



Community Redevelopment Agency Staff Report

DATE: May 4, 2011 Consent Calendar

SUBJECT: State-Mandated Payment to the Supplemental Educational Revenue Augmentation Fund (SERAF)

FROM: David H. Ready, Executive Director

BY: Thomas Wilson, Assistant City Manager

SUMMARY:

Assembly Bill 26 4x, adopted by the State Legislature as part of its 2009-10 Budget, requires the Community Redevelopment Agency of the City of Palm Springs to make a payment to the Supplemental Education Revenue Augmentation Fund (SERAF) on or before May 10, 2011. Assembly Bill 26 4x and subsequent Senate Bill 68 provide that an agency may borrow certain amounts from its low-and-moderate income housing fund (Housing Fund) to make this payment.

RECOMMENDATION:

1. Adopt Resolution No. ____, "RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS MAKING CERTAIN FINDINGS WITH RESPECT TO THE 2010-11 PAYMENT TO THE EDUCATIONAL REVENUE AUGMENTATION FUND AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO"

FISCAL IMPACT:

As part of the effort to reduce the 2009-10 State budget deficit, the legislature adopted Assembly Bill 26 4x (AB 26), which included a property tax shift from redevelopment agencies for fiscal year 2009-10 and 2010-11. Among other things, AB 26 added Sections 33690 and 33690.5 to the Health and Safety Code of the State of California (Law), which requires redevelopment agencies to shift \$1.7 billion and \$350 million in property tax increment revenues to K-12 schools and community colleges during the fiscal years 2009-10 and 2010-11, respectively. The effect of this transfer is to increase local school district revenue and thereby reduce the financial support from the State. The Law requires redevelopment agencies to make the payment for 2010-11

prior to May 10, 2011, to the county SERAF. If the Agency does not remit the full amount or fails to arrange for full payment, the Agency would be prohibited from adding new project areas or expanding existing project areas; from issuing new bonds, notes, or other obligations, as specified; and from encumbering any funds or expending any money for new projects or contracts derived from any source except as specified.

The payment required to be made by the Agency to the Riverside County Educational Revenue Augmentation Fund is \$865,719 for fiscal year 2010-11.

Section 33690.5(c)(1) of the Law provides that, to make the full allocation required by Section 33690.5, an agency may borrow from either the amount required to be allocated to the Low and Moderate Income Housing Fund, pursuant to Sections 33334.2, 33334.3, and 33334.6, or any moneys in that fund, or both, unless executed contracts exist that would be impaired if the agency reduced the amount allocated to the Low and Moderate Income Housing Fund. If the resolution is approved, the Agency will be authorized to borrow the funds necessary to make the SERAF payment from the Housing Fund. As a condition of borrowing from the Housing Fund, the Agency must make a finding that there are insufficient other moneys to meet the SERAF requirements. If the resolution is approved, funds borrowed pursuant are required to be repaid in full on or before June 30, 2016 with respect to the borrowing related to the fiscal year 2010-11 SERAF payment.


The Agency finds that the loan is necessary to meet the Agency's obligation to pay the 2010-11 SERAF. Agency funds in the Debt Service have been earmarked for existing bonded debt obligations, payment under development agreements, contribution to the Convention Center debt service, repayment of City operating loans, and the balance of amounts held under tax sharing agreements with the Flood Control District. Funds in the Debt Service have also been reserved for the first installment for the borrowing of the 2009-10 SERAF payment from the Housing Fund.

There are no available funds in the Capital Project Funds that are not currently encumbered for previously budgeted project costs, including a reserve of approximately \$956,000 for existing Plaza Theater obligations. Bond proceeds in the Agency's capital project fund are not available to make SERAF payments, and are reserved for the construction of the animal shelter as previously committed.

