

DATE: April 4, 2011

TO: Chair and Members of the Redevelopment Agency

FROM: Finance Department

SUBJECT: RESOLUTION 351-R - A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF FOLSOM APPROVING, AUTHORIZING AND RATIFYING THE BORROWING OF MONEYS FROM THE AGENCY'S AFFORDABLE HOUSING FUND IN ORDER TO MAKE THE AGENCY'S PAYMENT TO THE COUNTY SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND ("SERAF") FOR FISCAL YEAR 2010-11

BACKGROUND/ISSUE

As part of the effort to balance the 2009-10 Budget of the State of California, the Legislature enacted statutes obligating redevelopment agencies to make payments into a new Supplemental Educational Revenue Augmentation Fund ("SERAF") during Fiscal Years 2009-10 and 2010-11. The payments during Fiscal Year 2009-10, due no later than May 10, 2010, totaled approximately \$1.7 billion and the payments during Fiscal Year 2010-11, due no later than May 10, 2011, total approximately \$350 million. The individual payments required to be made by the Redevelopment Agency of the City of Folsom (the "Agency") are: (a) \$2,692,257 for Fiscal Year 2009-10; and (b) \$554,288 for Fiscal Year 2010-11.

To assist redevelopment agencies in making the SERAF payments due for Fiscal Year 2009-10, the Legislature authorized the borrowing of moneys from agencies' low and moderate income housing funds (the "Affordable Housing Fund"), both from amounts to be deposited during Fiscal Year 2009-10 and from fund balances in those housing funds. To make the SERAF payment due for Fiscal Year 2010-11, redevelopment agencies may borrow only the amount to be deposited into the housing fund during Fiscal Year 2010-11.

The obligation to make the SERAF payments for Fiscal Years 2009-10 and 2010-11, and the authorization to borrow funds from the low and moderate income housing fund, are set forth in Sections 33690 and 33690.5, respectively, of the Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) In each case, the borrowing of funds from the affordable housing fund must not impair contractual obligations, must be

repaid in full within 5 years, and requires a finding by the redevelopment agency that there are insufficient other funds available to make the SERAF payments.

POLICY/RULE

Health and Safety Code Sections 33690 and 33690.5 – which require redevelopment agencies to pay the County Auditor for deposit into the SERAF an amount determined by the State Director of Finance.

Health and Safety Code Section 33690(c) - which states than an agency may borrow the amounts for that payment from the Affordable Housing Fund provided that such borrowing would not impair existing Affordable Housing contracts and programs.

Health and Safety Code Section 33690(c)(2) – which states that funds borrowed pursuant to this subdivision shall be repaid in full on or before June 30, 2015. An agency that fails to repay funds borrowed pursuant to this subdivision shall be required to allocate an additional 5 percent of all taxes that are allocated to that agency for low- and moderate-income housing for the remainder of the time the agency receives tax increment revenue.

ANALYSIS

The Agency’s SERAF payment for Fiscal Year 2009-10 was paid to the County Auditor on May 10, 2010 (the “09-10 SERAF Payment”). The entire amount of that payment was borrowed from the Agency’s Low and Moderate Income Housing Fund.

The Agency’s SERAF payment of \$554,288 for Fiscal Year 2010-11 (the “10-11 SERAF Payment”) is due May 10, 2011. The Agency once again intends to borrow the funds for this payment from the Low and Moderate Income Housing Fund.

The Redevelopment Agency does not have sufficient other moneys available to make the 10-11 SERAF Payment. The project fund of the Agency has debt service requirements of almost \$4 million annually. Further, the Agency has already committed a significant portion of its available funds to various capital improvement projects that serve to meet the goals and objectives of the Folsom Redevelopment Plan. Some examples of the projects, their total costs, and breakdown of funding sources include:

<u>Project</u>	<u>Budgeted Amount</u>	<u>Series 2009 Bond/Grant Funding</u>	<u>RDA Funds</u>
Streetscape	\$12,865,395	\$10,076,905	\$2,788,490
Public Plaza	11,000,000	9,472,136	1,527,864
Facades	1,500,000	0	1,500,000
Lake Natoma Trail	100,000	0	100,000
Central Business Dist.	100,000	0	100,000
Corp Yard Visioning	100,000	0	100,000
Dan Russell Arena	100,000	0	100,000
Total	\$25,854,395	\$19,549,041	\$6,305,354

On March 4, 2011 the Agency issued the \$10,115,000 Redevelopment Agency of the City of Folsom, Central Folsom Redevelopment Project, Subordinate Tax Allocation Bonds, Taxable Series 2011A. The proceeds from this issuance are not able to be used for the 10-11 SERAF payment, and no determination has yet been made regarding the proceeds of this issuance being applied to any of the above listed projects. Therefore, the proceeds are not a factor in when determining whether the project fund has sufficient moneys to make the 10-11 SERAF Payment.

At the time of the 10-11 SERAF Payment, there were no outstanding contractual obligations to be paid from moneys within the Affordable Housing Fund which would be impaired by the borrowing of these funds.

