

DEPARTMENT: Public Works

By: Bruce A. Atkinson

Phone: 966-5356

RECOMMENDED ACTION AND JUSTIFICATION:

(Policy Item: Yes No)

Public Works recommends that the Board of Supervisors: adopt a Resolution (Attachment #1) to Establish a Revolving Loan Fund For Formation and Improvement Costs Associated with County Service Area Zones of Benefit; direct staff to work with County Counsel, the County Administrative Officer, and the County Auditor, to develop a practical process for fund disbursements, and to develop any additional policy or ordinance modifications necessary; and direct staff to advertise the loan program and contact any known citizens groups who may be interested.

This action implements the Board's prior decisions and budget action to appropriate \$1,000,000 for this purpose in the FY 98/99 budget.

Attachment #2 (Exhibit A) contains the recommended policies necessary to begin a viable program that will hopefully stimulate groups of citizens to seek funds for improvement and maintenance of their roads. These policies outline a fairly simple process to apply for funds. Additional clarifying policies will likely be necessary in the future, if the initial program is successful.

One of the issues that discourages most citizens groups from using the zone of benefit program is the upfront formation costs. An analysis of the typical formation costs is contained in Attachment #4. The proposed program allows these costs, plus improvement costs (such as paving) to be financed over a period of time (ten years maximum) at modest interest rates ("... the current rate per annum received on similar types of investments by the county as determined by the county auditor". §25210.9c California Government Code).

BACKGROUND AND HISTORY OF BOARD ACTIONS:

The Zone of Benefit program has been in place since 1988. Since its inception, almost all zones created have been developer generated, in part, due to the high costs associated with zone formation and needed upfront improvements. The Board has recently encouraged the use of a revolving loan fund to stimulate citizen applications for the zone of benefit program.

LIST ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

1. Do not adopt this resolution, and continue to require that most zone of benefit proposals be self-funded, except for specific cases, which will be reviewed on a case-by-case basis.

**MARIPOSA COUNTY
BOARD OF SUPERVISORS**

**AGENDA
ACTION FORM**

**AGENDA DATA: 05/11/99
AGENDA ITEM NO.:** _____

COSTS: () Not Applicable
A. Budgeted current FY> \$ 1,000,000
B. Total anticipated Costs> \$ 1,000,000
C. Required additional funding> \$ 0
D. Internal transfers> \$ _____

COSTS: () 4/5th Vote Required
A. Unanticipated revenues> \$ _____
B. Reserve for contingencies> \$ _____
C. Source description: > _____

Balance in Reserve Contingencies, If Approved:
\$ _____

SPECIAL INSTRUCTIONS:

List the attachments and number the pages consecutively:
1. Resolution to Establish Revolving Fund (2 pages)
2. Exhibit "A" Policies & Procedures (2 pages)
3. Staff Report (3 pages)

CLERK'S USE ONLY

Res. No.: 99-150 Ord. No.: _____
Vote - Ayes: _____ 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 with Comment
 Returned for Further Action

Comment: _____

C.A.O. Initials: 



COUNTY of MARIPOSA

P.O. Box 784, Mariposa, CA 95338 (209) 966-3222



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MARIPOSA COUNTY BOARD OF SUPERVISORS

MINUTE ORDER

TO: MIKE EDWARDS, Public Works Director
FROM: MARGIE WILLIAMS, Clerk of the Board *MW*
SUBJECT: Establish a Revolving Loan Fund for Formation and Improvement Costs Associated with County Service Area Zones of Benefit for Road Maintenance; Res. 99-150

THE BOARD OF SUPERVISORS OF MARIPOSA COUNTY, CALIFORNIA,

ADOPTED THIS Order on May 11, 1999

ACTION AND VOTE:

Mike Edwards, Public Works Director;

Resolution to Establish a Revolving Loan Fund for Formation and Improvement Costs Associated with County Service Area Zones of Benefit for Road Maintenance

BOARD ACTION: Discussion was held with Mike Edwards and Dave Tucker/PWD-Engineer. Staff advised that if the program is approved, they will contact those parties who have expressed interest in the past to see if they are interested in participating in this program. Details of the policies for the program will be brought back to the Board. (M)Balmain, (S)Stewart, Res. 99-150 adopted establishing the revolving loan fund as recommended. Further discussion was held. Supervisor Parker requested that the subcommittee (Supervisors Parker and Balmain) continue to work with staff on this program, and that it be clear that this program is not intended to be to the benefit of a developer – that it is for existing private roads. Discussion was held relative to having the interest from the loaned funds go back to the revolving loan program, and the interest from the revolving loan program going back to the General Fund. Motion was amended, agreeable with maker and second, to include direction for the subcommittee to work with staff to bring back the details of the policy, and to include changes in the wording in the resolution to reflect that the Board finds that the improvement and regular maintenance of non-County maintained roads through the successful formation of a zone of benefit is in the public interest, and to direct that the funds are for existing private roads/Ayes: Balmain, Stewart, Parker, Pickard; Excused: Reilly.

