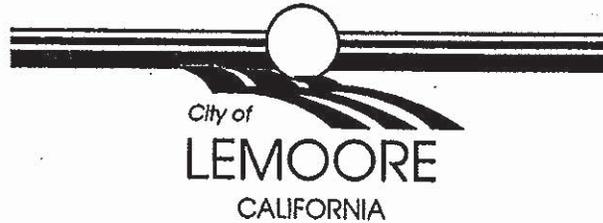


Chairperson
Tom Buford

Vice-Chairperson
David Andreasen
Boardmembers
John Grego
Ed Martin
John Murray



Office of the
Executive Director

119 Fox Street
Lemoore • CA 93245
Phone • (559) 924-6700
FAX • (559) 924-9003

Item # 5

To: Lemoore Redevelopment Agency Board
From: Nancy Cota, Finance Director
Date: June 2, 2005
Subject: Purchase of Golf Course Note

Discussion:

In review of the Golf Course operations financial status, in all but one year since expansion, the Golf Course has not produced sufficient revenues to cover both direct expenditures and debt service. For the first 10 years after expansion, the General Fund held an informal "due from" the Golf Course Fund. With GASB 34 taking effect in 2003, the City converted this to a more formal loan arrangement. On July 1, 2005 the balance on this loan will be \$942,447 (detail of loan attached).

As of June 30, 2004 the Golf Course Fund is [\$346,096]. That balance, along with the further expected losses in the current year, should be an additional loan for the General Fund. The expected fund balance of the Golf Course Fund on July 1, 2005 is estimated to be [\$570,207] Please refer to page 7 of the proposed City O&M budget.

The RDA has made four loans to the Golf Course for improvements and purchases. The first was made in 2001 for the purchase of electric golf carts. That loan is fully paid off. Also in 2001 the RDA made a loan of \$240,000 primarily for the construction of a cart barn. Last year, the Agency agreed to defer payments on that note for two years. Additionally, the RDA loaned another \$300,000 for improvements last year. Payments on that loan are to begin in July of 2006. Additionally, the RDA fronted funds to the Golf Course for improvements to a lake on hole 14. Those funds are to be repaid by a developer, and will not be the responsibility of the golf course.

It is the recommendation of Staff for the City to sell its notes receivable (investment) to the RDA. This would permit the existing primary debt instrument to continue, but would allow the General Fund to be paid back its prior contributions. There are several alternatives for this recommendation.

Alternative A—The City sells the RDA its current note receivable on July 1, 2005 for \$1,512,654. This would make the General Fund momentarily "whole". Future shortfalls in Golf

Course Operations would still have to be covered by the General Fund, and the current fund balance would still create an issue for the City. Also, the one time windfall payment to the General Fund would have limited uses since it is not re-occurring revenue (Strategic Financial Policy).

Alternative B—The City sell the RDA a modified note receivable to include the needed cash to create a positive fund balance for the Golf Course Fund on July 1, 2005 for \$1,512,654. This would make the General Fund “whole”; but again, only momentarily. Future shortfalls in Golf Course Operations would still have to be covered by the General Fund. Also, the one time windfall payment to the General Fund would have limited uses since it is not re-occurring revenue (Strategic Financial Policy).

Alternative C—The City sell the RDA a modified note receivable to include the needed cash to create a positive fund balance for the Golf Course Fund on July 1, 2005 for \$1,512,654, and finance the sale over a period of 5 years at 5% interest. This would make the General Fund “whole”; but again, only momentarily. Future shortfalls in Golf Course Operations would still have to be covered by the General Fund. The payments from the RDA would go to the General Fund and could be used for a variety of purposes, including operations and maintenance.

Alternative D—The City sell the RDA a modified note receivable to include the needed cash to create a positive fund balance for the Golf Course Fund, as well as future needs of the Golf Course Fund. The sale of this investment would not have a known total; rather annual contributions would be made by the RDA to the General Fund for its historic contributions. Over time, the RDA will have made the General Fund whole, and hold a note receivable from the Golf Course Fund. The fund balance for the Golf Course operations will be reconciled each year to account for future losses if necessary. The payments from the RDA would go to the General Fund and could be used for a variety of purposes, including operations and maintenance. It could take 10 years or more to complete the General Fund payback. Once the General Fund was made whole, the RDA would only have to contribute funds to the Golf Course Fund if operations did not produce sufficient revenues to cover the payments on the primary debt. This method of financing assistance would address several concerns of both the Golf Course Fund and General Fund.

