

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

(1) DEPARTMENT General Services Agency	(2) MEETING DATE 8/12/2014	(3) CONTACT/PHONE Curtis Black 781-5204	
(4) SUBJECT Authorize an internal loan up to \$1,000,000 from the General Fund to the Golf Course using the General Fund Designation - Internal Financing as the source and approve a budget adjustment for the Morro Bay Golf Course Waterline Replacement Project. District 2.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Authorize a loan up to \$1,000,000 from the General Fund to FC 427 Golf Services; and 2. Approve a budget adjustment in the amount of \$1,000,000 using the General Fund Designation – Internal Financing to fund the Morro Bay Golf Course Waterline Replacement Project by 4/5 vote. 			
(6) FUNDING SOURCE(S) Internal Financing Loan	(7) CURRENT YEAR FINANCIAL IMPACT \$1,000,000	(8) ANNUAL FINANCIAL IMPACT \$154,000	(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 type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1314162 <input checked="" type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Emily Jackson			
(18) SUPERVISOR DISTRICT(S) District 2			

County of San Luis Obispo



TO: Board of Supervisors

FROM: General Services Agency / Curtis Black
781-5204

DATE: 8/12/2014

SUBJECT: Authorize an internal loan up to \$1,000,000 from the General Fund to the Golf Course using the General Fund Designation - Internal Financing as the source and approve a budget adjustment for the Morro Bay Golf Course Waterline Replacement Project. District 2.

RECOMMENDATION

It is recommended that the Board:

1. Authorize a loan up to \$1,000,000 from the General Fund to FC 427 Golf Services; and
2. Approve a budget adjustment in the amount of \$1,000,000 using the General Fund Designation – Internal Financing to fund the Morro Bay Golf Course Waterline Replacement Project by 4/5 vote.

DISCUSSION

GSA County Parks has managed Morro Bay Golf Course and other State Park properties including the Cayucos Pier, Cayucos Beach, Cayucos Veteran's Hall and Bishop Peak Trail through a written agreement with California State Parks and Recreation since 1945. The golf course irrigation main line has aged and frequently breaks resulting in loss of water and many hours of labor to repair each breakage. In FY 2013-14 five such breaks were experienced and Golf Services has experienced 4 – 6 breaks annually over the past five years. A consistent source of irrigation water is critical to providing golf services at the Morro Bay Golf Course. The course has no secondary source from which to draw water for the golf course greens, fairways and landscapes. In the absence of a continuous water supply the turf would die, golfers would not play and the course would become financially unsustainable.

Due to economic climate in recent years, Golf Services have not been profitable in the previous four years and staff has not been able to build up a project reserve with which to fund the water line replacement. However in the most recent two years, Golf Services have been moving toward a positive position using only \$1,862 of cash balance for FY 2012-13 and projecting an increase in its cash balance of \$207,720 for FY 2013-14. The projected cash balance at the end of FY 2013-14 is \$750,000.

The attached Golf Program Financial Statement provides a general financial position of the golf program. Assumptions include revenue growth projected at 2% annually. The future operating expenditures are anticipated to grow at 2%, contrasted to the historical expenditure growth rate since FY 2009-10 of negative 2%. The Golf Program has outstanding debt of \$5,045,040 made in annual payments of \$485,000 attributed to the building of Dairy Creek Golf Course.

An internal loan is proposed to fund the water line replacement project in an amount up to \$1,000,000 with a seven year term and interest equal to the Quarterly Average Treasury Pool rate plus .5%. If the full \$1,000,000 is used, the loan is estimated to create an additional annual obligation of \$154,000 starting in FY 2016-17.

This loan payment amount will be partially offset by lease expense credits provided by State Parks. That is, the lease agreement that covers Morro Bay Golf Course includes a clause that allows Golf Services lease expense credits for monies spent on capital projects on State Park properties that exceed the amount of \$775,000. Annual Lease payments are approximately \$75,000. Therefore, any amount spent in excess of \$775,000 will offset the \$75,000 annual lease

expense payment due to State Parks. The water line replacement cost will provide \$250,000 of lease expense credits or 3.5 years of lease credits. Additionally, the lease expenses will also be offset by additional capital investments of over \$1,500,000 at the Cayucos Pier. Therefore, Golf Services will enjoy annual lease credits through to the end of the current lease which expires in August 2024. It is anticipated that the lease with State Parks for these properties will be renewed before the end of its term.

With funding approved, the permit and design phase of the project would be pursued immediately with the intention of initiating construction in spring 2015. Construction would be completed in approximately ninety days providing the new pipeline for Morro Bay GC in summer 2015.

OTHER AGENCY INVOLVEMENT

The Parks and Recreation Commission placed the Morro Bay Water Line Restoration on its Park High Priority Projects list. The San Luis Obispo County Debt Advisory Committee (DAC) recommended: Approve the Morro Bay Golf Course Waterline Replacement (WBS 340002) request for an internal loan up to \$1,000,000 with an interest rate of Quarterly Average Treasury Pool rate plus .5% amortized over 7 years.

FINANCIAL CONSIDERATIONS

The maximum amount of the loan to WBS 340002 would be \$1,000,000 with a repayment term of 7 years. The annual interest rate would be based on the average annual Treasury Pool Rate (plus .5%). For planning purposes this rate has been estimated at 2% resulting in the estimated annual repayment amount of \$154,000. The funds should be drawn as needed to keep interest amounts due as low as possible. Interest would begin accruing on the loan as of the date of each draw. The start date for the repayment of the loan would be either one year after the date of the last draw or upon completion of the project, whichever is sooner.

Annual Payments will be partially offset by approximate \$75,000 annual lease expense credits through the lease agreement with State Parks. Should actual project costs exceed \$1,000,000 staff would anticipate using the Golf Enterprise Fund, cash balance for any additional project costs.

RESULTS

Approving the loan will provide funding required to replace the Morro Bay Golf Course irrigation water line and secure the water source to maintain the golf course. This project will ensure the availability for Morro Bay Golf Course for the recreational enjoyment of thousands of County residents and visitors, and support tourism. This project supports the County goals of providing a healthy and livable community.

ATTACHMENTS

1. Vicinity Map
2. Golf Program Financial Statement
3. Amortization Schedule