



Legislation Details (With Text)

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**File created:** 7/10/2024      **In control:** BOARD OF SUPERVISORS

**On agenda:** 7/16/2024      **Final action:**

**Title:** 11:30 A.M. - Consideration of Debt Management Policies and Actions: A) Rescind Prior Fund Balance Policy, and Approve Fund Balance, General Reserve, and Debt Management Policy; B) Approve Lake County Debt Advisory Committee Policy; C) Consideration of Two Options for Financing the Armory Repurposing Project (Lake County Sheriff’s Headquarters), and Direction to Staff, as appropriate; D) Direction to Staff to Bring Back Final Bond Issuance Agreement for Approval; E) Authorize the County Administrative Officer to Sign All Applicable Documents Prior to the Final Bond Issuance Agreement

**Sponsors:** Administrative Office

**Indexes:**

**Code sections:**

**Attachments:** 1. Debt Advisory Committee Policy 7-10-2024, 2. Fund Balance, General Fund Reserve, and Debt Management Policy 7-10-2024, 3. KNN Presentation to BOS

| Date | Ver. | Action By | Action | Result |
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**Memorandum**

**Date:** July 16, 2024

**To:** The Honorable Lake County Board of Supervisors

**From:** Susan Parker, County Administrative Officer  
 Stephen L. Carter Jr., Assistant County Administrative Officer  
 Jenavive Herrington, Auditor - Controller / Clerk  
 Patrick Sullivan, Treasurer-Tax Collector

**Subject:** Consideration of Debt Management Policies and Actions: A) Rescind Prior Fund Balance Policy, and Approve Fund Balance, General Reserve, and Debt Management Policy; B) Approve Lake County Debt Advisory Committee Policy; C) Consideration of Two Options for Financing the Armory Repurposing Project (Lake County Sheriff’s Headquarters), and Direction to Staff, as appropriate; D) Direction to Staff to Bring Back Final Bond Issuance Agreement for Approval; E) Authorize the County Administrative Officer to Sign All Applicable Documents Prior to the Final Bond Issuance Agreement

**Executive Summary:**

Before your Board today are two policies required before the County can move forward with any type of debt financing for capital projects: 1) the Fund Balance, General Reserve, and Debt Management Policy; and 2) the Lake County Debt Advisory Committee Policy.

Further detail regarding the Fund Balance, General Reserve, and Debt Management Policy is provided here, as background for your Board, and for public inspection:

### *Fund Balance*

The Fund Balance aspect of the first policy applies to the County General Fund, only, and was prepared in consistency with Governmental Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions (*GASB 54*). If the actual Fund Balance Available is greater than estimated (*i.e. there is Excess Fund Balance*), the County Auditor-Controller may be given specific direction, generally to fund one of the following:

- a. Debt Service Payments.
- b. Pension and Other Post-Employment Benefits, as directed and approved within the long-term financial plan and the annual budget resolution - priority will be given to those items that relieve budget or financial operating pressure in future years.
- c. Unmet Building or Maintenance needs.
- d. One-time expenditures that do not increase recurring operating costs AND cannot be funded through current revenues (*one-time uses that **reduce** future operating costs will be emphasized*).
- e. Start-up expenditures for new programs, provided such action is approved by the Board of Supervisors in consideration of multi-year projections of revenue and expenditures.

The County Administrative Officer, Assistant County Administrative Officer, and Auditor-Controller are authorized to assign Fund Balances in accordance with the Board's directives. This policy ensures the County's financial practices are transparent, responsible, and in line with State requirements.

### *General Reserve*

General Fund Reserve requirements are discussed in this 2<sup>nd</sup> policy section. As your Board is aware, maintenance of a General Fund Reserve protects the fiscal solvency of the County of Lake. Risk comes in many forms, often unforeseen; prudent General Fund Reserves are a critical measure of a government's ability to manage financial risks and challenges.

The Government Finance Officers Association (GFOA) recommends a minimum Reserve level equivalent to two months (16.6%) of revenues/expenditures. With the County of Lake's risk factors in mind GFOA recommends a minimum Reserve equivalent to two-to-three months (17-25%) of revenues/expenditures.

### *Debt Management*

The County of Lake Debt Management Policy contains the following elements, pursuant to State Law (*Chapter 307, Statutes of 2016, enacted by Senate Bill 1029, Hertzberg*):

- a. Purposes for which the debt proceeds may be used.
- b. Types of debt that may be issued.
- c. Relationship of the debt to, and integration with, the County's Capital Improvement Plan (CIP) or Budget, as applicable.
- d. Policy goals related to the County's planning goals and objectives.

