MOORPARK CITY COUNCIL
AGENDA REPORT

TO: **Honorable City Council**

FROM: **Ron Ahlers, Finance Director** RA

DATE: **May 26, 2010 (City Council Meeting of June 16, 2010)**

SUBJECT: **Consider Resolution Adopting Loan Agreement between the City of Moorpark and the Moorpark Redevelopment Agency**

BACKGROUND

The California Health and Safety Code on Community Redevelopment Law Section 33610 allows the legislative body of the community to appropriate to the agency such amounts as necessary for administrative and overhead expenses of the agency. These appropriations may be paid to the agency as a loan and will be repaid upon such terms and conditions as provided by the legislative body. Several times since the creation of the Moorpark Redevelopment Agency, the City has loaned funds to the Agency. All loans have been repaid by June 30th of each fiscal year.

DISCUSSION

For FY 2010/2011, the Agency has budgeted approximately $22.3 million in expenditures, including $15.5 million for capital improvements. While the Agency's annual revenues and existing fund balances are sufficient to finance these expenditures, it is our practice for all expenditures to be paid by the City and then these "advances" are repaid by the Agency. This is a common practice intended to comply with state laws that require Redevelopment Agencies to incur debt and to assist with Agency cash flow. Additionally, the Agency's cash flow has been negatively impacted by the taking of redevelopment tax increment by the State of California. In May 2010, the Agency paid the State $1,925,105 which reduced the cash position of the Agency. This negative cash flow will be repeated in May 2011 when an additional $395,966 is paid to the State. Therefore, the need for this $5 million loan is even greater this year.

Staff is recommending a loan from the City to the Agency in the amount of $5.0 million as an advance for anticipated operating and capital expenditures for the coming year. The Agency would be charged a rate equal to the rate earned on investments (the

higher of "LAIF" or the Ventura County Pool) plus 1%; currently this would be approximately 2.6%. The loan would be provided by the City's Special Projects Fund, which will have sufficient cash available, and would be due no later than June 30, 2011.

STAFF RECOMMENDATION (Roll Call Vote)

Adopt Resolution No. 2010-____, approving a Loan Agreement with the Moorpark Redevelopment Agency.

Attachment: Resolution No. 2010-____
Loan Agreement

RESOLUTION 2010-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, ADOPTING A LOAN AGREEMENT BETWEEN THE CITY OF MOORPARK AND THE MOORPARK REDEVELOPMENT AGENCY

WHEREAS, the City of Moorpark has agreed to advance funds from the Special Projects Fund (4004) to the Moorpark Redevelopment Agency in accordance with the terms of a Loan Agreement dated July 1, 2010; and

WHEREAS, the Moorpark Redevelopment Agency has agreed to accept the terms and conditions of the Loan Agreement dated July 1, 2010.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The Loan Agreement between the City of Moorpark and the Moorpark Redevelopment Agency dated July 1, 2010, and attached as Exhibit "A" to this resolution, is hereby adopted.

SECTION 2. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original Resolutions.

PASSED AND ADOPTED this 16th day of June, 2010.

_____
Janice S. Parvin, Mayor

ATTEST:

_____
Deborah S. Traffenstedt, City Clerk

Attachment: Exhibit "A"

EXHIBIT "A"

LOAN AGREEMENT

THIS LOAN AGREEMENT is entered into this 1st day of July, 2010, by and between the City of Moorpark ("City") and the Moorpark Redevelopment Agency ("Agency").

RECITALS

WHEREAS, the Agency was created by Ordinance 87, adopted by the City Council on March 18, 1987, for the purpose of eliminating blighted conditions within specified project areas; and

WHEREAS, in support of its mission, the Agency is developing and implementing plans to acquire and construct certain public facilities; and

WHEREAS, the Agency has determined that, in order to undertake this redevelopment project, temporary financial assistance in the form of a loan is required from the City of Moorpark; and

WHEREAS, Section 33600 et. seq. of the California Community Redevelopment Law authorizes the Agency to borrow money or accept financial or other assistance from the City.

COVENANTS

NOW, THEREFORE, THE CITY AND AGENCY AGREE AS FOLLOWS:

SECTION 1. Amount and Use of Loan. The City, from its Special Projects Fund, will advance to the Agency the amount of $5,000,000 (five million dollars). Agency agrees to use such loan proceeds only for those purposes set forth in the Health and Safety Code and approved by the Agency.

SECTION 2. Repayment of Funds. The Agency will repay this loan, both principal and interest, in full on or before June 30, 2011, unless extended by amendment to this Agreement.

SECTION 3. Interest Payment. This loan will bear interest at a rate equivalent to the rate earned by City investments in the Local Agency Investment Fund or the Ventura County Poll, whichever is greater, plus one percent.

SECTION 4. Obligation Constitutes Indebtedness. This loan agreement shall constitute an obligation and debt of the Agency to use all available increment revenue to repay the City. Such indebtedness shall be subordinate to any and all other Agency indebtedness incurred by the Agency, including indebtedness incurred through the issuance of tax allocation notes or bonds or any other bonds of the Agency.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

MOORPARK REDEVELOPMENT AGENCY

Janice S. Parvin, Chair

CITY OF MOORPARK

Steven Kueny, City Manager

ATTEST:

Deborah S. Traffenstedt,
Agency Secretary

Deborah S. Traffenstedt,
City Clerk