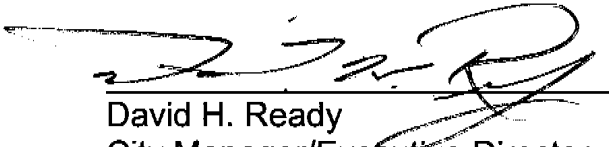
As a result, the existing fund balances in the Agency's Capital Improvement Fund and Debt Service Fund are not available to make the SERAF payment.



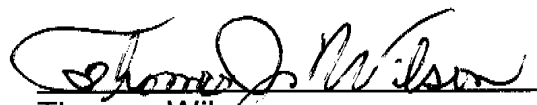
John Raymond
Director of Community & Economic Development



Geoffrey Kiehl
Director of Finance



David H. Ready
City Manager/Executive Director



Thomas Wilson
Assistant City Manager

Attachment: Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS, CALIFORNIA, MAKING CERTAIN FINDINGS WITH RESPECT TO THE 2010-11 PAYMENT TO THE SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

The Community Redevelopment Agency of the City of Palm Springs finds:

A. Assembly Bill 26 4X, adopted by the State Legislature in July 2009, added Section 33690.5 to the Health and Safety Code of the State of California (the "Law").

B. Section 33690.5 of the Law was subsequently amended by Senate Bill 68.

C. Section 33690.5(a)(1) of the Law requires redevelopment agencies to make a payment on or before May 10, 2011 to the county Supplemental Educational Revenue Augmentation Fund.

D. The amount required by Section 33690.5(a)(1) of the Law to be paid by the Community Redevelopment Agency of the City of Palm Springs (the "Agency") by May 10, 2011 is \$864,927.

E. Pursuant to Section 33690.5(c)(1), an agency may borrow from either the amount required to be allocated to the Low and Moderate Income Housing Fund, pursuant to Sections 33334.2, 33334.3, and 33334.6, or any moneys in that fund, or both, unless executed contracts exist that would be impaired if the agency reduced the amount allocated to the Low and Moderate Income Housing Fund, if the agency finds that there are insufficient funds to meet this obligation.

F. Agency funds in its Debt Service and Capital Improvement Funds have been earmarked for existing bonded debt obligations, payment under development agreements, repayment of the City operating loan, amounts due under tax sharing agreements and the first installment for the borrowing of the 2009-10 SERAF payment from the Housing Fund.

G. In addition to its bonded indebtedness and tax sharing obligations, the Agency has budgeted project costs remaining for the Animal Shelter and other capital improvement programs, as well as a reserve for the Plaza Theater.

H. If the Agency does not reserve the balance of its currently available funds to secure the payments due under the operating loan with the City, the City's ability to fund essential City services will be impaired.

I. Based on obligations described in Findings F, G and H of this resolution, there are insufficient funds to meet the requirements of Section 33690.5(a)(1) of the Law and the Agency will borrow the amount required from the Low and Moderate Income Housing Fund.

J. The Agency must repay amounts so borrowed on or before June 30, 2016.

NOW, THEREFORE, BE IT RESOLVED by the Community Redevelopment Agency of the City of Palm Springs, as follows:

Section 1. Loan. The Agency hereby approves a loan from the Agency's Low and Moderate Income Housing Fund in the amount of \$865,719 to pay the amount due pursuant to Section 33690.5(a)(1) of the Law.

Section 2. Repayment. The Agency will repay such amounts to the Low and Moderate Income Housing Fund no later June 30, 2016, without interest.

Section 3. Subordination. The obligation of the Agency to repay the Low and Moderate Income Housing Fund shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the Agency including, without limitation, bonds secured by a pledge of taxes allocated to the Agency pursuant to Section 33670 of the Law. The Agency shall factor in the fiscal obligations created by this Resolution when issuing bonded indebtedness.

Section 4. Effective Date. This resolution shall take effect from and after the date of approval and adoption thereof.

ADOPTED THIS 4TH DAY OF MAY, 2011.

David H. Ready, Executive Director

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