a), provides the terms on which the Board of Supervisors (Board) may establish a revolving fund for use by CSAs, which terms include: (1) that the Board may appropriate up to two million dollars (\$2,000,000) from any available funds of the County to a revolving fund to be used by CSAs for the acquisition or improvement of

¹ "Policy Establishing Minimum Reserve Levels for Special Districts," Board Agenda Item No. 16, November 7, 2006; "Policy on Minimum Reserve Levels for Board of Supervisors Governed Special Districts," Board Agenda Item No. 12, November 10, 2009.

² Cal. Const., arts. XIII C and XIII D.

real or personal property, environmental studies, fiscal analyses, engineering services, supplies, or any other lawful expenses; and (2) that the revolving fund shall be reimbursed within 10 years from the date of the disbursement at a rate of interest, if any, that the Board shall determine, provided that the interest rate shall not exceed the rate of interest that the County earns on its temporarily idle funds;

WHEREAS, the Board wishes to establish a way for CSAs whose cash reserves are temporarily depleted to borrow for short periods from the County General Fund to timely pay charges for lawful expenses, provided that borrowing is only allowed in limited circumstances where, in the determination of the Board: (1) a CSA's cash reserves are completely or nearly completely depleted; (2) the CSA has revenues approved in compliance with Proposition 218 that are projected to be sufficient to repay the disbursement within a reasonably short period and to cover ordinary operations and maintenance during the same period; (3) if the County's minimum cash reserve policy applies, the CSA is projected to be in compliance within five years after the disbursement is fully repaid; and (4) service reductions are not feasible (for example, water and sewer services); and

WHEREAS, the Board, for those reasons, wishes to establish a CSA revolving fund, as well as a policy for the use of that revolving fund, to enable the County to comply with the provisions of the county Service Area Law, and with applicable governmental accounting standards.

NOW, THEREFORE, THE BOARD HEREBY RESOLVES, FINDS, AND ORDERS AS FOLLOWS:

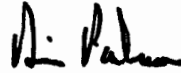
1. **Recitals.** All of the recitals above are true and correct.
2. **Establishment of Revolving Fund.** The Board hereby establishes the County Service Area Revolving Fund, to be initially funded in the amount of \$600,000 by separate resolution.
3. **Establishment of Policy for Use of Revolving Fund.** The Board hereby adopts the "County of Fresno Policy for Use of the County Service Area Revolving Fund" that is attached as Exhibit A to this resolution. The County Service Area Revolving Fund may only be used as provided by that policy.
4. **Effective Date.** This resolution is effective immediately upon its adoption.

The foregoing resolution was adopted by the Board of Supervisors of the County of Fresno on February 7, 2017, by the following vote:

AYES: Supervisors Borgeas, Magsig, Mendes, Pacheco, Quintero

NOES: None

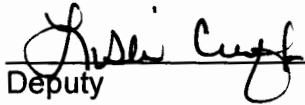
ABSENT: None



Brian Pacheco
Chairman, Board of Supervisors

Attest:

Bernice E. Seidel
CLERK TO THE BOARD OF SUPERVISORS



Deputy

Exhibit A

County of Fresno Policy for Use of the County Service Area Revolving Fund

Adopted February 7, 2017

1. **Purpose.** The purpose of the County Service Area Revolving Fund is to provide a way for County Service Areas whose cash reserves are temporarily depleted to borrow for short periods from the County General Fund to timely pay charges for lawful expenses. This policy identifies the purposes for which the County Service Area Revolving Fund may be accessed, the eligibility requirements for accessing that revolving fund, the procedure for determining the interest rate on disbursements from that revolving fund, and the procedures for repayment of those disbursements.

This policy is intended to function only as a temporary bridge to long-term sustainability of CSA funds and is not intended as a substitute for each CSA maintaining an adequate cash reserve balance.

2. **Background.** The County administers a variety of County Service Areas (CSAs) in unincorporated areas to provide general governmental services and facilities that the County does not provide to the same extent countywide. Those services and facilities include water and wastewater service, road maintenance, snow plowing, street lighting, public landscaping, structural fire protection, and other authorized services and facilities.