FINANCIAL IMPACT

The Redevelopment Agency intends to pay the 10-11 SERAF Payment on or before May 10, 2011 and will be required to repay the amount of \$554,288 to the Agency's Affordable Housing Fund on or before June 30, 2015. It is expected that the repayment will be made on a schedule providing for equal payments of \$138,572 during each of Fiscal Years 2011-12 through 2014-15.

ATTACHMENTS

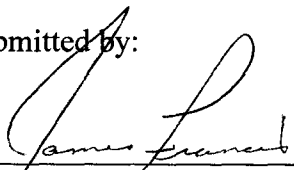
1. Resolution No. 351-R

A Resolution Of The Redevelopment Agency Of The City Of Folsom Approving, Authorizing And Ratifying The Borrowing Of Moneys From The Agency's Affordable Housing Fund In Order To Make The Agency's Payment To The County Supplemental Educational Revenue Augmentation Fund ("Seraf") For Fiscal Year 2010-11.

RECOMMENDATION-AGENCY ACTION

The Finance staff recommends that the Redevelopment Agency adopt Resolution 351-R - A Resolution Of The Redevelopment Agency Of The City Of Folsom Approving, Authorizing And Ratifying The Borrowing Of Moneys From The Agency's Affordable Housing Fund In Order To Make The Agency's Payment To The County Supplemental Educational Revenue Augmentation Fund ("Seraf") For Fiscal Year 2010-11.

Submitted by:



James Francis, Finance Director/CFO

RESOLUTION NO. 351-R

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF FOLSOM APPROVING, AUTHORIZING AND RATIFYING THE BORROWING OF MONEYS FROM THE AGENCY'S AFFORDABLE HOUSING FUND IN ORDER TO MAKE THE AGENCY'S PAYMENT TO THE COUNTY SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND ("SERAF") FOR FISCAL YEAR 2010-11

WHEREAS, the City Council of the City of Folsom, California (the "City Council"), adopted Ordinance No. 512 on November 29, 1983, approving and adopting the Redevelopment Plan (the "Redevelopment Plan") for the Central Folsom Redevelopment Project (the "Project Area"); and

WHEREAS, the Redevelopment Plan for the Project Area has been amended by the City Council on December 13, 1994, by Ordinance No. 811 ("First Amendment"), on April 8, 2003, by Ordinance No. 992 ("Second Amendment"), on December 9, 2003, by Ordinance No. 1010 ("Third Amendment"), on August 23, 2005 ("Fourth Amendment"), and on October 10, 2006, by Ordinance No. 1065 ("Fifth Amendment"); and

WHEREAS, the Redevelopment Agency of the City of Folsom (the "Agency") is designated as the official redevelopment agency to carry out in the City of Folsom (the "City") the functions and requirements of the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*; the "CRL") and to implement the Redevelopment Plan; and

WHEREAS, CRL Section 33690 (added by AB 26(4X) [Stats. 2009, Chap. 21] and amended by SB 68 [Stats. 2009, Chap. 652]) required the Agency to pay to the County Auditor for deposit into the County's Supplemental Educational Revenue Augmentation Fund ("SERAF") the sum of \$554,288 (the "Agency's 10-11 SERAF Payment"), which amount was determined by the State Director of Finance; and

WHEREAS, in order to make the Agency's 10-11 SERAF Payment, CRL Section 33690 authorizes the Agency to borrow funds that were to be deposited into the Agency's Affordable Housing Fund during fiscal year 2010-11, so long as no contractual obligations would be impaired by the reduction in the Affordable Housing Fund and provided that the Agency makes a finding that there are insufficient other moneys available to the Agency to make the SERAF Payment; the moneys borrowed must be repaid in full on or before June 30, 2015; and

WHEREAS, as shown in the staff report accompanying this resolution, no contractual obligations were or would be impaired by the reduction to the Agency's Affordable Housing Fund;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. The Agency hereby finds and determines that the foregoing recitations are true and correct and are incorporated herein by this reference.

Section 2. The Agency hereby finds and determines that it is necessary to borrow moneys from the Agency's Affordable Housing Fund in order to make the Agency's 10-11 SERAF Payment in that there were insufficient other moneys available to the Agency for that purpose. This finding and determination is based on the facts set forth in the staff report accompanying this resolution.

Section 3. The Agency hereby approves, authorizes and ratifies the borrowing of moneys from the Agency's Affordable Housing Fund as needed to make the Agency's 10-11 SERAF Payment. The Agency shall repay the amount borrowed no later than June 30, 2015. The Executive Director is hereby authorized and directed to take such actions as are necessary or appropriate to implement the obligations of the Agency to ensure the repayment of the Agency's Affordable Housing Fund.

PASSED AND ADOPTED this 26th day of April 2011, by the following roll call vote:

AYES: Board Member(s):
NOES: Board Member(s):
ABSENT: Board Member(s):
ABSTAIN: Board Member(s):

Andrew J. Morin, CHAIR

ATTEST:

Christa Freemantle, SECRETARY