This note would be calculated on the variable LAIF interest rate on payments to the City. For practical purposes attached is a payment schedule showing the current estimated fund balance. This amount is the 2002/2003 deficit fund balance of \$814,121, interest for 3 years of \$128,326, and the deficit incurred for the past three years of \$570,207 totaling \$1,512,654.

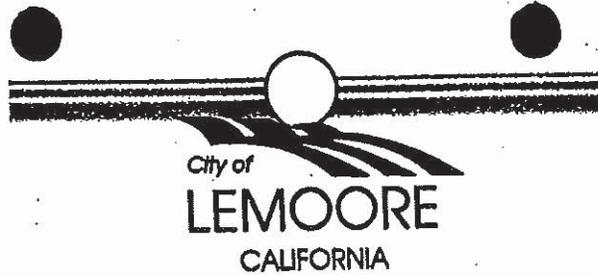
Budget Impact:

The Redevelopment Agency would contribute \$200,000 each year to the General Fund for an estimated 10-12 years. Attached are schedules of repayment for recommended Alternative D as outlined herein.

Recommendation:

That the Agency Board, by motion, approves Alternative D method of Golf Course Financing.

Mayor
Ed Martin
Mayor Pro Tem
Tom Buford
Councilmembers
Ron Alvin
Lynda Lahodny
Tom Purvis



Department of
Administrative
Services

119 Fox Street
Lemoore • CA 93245
Phone • (559) 924-6700
FAX • (559) 924-9003

To: Lemoore City Council
From: Jeff Britz, Assistant City Manager
Date: June 28, 2002
Subject: Golf Course Fund - Loan from General Fund

ITEM # 6

Background:

Since the Golf Course expanded from nine to eighteen holes more than ten years ago, the City General Fund has had to augment debt service payments in all but one year. Through June 30, 2001, the General Fund has, in effect, transferred \$583,955 to the Golf Course Fund.

With the Golf Course continuing to struggle financially, staff expects this trend to continue, at least through the end of FY 2002/03. An estimated \$129,080 will be necessary to pay debt in 2001/02, and an additional \$101,086 during the 2002/03 fiscal year. In total, staff estimates that the Golf Course Fund will have "borrowed" \$814,121.

GASB 34, which the City is required to implement this (2002/03) fiscal year, requires that the City treat these long term "due to/due from" and "transfers" in a more formal way. Since the City has always expected that the General Fund would be repaid by the Golf Course Fund once financial conditions at the golf course improved, staff recommends establishing a payback schedule for the Golf Course Fund to adhere to. A draft schedule is attached for your review.

As you can see, staff proposes that we allow the Golf Course Fund to go five years before beginning any repayment. The General Fund would charge a 5% interest rate on all outstanding balances. Beginning in 2007/08, the Golf Course Fund would pay interest only payments to the General Fund for a period of five years. Beginning in 2012/13, the Golf Course would pay interest and an increasing principal amount to the General Fund. In 2020/21, the Golf Course Fund would make its final payment on the \$4.215 million debt issue, and would pay a higher amount of principal towards the General Fund debt. In 2021/22, the Golf Course Fund would pay \$455,000, and in 2022/23, the remainder would be due.

The philosophy behind this tiered debt repayment schedule is that over time, the Golf Course should generate more revenue, while primary debt service will remain relatively constant. This condition should allow for an increasing funding source that can be dedicated to repaying the General Fund. Should the Golf Course Fund be unable to make a full payment in a given year, or if the Golf Course Fund should need to "borrow" additional funds from the General Fund, the matter would be brought to the attention of the City Council, and the repayment schedule would be altered accordingly.

Budget Impact:

Should this repayment plan be approved, staff would transfer \$230,166 from the General Fund to the Golf Course Fund for the 2001/02 year, and show an increased beginning balance for the amounts previously transferred. Repayments will be budgeted as transfers from the Golf Course Fund to the General Fund in the appropriate year's budget (beginning in 2007/08).

Recommendation:

That the City Council, by motion, approve the above described budget amendment and repayment plan for the Golf Course Fund/General Fund loan.

