



Legislation Text

File #: 19-486, **Version:** 1

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SUBJECT: Approval of a Pooled Cash Loan Not to Exceed \$7,720,000 and Current Year Payment Amount, in Order to Repay the Department of Finance (DOF) Based on the Approved Settlement Agreement Related to the Dissolution of the City of Merced Redevelopment Agency

REPORT IN BRIEF

Considers approving a pooled cash loan not to exceed \$7,720,000 and current year payment amounts in order to repay the Department of Finance based on the approved Settlement Agreement related to the dissolution of the City of Merced Redevelopment Agency.

RECOMMENDATION

City Council - Adopt a motion:

- A. Approving a pooled cash loan not to exceed \$7,720,000; and,
- B. Approving the use of RDA residual in the amount of \$1,297,953 plus interest towards the first payment; and,
- C. Approving the use of \$500,000 from Fund 017 Development Services towards the first payment; and,
- D. Authorizing the City Manager or the Assistant City Manager to execute all necessary documents; and,
- E. Authorizing the Finance Officer to make the necessary budget adjustments.

ALTERNATIVES

- 1. Approve, as recommended by staff; or,
- 2. Refer to staff for reconsideration of specific items; or,
- 3. Deny.

AUTHORITY

Charter of the City of Merced, Section 200.
City Council Approved Debt Policy and Continuing Disclosure Policy.

DISCUSSION

The current City Council approved Debt Policy and Continuing Disclosure Policy allowing interfund borrowing or cash pooled loans for long term financing up to \$10 million. The purpose of leveraging

a cash pooled loan is to reduce the cost of interest, debt issuance, and administration. The loan is required to pay interest based upon the earning rate of the City's investment pool.

Although the total repayment amount to the Department of Finance (DOF) is \$9,528,396, the proposed cash pooled loan is not to exceed \$7,720,000. The first payment of \$2,000,000 due on 10/1/19 is estimated to be made with a combination of Redevelopment Agency (RDA) residual and interest (\$1,308,396), Development Services funding (\$500,000), and the cash pooled loan (\$191,604).

The cash pooled loan agreement is proposed as a tiered not to exceed amount of \$7,720,000, amortized over 30 years with an interest rate of 2.22%, which is the annual average earnings rate of the City's investment pool for the last 12 months. Based on the accepted payment terms with DOF, staff will review annually available funding from other sources such as RDA residual or reimbursement and then only draw down the actual amount needed to make each payment. This allows for the most flexibility and will help to keep the interest amount as low as possible.

IMPACT ON CITY RESOURCES

Based on the average annual amount of RDA residual the City receives, it is projected that RDA residual will be available to repay the pooled cash loan. If the City were to receive less RDA residual than needed to make the scheduled loan payment based on the final amortization schedule then funding will be needed from the General Fund or the Revenue Stabilization Fund. Each annual payment to DOF for the next six years and any scheduled repayments to the cash pool will be included in the budget process.

ATTACHMENTS

1. Cash Pooled Loan Agreement
2. Settlement Agreement