

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Promissory Note For Hwy101/46W Interchange Improvements
DATE: January 16, 2007

Needs: For the City Council to consider approval of promissory note for funds advanced prior to formation of Community Facilities District (CFD) for interchange improvements.

Facts:

1. The formation of the CFD is not yet complete and may take several more months before formation is completed.
2. Costs are being incurred to form the CFD, appraise and acquire property and prepare the design for Theatre Drive improvements.
3. It is estimated that the City may spend upwards of \$10,200,000 before potential reimbursement from the sale of CFD bonds is available.
4. Until the CFD is formed and bonds are sold, funds must be advanced from other sources to cover expenditures.
5. It is proposed that funds be advanced, by way of a formal promissory note, from the Sewer Operations Fund.
6. The remaining amount required to acquire property and prepare the design for Theatre Drive improvements is Six Million Seven Hundred Thousand Dollars (\$6,700,000).

Analysis
and
Conclusion:

As noted above, it is estimated that the City may spend as much as \$10,200,000 before the CFD is formed and bonds are sold. Thus, a source of funds must be identified during the interim. It is being recommended that the Council approve a formal promissory between the Traffic Mitigation Development Impact Fee Fund and the Sewer Operations Fund to provide interim funding.

The Traffic Mitigation Development Impact Fee Fund has already made cash advances to the Hwy101/46W CFD Fund and has some cash resources available to contribute on an interim basis. However, it is \$6.7 million short of providing the full \$10.2 million needed. Thus, the need to internally borrow the \$6.7 million from other sources.

The Council previously approved a reimbursement resolution which authorizes the City to be reimbursed for costs advanced prior to CDF formation and sale of bonds. Once the CFD is formed and bonds are sold, the Traffic Mitigation Development Impact Fee Fund would be repaid. The re-sale of portions of properties purchased but not required for the re-alignment of Theatre Drive may potentially also be used to repay or contribute to the repayment of the promissory note.

In the interim, 50% of all traffic mitigation development impact fee revenues will be used to repay the promissory note. This obligation will severely restrict the availability and use of these funds for other projects throughout the City.

Fiscal

Impact:

It is proposed that the promissory note for \$6.7 million bear quarterly compounded interest at a rate to be re-set quarterly based upon the “apportionment rate” for the Local Agency Investment Fund plus 1%.

For example, the apportionment rate for the quarter ending December 2006 was 4.93%. Thus, the accrued balance of the promissory note at quarter’s end would be assessed an interest charge at the rate of 5.93% for the quarter.

Options:

- a. Adopt Resolution No. 07-xxx approving promissory note for amounts advanced from the Sewer Operations Fund to the Traffic Mitigation Development Impact Fee Fund for costs incurred prior to the formation of the CFD and sale of bonds;
or
- b. Amend, modify, or reject the above option.

RESOLUTION NO. 07-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING A PROMISSORY NOTE FOR COSTS ADVANCED PRIOR TO THE
FORMATION OF THE HIGHWAY 101/46W COMMUNITY FACILITIES DISTRICT

WHEREAS, the Council has authorized the expenditure of funds to form a community facilities district, appraise and purchase real property and design Phase I improvements to Theatre Drive; and

WHEREAS, funds for these cost must be advanced from the Traffic Mitigation Development Impact Fee Fund as the formation of the community facilities district has not yet been completed; and

WHEREAS, the Traffic Mitigation Development Impact Fee Fund does not currently have sufficient cash resources on hand to cover the advance needed; and

WHEREAS, the only source of funds adequate to provide the amount required are enterprise funds, Water and Sewer Operations; and

WHEREAS, it is proposed that funds be loaned from the Sewer Operations Fund to the Traffic Mitigation Development Impact Fee Fund in the amount of Six Million Seven Hundred Thousand Dollars (\$6,700,000); and

WHEREAS, it is the Council's desire to "hold harmless" the loss of interest income to the Sewer Operations Fund resulting from the advance of funds to the Traffic Mitigation Development Impact Fee Fund ; and

WHEREAS, the establishment of formal promissory notes bearing reasonable interest cost would mitigate the loss of interest income to the Sewer Operations Fund.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that the promissory note for Six Million Seven Hundred Thousand Dollars (\$6,700,000) attached herein for funds advanced to cover pre-Community Facilities District formation costs incurred is approved; and

BE IT FURTHER RESOLVED that all currently active promissory notes shall bear interest cost at One Percent (1%) above the quarterly Local Agency Investment Fund interest apportionment rate.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 16th day of January 2007 by the following votes:

AYES:
NOES:
ABSENT:
ABSTAIN:

Frank Mecham, Mayor

ATTEST:

Deborah, Deputy City Clerk

PROMISSORY NOTE
Hwy101/46W Interchange Improvements
Six Million Seven Hundred Thousand Dollars
(\$6,700,000)
January 1, 2007

For value received, Six Million Seven Hundred Thousand Dollars (\$6,700,000), the Traffic Mitigation Development Impact Fee Fund shall repay the City's Sewer Operations Fund all sums advanced for costs incurred to form community facilities district, appraise and acquire real property and design Phase I improvements to Theatre Drive. Repayment shall be made from fifty percent (50%) of all traffic mitigation fees to be collected by the City until such time as the principal and accrued interest is paid in full.

The principal and accrued interest, all or in part, may be repaid without penalty at any time.

Amounts advanced shall accrue quarterly compounded interest at the Local Agency Investment, State of California quarterly apportionment rate plus one percent (1%) effective 12/31/06.

Frank Mecham, Mayor
City of El Paso de Robles