



Legislation Text

File #: 21-0781, **Version:** 1

Department of Transportation recommending the Board:

- 1) Direct Community Development Services Finance and Administration to fully recover all administrative and indirect costs associated with the Zone of Benefit program by equitably charging each Zone their fair share of these costs based on the number of parcels within the zone, at an approximate 8% administrative cost increase; and
- 2) Direct the Department of Transportation to provide guidance to each Zone regarding the following topics:
 - a) Options and consequences if a Zone of Benefit's balance falls below a minimal sustainable amount to cover fixed insurance and County administrative costs.
 - b) Pursue an election to increase Special Taxes collected per parcel to cover the increasing costs of maintenance, road materials, and administration.
 - c) Dissolution of a Zone of Benefit should a Zone want to avoid County administrative and insurance costs.

FUNDING: Special Taxes and Benefit Assessments.

DISCUSSION / BACKGROUND

Background

On April 13, 2021, (Legistar# 21-0547, Item 23) the Department of Transportation (Department) recommended that all administrative and indirect costs associated with the Zone of Benefit program be fully recovered. The Board continued the matter and directed staff to return to the Board within 45 days with the following additional information:

- 1) A matrix of Zones with data, including current fees collected, administrative costs charged, number of parcels, miles of road maintained;
- 2) Distribution methodology of administrative costs;
- 3) Dissolution process; and
- 4) Models of administration.

This information has been provided below and in the attached documents.

Data Matrix: Attachment A

Attachment A displays each Road Zone of Benefit, the number of parcels, the total mileage of road within the zone, the amount of taxes collected, as well as the fixed costs including insurance, auditor's fee, and administrative fee. The table calculates the total taxes collected, subtracts the fixed costs, and shows the amount of funds available per mile to maintain the road.

Administrative Costs and Distribution

Zones of Benefits are charged annually for items such as insurance policies, County staff time spent on purchasing and contracts, budget review and tax assessments, road and drainage work specific to each zone, and indirect costs related to the overall management of the program. In the table, the

column titled “Admin Cost” includes an estimated total for administrative costs, based on previous fiscal year averages. The column titled “Insur Cost” is the cost of required liability insurance, per government code, for each zone, and the column titled “Auditor Fee” is the annual auditor’s fee for tax roll. These costs are based on the size of the zone and the number of parcels. Columns titled “Admin cost % of Fee” and “Insur cost % of Fee” show the impact of each fixed cost by displaying the total percentage the cost is to the overall Zone budget.

Current Fees Collected

Zones cover these annual fixed costs in one of two ways, one, a special tax, or two, a benefit assessment. The column titled “Annual Fee Rates/Parcel improved (unimproved)” includes the annual rate charged per parcel for each zone, and the column titled “Tax Amt. Less Auditor Fee” shows the total tax amount for each zone, less the Auditor’s fee, to represent the amount that each Zone has to cover fixed costs and road maintenance. The column titled “Remaining Fee Amount for road services” is the remaining funds available once all the fixed costs are subtracted, which determines the calculated cost of dollars per mile for road maintenance (column “Dollars per road mile”).

In FY 2018-19, the zone program was moved from Finance and Administration to the Engineering division within the DOT. This program was under the Engineering division within the Department of Transportation which has a higher indirect rate. In an effort to provide the most efficient, cost effective service possible, the Department has now moved this program out of Engineering, which, had it stayed, would have resulted in an approximate 30% increase in administrative costs, and moved it into Maintenance which has a much lower indirect rate of approximately 8%, resulting in a much smaller increase in charges to the zones

Issue

The Zones that collect less than the recommended dollar per mile amount and/or have seasonal or monthly additional expenditures, such as snow removal or landscaping, may not be able to cover the county fixed costs and will need to take action towards an election to increase special taxes or choose to dissolve the Zone and become a private road association.

The average dollar per mile for all of the Zones is \$3,843. In attachment A, the red box indicates the Zones that collect a median and adequate amount of dollars per mile. The Zones below this box are in jeopardy of not having enough funds for road maintenance and fixed county costs. Noted in the table, there are five Zones that have monthly or seasonal maintenance costs for snow plowing or landscaping that may cause additional budgetary concerns and may not be as well represented by the data in the table. The table does not reflect these additional expenditures, which reduces their funds further and potentially puts them at risk for having insufficient funds to cover fixed costs.

