



Staff Report

RESOLUTION AUTHORIZING A LOAN TO THE BELMONT FIRE PROTECTION DISTRICT

Honorable Mayor and Council Members:

Summary

It is recommended that the City Council approve the attached resolution implementing a borrowing by the Belmont Fire Protection District (District) from the City in an amount not to exceed \$1,000,000 in lieu of the District participating in the California Statewide Communities Development Authority (CSCDA) “TRAN pool” as authorized by the Board on June 23, 2009.

Background

On April 28, the Board authorized the issuance of Tax Revenue Anticipation Notes for Fiscal Year 2010 in a maximum amount of \$1 million. On June 9, the Board of Directors received a report introducing the FY 2010 Budget. On June 23, the Board adopted a resolution approving the District’s FY 2010 Budget. That resolution authorized the District’s participation in a “TRAN pool” sponsored by the California Statewide Communities Development Authority, with a borrowing by the District of \$1,000,000 from that pool.

Discussion

The District’s revenues are received in amounts, and at times, that are not matched to the District’s obligations to pay budgeted expenditures. As a result, the District (like many other public agencies in California which rely heavily on real estate taxes for their revenues) borrows to fund expenses occurring early in the year pending receipt of tax revenues. These borrowings are permitted under California Government Code Section 53850, et.seq.

Smaller agencies, such as the District, often band together in pooled borrowings to enable reduction of transaction costs and to benefit from better market access. To that end, the District has previously entered into a joint exercise of powers authority authorized under state law to sponsor such programs. This authority, known as the California Statewide Communities Development Authority, consists of a number of California counties, cities and special districts.

The FY 2010 Budget begins to aggregate reserves which will offset the District’s \$1,000,000 cash operating deficit through establishment of a prudent cash balance. In order to fund FY 2010 operations effectively, the District must borrow to fund early year expenditures pending receipts of taxes later in the year. The CSCDA pool was intended to fund that need.

Subsequent to the Board’s adoption of the FY 2010 Budget, developments in the State’s budget created significant uncertainties about the funding sources and levels for many local government programs funded from State revenues. As a result, the CSCDA TRAN pool was unable to access the market and fund the District’s planned borrowing. This proposal substitutes a loan from available reserves of the City to the District for that borrowing.

The borrowing will be performed functionally the same way that the CSCDA TRAN pool would have worked, except that the City will become the “buyer” of the notes. Such a purchase is consistent with applicable State law for investment funds of the City and is also permitted under the same law that enables the District to borrow for these purposes as well.

Fiscal Impact

The cost of the borrowing is expected to be virtually the same as that which would have been incurred through borrowing from the CSCDA pool.

Public Contact

1. Posting of City Council agenda.

Recommendation

Approve resolutions implementing the proposed borrowing arrangement.

Alternatives

1. Amend the resolution to reflect different terms.
2. With direction, refer the matter back to staff for further consideration.

Attachments:

- A. Resolution Establishing an Interfund Loan between the City of Belmont and the Belmont Fire Protection District
- B. Form of Interfund Loan Agreement

Respectfully submitted,

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Deputy Finance Director

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Finance Director

Jack Crist
Executive Director

Staff Contact:

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RESOLUTION NO. _____

**RESOLUTION OF THE CITY OF BELMONT ESTABLISHING AN INTERFUND
LOAN BETWEEN THE CITY AND THE BELMONT FIRE PROTECTION DISTRICT
IN THE AMOUNT OF \$1,000,000 FOR WORKING CAPITAL PURPOSES**

WHEREAS, the City Council of the City of Belmont (the “City”), acting as the Board of Directors of the Belmont Fire Protection District (the “District”) have adopted a fiscal plan for FY 2010 in order to plan for anticipated revenues and control expenditures; and

WHEREAS, the fiscal year revenue and appropriation plan for the District is expressed in the budget documents entitled “City of Belmont FY 2010 Budget;” and

WHEREAS, the Board of Directors of the District and the City Council of the City have reviewed the proposed budgets for compliance with the goals and objectives of the community; and

WHEREAS, the anticipated revenues of the District for FY 2010 are expected to be approximately \$7,695,000 and the planned expenditures of the District are expected to be approximately \$6,754,000; and

WHEREAS, there is a mismatch between the timing of the District’s receipt of the anticipated revenues and the timing of the planned expenditures proposed to be made pursuant to such budgets; and

WHEREAS, the District had previously entered into a pooled borrowing arrangement with the California Statewide Communities Development Authority for the issuance of tax and revenue anticipation notes pursuant to California Government Code 53850, et.seq., which issuance has been deemed infeasible due to the budgetary distress of the State of California; and

WHEREAS, the Board of Directors has determined that the Belmont Fire Protection District is permitted to borrow money pursuant to California Government Code Section 53850, et.seq., provided such borrowing does not exceed 85% of the estimated amount of the then uncollected taxes, income, revenue, cash receipts, and other moneys of the District attributable to FY 2009-2010 which will be available for the payment of said notes and the interest thereon; and

WHEREAS, the City Council of the City of Belmont has determined that there are sufficient unencumbered funds available to directly fund such a borrowing and not violate City Council policy on reserve fund balances or investments.

NOW, THEREFORE, BE IT RESOLVED that City Council does hereby agree to advance from the General Fund reserves of the City, to the Belmont Fire Protection District an advance in the amount of \$1,000,000 as evidenced by an Interfund Loan Agreement by and between the City of Belmont and the Belmont Fire Protection District dated July 28, 2009, the form of which is attached to this resolution.

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on July 28, 2009 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS: _____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS: _____

CLERK of the City of Belmont

APPROVED:

MAYOR of the City of Belmont

INTERFUND LOAN AGREEMENT
BY AND BETWEEN
THE CITY OF BELMONT
AND
THE BELMONT FIRE PROTECTION DISTRICT

In accordance with Resolution No. _____ of the City of Belmont, the following Agreement is hereby approved as of July 28, 2009 between the City and the District.

Amount of advance: \$1,000,000

Interest Rate: LAIIF, plus a margin of 1%, re-set quarterly

Term: not exceeding 13 months from date of advance

Security: Pledge of all general revenues of the District received during FY 2009-2010, including taxes, income, revenue, cash receipts, or other moneys of the District, including moneys held in interest bearing deposits, are pledged to the payment of this note and the interest thereon.

The advance and the interest thereon shall be a first lien and charge against, and shall be payable from, moneys received by the District attributable to FY 2009-2010. For the purposes of this section, "revenue" includes, but is not limited to, revenue from the state and federal governments.

Repayment terms: In full, at maturity; provided however, that (1) the District may prepay any or all advances hereunder by paying to the City the principal amount (or portion thereof to be pre-paid) plus the accrued interest to the date of the prepayment; and (2) the City may elect to receive payment not later than 13 months from the date of the original advance, provided further that the District has segregated revenues attributable to FY 2009-2010 pledged to the repayment of such advance.

This agreement may be amended with the consent of both the City Council and the District provided the amendments are consistent with the City's Investment Policy and applicable State law. This Agreement was approved by a joint resolution of the City Council and District at their joint meeting held on July 28, 2009

ACKNOWLEDGED:

City Manager

Finance Director