



CITY COUNCIL STAFF REPORT

DATE: SEPTEMBER 4, 2013 CONSENT CALENDAR

SUBJECT: AUTHORIZE THE PAYMENT OF \$6,653,617 AS REQUIRED BY THE STATE OF CALIFORNIA, DEPARTMENT OF FINANCE, AS A RESULT OF THE REDEVELOPMENT DISSOLUTION ACT AND APPROVING RELATED BUDGETED AMENDMENTS.

FROM: David H. Ready, City Manager

BY: Community & Economic Development Department

SUMMARY

The City Council will consider approving the required payment by the State of California Redevelopment Dissolution Act, and approve budget amendments as necessary, to fund the payment of \$6,653,617 for the Successor Agency's "Other Funds and Accounts Due Diligence Review," ordered by the California Department of Finance.

RECOMMENDATION:

1. Adopt Resolution No. _____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR FISCAL YEAR 2013-14 TO PROVIDE FUNDING FOR THE STATE OF CALIFORNIA REDEVELOPMENT DISSOLUTION ACT."
2. Direct and Authorize the Director of Finance to make the required payment of approximately \$6,653,617 to the Riverside County Auditor-Controller's Office within five days, and to notify the California Department of Finance of the payment.

BACKGROUND AND ANALYSIS:

The Redevelopment Dissolution Act required that all transactions between the former Redevelopment Agency and the City that took place between January 1, 2011, through June 30, 2012, be reversed. As a result any funds paid to the City after January 1, 2011, shall be returned to the Successor Agency and added to any other fund balance of the Redevelopment Agency to be distributed among taxing agencies.

The former Palm Springs Community Redevelopment Agency repaid certain City Loans in January 2011, prior to the State of California implementation of the Redevelopment Dissolution Act. The City Loans repaid were: 1) a General Fund administrative cost loan

plus interest of \$2,132,492 relating to fiscal year 2009-10; 2) a project loan made from the Sustainability fund of \$1,196,865, plus interest of \$29,677; and 3) interest of \$73,620 on two project loans made from the Wastewater Fund. These loans were all appropriate and legal at the time of repayment.

The City Council acting in its capacity as the Successor Agency to the Palm Springs Community Redevelopment Agency and the State mandated Oversight Board approved the Other Funds and Accounts Due Diligence Review with an amount due of \$4,127,192. This amount was included in the Fiscal Year 2013-14 budget of the Successor Agency, and has already been authorized for payment by the Successor Agency.

The City submitted the Due Diligence Review to the California Department of Finance, as required pursuant to Cal. Health and Safety Code Section 34179.6(c).

The California Department of Finance determined the Agency owed an additional \$2,496,425 above the City approved and recognized amount as follows:

Wastewater Fund Loan Interest	\$ 73,620
Sustainability Principal and Interest	\$ 1,226,542
General Fund Repayment and Relending Loans	\$ 2,132,492
Misc. Lease Revenue	\$ 85,583
Additional Interest (on above)	\$ 30,000
Credit to Return to Bond Proceeds	<u>(\$ 1,021,812)</u>
TOTAL ADDITIONAL AMOUNT DUE	\$ 2,526,425
Original Amount Due (as reported)	<u>\$ 4,127,192</u>
TOTAL AMOUNT DUE	\$ 6,653,617

A portion of the funds used to repay the loans originally came from 2007 bond proceeds that the Agency had available. Bond proceeds are legally restricted assets and cannot be redistributed. The Successor Agency may retain those funds and use them in the future for the purpose for which the bonds were issued under certain conditions. After the Agency has been issued a Finding of Completion by Department of Finance, it will be allowed to use excess proceeds from bonds for the purposes for which the bonds were issued.

The amount due was required to be transmitted to the County Auditor-Controller within five working days of the letter. However, Department of Finance granted the City until September to make the payment to allow the City Council to approve the additional payment and budget amendment.