Mayor
Tom Buford
Mayor Pro Tem
David Andreasen
Councilmembers
John Grego
Ed Martin
John Murray



Department of
Finance
Department

119 Fox Street
Lemoore • CA 93245
Phone* (559) 924-6700
FAX* (559) 924-9003

Golf Course General Fund Debt to be Paid by RDA
2001 City Golf Course Debt
For July 1, 2005

Total Loan \$814,121.00
Interest Rate 5% Annual
Terms: 5 years no payment
5 years interest only payment
11 years interest & principal

	Beginning Balance	5% Interest	Annual Payment	Ending Balance
2002/03	814,121.00	40,706.05	0.00	854,827.05
2003/04	854,827.05	42,741.35	0.00	897,568.40
2004/05	897,568.40	44,878.42	0.00	942,446.82
2005/06	942,446.82	47,122.34	0.00	989,569.16
2006/07	989,569.16	49,478.46	0.00	1,039,047.62
2007/08	1,039,047.62	51,952.38	51,952.38	1,039,047.62
2008/09	1,039,047.62	51,952.38	51,952.38	1,039,047.62
2009/10	1,039,047.62	51,952.38	51,952.38	1,039,047.63
2010/11	1,039,047.63	51,952.38	51,952.38	1,039,047.63
2011/12	1,039,047.63	51,952.38	51,952.38	1,039,047.63
2012/13	1,039,047.63	51,952.38	60,000.00	1,031,000.01
2013/14	1,031,000.01	51,550.00	65,000.00	1,017,550.01
2014/15	1,017,550.01	50,877.50	70,000.00	998,427.51
2015/16	998,427.51	49,921.38	75,000.00	973,348.89
2016/17	973,348.89	48,667.44	80,000.00	942,016.33
2017/18	942,016.33	47,100.82	85,000.00	904,117.15
2018/19	904,117.15	45,205.86	90,000.00	859,323.00
2019/20	859,323.00	42,966.15	95,000.00	807,289.15
2020/21*	807,289.15	40,364.46	330,000.00	517,653.61
2021/22	517,653.61	25,882.68	455,000.00	88,536.29
2022/23	88,536.29	4,426.81	92,963.11	0.00

* Final Debt Payment for \$4.215M

"Home to Naval Air Station Lemoore"

RDA Payment schedule to City of Lemoore

Enter values	
Loan amount	\$ 1,512,654
Annual interest rate	2.38 %
Loan period in years	10
Number of payments per year	1
Start date of loan	7/1/2004
Optional extra payments	\$ -

Loan summary	
Scheduled payment	\$ 200,000.00
Scheduled number of payments	10
Actual number of payments	9
Total early payments	\$ -
Total interest	\$ 175,407.75
Loan Amount Detail:	
Deficit Fund Bal. 02/03	\$ 814,121.00
02/03 Interest	\$ 40,706.05
03/04 Interest	\$ 42,741.35
04/05 Interest	\$ 44,878.42
Anticipated 04/05 Deficit fund balance	\$ 570,207.00
	\$ 1,512,653.82

Note: RDA/Golf Course

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	7/1/2005	\$ 1,512,654.00	\$ 200,000.00	\$ -	\$ 200,000.00	\$ 163,998.83	\$ 36,001.17	\$1,348,655.17	\$ 36,001.17
2	7/1/2006	1,348,655.17	\$ 200,000.00	-	200,000.00	167,902.01	32,097.99	1,180,753.16	68,099.16
3	7/1/2007	1,180,753.16	\$ 200,000.00	-	200,000.00	171,898.07	28,101.93	1,008,855.08	96,201.08
4	7/1/2008	1,008,855.08	\$ 200,000.00	-	200,000.00	175,989.25	24,010.75	832,865.83	120,211.83
5	7/1/2009	832,865.83	\$ 200,000.00	-	200,000.00	180,177.79	19,822.21	652,688.04	140,034.04
6	7/1/2010	652,688.04	\$ 200,000.00	-	200,000.00	184,466.02	15,533.98	468,222.02	155,568.02
7	7/1/2011	468,222.02	\$ 200,000.00	-	200,000.00	188,856.32	11,143.68	279,365.70	166,711.70
8	7/1/2012	279,365.70	\$ 200,000.00	-	200,000.00	193,351.10	6,648.90	86,014.60	173,360.60
9	7/1/2013	86,014.60	\$ 200,000.00	-	86,014.60	83,967.46	2,047.15	0.00	175,407.75