The Board has affirmed a policy that certain CSAs administered by the County (specifically, CSAs where the County provides structural fire protection, refuse collection, landscaping, park maintenance, road maintenance, street lighting, or water and sewer service) should maintain a minimum cash reserve, and other CSAs not covered by that policy also generally maintain cash reserves, so that money is available to pay charges for contractual obligations, utility fees, operations and maintenance costs, County staff time, and other lawful expenses as they arise, whether ordinary or extraordinary, even if revenues are not yet received.

For a variety of reasons, lawful expenses of individual CSAs sometimes exceed lawful revenues of those CSAs over a period of months or years. Those reasons include large extraordinary expenses, increased ordinary expenses, insufficient revenues approved by property owners under Proposition 218, or a combination of those things. Occasionally, expenses exceed revenues to the extent that cash reserves are depleted. That limits the County's ability to timely pay on behalf of affected CSAs charges for lawful expenses. In further limited circumstances, reducing services to avoid further charges for lawful CSA expenses is not feasible, even when a CSA's cash reserves are fully depleted.

The law requires CSAs to be financially self-supporting, and generally prohibits the County from using County General Fund monies for CSA purposes without formalizing a loan according to certain limitations (described in section 3 below). In addition, governmental accounting standards require the County to establish and maintain internal controls over revenues, liabilities, and expenditures of CSAs as separate, self-supporting accounting units. Any method of enabling CSAs to cover

expenditures before revenue is received by loaning money from the County General Fund must comply with all of those limitations. This policy is intended to provide such a method in limited circumstances (described in section 5 below).

- 3. Authorities.** The County Service Area Law³ provides the terms on which the Board of Supervisors (Board) may establish a revolving fund for use by CSAs. Those terms include: (1) that the Board may appropriate up to two million dollars (\$2,000,000) from any available funds of the County to a revolving fund to be used by CSAs for the acquisition or improvement of real or personal property, environmental studies, fiscal analyses, engineering services, supplies, or any other lawful expenses; and (2) that the revolving fund shall be reimbursed within 10 years from the date of the disbursement at a rate of interest, if any, that the Board shall determine, provided that the interest rate shall not exceed the rate of interest that the County earns on its temporarily idle funds.⁴
- 4. Definitions.** For purposes of this policy:
 - a. “Auditor” means the Fresno County Auditor-Controller/Treasurer-Tax Collector.
 - b. “CSA” means a County Service Area or a County Service Area zone in Fresno County.
 - c. “Department” means the Fresno County Department of Public Works and Planning.
 - d. “Minimum cash reserve policy” means the policy established by the Board on November 7, 2006, Board Agenda Item No. 16, and reaffirmed by the Board on November 10, 2009, Board Agenda Item No. 12, which applies to CSAs where the County provides structural fire protection, street lighting, or water and sewer service.
 - e. “Projected” means the funds of a CSA that is based on a cash flow analysis that is prepared by the Department and reviewed by the Auditor, in which the Auditor concurs in writing.
 - f. “Property owner” means a person with record ownership of real property within a CSA, or a tenant of real property within a CSA who is directly liable to pay a fee, benefit assessment, or special tax imposed by the County for CSA purposes.
 - g. “Revolving fund” means the County Service Area Revolving Fund initially established by the Board by resolution on February 7, 2017, in the amount of \$600,000, or the amount not exceeding the statutory maximum, if later changed by the Board.

³ Government Code, Title 3, Division 2, Part 2, Chapter 2.5 (beginning with § 25210).

⁴ Government Code, § 25214.5.