- e. Internal control procedures the County has implemented, or will implement, to ensure proceeds of the proposed debt issuance will be directed to the intended use.

Your Board may amend this policy, as needed.

If your Board wishes to pursue the Armory Repurposing Project (*facility will serve as the Lake County Sheriff's Headquarters*), Staff is requesting Approval to explore two potential debt options which the first options would be to issue a bond to finance 17-million-dollars of project cost with possible repayment terms of 20, 25, or 30 years and the second option would be to issue a bond to finance 20-million-dollars of project cost, with the same repayment terms. The County does not currently have a credit rating which once known will affect our interest rate and the possible bond issuance. If the Board provides the direction to authorize the research and review of the most advantageous debt financing option, taking into consideration county pool rates and early pay off opportunities the County debt advisory committee would bring back the final bond issuance agreement for BOS approval.

Your Board previously affirmed the Armory Repurposing Project as a matter of urgent County priority on March 26, 2024, approving expenditure of up to one million three hundred twenty-four thousand five hundred fifty-five dollars (\$1,324,555) to complete pre-construction phase documents. Congressionally-directed Community Project Funding has also been requested in two fiscal years, and a \$1,000,000 allocation is expected to be considered by the Legislature following the November 2024 General Election.

**If not budgeted, fill in the blanks below only:**

Estimated Cost: \_\_\_\_\_ Amount Budgeted: \_\_\_\_\_ Additional Requested: \_\_\_\_\_ Future Annual Cost: \_\_\_\_\_

**Purchasing Considerations** (check all that apply):

Not applicable

- Fully Article X. <[https://library.municode.com/ca/lake\\_county/codes/code\\_of\\_ordinances?nodeld=COOR\\_CH2AD\\_ARTXPU\\_S2-38EXCOBI](https://library.municode.com/ca/lake_county/codes/code_of_ordinances?nodeld=COOR_CH2AD_ARTXPU_S2-38EXCOBI)>- and/or Consultant Selection Policy <[http://lcnet.co.lake.ca.us/Assets/Intranet/Policy/Policies+26+Procedures+Manual/Ch4\\_2021v2.pdf](http://lcnet.co.lake.ca.us/Assets/Intranet/Policy/Policies+26+Procedures+Manual/Ch4_2021v2.pdf)>-Compliant (*describe process undertaken in "Executive Summary"*)
- Section 2-38 <[https://library.municode.com/ca/lake\\_county/codes/code\\_of\\_ordinances?nodeld=COOR\\_CH2AD\\_ARTXPU\\_S2-38EXCOBI](https://library.municode.com/ca/lake_county/codes/code_of_ordinances?nodeld=COOR_CH2AD_ARTXPU_S2-38EXCOBI)> Exemption from Competitive Bidding (*rationale in "Executive Summary," attach documentation, as needed*)
- For Technology Purchases: Vetted and Supported by the [Technology Governance Committee](#) <<http://lcnet.co.lake.ca.us/Assets/Intranet/Intranet+Forms/Information+Technology/AdvPlan.pdf>> ("Yes," if checked)
- Other (*Please describe in Executive Summary*)

**Consistency with [Vision 2028](http://www.lakecountyca.gov/Government/Directory/Administration/Visioning/Vision2028.htm)** <<http://www.lakecountyca.gov/Government/Directory/Administration/Visioning/Vision2028.htm>>

(check all that apply):

Not applicable

- Well-being of Residents
- Economic Development
- Community Collaboration
- Public Safety
- Infrastructure
- Business Process Efficiency
- Disaster Prevention, Preparedness, Recovery
- County Workforce
- Clear Lake

**Recommended Action:**

- A) Rescind Prior Fund Balance Policy; and Approve the Fund Balance, General Reserve, and Debt Management Policy
- B) Approve the Lake County Debt Advisory Committee Policy
- C) Direct Staff to Explore Two Options for Financing the Armory Repurposing Project (Lake County Sheriff's Headquarters)
- D) Direct Staff to Bring Back Final Bond Issuance Agreement for Approval
- E) Authorize the County Administrative Officer to Sign All Applicable Documents Prior to the Final Bond Issuance Agreement.