

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Promissory Notes for Specific Plans
DATE: August 2, 2005

Needs: For the City Council to consider approval of promissory notes for amounts advanced to prepare specific plans.

Facts:

1. The Council previously authorized General Fund monies to be advanced for the preparation of the Chandler Ranch Specific Plan.
2. More recently, the Council authorized General Fund monies to be advanced for the preparation of the Olsen/Beechwood Specific Plans. The approval to advance General Fund monies for the preparation of the Olsen/Beechwood Specific Plans established a policy that the amount advanced should be accompanied by a promissory note providing for the payment of interest
3. Two promissory notes have been prepared for Council consideration.

Analysis
and
Conclusion:

The amounts advanced from the General Fund for preparation of the specific plans is significant, through June 30, 2005, \$1,369,822. These funds are not available to the General Fund for investment purposes. Thus, interest income is reduced proportionally.

The Council has determined that establishing an interest bearing promissory note between the General Fund and specific plan funds is appropriate in order to mitigate the loss of interest income and require new development to pay its own way.

Fiscal
Impact:

It is proposed that the promissory notes bear quarterly compounded interest at a rate to be re-set, going forward, each July 1st based upon the "average effective monthly yield" for the Local Agency Investment Fund plus 2%.

For example, the average effective monthly yield for June 2004 was 1.469%. Thus the promissory note rate would be 3.469%. The average effective monthly yield for June 2005 was 2.967%. Promissory note balances going forward would pay/accrue interest at the rate of 4.967% as of July 1, 2005.

Options:

- a. Adopt Resolution No. 05-xx approving promissory notes for all specific plan advances; or
- b. Amend, modify, or reject the above option.

PROMISSORY NOTE
OLSEN/BEECHWOOD SPECIFIC PLAN

August 2, 2005

For value received, the Olsen/Beechwood Specific Plan Fund shall repay the City's General Fund all sums advanced for preparation of the Specific Plan, past, current and future. Repayment shall be made from fees to be collected from all development occurring within the Specific Plan boundaries.

Amounts advanced shall accrue quarterly compounded interest at the "average effective monthly yield" rate as calculated for the month of June each year for the Local Agency Investment, State of California, plus two percent (2%).

Each June, the quarterly compounding interest rate shall be adjusted going forward. For the purposes of this note, the beginning interest period rate shall be June 2005 giving rise to the following applicable rate for the period beginning July 1, 2005 until the next adjustment period:

July 1, 2005 4.967%

Frank Mecham, Mayor
City of El Paso de Robles

PROMISSORY NOTE
CHANDLER RANCH SPECIFIC PLAN

August 2, 2005

For value received, the Chandler Ranch Specific Plan Fund shall repay the City's General Fund all sums advanced for preparation of the Specific Plan, past, current and future. Repayment shall be made from fees to be collected from all development occurring within the Specific Plan boundaries.

Amounts advanced shall accrue quarterly compounded interest at the "average effective monthly yield" rate as calculated for the month of June each year for the Local Agency Investment, State of California, plus two percent (2%).

Each June, the quarterly compounding interest rate shall be adjusted going forward. For the purposes of this note, the beginning interest period rate shall be June 2001 giving rise to the following applicable rates until the next adjustment period:

July 1, 2001	6.948%
July 1, 2002	4.987%
July 1, 2003	3.697%
July 1, 2004	3.469%
July 1, 2005	4.967%

Frank Mecham, Mayor
City of El Paso de Robles

RESOLUTION NO. 05-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING PROMISSORY NOTES FOR SPECIFIC PLANS

WHEREAS, the Council has authorized the preparation of the Chandler Ranch and Olsen/Beechwood Specific Plans; and

WHEREAS, funds for the cost of their preparation must be advanced from the City's General Fund; and

WHEREAS, it is the Council's desire to "hold harmless" the loss of interest income to the General Fund resulting from the advance of funds to the Chandler Ranch and Olsen/Beechwood Specific Plans; and

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

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that the two promissory notes attached herein, one for Chandler Ranch Specific Plan and one for the Olsen/Beechwood Specific Plans, are approved.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 2nd day of August 2005 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Frank Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk