

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Public Works *MEM*

BOARD AGENDA # *B-2

Urgent Routine

AGENDA DATE August 11, 2009

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Authorize the Auditor-Controller to Establish a Revolving Fund in an Amount Not to Exceed \$50,000 to be Used by County Service Areas 16 through 26 During Temporary Periods of Negative Cash Flow

STAFF RECOMMENDATIONS:

1. Authorize the Auditor-Controller to establish a revolving fund, per Government Code section 25214.5, in an amount not to exceed \$50,000 to be used by County Service Areas (CSAs) 16 through 26 during temporary periods of negative cash flow.
2. Approve the interest rate to be charged for the use of revolving funds at the Stanislaus County's Treasury pooled rate.

FISCAL IMPACT:

The amount available, collectively, for CSAs 16 through 26 is not to exceed \$50,000. It is anticipated that the annual amount will be less than \$10,000. The CSAs will individually accrue interest expense at Stanislaus County's Treasury pooled rate.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2009-531

On motion of Supervisor Chiesa, Seconded by Supervisor Grover

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Grover, Monteith, and Chairman DeMartini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval to Authorize the Auditor-Controller to Establish a Revolving Fund in an Amount Not to Exceed \$50,000 to be Used by County Service Areas 16 through 26 During Temporary Periods of Negative Cash Flow

FISCAL IMPACT (Continued):

Government Code Section 25214.5 states: "The Board of Supervisors 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 county service areas for the acquisition or improvement of real or personal property, environmental studies, fiscal analyses, engineering services, supplies, or any other lawful expenses. 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 of Supervisors shall determine, provided that the interest rate shall not exceed the rate of interest that the county earns on its temporarily idle funds."

DISCUSSION:

Per Proposition 218, County Service Areas were formed to provide a funding mechanism for those services that are considered a special benefit to residents within said areas. Types of services include extended maintenance of the storm drainage system, and parks and streetscape maintenance. CSAs are under the governance of the Board of Supervisors.

CSAs are funded through annual property tax assessments. A formula, based on the cost of services provided, is used to determine the amount of the assessment for CSAs 16 through 26. Due to the timing of receipts, there is occasionally a temporary shortfall in revenue. The main reason for a shortfall is the six month lag time between the first of the fiscal year (July 1st) and the first assessment being received in December. For those CSAs where the formula is used to determine the assessment, the calculation has included some funding to create a reserve for this lag period. Although the cash balance may be negative prior to the annual assessments being received, the CSA cash balance at year end is positive. The requested revolving fund would be used to provide temporary funding during this lag period. For Fiscal Year 2009/2010 only one of the identified CSAs does not have adequate cash to fund the lag period.

More recently, the economic climate and the housing crisis have resulted in a large increase in unpaid property taxes and the corresponding assessments. This is especially problematic in the newer subdivisions where not all the homes were sold, and are still in the hands of a single, or a few entities. While the assessments will eventually be received, either by the homeowner bringing them current or through sale of the property, the immediate impact is a temporary shortfall in CSA funding. When the defaulted payments are received, the CSAs will receive not only the assessed amount but also the related interest and penalties. For Fiscal Year 2008/2009, one CSA had a negative cash balance (\$9,934) due to non-payment of assessments.

The requested revolving fund is to be used to address temporary funding shortfalls. As such, only those CSA's that have approved the use of a formula to set the annual assessment are included in this request. CSAs 4 through 14 have not approved the funding formula. In the absence of the formula, those CSAs have a greater risk of funding shortfalls unrelated to timing of revenues. Those funding issues will be addressed through either a Ballot measure, per Proposition 218, to increase the assessment or a reduction in services.

The requested action will ensure that funding is available to continue to maintain the infrastructure in place. It will also ensure that those homeowners who have paid their assessments will continue to receive the services that those assessments were intended for.

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POLICY ISSUES:

The Board should consider if the recommended actions are consistent with its priorities of providing a safe community, a healthy community and a well-planned infrastructure system. Government Code section 25214.5 grants authority to the Board to establish a revolving fund to be used by county service areas.

STAFFING IMPACT:

There are no staffing impacts associated with this item.

DH:lc

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