cc: Janet Hogan, County Administrative Officer
Jeffrey G. Green, County Counsel
Ken Hawkins, Auditor
File

MARIPOSA COUNTY RESOLUTION NUMBER 19-150

**A Resolution to Establish a Revolving Loan Fund
For Formation and Improvement Costs Associated with County Service Area
Zones of Benefit for Road Maintenance.**

WHEREAS, the Board of Supervisors of the County of Mariposa, through Resolution No. 88-379 established Countywide County Service Area No. 1 in order to facilitate formation of [subsequent] zones of benefit in order to provide needed services with a minimum amount of administrative overhead and delay; and

WHEREAS, Section 25210.9c of California Government Code provides that a county may appropriate any of its available moneys to a revolving fund not to exceed one million dollars (\$1,000,000) to be used 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; and

WHEREAS, the Board of Supervisors finds that the improvement and regular maintenance of non-County maintained roads through the successful formation of Zones of Benefit is in the public interest; and

WHEREAS, the Board of Supervisors recognizes the costs and difficulties involved in the formation of zones of benefit on existing non-maintained private roads and desires to encourage private property owners to establish zones of benefit to provide road maintenance on their private roads; and

WHEREAS, the Board of Supervisors appropriated one million dollars (\$1,000,000) during the adoption of the Fiscal Year 1998/1999 County Budget for this purpose.

NOW THEREFORE, BE IT RESOLVED by the Board of Supervisors, that a revolving fund of one million dollars (\$1,000,000) be hereby established to assist private property owners to establish zones of benefit for road maintenance on existing private roads.

MARIPOSA COUNTY RESOLUTION NO. 99-150

**A Resolution to Establish a Revolving Loan Fund
For Formation and Improvement Costs Associated with County Service Area
Zones of Benefit for Road Maintenance.**

BE IT FURTHER RESOLVED that the Policies and Procedures attached hereto and labeled "Exhibit A" are hereby adopted to guide and control the disbursement of funds from the revolving fund.

PASSED AND ADOPTED by the Mariposa County Board of Supervisors this 11th day of MAY, 1999, by the following vote:

AYES: Balmain, Stewart, Parker, Pickard

NOES: None

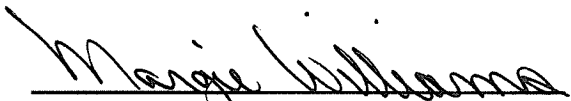
ABSENT: Reilly

ABSTAINED: None




BOB PICKARD, Chairman
Mariposa County Board of Supervisor

ATTEST:



MARGIE WILLIAMS, Clerk of the Board

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:



JEFFREY G. GREEN, County Counsel

EXHIBIT "A"

Policies and Procedures For Use of Zone of Benefit Revolving Loan Fund

1. Wherever a group of property owners commonly sharing the use and maintenance of an existing private road desires participation in the zone of benefit program, that group shall apply for consideration of their proposal to the Public Works Department, by submitting the results of an informal survey indicating the services desired and showing adequate support, as determined by the Director of Public Works.
2. The Director of Public Works shall then evaluate the proposal, by first determining that either: 1) the road is covered by a dedication of Right-of-Way, or 2) that adequate easement rights exist to maintain the existing road. This determination will be made on a case-by-case basis. If it is determined that adequate easement rights do exist, then the Director of Public Works shall make a finding that either: 1) the road condition is currently safe; or 2) that the proposed improvements will bring the road to a safe condition; and that the proposed level of maintenance is adequate to keep the road in a safe condition.
3. Once the determinations in paragraph 2 have been made, the Director of Public Works shall cause a formal petition to be drafted and sent to each property owner within the area proposed for inclusion in the zone of benefit program. The petition will briefly describe the nature of the proposal, the areas (parcels) included, the total estimated upfront costs (improvements and formation), and the approximate annual cost per parcel (debt service and maintenance), should the petition be approved. The petition will be sent with a self-addressed, stamped envelope, return addressed to the Public Works Office, where once returned, the petitions will be tallied by the Public Works staff, and successful results will be forwarded to the Board of Supervisors for consideration of a loan from the revolving fund to complete the process of zone formation. Each property within the proposed zone area shall be entitled to one vote for the purpose of this petition.
4. A petition approval level of at least 60% will be required before the application is forwarded to the Board of Supervisors for consideration of a loan. The Public Works Director shall include a recommendation as to whether the proposed zone is in the public interest, along with the petition results. The proposal package shall also include an estimate of the anticipated costs of improvement and formation that would be funded by the County in advance of final approval.
5. Prior to the Board of Supervisors granting a loan to any group for zone formation and/or capital improvements, they shall make a determination that the project application is in the public interest. The Board shall have the discretion to deny any application if it is contrary to the public interest.

