

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE February 26, 2013	(3) CONTACT/PHONE Geoff O'Quest, 781-5011	
(4) SUBJECT Submittal of a resolution and related agreements approving a five year line of credit for the Cayucos Fire Protection District, not to exceed \$250,000 annually; authorize the Auditor-Controller to execute an agreement providing the line of credit; and approve a corresponding budget adjustment in FC 102 - Non-Departmental - Other Financing Uses.			
(5) RECOMMENDED ACTION It is recommended that your Board approve and direct the Chair to sign: <ol style="list-style-type: none"> 1. A resolution approving a line of credit for the Cayucos Fire Protection District and authorizing the Auditor-Controller to execute an agreement providing the same; 2. An agreement regarding the distribution of Cayucos Fire Protection District Fire Special Tax and Property Taxes; and 3. A corresponding budget adjustment in FC 102 - Non-Departmental - Other Financing Uses in the amount of \$250,000. A four-fifths vote of the Board is required for recommendation #3.			
(6) FUNDING SOURCE(S) Internal Financing Designation	(7) CURRENT YEAR FINANCIAL IMPACT Up to \$250,000	(8) ANNUAL FINANCIAL IMPACT Up to \$250,000 annually	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) NA		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1213091 <input checked="" type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW This item was prepared by the County Administrative Office.			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Geoff O'Quest, Administrative Office / 781-5011

DATE: February 26, 2013

SUBJECT: Submittal of a resolution and related agreements approving a five year line of credit for the Cayucos Fire Protection District, not to exceed \$250,000 annually; authorize the Auditor-Controller to execute an agreement providing the line of credit; and approve a corresponding budget adjustment in FC 102 - Non-Departmental - Other Financing Uses.

RECOMMENDATION

It is recommended that your Board approve and direct the Chair to sign:

1. A resolution approving a line of credit for the Cayucos Fire Protection District and authorizing the Auditor-Controller to execute an agreement providing the same;
2. An agreement regarding the distribution of Cayucos Fire Protection District Fire Special Tax and Property Taxes; and
3. A corresponding budget adjustment in FC 102 - Non-Departmental - Other Financing Uses in the amount of \$250,000.

A four-fifths vote of the Board is required for recommendation #3.

DISCUSSION

The Cayucos Fire Protection District is responsible for providing fire protection and emergency medical services to approximately 2,943 residents in the community of Cayucos and the surrounding area. The District contracts with the California State Department of Forestry and Fire Protection (CAL FIRE) for enhanced fire protection service at CAL FIRE expense during the fire season, and at District expense during the non-fire season. This type of contract is referred to as an "Amador" agreement.

In recent years revenue received by the District has not kept pace with expenditures, especially the Amador contract with CAL FIRE. The District has used its capital replacement reserves to balance its operating budget, but these funds have now been depleted. As a result, the District is in arrears in paying its Amador agreement with CAL FIRE for Fiscal Year (FY) 2011-12 and will not be able to make payment on the contract in the current year (FY 2012-13). Without some remedy the District is faced with the possible loss of its contract with CAL FIRE, and consequently a significant reduction of fire protection in Cayucos and the surrounding community.

Faced with these circumstances, on November 6, 2012, the District sought and received voter approval for an increase in the Special Fire Tax revenue it receives to help alleviate the District's financial difficulties. The approved rate will increase annual revenue received from the Fire Special Tax from approximately \$50,000 a year to approximately \$250,000 a year. This is a significant increase and will be sufficient to support the District's expenses going forward. The difficulty, however, is that the District will not begin to receive this enhanced level of revenue until October of 2013, which will not be soon enough to alleviate the current year's fiscal distress.

In September of 2012, the Cayucos Fire Protection District approached the County Administrative Office about the possibility of a loan to help the District bridge the gap between its current situation and the next fiscal year, when its revenues will see a significant boost. The request was forwarded to the County's Debt Advisory Committee (DAC). The

DAC serves as the central review mechanism for all proposed debt related matters and consists of the Auditor-Controller, the Treasurer-Tax Collector and the County Administrative Officer.

The DAC recognized the significant and important services provided by the District and its Amador contract with CAL FIRE and recommended that the Board approve a line of credit to the District. In the Fall of 2012 the Administrative Office worked with the District, County Counsel, and the Auditor-Controller to work out the details of the loan, which are memorialized in the attached documents. On February 7, 2013, the Cayucos Fire Protection District Board met and approved the terms of the agreement.

The terms of the loan agreement developed between the District and the County include the following:

1. With the approval of the Board of Supervisors, the County Auditor-Controller will enter into an agreement on behalf of the County with the District for the provision of a line of credit to the District.
2. The line of credit with the District will provide for:
 - A principal amount not to exceed \$250,000;
 - An interest rate equal to the County Treasury rate, plus 0.50 percentage points compounded quarterly;
 - In agreement with Government Code 23010 of the State of California, payment of the outstanding principal balance and accrued interest on that balance will be made from the revenue of the District in the fiscal year immediately following the fiscal year in which an advance was made; and
 - Through an additional agreement with the District, repayment to the County will be made by means of the Auditor-Controller withholding the amount owed from the Fire Special Tax or General Property Taxes collected from the District by the County Tax Collector.
3. The line of credit with the District will be used only to balance the Districts annual operating budget, and cannot be used for capital expenditures or other non-operating costs.

OTHER DEPARTMENT IMPACT

This item was prepared with assistance from the Auditor-Controller's Office and County Fire/CAL FIRE, and in coordination with the Cayucos Fire Protection District. County Counsel has reviewed and approved the attached resolution and agreements as to legal form and effect.

FINANCIAL CONSIDERATIONS

The line of credit extended to the Cayucos Fire Protection District will not exceed \$250,000 annually and must be paid back to the County in full, with interest, in each following fiscal year. The line of credit will begin in FY 2012-13 and will end after five years, in FY 2017-18. The line of credit will only be used to balance the District's annual operating budget and is not to be used for capital expenditures or other non-operating expenses. Funds for the line of credit will be drawn by the Auditor-Controller from the County's Internal Financing Designation and expended through Fund Center (FC) 102 – Non-Departmental - Other Financing Uses. The current balance available in the Internal Financing Designation is \$4,186,510.

The District anticipates needing approximately \$200,000 in the first year and progressively lesser amounts in each subsequent year. Due to the increase in the Special Fire Tax rate passed by residents of the District in November of 2012, the District's total revenue (which includes property tax, as well as other revenue sources) will increase by \$200,000—approximately 66 percent—beginning next fiscal year (FY 2013-14). Therefore, by year five, when the loan agreement ends, it is anticipated that the District will no longer need to use County funds to balance its operating budget and will once again be able to contribute to its capital reserve account.

RESULTS

Approval of the resolution, agreement and budget adjustment requested by this staff report will authorize the Auditor-Controller to execute the line of credit agreement with the Cayucos Fire Protection District. This action will help ensure

the District will not lose its Amador contract with CAL FIRE and therefore avoid what would be a significant reduction of fire protection in Cayucos and the surrounding community.

ATTACHMENTS

1. Resolution from Cayucos Fire Protection District approving loan terms
2. Resolution approving line of credit and authorizing Auditor-Controller
3. Agreement on distribution of Cayucos Fire Protection District revenue
4. Loan Agreement and Promissory Note to be signed by the Auditor-Controller