**City of Culver City, California**

# Agenda Item Report

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| Meeting Date: _02/04/2013_ | Item Number: JC-1 |
| **JOINT CITY COUNCIL/SUCCESSOR AGENCY BOARD AGENDA ITEM: Adoption of Respective Resolutions Approving a Loan Agreement between the City of Culver City and the Successor Agency to the Culver City 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: [X] | |
| Commission Action Required: Yes [] No [X] Date: ________________ | |
| Public Notification: (Email) Meetings and Agendas – City Council (01/30/13); Meetings and Agendas – Successor Agency (01/30/13) | |
| Department Approval:<br>Jeff Muir (01/30/13) | City Attorney/Successor Agency General Counsel Approval:<br>Carol Schwab (by H. Baker) (01/30/13)<br>City/Successor Agency Special Counsel:<br>Murray Kane (01/30/13) |
| Chief Financial Officer Approval:<br>Jeff Muir (by N. Kimball) (01/30/13) | City Manager/Executive Director Approval:<br>John M. Nachbar (01/30/13) |

## RECOMMENDATION:

Staff recommends the City Council and Successor Agency Board adopt respective resolutions approving a Loan Agreement for a loan of up to $1.5 million from the City to the Successor Agency (Loan) to address temporary cash flow needs of the Successor Agency. (Note: Should the City Council and Successor Agency Board approve this evening's item, the Successor Agency Board's approval is subject to the approval of the Oversight Board and the State Department of Finance).

## BACKGROUND/DISCUSSION:

The Successor Agency is currently responsible for making payments of "enforceable obligations" of the former Culver City Redevelopment Agency, including payments for 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 2012/2013 is $16.6 million of which, approximately $4.4 million is due by May 1, 2013. Those debt service payments are secured by the former tax increment revenues received by the former CCRA (now known as Redevelopment Property Tax Trust Fund, or RPTTF, revenues).

Prior to the dissolution of redevelopment agencies by the State of California, former tax increment revenues were received in 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). Receipt of funds consistent with this schedule allowed redevelopment agencies to meet the debt service payment schedules included in applicable bond indentures and other similar agreements.

As a result of the implementation of the State's elimination of redevelopment agencies throughout the State, the distribution of RPTTF has changed to a twice-yearly distribution based upon a Recognized Obligation Payment Schedule (ROPS) as approved by the Oversight Board and State Department of Finance.

With respect to the ROPS approved by the Oversight Board on August 27, 2012 and the State Department of Finance on October 9, 2012, the Successor Agency had expected a payment of $14.7 million in RPTTF on January 2, 2013. However, the Los Angeles County Auditor/Controller determined to reduce that payment by $11.6 million based on their disallowing certain payments in a prior ROPS period. Consequently, the County Auditor/Controller disbursed only $3.1 million to the Successor Agency. This has created a cash shortfall for the Successor Agency which may not allow the Successor Agency to perform its duty under state law to make payments on enforceable obligations (specifically, but not limited to, debt service payments due May 1, 2013).

To allow the Successor Agency to perform its duty under state law, the Successor Agency may determine to take legal action against the State Department of Finance and the Los Angeles County Auditor/Controller to compel the Los Angeles County Auditor/Controller to disburse the full amount under ROPS III as originally approved by the State Department of Finance, which would allow the Successor Agency to make the payments of all enforceable obligations listed on ROPS III. In the meantime, the City Council and the Successor Agency Board are asked to approve the proposed loan agreement attached hereto as Exhibit A (Loan Agreement) which, if ultimately approved by the Oversight Board and the State Department of Finance, would be an enforceable obligation and be repaid from future RPTTF received by the Successor Agency in accordance with the Redevelopment Dissolution Act.

## FISCAL ANALYSIS:

As previously mentioned, the Successor Agency has a debt service payment of approximately $4.4 million due by May 1, 2013. However, the Successor Agency is not expected to have sufficient cash on hand to meet these enforceable obligations for the reasons explained above. To meet this need, staff is recommending the City provide the Successor Agency with a short-term loan under the following terms:

Principal: Up to $1,500,000

Interest: Equal to the Local Agency Investment Fund (LAIF) rate, compounded annually

Terms: Principal and interest due and payable in full following the June 1, 2013 payment to the Successor Agency. However, should the Successor Agency receive insufficient funds from the RPTTF to pay all costs shown on ROPS 13-14A, then the balance of any principal and interest due on the Loan shall be due and payable in full on the next ROPS.

Repayment of the Loan to the City will be secured by future RPTTF receipts by the Successor Agency.

**ATTACHMENTS:**

1. Proposed City Resolution
2. Proposed Successor Agency Resolution
3. Exhibit A – Loan Agreement

**MOTION:**

That the City Council:

1. Adopt a Resolution approving an Agreement for a loan from the City to the Successor Agency to the Culver City Redevelopment Agency in a principal amount up to $1,500,00 with interest equal to the Local Agency Investment Fund, with principal and interest due and payable in full following the June 1, 2013 payment to the Successor Agency; and,

2. Authorize the City Attorney and City Special Counsel to review/prepare the necessary documents;; and,

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 Successor Agency Board:

1. Adopt a Resolution approving a Loan Agreement between the City and the Successor Agency to the Culver City Redevelopment Agency in a principal amount up to $1,500,000 with interest equal to the Local Agency Investment Fund due and payable in full following the June 1, 2013 payment to the Successor Agency (with such approval being subject to the approval of the Oversight Board and the State Department of Finance); and,

2. Authorize the Successor Agency General Counsel and Successor Agency Special 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.