EXHIBIT "A" (continued)

**Policies and Procedures
For Use of Zone of Benefit Revolving Loan Fund**

6. If the Board of Supervisors determines that the proposal meets all of the specified criteria, and is in the public interest, then it shall authorize the funding necessary to complete the normal zone of benefit formation process, including: application fee and staff time associated with application preparation, map and legal description preparation, preparation of the Engineer's Report, formal balloting (as required by Proposition 218), engineer's estimate of annual maintenance costs (and improvement costs, if proposed), State Board of Equalization filing fees, and any required upfront "seed money" to guarantee the necessary cash flow prior to collecting the first assessments.
7. The Board of Supervisors will proceed with the formation of the zone of benefit if the formal ballot indicates a greater than 50% support by the affected property owners (Proposition 218 requires that only returned ballots be counted, that each affected parcel has a vote, and that each vote is counted in proportion to the proposed assessment for that parcel). If the Board determines not to proceed with formation, such decision shall only occur if there are specific findings made that the formation is contrary to the public interest.
8. If the zone fails to be formed, the affected property owners will not incur an assessment or any other financial obligation to the County. The Board of Supervisors will consider any funds expended in efforts to form a zone, which ultimately failed to be formed, as funds expended in the public interest to encourage private road maintenance.
9. Interest on funds loaned to a zone will be charged at a rate that is the current rate per annum received on similar types of investments by the county as determined by the county auditor. Principal and interest receipts from zones formed under these procedures will be returned to the revolving loan account. Interest accrued on the unloaned balance in the account, will be returned to the County General Fund.
10. No loan from the revolving fund shall exceed a return period of ten years, from the date of initial payment.

Staff Report

Mariposa County Public Works Department

August 20, 1998

Project: Mariposa County Zone of Benefit Program
Formation Costs Associated with a New Zone

Overview of the program:

Since adopting the zone of benefit program in 1988, nearly fifty (50) zone of benefit applications have been processed, several others have been contemplated, and twenty four (24) were ultimately created. Of those created, five (5) have subsequently been dissolved at the owners request, one is still inactive, and one is for non-road related services (improved volunteer fire equipment); leaving a total of seventeen (17) active road maintenance zones of benefit. The 17 active zones include a total of 267 parcels, encompassing 2,839 acres, and maintain 50,124 linear feet of various classes of roads. A total of about \$42,000 is currently billed annually for these 17 zones.

Considering only the 17 active road maintenance zones, the "average" zone encompasses 167 acres, and contains 16 parcels of approximately 10 acres. The average road length maintained per zone is about 3,000 feet.

Analysis of Typical Formation Costs:

Before considering the average costs, I have culled three zones from the list: two zones, where the property owners have maintained the roads themselves, and therefore, have greatly lowered the per parcel annual assessment; and one zone, which only provides snow-plowing on a county road, has not incurred any expenses since formation, and therefore also has a lower than "average" annual assessment.

The 14 remaining road maintenance zones represent a typical cross-section of the types of private roads found throughout the county, and therefore typify the costs likely to be encountered in other zones considered within the countywide CSA. The countywide average per parcel annual assessment is about \$173. The average annual cost per foot of road maintained is about \$1.00. The cost will generally be lower for graveled roads, higher for paved roads.

Using the averages established above from the existing zone of benefit program after ten years of experience, the following example breakdown of typical formation expenses assumes a proposed zone area of 160 acres, encompassing 16 parcels, being served by a 3,000 foot private roadway, with an estimated annual maintenance and administration cost of \$3000. It is assumed that a majority of the property owners are in favor of the zone, and have signed a petition requesting consideration of their proposal. The scenario would not require staff to conduct elaborate public meetings to encourage support, nor debate the level of maintenance or fee breakdown. It is further assumed that the owners themselves have determined which parcels are to be included, which roads will be maintained, the level

Staff Report

Mariposa County Public Works Department

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of maintenance desired, and how the assessments are to be spread. The road(s) is assumed to be adequately maintained currently, with no need for initial improvements.

