

STAFF REPORT
City Council Special Meeting Agenda
 October 24, 2013

TO: Randal J Mendosa, City Manager
FROM: Larry Oetker, Community Development Director, David Loya, Community Development Deputy Director
DATE: October 17, 2013

SUBJECT: Consider committing funds to the Successor Agency to the City of Arcata Community Development Agency to satisfy the Successor Agency installment plan pursuant to the Department of Finance (DOF) determinations of the Due Diligence Reviews (DDR's), and adopt Resolution No. 134-25.

RECOMMENDATION: Staff recommends the City Council:

1. Consider the Successor Agency's installment plan terms;
2. Adopt Resolution 134-25 committing \$300,000 per year as necessary to satisfy the DOF demand; and
3. Take other actions as required.

INTRODUCTION: The Successor Agency (SA) was ordered to repay a total of \$4,551,568 of disallowed transfers from the former RDA to the City in its Housing and Other Assets DDR's. The SA is considering a payment plan on this same date, but has limited resources to generate funds. The City will need to commit to the unfunded portion of the payment plan the SA adopts and DOF accepts. Staff recommends the City Council adopt the installment plan outlined in Resolution No. 134-25.

DISCUSSION: The total demand owing to the taxing entities from the DDR demands of the Successor Agency is \$4,551,568. Details on this demand are provided in the SA Staff report for the October 24, 2013, Special Meeting of the Successor Agency.

The SA has limited resources with which to enter a installment plan. If the City does not make a commitment to fund the unfunded portion of the demand, the SA will not likely be able to satisfy the full demand and the DOF may seek "clawed back" funds from the City.

If the SA adopts the staff proposed installment plan, and the DOF accepts it, the SA will have adequate revenue sources for the payment plan through fiscal year (FY) 2016/17. The SA has approximately \$2,389,078 total assets available for repayment. The City's maximum commitment will be approximately \$2,162,490 over approximately eight (8) years with annual payments of approximately \$300,000. The payments are likely to start in FY 2017/18.

While this proposal establishes a moderately long term, it does not over commit City's finite resources. Staff believes it is important to enter a payment plan that is feasible under poor case scenarios. Table A, illustrates the timeline for repayment based on the terms in the resolution. Currently, the SA has not identified additional revenue sources that it may bring to bear on the demand, but the City's commitment would be reduced by any additional resources identified in the future.

Table A. Proposed Installment Plan

Year	FY	Annual Payment	Cumulative Payment	Source
Remitted	2013	\$ 489,078	\$ 489,078	SA Retained Funds
0	2014	1,000,000	1,489,078	SA Transferred Funds On Hand
1	2015	300,000	1,789,078	Sale of Sandpiper Units
2	2016	300,000	2,089,078	Sale of Sandpiper Units
3	2017	300,000	2,389,078	Sale of Sandpiper Units in part
4	2018	300,000	2,689,078	City
5	2019	300,000	2,989,078	City
6	2020	300,000	3,289,078	City
7	2021	300,000	3,589,078	City
8	2022	300,000	3,889,078	City
9	2023	300,000	4,189,078	City
10	2024	300,000	4,489,078	City
11	2025	\$ 62,490	\$ 4,551,568	City

BUDGETARY/FISCAL IMPACT: \$2,162,490 of funds from the City would be committed to the SA’s debt unless the SA finds sources of funding

ATTACHMENTS:

- A. Resolution 134-25

RESOLUTION NO. 134-25**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
ARCATA COMMITTING UP TO \$2,200,000 TO THE TO THE SUCCESSOR AGENCY
TO SATISFY AN INSTALLMENT PAYMENT PLAN TO BE ENTERED INTO WITH
THE DEPARTMENT OF FINANCE**

WHEREAS, pursuant to Health and Safety Code Section 34179.5, the Successor Agency to the Arcata Community Development Agency completed due diligence reviews (DDR) for its housing fund and for its other assets fund to determine unobligated balances available for transfer to the taxing entities.

WHEREAS, based on the DDR's, the California Department of Finance (DOF) issued final determinations demanding that the Successor Agency remit \$2,415,359.00 for the Housing DDR and \$2,126,209.00 for the Other Assets DDR.

WHEREAS, Health and Safety Code section 34179.6(h)(3) authorizes the DOF to accept an installment payment plan to satisfy outstanding DDR balances when it determines that full payment of such balances is not currently feasible or would jeopardize the ability of the Successor Agency to pay enforceable obligations in a timely manner.

WHEREAS, the Successor Agency currently does not have the financial resources to make full payment of the DDR balances, or to do so would jeopardize the ability of the Successor Agency to pay enforceable obligations in a timely manner, has developed an installment payment plan to satisfy the outstanding DDR balances.

WHEREAS, the City of Arcata has up to \$2,200,000.00 in funds and assets, which can be committed to the Successor Agency to satisfy the terms of an installment payment plan.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Arcata as follows:

1. The above recitals are true and correct and incorporated herein.
2. The City hereby commits to the Successor Agency up to \$300,000 annually beginning in fiscal year 2017-18 up to a maximum of \$2,200,000, to assist the Successor Agency in satisfying the terms of an installment payment plan entered into with the Department of Finance.

This Resolution shall be effective upon adoption.

DATED:

ATTEST:

APPROVED:

City Clerk, City of Arcata

Mayor, City of Arcata

CLERK’S CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of **Resolution No. 134-25**, passed and adopted at a regular meeting of the Successor Agency to the Community Development Agency of the City of Arcata, County of Humboldt, State of California, held on the 24th day of October, 2013, by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

City Clerk
City of Arcata