



CITY COUNCIL/COMMUNITY
REDEVELOPMENT AGENCY STAFF REPORT

DATE: January 20, 2010 NEW BUSINESS

SUBJECT: REPAYMENT AND RELENDING OF COMMUNITY REDEVELOPMENT
AGENCY LOANS

FROM: David H. Ready, City Manager

BY: Department of Finance and Treasury

SUMMARY

This is an annual administrative item that the City and Community Redevelopment Agency must undertake to transfer working capital to the Merged Area #1 and #2 Capital Project Funds from the Merged Area #1 and #2 Debt Service Funds. The legal and appropriate way to accomplish this is via the annual repayment of loans to and re lending of funds from the General Fund.

RECOMMENDATION:

CITY COUNCIL RECOMMENDATION:

- 1) The City Council accept repayments of loans from the Merged Area #1 and Merged Area #2 Debt Service Funds in the amount of \$1,466,785 and \$545,000, respectively; and
- 2) The City Council approve the issuance of new loans at 6% interest from the General Fund to Merged Area #1 and Merged Area #2 Capital Projects Funds, in the amount of \$1,466,785 and \$545,000, respectively, effective January 20, 2010.
- 3) Adopt Resolution No. _____ "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR THE 2009-2010 FISCAL YEAR."

ITEM NO. 5.f.

- 4) Adopt Resolution No. _____ " A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR THE 2009-2010 FISCAL YEAR.

REDEVELOPMENT AGENCY RECOMMENDATION:

- 1) The Community Redevelopment Agency approve repayment of loans to the City of Palm Springs by the Merged Area #1 and Merged Area #2 Debt Service Funds in the amount of \$1,466,785 and \$545,000, respectively; and
- 2) The Community Redevelopment Agency accepts new loans at 6% interest from the General Fund to Merged Area #1 and Merged Area #2 Capital Projects Funds, in the amount of \$1,466,785 and \$545,000, respectively, effective January 20, 2010.
- 3) Adopt Resolution No. _____ "A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR THE 2009-2010 FISCAL YEAR.
- 4) Adopt Resolution No. _____ "A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR THE 2009-2010 FISCAL YEAR.

BACKGROUND:

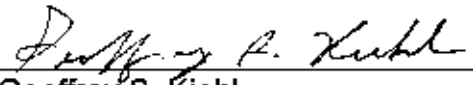
State rules governing redevelopment accounting require that tax increment received by an Agency be deposited in the Debt Service Fund of the Agency, and do not allow the use of tax increment for the "working capital" of the Agency, including administrative costs or even capital projects.

The correct and legal way to fund these activities is for the General Fund of the City to lend the Agency's Capital Projects Funds the amount necessary to cover administrative and capital project costs. The loans are then annually repaid to the City by the Agency's Debt Service Fund. This is similar to how a bond issue works, where the proceeds of the issue are deposited and placed in the Capital Projects Funds to be utilized, while the repayment of the bonds comes from the Debt Service Fund.

This is the accepted and established mechanism for funding the Capital Projects Fund, practiced by more than 90% of the redevelopment agencies statewide.

As the amounts of the loans are generally the same from year to year, the net indebtedness of the CRA project areas remain the same and the net effect on the General Fund is zero. While tax increment in the Agency has increased dramatically, administrative costs have been stable over the past several years.

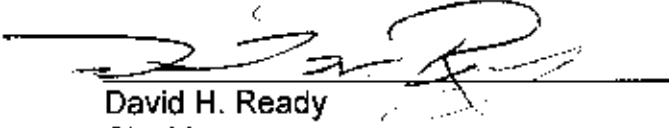
There are four budget resolutions attached amending the 2009-2010 budget, two of which amend the General Fund budget and one each for Merged Project Area #1 and #2. These are necessary to comply with the accounting rules.



Geoffrey S. Kiehl
Director of Finance and Treasurer



Thomas Wilson
Assistant City Manager



David H. Ready
City Manager

Attachments: Resolutions

RESOLUTION NO.

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR FISCAL YEAR 2009-10.

WHEREAS, Resolution No. 1389 approving the budget for the Fiscal Year 2009-10 was adopted on June 17, 2009; and

WHEREAS, the Executive Director has recommended, and the Agency Board desires to approve, certain amendments to said budget;

NOW THEREFORE BE IT RESOLVED that the Director of Finance is authorized to record inter-fund cash transfers as required in accordance with this Resolution, and that Resolution 1389, adopting the Fiscal Year 2009-10 Budget is hereby amended as follows:

SECTION 1. ADDITIONS

Fund	Activity	Account	Amount
No. 001 General Fund		12416 Redevelopment Agency Loans Receivable	\$1,466,785

Purpose: To provide funding for new loan to Merged Area #1 Capital & Admin to cover on-going costs.