The following table represents the estimated costs to have a proposed zone of benefit formation reviewed by staff and approved by the Board of Supervisors. It does not include the State Board of Equalization filing fees, nor the upfront costs that have previously been required on developer generated zones of benefit. The following table summarizes the costs associated with actually forming the previously described zone, under the procedures that have been used in all other zones to date. Complications, such as a complicated assessment spread/engineers report, difficult zone boundary to describe, need for several public meetings or needed upfront engineering/improvements, will increase these costs

Example breakdown of formation expenses:

| | | |
|-------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------|
| Application preparation | Not normally handled by staff | \$200.00 |
| Application Filing Fee | Covers normal staff review and processing | \$640.00 |
| Map/legal description ** | Normally furnished by applicant | \$1,500.00 |
| Prop 218 requirements: Engineers Report on Fees | Formal polling/balloting; not required previously. (best guess: \$50 per parcel) | \$800.00 |
| Estimate by Contractor or Engineer for maintenance | Required of developers as the basis for initial upfront seed money deposit with Co. | \$200.00 |
| Total of processing costs | | \$3,340.00 |
| Per parcel cost to form the zone based on the example | | \$208.75 |

** SBE requirements have increased recently to require survey-level GPS ties to State Coordinates

Staff Report

Mariposa County Public Works Department

August 20, 1998

Example breakdown of filing expenses:

| | | |
|--------------------------------------------------|-----------------------------------------------------------------------------|--------------------|
| Estimated maintenance costs for basis of fees | Normally furnished by applicant, and reviewed by staff | \$3,000.00 |
| 15% Surcharge | 5% Emergency Fund; 10% inflation contingency | \$450.00 |
| PWD Administration | Inspections, accounting, bidding, contract preparation, annual fee hearings | \$300.00 |
| Assessor's annual fee | Charged at the rate of \$5 per parcel per year | \$80.00 |
| Total estimated annual expenses | | \$3,830.00 |
| Upfront "seed money" | 2 yrs. maintenance upfront (Co. Policy) | \$7,660.00 |
| SBE Filing Fees | Sliding scale fee, based on acreage in zone | \$2,000.00 |
| County Formation Costs (from table above) | | \$3,340.00 |
| Total costs of Formation | | \$13,000.00 |
| Total of costs of formation per parcel | | \$812.50 |

Assuming that these upfront cost were financed through the revolving loan program over ten years at 5% interest, the annual cost per parcel would be approximately **\$110**¹. This cost would be added to the annual maintenance cost and any other financed costs (such as upfront road improvements) and billed annually to the property owner as a supplementary assessment on their property tax bill.

Prepared by: Bruce A. Atkinson
Bruce A. Atkinson

¹ The number represented here is based on a \$13,000 loan amortized over 10 years, at 5% interest, compounded yearly. The number assumes that all sixteen parcels will be assessed the same annual amount. It is assumed that the start date of the loan would be the first day that funds are available and used by the zone. It is also assumed that during the first year of the loan that no payments would be made due to the typical (legally required) lag time, between the adoption of a tax-bill based fee, and collection of the first year's assessment. Finally, it is assumed that a full ten years worth of payments will be made to pay off the loan in full. The per parcel cost is based on a full annual payment of \$1767.74, by the entire zone of benefit.

EXHIBIT "B"

Policy level decisions necessary to create revolving fund, under §25210.9c of CSA law.

1. What level of participation (%) will be necessary to acquire Board funding? How shall that level of participation be established (by what means; i.e.. informal survey, petition, etc.)?
2. Is the Board willing to accept roads into the ZOB program that do not meet County standards, but have been determined to be safe? What shall be criteria for determining if road is safe? What will be the minimum level of maintenance for County participation?
3. Will the County require dedications on the roads to be maintained? Will the County require easements, or will they allow zones to be formed on roads where the easement rights are questionable?
4. Will the County require liability insurance? Several other agencies require an owner paid liability insurance policy to eliminate or minimize the County's liability in the road, once maintenance responsibilities have been assumed.
5. Will (2) years worth of upfront maintenance (seed) money still be required upon formation, as per current policy, and will the Board also fund that requirement?
6. Will a zone maintain sections of roads outside of the area being assessed? Will the Board require subsequent subdivisions accessing such roads to annex into the zone? Who shall pay the costs for such annexations?
7. Citizens committees - These were originally required (but never formed) under the first set of procedures. In discussions with homeowners, they are often desired. Without guidelines for their zone operation, some owners feel that they should be able to "manage" the collected monies themselves, through their own organization.
8. Management procedures - Will any more specific guidelines be required for the management procedures?
9. Prevailing wage rates for routine maintenance - Need specific findings on this issue. Our bidding paperwork spells out that they will be required to pay them, and file certified payrolls. Some counties feel that prevailing wage rates only apply to construction contracts, not routine maintenance contracts. This issue must be resolved on our end, before contractors will lower their rates.
10. Is the Board interested in adding road crew personnel to provide a lower cost alternative to prevailing wage contracts for construction and maintenance on zone roads?
11. Is the Board aware of, and willing to assume the increased costs of formation associated with Proposition 218 issues, and the new zone filing requirements of the State Board of Equalization?