- 5. Eligibility.** The funds of a CSA are eligible to receive disbursement from the revolving fund if the Board finds that all of the applicable requirements in this section are satisfied with respect to the CSA. Projections required by this section must be based on a cash flow analysis that is prepared by the Department and reviewed by the Auditor, in which the Auditor concurs in writing. Written approvals and concurrences of the Auditor as required by this section may be combined into one writing for each CSA for which a revolving fund disbursement is requested. For each revolving fund disbursement, all of the following requirements must be satisfied:
- a. Available funds.** The Auditor must certify in writing that the committed fund balance and the related cash are available in the revolving fund that are sufficient to make the requested disbursement.
 - b. Depleted reserves.** The Department must certify in writing that the CSA's cash reserves are completely depleted, or projected to be depleted before the next revenue will be received.
 - c. Sufficient revenues.** In a proceeding compliant with Proposition 218 and all other applicable laws that was completed before the request for revolving fund disbursement, the CSA property owners must have approved revenues (such as fees, benefit assessments, special taxes, or a combination of any or all of those methods) that are projected to be sufficient to:
 - i. Repay the revolving fund disbursement within a reasonably short period given the particular circumstances of the CSA, in any case not exceeding 10 years;
 - ii. Fund ordinary operations, maintenance, and administration during the same period; and
 - iii. If the minimum cash reserve policy applies to the CSA, within five years after the disbursement is fully repaid, establish cash reserves in compliance with that policy.
 - d. Service reductions.** Based on the particular circumstances of the CSA, the Board must find that service reductions to reduce costs (in addition to any such reductions that have already been made) are not feasible.
 - e. Outstanding prior disbursements.** There must be no outstanding prior revolving fund disbursements to the funds of the CSA.
 - f. Property owner notification.** Not less than 60 days before presenting its request to the Board for revolving fund disbursement, Department staff must notify the CSA's property owners in writing by United States Mail that the revolving fund disbursement will be requested. The written notification must include:
 - i. An explanation of the reason for the revolving fund disbursement request, including a copy of the cash flow analysis required under section 5.b. and 6.c.

above, or a simplified version of that analysis, in the discretion of Department staff based on the needs of the particular CSA community;

- ii. A proposed repayment schedule;
 - iii. The date, time, and place of the Board meeting where the revolving fund disbursement will be requested;
 - iv. If the CSA has a Citizens Advisory Committee (CAC), a statement that the CAC may request a meeting with Department staff, or a public community meeting with Department staff, not less than 20 days before the Board meeting, to discuss the disbursement request.
 - v. **Property owner meeting.** Department staff must make reasonably diligent efforts to conduct a meeting if one is requested under section 5.f.iv. above. Despite such efforts, the failure to have such a meeting will not invalidate the County's authority to provide a disbursement to the affected CSA under this policy.
- 6. Disbursement.** Each disbursement from the revolving fund must be established by a separate Board resolution that includes the eligibility findings and repayment terms required by this policy.
- 7. Repayment.** Each disbursement from the revolving fund shall have repayment requirements that comply with this section. For each disbursement, the following repayment requirements shall apply:
- a. The Auditor shall inform the Department of the rate of return on the County's Treasury Pool promptly after it is determined quarterly.
 - b. The Department shall adhere as closely as practicable to the proposed repayment schedule, to minimize the interest payable by the CSA.
 - c. Before submitting each payment, the Department shall obtain from the Auditor a written confirmation of the payment amount with interest.
 - d. Immediately upon full repayment of each disbursement, the Auditor shall provide to the Department written confirmation of full repayment.
- 8. Waiver of repayment.** If not less than one year after a disbursement the Board finds that, due to extraordinary circumstances, repayment of a disbursement from the revolving fund will result in an economic or fiscal hardship to the property owners or residents of the CSA, the Board may, by a four-fifths vote, waive repayment in whole or in part.

- 9. Reporting.** When the Department presents the CSA budgets to the Board each fiscal year, usually in June, the Department's report to the Board shall include a section with the following information:
- a.** A statement of the amount of each revolving fund disbursement that was made in the preceding fiscal year (or in the current fiscal year, if the CSA budgets are presented to the Board in June), identified by CSA, and the total amount of all such revolving fund disbursements;
 - b.** A statement of the amount of principal paid on each revolving fund disbursement in the preceding fiscal year, identified by CSA, and the total amount of all such repayments;
 - c.** A statement of the amount of interest paid on each revolving fund disbursement in the preceding fiscal year, identified by CSA, and the total amount of all such interest payments;
 - d.** A statement of the amount of principal and interest remaining unpaid on each revolving fund disbursement that was made in the preceding fiscal year, identified by CSA, and the total amount of all such amounts remaining unpaid;
 - e.** A brief description of the financial status of each CSA for which a revolving fund disbursement was outstanding in the preceding fiscal year; and
 - f.** A statement of amount that is undisbursed in the revolving fund, and available for disbursement to eligible CSAs as provided by this policy.
- 10. Amendment.** This policy may only be amended or repealed by resolution of the Board.