

DEPARTMENT: Public Works

By: Bruce A. Atkinson

Phone: 966-5356

**RECOMMENDED ACTION AND JUSTIFICATION:** (Policy Item: Yes X No \_\_\_)

Discussion and direction regarding a Resolution to establish a revolving fund, pursuant to §25210.9c, Article 1, Chapter 2.2 (County Service Areas), Part 2, Division 2, of Title 3 of Government Code, for the purpose of financing costs associated with zones of benefit within Countywide County Service Area No. 1; in particular with regard to financing improvements in the Broncho Hollow Lane Road Maintenance Zone of Benefit.

Since insufficient funds are available at this time, it is not recommended that this mechanism be used for Broncho Hollow Lane Road Maintenance Zone of Benefit. Rather, it is recommended that the Board consider financing these improvements with a loan from the County General Fund, as was done for the Midpines Fire Equipment Zone of Benefit.

Further, the Board of Supervisors should direct staff to bring the `revolving fund` proposal back for funding in next year's budget process.

**BACKGROUND AND HISTORY OF BOARD ACTIONS:**

Under current County policy, the formation of a zone of benefit is allowed through either an application filed by a project proponent, a petition by a group of interested property owners, or by a Resolution of the Board of Supervisors. Under most circumstances, improvement costs, processing costs, filing fees, and a deposit of the first two years' annual maintenance is required prior to completion. These costs can be an undue burden on many taxpayers. A revolving fund could offset some of these initial costs and provide a mechanism for the County to disburse and collect loaned moneys; however, adequate funds must be available to the Board. See attached Staff Report for additional information.

**LIST ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:**

1. Continue to review requests for funding of zone of benefit costs on a case-by-case basis.
2. Establish a revolving fund and identify funding source and amount.
2. Adopt an alternative resolution providing guidance for other mechanisms to fund the costs associated with zone of benefit formation.

COSTS: ( ) Not Applicable

A.	Budgeted current FY>	\$	<u>0.00</u>
B.	Total anticipated Costs>	\$	<u>76,000.00</u>
C.	Required additional funding>	\$	<u>76,000.00</u>
D.	Internal transfers>	\$	<u>          </u>

COSTS: (XX) 4/5th Vote Required

A.	Unanticipated revenues>	\$	<u>          </u>
B.	Reserve for contingencies>	\$	<u>          </u>
C.	Source description: > *General Fund Loan		<u>          </u>

Balance in Reserve Contingencies, If Approved:  
\$           

**SPECIAL INSTRUCTIONS:**

List the attachments and number the pages consecutively:

1. Staff Report

2. Resolution Establishing Revolving Fund (Example)

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CLERK'S USE ONLY

Res. No.: 95-452 Ord. No.: \_\_\_\_\_

Vote - Ayes: 5 Noes: \_\_\_\_\_

Absent: \_\_\_\_\_ Abstained: \_\_\_\_\_

Approved  Denied

Minute Order Attached  No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office

Date: \_\_\_\_\_

ATTEST: \_\_\_\_\_

MARGIE WILLIAMS, Clerk of the Board

By: \_\_\_\_\_

Deputy

ADMINISTRATIVE OFFICER'S RECOMMENDATION:

This item on agenda as:

- \_\_\_\_\_ Recommended
- \_\_\_\_\_ Not Recommended
- \_\_\_\_\_ For Policy Determination
- \_\_\_\_\_ Submitted for Comment
- \_\_\_\_\_ Returned for Further Action

Comment: \_\_\_\_\_

A.O. Initials: \_\_\_\_\_

MARIPOSA COUNTY BOARD OF SUPERVISORS

MINUTE ORDER

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TO: MIKE EDWARDS, Public Works Director

FROM: MARGIE WILLIAMS, Clerk of the Board *MW*

SUBJECT: Establishment of a Revolving Fund for Purposes of Financing Costs Associated with Zones of Benefit within Countywide County Service Area Number 1, and with Regards to Financing Improvements for the Proposed Broncho Hollow Lane Road Zone of Benefit; Res. 95-452

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THE BOARD OF SUPERVISORS OF MARIPOSA COUNTY, CALIFORNIA,

ADOPTED THIS Order on October 17, 1995

ACTION AND VOTE:

