

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: Honorable Board of Supervisors

From: Mary Dietrich, Facility Services Director
By: Mark Rideout, Deputy Director

Subject: Placer County Fair Association - Loan Agreement

Date: February 24, 2015

ACTION REQUESTED:

1. Authorize the Chairman of your Board to execute a Loan Agreement between the County of Placer and the Placer County Fair Association, a California non-profit corporation, to provide a loan up to \$100,000 for continued operation of the Placer County Fairgrounds, located at 800 All America City Boulevard in Roseville, at a budgeted net County cost of up to \$100,000.

BACKGROUND: The Placer County Fairgrounds (Fairgrounds) supports numerous community events, the All American Speedway, and the Placer County Fair (Fair). Placer County continues to contract with the Placer County Fair Association, a California non-profit corporation (PCFA), to operate the Fairgrounds and provide a Fair for residents and visitors to Placer County. The current County-PCFA Contract No. 11520 (Operating Agreement) commenced on January 1, 2002 and now continues on a year-to-year basis pursuant to prior amendments approved by your Board.

On October 21, 2014, your Board approved the Fourth Amendment to the Operating Agreement which allows PCFA to continue management of the Fairgrounds until the Operating Agreement is assigned to a new operator selected by the County (Assignment). PCFA has the ongoing authority to contract for events before January 1, 2016, and the Amendment specifies that PCFA shall plan, manage and conduct the 2015 Fair regardless of the date the Operating Agreement is assigned to the new operator.

As discussed with your Board on October 7th and 21st, PCFA requested a loan from the County to address cash flow issues until Assignment. Staff secured the services of RCH Group Inc. to determine the amount needed to bridge revenue deficiencies inherent in the slow season of early 2015, and to evaluate PCFA's ability to repay the loan. Your Board was provided with the monthly operating budget RCH developed for 2015 which projects event bookings, seasonal utility expenses, and other labor and material costs. Based on RCH's analysis and findings, it was concluded an incremental loan of up to \$100,000 is sufficient to carry PCFA through 2015. Absent this loan, RCH projected PCFA will not have cash available during the first quarter of 2015. RCH also concluded revenue from interim events and the 2015 Fair are anticipated to be enough to repay the full amount of this loan.

As directed by your Board on October 21st, Staff prepared a Loan Agreement that would provide PCFA with up to \$100,000. The Loan Agreement requires PCFA to submit written Disbursement Requests at a frequency of not more than one per month, and not exceeding \$30,000 per disbursement unless otherwise approved by the Director of Facility Services. Each Disbursement Request must be supported with current financial documents, including the

previous month's financial statements. As a condition of this County Loan, all costs associated with PCFA employees shall be paid by PCFA using monies derived from its operating revenues. Furthermore, repayment of the County Loan is an obligation of PCFA as set forth in the County Note to be executed by PCFA. This Note requires PCFA to repay all principal borrowed by the Assignment date, or by December 31, 2015 whichever comes first (Maturity Date). Interest will be applied to any remaining loan balance from the Maturity Date until all amounts are paid in full at a rate of 10% per annum.

The County Note acknowledges PCFA has an existing Rabobank Loan, with a balance of approximately \$48,500, and PCFA's personal property (vehicles, equipment, trailers, fencing, supplies, tools, office equipment) serves as the loan collateral. Property Management secured an appraisal that sets the value of this personal property at approximately \$118,000. PCFA shall pledge any revenue or personal property not required to satisfy the Rabobank Loan as collateral to the County Loan. To ensure adequate collateral is in place to secure the County Loan, the Loan Agreement relates the maximum amount of the County Loan to the balance of the Rabobank Loan. The sum of these loan amounts shall not exceed \$80,000. Upon completing payment of the Rabobank Loan, PCFA may request disbursements of the County Loan up to the \$100,000 maximum amount. The Loan Agreement requires PCFA to pay the remaining balance of the Rabobank Loan by the date of Assignment. The Loan Agreement also specifies the County Loan may not be used to satisfy the Rabobank Loan.

To implement this loan providing PCFA with up to \$100,000 in incremental funding, staff recommends your Board authorize the Chairman to execute the Loan Agreement.

ENVIRONMENTAL CLEARANCE: The action requested of your Board to provide funding to the Placer County Fair Association is not a Project as defined in the California Environmental Quality Act (CEQA) Guidelines Section 15378 (a) and therefore is not subject to CEQA review. On a separate and independent basis, the Loan Agreement is also Categorical Exempt from review pursuant to Section 15301 of the CEQA Guidelines. This section provides for activities, including leasing of existing facilities, where there is no expansion of use beyond that previously existing.

FISCAL IMPACT: The Loan Agreement will provide PCFA with incremental loan disbursements up to a total of \$100,000. Funding associated with this County Loan is available in the Community and Agency Support Appropriation, at no new net County cost.

AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD'S OFFICE: LOAN AGREEMENT

CC: COUNTY EXECUTIVE OFFICE
COUNTY COUNSEL

MD/MR/LM/NT

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