City of Culver City, California

Agenda Item Report

Meeting Date: _10/24/2011_	Item Number: JC-1
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Approval of a Short-term Loan from the City of Culver City to the Redevelopment Agency to Address Temporary Cash Flow Needs.	
Contact Person/Dept.: Jeff Muir/Finance	Phone Number: 310-253-5865
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: []	Attachments: []
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (Email) Meetings and Agendas – City Council and Redevelopment Agency (10/19/2011); (Email) Ongoing Topics – Fiscal and Budget Issues (10/19/2011)	
Department Approval: Jeff Muir (10/19/11)	City Attorney Approval: Carol Schwab (10/19/11) Agency General Counsel Approval:
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (10/19/11)	City Manager/Executive Director Approval: John M. Nachbar (10/19/11)

RECOMMENDATION:

Staff recommends the City Council and Agency Board approve a short-term loan of up to $12.5 million from the City to the Redevelopment Agency to address temporary cash flow needs of the Agency.

BACKGROUND/DISCUSSION:

The Culver City Redevelopment Agency currently has six outstanding bond issues (1993, 1999, 2002, 2004, 2005, and 2011). Principal and interest payments, commonly known as debt service payments, on those bonds are due by November 1 and May 1 of each year. The total Debt Service due in Fiscal Year 2011/2012 is $15,654,478 of which, approximately $12.5 million is due by November 1. Those debt service payments are secured by the Tax Increment revenues received by the Redevelopment Agency. Tax Increment revenues are received November through August of each year, with the largest receipts in December and May (coinciding with property tax payments, which are due in November and April).

As a result of the governor's proposal to eliminate redevelopment agencies throughout the State, the Agency Board took various actions earlier this year to transition activities and assets of the Agency to the City in order to implement the Redevelopment Plan and create affordable housing in the Project Areas[i].This included transferring all of the Agency's assets to the City and using the former Agency assets on hand to prepay its payment obligations to the City under the

Cooperation Agreements. This left the Agency with only enough cash to meet its current operational obligations.

FISCAL ANALYSIS:

As previously mentioned, the Agency has a Debt Service payment of approximately $12.5 million due by November 1. However, the Agency does not receive the first Tax Increment payment for Fiscal Year 2011/2012 until November 20. Consequently, the Agency has a short-term cash flow need. To meet this need, staff is recommending the City provide the Agency with a short-term loan under the following terms:

Principal:	Up to $12,500,000
Interest:	Equal to the Local Agency Investment Fund (LAIF) rate
Terms:	Principal and interest due by December 29, 2011 with no prepayment penalty. Interest will be applied to the average daily outstanding principal on November 30 and December 31. Interest will be calculated using the LAIF rate on November 30 and December 28 (since the City is closed on December 30 and 31).
Security	Future Agency Tax Increment Receipts

Repayment of the loan to the City will be secured by Tax Increment receipts. Staff anticipates receiving approximately $3 million in Tax Increment on November 20 and approximately $10 million in Tax Increment on December 20. Staff estimates that the Agency has sufficient cash on hand to meet its other obligations during this time period.

ATTACHMENTS:

None

MOTION:

That the City Council:

1. <u>Approve a short-term loan to the Culver City Redevelopment Agency in a principal amount up to $12,500,000 with interest equal to the Local Agency Investment Fund, with principal and interest to be repaid in full by December 29, 2011; and,</u>

2. <u>Authorize the City Attorney to review/prepare the necessary documents; and,</u>

3. Authorize the City Manager to execute such documents on behalf of the City; and,

4. Authorize the Chief Financial Officer to draw down funds from the loan as necessary.

That the Culver City Redevelopment Agency:

1. Approve a short-term loan from the City of Culver City in a principal amount up to $12,500,000 with interest equal to the Local Agency Investment Fund with principal and interest to be repaid in full by December 29, 2011; and,

2. Authorize the Agency General Counsel to review/prepare the necessary documents; and,

3. Authorize the Executive Director to execute such documents on behalf of the Agency; and,

4. Authorize the Chief Financial Officer to draw down and repay funds from the loan as necessary.

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[i] As set forth in the Cooperation Agreement dated December 15, 2009, as amended by the Implementing Agreement approved on January 15, 2011, the Cooperation Agreement dated January 15, 2011, as amended by a First Amendment to Cooperation Agreement dated February 22, 2011, the Cooperation Agreement dated February 22, 2011, and related implementing documents.