11:00 a.m. Mike Edwards, Public Works Director;

B) Discussion and Direction Regarding Establishment of a Revolving Fund, Pursuant to Section 25210.9c, Article 1, Chapter 2.2 (County Service Areas), Part 2, Division 2 of Title 3 of Government Code, for the Purpose of Financing Costs Associated with Zones of Benefit within Countywide County Service Area Number 1, in Particular with Regard to Financing Improvements for the Proposed Broncho Hollow Zone of Benefit (4/5ths Vote Required if Revolving Fund is Established)

BOARD ACTION: Mike Edwards reviewed recommendation. Dave Tucker/PWD-Senior Civil Engineer, provided input. Discussion was held on the options. Supervisor Parker requested that if some other funding mechanism becomes available, that it be used for this project; and requested that staff continue to investigate other funding mechanisms. (M)Taber, (S)Reilly, Res. 95-452 adopted approving recommendation to consider financing improvements with a loan from the County General Fund/Ayes: Unanimous.

cc: Jeffrey G. Green, County Counsel  
Ken Hawkins, Auditor  
Mike Coffield, County Administrative Officer

**AGENDA TITLE:**

Discussion and Direction regarding a Resolution to Establish a Revolving Fund, Pursuant to §25210.9c, Article 1, Chapter 2.2 (County Service Areas), Part 2, Division 2, of Title 3 of Government Code, for the purpose of financing costs associated with Zones of Benefit within Countywide County Service Area No. 1; in Particular with Regard to Financing Improvements in the Broncho Hollow Lane Road Maintenance Zone of Benefit.

**RECOMMENDATION:**

Staff recommends that the Board continue to review all applications and requests for such funds, individually, and if approved, advance funds from the County General Fund, as was done by the Board for the Midpines Fire Equipment Zone of Benefit. Staff does not recommend that a revolving fund, pursuant to §25210.9.c., Article 1, Chapter 2.2 (County Service Areas), Part 2, Division 2, of Title 3 of Government Code, for the purpose of financing costs associated with zones of benefit within Countywide County Service Area No. 1, be established at this time, due to unavailability of funds at the present time. With regard to the Broncho Hollow Lane Road Maintenance Zone of Benefit, staff recommends that the Board consider advancing the funds for the capital improvements from the County General Fund in the form of a loan. This decision can be postponed, if necessary, until the October 24, 1995 public hearing.

Staff further recommends that the Board direct that the process to establish a revolving fund for these purposes be presented again during next year's budget process, hopefully utilizing available one-time funds.

**BACKGROUND:**

The zone of benefit program was established in 1988 in Mariposa County, pursuant to Chapter 2.2 (County Service Areas), Part 2, Division 2, of Title 3 of Government Code, with the adoption of Resolution 88-379, establishing Countywide County Service Area No. 1. The Board resolved that the Countywide County Service Area should "*focus on benefiting those areas with critical need which have found themselves without an adequate mechanism for dealing with identified health and safety concerns... .*" Subsequent adoption of Resolution 88-571, established procedures for the formation of zones of benefit within Countywide County Service Area No. 1, to provide needed services with a minimum amount of administrative overhead and delay. More recently, the Board adopted Resolution No. 90-140, which amended the procedures for formation of a zone of benefit to provide or extend services within Countywide County Service Area No. 1. The state and county requirements and procedures for zone formation are expensive. In order to make the zone program feasible for many groups, county financial assistance is needed for all but development-driven applications.

To date, only one non-development-driven zone of benefit has been formed, the Midpines Fire Equipment Zone of Benefit. In that case, the Board waived most of the costs associated with processing the application, and advanced from the County General Fund,

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the moneys necessary for the improvements provided for in that Midpines Fire Equipment Zone of Benefit formation.

On February 28, 1995, and on March 21, 1995, the Board of Supervisors adopted separate resolutions, providing initial funding and direction to the Department of Public Works to process zone of benefit applications for two different groups of Mariposa County property owners. In both of these cases (Fish Camp and the Broncho Hollow area), the property owners had agreed to petition the Board to create zones of benefit and tax themselves for services not normally provided by the County. And, in both cases, the groups requested that the Board advance them the funds necessary to accomplish the goals of each zone (fire company improvements in Fish Camp and road improvements in the Broncho Hollow area). The property owners representing the Broncho Hollow area specifically requested that the Board of Supervisors, pursuant to Section 25210.9.c. of Government Code, establish a "*revolving fund*" to advance the funds necessary for their improvements (repairs).

