

Council/Agency Meeting Held: _____	_____ City Clerk's Signature
Deferred/Continued to: _____	
<input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied	
Council Meeting Date: 11/15/2004	Department ID Number: AS 04-039

CITY OF HUNTINGTON BEACH
REQUEST FOR CITY COUNCIL/REDEVELOPMENT AGENCY ACTION

SUBMITTED TO: HONORABLE MAYOR/CHAIRMAN AND CITY COUNCIL MEMBERS/
REDEVELOPMENT AGENCY MEMBERS

SUBMITTED BY: *Penelope Culbreth Graft*
PENELOPE CULBRETH-GRAFT, City Administrator/Executive
Director

PREPARED BY: CLAY MARTIN, Director of Administrative Services *[Signature]*
DAVID C. BIGGS, Director of Economic Development/Deputy
Executive Director *[Signature]*

SUBJECT: **Amendment of Redevelopment Agency Debt Pursuant to
Operative Agreement Between the City and Redevelopment
Agency for the Redevelopment Project (Merged Project Area) and
Southeast Coastal Project Area** *Agency Resolution No 352*

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)

Statement of Issue: The Redevelopment Agency of the City of Huntington Beach incurs debt that allows it to receive tax increment revenue in accordance with California Community Redevelopment law. The Agency is required to file an annual statement to document this debt with the County of Orange Auditor/Controller. This statement is also needed for audit purposes and to keep the City Council informed of the changes in the debt owed the City by the Redevelopment Agency for the merged Huntington Beach Project Area and the Southeast Coastal Project Area.

Funding Source: N/A

Recommended Action: Motion to adopt Resolution No. 352 of the Redevelopment Agency of the City of Huntington Beach amending the Agency Debt pursuant to the Operative Agreement between the City of Huntington Beach and the Redevelopment Agency of the City of Huntington Beach for the merged Huntington Beach Project Area and the Southeast Coastal Project Area. The debt at September 30, 2004 will be as follows:

Merged Project Area	\$ 89,283,958
Southeast Coastal Project Area	6,775,000
Total Debt	<u>\$ 96,058,958</u>

Alternative Action(s):

1. Do not adopt the resolution in which would result in no updating of the Agency debt to the City.
2. Adopt the agreement with modifications that the City Council would specify.

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Analysis: To receive tax increment revenue, the Redevelopment Agency must have sufficient debt on its books each year. It is common practice for cities to book all possible eligible expenditures within a redevelopment project area, such as capital projects, as a debt of the Redevelopment Agency. These capital projects have been undertaken as part of the normal course of business through a number of the City's specialized funds, such as the Water Fund and the Sewer Fund. In addition, interest accrues on this debt, based on the City's annual rate of investment return, which further assures the Agency's ability to collect tax increment revenue in the future. There have been no increases in the debt other than the interest accrual for the merged project area. There is no change in the debt for the Southeast Coastal Project Area.

Merged Project Area:

The City charged the Agency 2.47% on all outstanding advances for October 1st to September 30th, which is approximately the average yield earned by the City Treasurer on investments for the year through June 30th, 2004. The total interest accruals were \$2,327,934.

The City Council/Agency approved originally \$4,912,678 of debt repayment for the 2003/2004 fiscal year. On February 2, 2004, the City Council/Agency approved an amendment that changed the repayment as follows:

Cash Debt Repayment - Original Budget	\$ 4,912,678
Current Year Business Development Expenses (credited against debt)	287,322
Changes Authorized in February 2, 2004 Council/Agency Action:	
Increase in Overhead/Accounting Charges (charges do not reduce debt)	(221,224)
Reductions due to Waterfront TOT transferred to General Fund	(705,000)
Prior Business Development Expenses	2,886,474
Ocean View Estates Income	132,064
Fiscal Year 2003-2004 Debt Repayment	\$ 7,292,314

The schedule below shows the breakdown of the operative agreement debt by fund and the changes during the year for the merged project area. It does not include debt incurred with entities other than the City such as bonds, mortgages, and debt owed through Disposition and Development Agreement's and Owner Participation Agreement's with private parties.