SECTION 2. SOURCE: Merged Area #1 is concurrently repaying \$1,466,785 in loans from the General Fund.

Fund	Activity	Account	Amount
No. 811 Merged Area #1 Capital & Admin		29301 Fund Balance	\$1,466,785

ADOPTED this 20th day of January, 2010.

David H. Ready, Executive Director

ATTEST:

James Thompson, Assistant Secretary

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, Assistant Secretary of the Community Redevelopment Agency of the City of Palm Springs, hereby certify that Resolution No. ____ is a full, true and correct copy, and was duly adopted at an adjourned meeting of the Community Redevelopment Agency of the City of Palm Springs on _____, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, Assistant Secretary
Community Redevelopment Agency
City of Palm Springs, California

RESOLUTION NO.

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR FISCAL YEAR 2009-10.

WHEREAS, Resolution No. 1389 approving the budget for the Fiscal Year 2009-10 was adopted on June 17, 2009; and

WHEREAS, the Executive Director has recommended, and the Agency Board desires to approve, certain amendments to said budget;

NOW THEREFORE BE IT RESOLVED that the Director of Finance is authorized to record inter-fund cash transfers as required in accordance with this Resolution, and that Resolution 1389, adopting the Fiscal Year 2009-10 Budget is hereby amended as follows:

SECTION 1. ADDITIONS

Fund	Activity	Account	Amount
No. 001 General Fund		12416 Redevelopment Agency Loans Receivable	\$545,000

Purpose: To provide funding for new loan to Merged Area #2 Capital & Admin to cover on-going costs.

SECTION 2. SOURCE: Merged Area #2 is concurrently repaying \$545,000 in loans from the General Fund.

Fund	Activity	Account	Amount
No. 812 Merged Area #2 Capital & Admin		29301 Fund Balance	\$545,000

ADOPTED this 20th day of January, 2010.

David H. Ready, Executive Director

ATTEST:

James Thompson, Assistant Secretary

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, Assistant Secretary of the Community Redevelopment Agency of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at an adjourned meeting of the Community Redevelopment Agency of the City of Palm Springs on _____, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, Assistant Secretary
Community Redevelopment Agency
City of Palm Springs, California

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET
FOR THE 2009-10 FISCAL YEAR.

WHEREAS, Resolution No. 22531 approving the budget for the Fiscal Year 2009-10 was adopted on June 17, 2009; and

WHEREAS, the City Manager has recommended, and the City Council desires to approve, certain amendments to said budget.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY RESOLVE, that the Director of Finance is authorized to record inter-fund cash transfers as required in accordance with this Resolution, and that Resolution No. 22531, adopting the Fiscal Year 2009-10 budget is hereby amended as follows:

SECTION 1. ADDITIONS

Fund	Activity	Account	Amount
No. 001 General Fund		12416 Redevelopment Agency Loans Receivable	\$1,466,785

Purpose: Establish funding for new loan to Merged Area #1 Capital & Admin to cover on-going costs.

SECTION 2. SOURCE: Merged Area #1 is concurrently repaying \$1,466,785 in loans from the General Fund.

Fund	Activity	Account	Amount
No. 811 Merged Area #1 Capital & Admin		29301 Fund Balance	\$1,466,785

ADOPTED THIS 20th day of January, 2010.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on _____, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR THE 2009-10 FISCAL YEAR.

WHEREAS, Resolution No. 22531 approving the budget for the Fiscal Year 2009-10 was adopted on June 17, 2009; and

WHEREAS, the City Manager has recommended, and the City Council desires to approve, certain amendments to said budget.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY RESOLVE, that the Director of Finance is authorized to record inter-fund cash transfers as required in accordance with this Resolution, and that Resolution No. 22531, adopting the Fiscal Year 2009-10 budget is hereby amended as follows:

SECTION 1. ADDITIONS

Fund	Activity	Account	Amount
No. 001 General Fund		12416 Redevelopment Agency Loans Receivable	\$545,000

Purpose: Establish funding for new loan to Merged Area #2 Capital & Admin to cover on-going costs.

SECTION 2. SOURCE: Merged Area #2 is concurrently repaying \$545,000 in loans from the General Fund.

Fund	Activity	Account	Amount
No. 812 Merged Area #2 Capital & Admin		29301 Fund Balance	\$545,000

ADOPTED this 20th day of January, 2010.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on _____, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California