Failure to transmit the identified funds could also prevent the Agency from being able to receive a Finding of Completion from Department of Finance. Without a Finding of

Completion, the Agency would be unable to take advantage of the provisions detailed in Health and Safety Code Section 34191.4, specifically those provisions that allow certain loan agreements between the former RDA and the City to be considered enforceable obligations. These provisions also allow the bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Department of Finance approves the Agency's Long-Range Property Management Plan.

FISCAL IMPACT:

A budget amendment is required for the three City funds to transfer the funds plus estimated accrued interest back to the Successor Agency.

Of the additional amount due: \$2,218,075 is from the General Fund, \$1,226,492 is from the Sustainability Fund and \$73,620 is from the Wastewater Fund. In addition, there will be an estimated \$30,000 of accrued interest payable on the balance due to be allocated to the three funds.

The net impact on the General Fund balance for this transaction is \$863,075, calculated as follows:

○ Balance due from General Fund	\$2,218,075
○ Interest accrued	20,000
○ Reserved Fund Balance in General Fund	(800,000)
○ <u>City share of distribution (revenue returned to City)</u>	<u>(575,000)</u>
Net impact on the General Fund	\$863,075

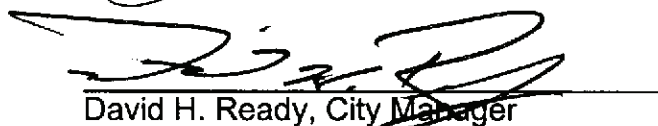
Once the Successor Agency receives a Finding of Completion the General Fund loan, the Sustainability Fund loan and the Wastewater Fund loans may be reinstated under certain conditions, and eventually repaid from tax increment deposited into the RPTTF these loans may be placed on future ROPS for repayment.



John S. Raymond, Director of
Community & Economic Development



Geoffrey S. Kiehl
Director of Finance/City Treasurer



David H. Ready, City Manager

Attachments:
Budget Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET
FOR FISCAL YEAR 2013-14.

WHEREAS, Resolution No. 23341 approving the Budget for the Fiscal Year 2013-2014 was adopted on May 15, 2013; and

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

NOW THEREFORE THE CITY COUNCIL DETERMINES, RESOLVES AND APPROVES AS FOLLOWS: that the Director of Finance is authorized to record inter-fund cash transfers as required in accordance with this Resolution, and Resolution No. 23341, adopting the Budget for Fiscal Year 2013-14 is hereby amended as follows:

SECTION 1. ADDITIONS

Fund	Activity	Account	Amount
870 Merged #1 Capital Successor	8501 Merged #1 Capital Successor	65023 DOF Demand Payment	\$963,709 Plus Accrued Interest as of Date of Payment
871 Merged #2 Capital Successor	8502 Merged #2 Capital Successor	65023 DOF Demand Payment	\$147,845 Plus Accrued Interest as of Date of Payment
872 Merged #1 Debt Service	8511 Successor Debt #1	65023 DOF Demand Payment	\$3,486,933 Plus Accrued Interest as of Date of Payment
873 Merged #2 Debt Service	8518 Successor Debt #2	65023 DOF Demand Payment	\$2,025,130 Plus Accrued Interest as of Date of Payment

Purpose: Establish funding for State-Required Payment of Successor Agency's Other Funds and Accounts Due Diligence Review (OFA-DDR).

SECTION 2. SOURCE

Fund	Activity	Account	Amount
870 Merged #1 Capital Successor		29301 Fund Balance	\$963,709 Plus Accrued Interest as of Date of Payment
871 Merged #2 Capital Successor		29301 Fund Balance	\$147,845 Plus Accrued Interest as of Date of Payment
872 Merged #1 Debt Service		29301 Fund Balance	\$3,486,933 Plus Accrued Interest as of Date of Payment
873 Merged #2 Debt Service		29301 Fund Balance	\$2,025,130 Plus Accrued Interest as of Date of Payment

ADOPTED THIS 4TH DAY OF SEPTEMBER, 2013.

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