	DEBT @ 10/1/03	BUDGETED REPAYMENTS	ACCRUED INTEREST	DEBT @ 9/30/2004
GENERAL FUND				
DIRECT ADVANCES	\$11,585,792	\$ (6,988,440)		\$ 4,597,352
INTEREST ON DIRECT ADVANCES	17,278	(303,874)	286,596	(0)
TOTAL DIRECT ADVANCES	11,603,070	(7,292,314)	286,596	4,597,352
INDIRECT ADVANCES	6,567,353			6,567,353
INTEREST ON INDIRECT ADVANCES	3,238,842		242,213	3,481,055
TOTAL INDIRECT ADVANCES	9,806,195	-	242,213	10,048,408
LAND SALES	32,833,417			32,833,417
INTEREST ON LAND SALES	30,945,252		1,575,333	32,520,586
TOTAL LAND SALES	63,778,669	-	1,575,333	65,354,003
TOTAL GENERAL FUND	85,187,935	(7,292,314)	2,104,142	79,999,763
SEWER FUND				
DIRECT ADVANCES	130,560			130,560

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INT ON DIRECT ADV	78,859		5,173	84,032
TOTAL DIRECT ADV	209,419	-	5,173	214,592
DEFERRED DEVELOPMENT FEES	37,888		-	37,888
INT ON DEFERRED DEV FEES	92,537		3,221	95,758
TOTAL DEF DEV FEES	130,425	-	3,221	133,646
TOTAL SEWER FUND	339,844	-	8,394	348,238
DRAINAGE FUND				
DIRECT ADVANCES	250,000	-	-	250,000
INT ON DIRECT ADV	254,702	-	12,466	267,168
TOTAL DIRECT ADVANCES	504,702	-	12,466	517,168
DEFERRED DEVELOPMENT FEES	53,650		-	53,650
INT ON DEFERRED DEV FEES	85,185		3,429	88,614
TOTAL DEF DEV FEES	138,835	-	3,429	142,264
TOTAL DRAINAGE FUND	643,537	-	15,895	659,433
PARK A AND D FUND				
DEFERRED LAND SALE	1,740,834	-	-	1,740,834
INTEREST ON DEFERRED LAND SALE	2,416,642	-	102,690	2,519,331
TOTAL LAND SALES	4,157,476	-	102,690	4,260,165
DEF DEV FEES	247,664		-	247,664
INT ON DEF DEV FEES	60,713		7,617	68,330
TOTAL PARK A AND D DEF DEV FEES	308,377	-	7,617	315,994
TOTAL PARK A AND D	4,465,853	-	110,307	4,576,160
CAPITAL IMPROVEMENT FUND				
DIRECT ADV	200,000	-	-	200,000
INT ON DIRECT ADV	283,022	-	11,931	294,953
TOTAL CAPITAL IMPROVEMENT FUND	483,022	-	11,931	494,953
WATER FUND				
DIRECT ADV	1,138,000	-	-	1,138,000
INT ON DIRECT ADV	1,990,146	-	77,265	2,067,411
TOTAL WATER FUND	3,128,146	-	77,265	3,205,411
TOTAL PRE AB 1290 DEBT - ALL FUNDS	\$94,248,337	\$ (7,292,314)	\$2,327,934	\$89,283,957

The Agency is now classifying debt as "Pre AB 1290" and "Post AB 1290." AB 1290 was a sweeping Redevelopment reform bill enacted in 1993 that placed time limits on incurring debt within Redevelopment project areas. Under the terms of AB 1290, debt incurred prior to January 1, 1994 can continue to be repaid after the project area has expired. Staff is recommending that all debt repayments be applied first to debt incurred after January 1, 1994, then to debt incurred prior to that date. All of the debt at year-end is considered pre AB 1290 debt.

Southeast Coastal Project Area:

On September 2, 2003, the Council/Agency approved a Cooperation Agreement Regarding Capital Improvements in the project area. The debt in this project area is recorded on a prospective basis. The amount identified as debt is the entire Conceptual Five Year Capital Improvement Program for the project area totaling \$6,775,000. The debt is activated as projects are begun. Each year, projects are added or subtracted to reflect actual increment revenues received.

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Environmental Status: N/A

Attachment(s):

City Clerk's Page Number	No.	Description
5	1.	Redevelopment Agency Resolution No. <u>352</u>

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