On September 12, 1995, and again on September 19, 1995, the Board adopted separate Resolutions of Intention to form zones of benefit in Fish Camp and the Broncho Hollow area and scheduled public hearings on each matter. On September 19, 1995, when the Board adopted Resolution No. 95-416 stating their intention to form the Broncho Hollow Lane Road Maintenance Zone of Benefit, the Board also directed staff to return, prior to the related public hearing, on the matter of creating a revolving fund.

**STAFF DISCUSSION:**

On the direction of the Board, Public Works staff members met with the County Administrative Officer and the County Auditor to discuss the alternatives available, at this time. Three methods of financing the costs associated with zones of benefit were discussed: (1) loans from a revolving fund, established pursuant to Section 25210.9.c. of Government Code; (2) loans secured from outside agencies; and (3) loans from the General Fund.

**Loans from a Revolving Fund:**

Pursuant to Section 25210.9c. (Chapter 2.2, Part 2, Division 2, of Title 3) of Government Code, the Board of Supervisors may establish a "*revolving fund*" of up to one million dollars (\$1,000,000.00) "*from any of its available moneys ... for the acquisition of real or personal property, environmental impact studies, fiscal analysis, engineering services, salaries, wages, services, supplies, or the construction of structures or improvements needed in whole or in part to provide one or more extended services to a county service area located wholly within the county.*" Moneys disbursed to a service area (or a zone of benefit within a service area) must be reimbursed within a time period not exceeding ten years after disbursement, together with interest at the current rate per annum received on similar types of investments by the county as determined by the county treasurer. The primary objection to this option, at this time, is the County's inability to set aside an adequate amount of funds to seed a revolving fund.

Although County staff does not recommend establishment of a revolving fund at this time, the concept is one that should be pursued in the future. In counties that have established such a fund for county service areas (or zones of benefit), those funds have served as the stimulus to encourage property owners to form zones of benefit for desired services not provided by county funds. This could be particularly beneficial for Mariposa County's large system of substandard, public access/privately maintained roads.

**Loans from Outside Agencies:**

The Board of Supervisors could arrange loans on behalf of particular zones of benefit to fund processing costs and improvements from outside public and/or private agencies. It is likely that these arrangements would net loans with terms and conditions undesirable to many groups of private property owners. Interest rates would be higher than those charged if funds came from a general fund or revolving fund source, and in most cases, points would be charged, and much staff time expended, to set up the loans. In addition, payment schedules would need to be carefully designed, to account for the normal 15% delinquency factor, encountered on debts paid through the tax roll. In 1994, when the Broncho Hollow Lane committee first approached the Public Works Department concerning their proposed zone of benefit, staff worked with the Mariposa County Housing and Community Development Agency (HCD), in an attempt to set up such a loan program through the local banks. During discussions between the banks, County Counsel and HCD, many problems arose that could not be easily solved, particularly with regards to delinquency costs. During an October, 1994 administrative practice session with the Board of Supervisors on zones of benefit, this option was presented by staff and rejected by the Board.

**Loans from the General Fund:**

This method of funding zone of benefit costs was employed in the Midpines Fire Equipment Zone of Benefit. Once the zone was created, the Board advanced the funds necessary for the approved equipment purchases, and the zone's fund balance was placed in a deficit state. In the case of the Midpines zone of benefit, all advanced funds will be repaid with interest, prior to dissolving the zone. This method of funding is quite similar to the use of a revolving fund, without the formality of a specific fund being setup, and requiring the Board to review each request (for funds) on a case-by-case basis. Since this year's County budget does **not** have sufficient reserves to establish an adequate revolving fund, this mechanism allows the Board to evaluate the request for funds based on the merits and support shown for the project. In the case of the Broncho Hollow Lane Road Maintenance Zone of Benefit, the associated petition has shown an overwhelming support (76% of all property owners in favor; 81% of registered Mariposa County voters within the proposed area in favor) for the proposal. Additionally, staff has determined from the tax roll that the included parcels have a total assessed value of over \$3.8 million dollars, which should insure a secure investment in the future.