As part of the Zone of Benefit administration, County staff monitor zone budgets and manage expenditures to ensure that zones do not exceed their fund balance. It is the responsibility of Road Zone Committees to make decisions on road maintenance, gather quotes, and request services through the County, which are ultimately processed as contracts or work/task/purchase orders. Monitoring budgets are charged to the Zones as an administrative fee and it is necessary to maintain their funds. Some Zones will eventually run out of funds when only paying fixed costs and will not have enough to maintain their roads. In these instances, if parcel owners are not willing to increase the fees, their only course of action is to dissolve the zone. In addition to the problems collecting adequate fees, some zones are also unable to find volunteers to make up an advisory committee for

the zone, therefore, are unable to make decisions on road maintenance. Finally, some zones may choose to dissolve their Zone to eliminate the cost of County administrative and overhead costs and to allow more contractor selection flexibility by not being locked into public contracting code, which results in higher costs related to prevailing wages, etc. There are not any provisions that make the dissolution of the Zone of Benefit contingent on the formation of a successor organization.

Dissolution Process

A road Zone of Benefit can be dissolved by the initiation of the Board of Supervisors, or registered voters may petition the Board to dissolve a Zone of Benefit. To initiate a dissolution, it is required that a petition be signed by no less than ten percent (10%) of the registered voters in the zone. The petition to dissolve the Zone shall include a deposit consistent with the provisions of Part II, Section D of the attached guidelines. Additionally, a public hearing would be conducted by the Board of Supervisors to consider dissolving the zone. Certain findings must be made for the dissolution to be approved, including that the roads are not of interest for public use.

The County may initiate proceedings to dissolve a Zone of Benefit because of public convenience and/or necessity no longer requires that the different service be provided, or when such action is in the best interest of the public, or when zone revenues are insufficient to support zone activities by following the procedures. There has been some discussion around whether or not the General Fund could subsidize the zone program. However, the use of general funds to subsidize a Zone of Benefit is not authorized under the CSA law. If general fund revenues are used for county service area purposes, the county service area must repay the general fund within the same fiscal year. If the formation of the Zone of Benefit was a condition of approval for a subdivision map, a waiver of that condition must be obtained under a subdivision map amendment from the Planning and Building Department before dissolution can proceed. Any funds remaining in a zone account at the time of dissolution will be used for expenses related to the dissolution. If additional funds are remaining once the dissolution is complete and all financial obligations met, the monies will be transferred to the County General Fund. The Board may provide in the resolution, dissolving the zone, that final charges or special taxes shall be levied to satisfy existing debts or obligations of the zone. Attachment B, Policy and Procedure Guidelines For Creation and Administration of Zones Of Benefit Within a County Service Area, contains further details on the creation, operation, and maintenance of zones of benefit.

Models of Administration

With board direction, staff will be in contact with each Zone to discuss options and consequences if a Zone of Benefit's balance falls below a minimal sustainable amount to cover fixed insurance and County administrative costs. In cases where Zone revenues are insufficient to support Zone activities, Transportation will provide guidance to the Zones on whether to pursue an election to increase Special Taxes collected per parcel to cover the increasing costs of maintenance, road materials, and administration, or how to dissolve the Zone of Benefit and how to move forward with a different type of maintenance organization should a Zone instead choose to avoid County administrative and insurance costs.

ALTERNATIVES

The Board can make findings and dissolve the Zone of Benefit if the Zone collects insufficient funds to cover the fixed costs in administration, road maintenance, and road materials and if the Zone is unwilling to increase fees or dissolve on its own accord. If it is determined that a Zone will eventually

go into a negative fund balance, County staff will bring this matter to the Board to make a decision on dissolution or take further action.

PRIOR BOARD ACTION

N/A

OTHER DEPARTMENT / AGENCY INVOLVEMENT

County Counsel

CAO RECOMMENDATION / COMMENTS

FINANCIAL IMPACT

Using data from FY 2019-20, the increase in charges to the zones by applying the full cost recovery methodology would have been approximately \$56,000 or 30%. By moving the Zones of Benefit to the Maintenance Division, the overhead cost and administrative fee will only increase by approximately 8%.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

Infrastructure