



Staff Report

City of Manhattan Beach

TO: Honorable Mayor Tell and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Bruce Moe, Finance Director

DATE: November 8, 2006

SUBJECT: Consideration of Status Report and Appropriation of Funds for the Utility Assessment Deferral Program

RECOMMENDATION:

Staff recommends that the City Council accept the Finance Subcommittee’s recommendation to: a) receive and file this report; b) transfer the \$1 million reserved within the CIP Fund for the utility assessment deferral loan program to a new Assessment Deferral Trust fund; and b) appropriate \$50,000 from the new fund in order to cover the current year’s assessment loans and associated costs.

FISCAL IMPLICATION:

The assessments for those preliminarily approved for the program total \$303,422.08. On an annual basis, we can expect to fund loans totaling \$22,700. The Finance Subcommittee and staff recommend an immediate appropriation of \$50,000 to cover this fiscal year’s loan payments, associated costs and a contingency to fund any last minute applications to the program.

BACKGROUND:

City Council approved the UUAD loan program at the July 5, 2006 meeting. Since that time, staff has been engaged in the process of accepting and screening applications, developing the appropriate loan documents, obtaining appraisals and title reports, and arranging for title insurance.

DISCUSSION:

After program launch, we received a total of twenty-two applications. The screening process resulted in the following actions:

Applications Preliminarily Approved	12
Referred to the State Deferral Program	3
Withdrew From Program	5
Did not Qualify within Program Parameters	<u>2</u>
	22

Applicants referred to the State deferment program have been contacted on at least two occasions by City staff to offer assistance with applying, however, aside from providing additional copies of the State forms, no residents have required our assistance. Homeowners that voluntarily withdrew from the program generally indicated that the annual assessment was not as expensive as they may have originally thought it would be, and could afford to pay it without City assistance. The two homeowners that did not qualify for the City's program were advised that they could apply under the City's hardship exception; however, neither resident opted to do so. In all cases, staff made multiple calls to the applicants offering assistance.

The total value of the loan assessments to be made is as follows:

Total Value of all Assessments	\$303,422.08
Total Value of Annual Assessments	\$ 23,812.73
Total Annual Assessment Loans to be Made ¹	\$ 22,699.61

Deferral Fund & Appropriation

The law enabling us to make these loans requires that the City deposit into a deferral fund an amount sufficient to pay the assessments being deferred. As a result, the Finance Subcommittee and staff recommend that a new assessment deferment fund be created, and the \$1 million currently reserved within the CIP Fund for the loan program be transferred to that new trust fund. Additionally, in order for the assessments to be paid this fiscal year, sufficient funds must be appropriated. As a result, the Subcommittee and staff recommend an appropriation of \$50,000 to cover the current year assessment loans (\$22,700), the costs for appraisal and title insurance (\$7,800), and contingency funds (\$19,500) in the event there are any late applications to the program.

Looking ahead, the remaining moneys within the deferment fund can be used for future utility district loans, or for hook-up cost loans². If at some future date we determine that there are surplus funds available in the deferment fund, Council can transfer those funds for other purposes.

Loan Funding Process

Staff has developed the following assessment loan payment process which is being implemented:

1. Loan participants will be required to sign the loan documents with the City no later than Friday, November 17, 2006. The documents are currently being finalized by the City Attorney's office and should be available this week.
2. The City will provide each loan participant an election form which asks if they will be paying their property taxes in one or two installments (the first installment must be

¹ This amount includes any homeowner contribution required as determined by income levels.

² Staff continues to review the use of Community Development Block Grant Funds as either loans or grants for the hook-up costs. However, because those funds have been traditionally used to fund public service agencies (South Bay Youth Project, 1736, etc.) additional funds may be needed to purchase CDBG funds for such loans or grants unless reductions are made in funding those agencies. These assessment deferment reserved funds may be needed for that purpose.

postmarked by December 10, 2006, and the second installment by April 10, 2007). This will dictate if the City loans the entire amount for the December payment, or issues two separate loan checks. The loan participant returns the form to the City, along with a copy of their property tax bill, by Monday, November 27, 2006. This form will be issued annually thereafter prior to the property tax due date.

3. The City issues a check made payable to County of Los Angeles Tax Collector for the amount of the annual assessment for the property (in one or two installments). The check includes the parcel number and property owner name. Checks will be issued on Thursday, November 30, 2006.
4. The loan recipient signs for the receipt of the check, and sends the City's check along with their own to the County within the timelines established.
5. Interest will accrue on the date the check was provided to the homeowner. Interest on expenses advanced by the City (appraisal and title) will accrue interest from the date the City issued the check to the service provider.

Conclusion:

The loan program is in its final stages of development with the first loans being funded in the coming weeks. In order to comply with State law on the loans, the Finance Subcommittee and staff recommend the creation of an assessment deferment fund, and the transfer of the \$1 million reserve in the CIP fund to the new deferment fund. Additionally, in order to fund the current year loans, an appropriation of \$50,000 is recommended. This will cover the assessment loans, appraisals, and title insurance.

Staff will provide periodic updates as the program moves forward.