MOUNTAINS RECREATION & CONSERVATION AUTHORITY
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MEMORANDUM

TO: The Governing Board

FROM: Joseph T. Edmiston, FAICP, Hon. ASLA, Executive Officer

DATE: September 10, 2014

SUBJECT: **Agenda Item VIII: Consideration of resolution preliminarily authorizing renewal of and modifications to two promissory notes for the purpose of two operating lines of credit.**

<u>Staff Recommendation</u>: That the Mountains Recreation and Conservation Authority (MRCA) preliminarily authorize the renewal of and modifications to two promissory notes for the purpose of two operating lines of credit.

<u>Legislative Authority</u>: Section 6500 *et seq*.

<u>Background:</u> In 2006, the MRCA entered into an agreement with Zions First National Bank which established two revolving lines of credit. The first line of credit was in the amount of $1,000,000 to cover ongoing operational costs and the second was for $3,000,000 for the purpose of construction and other capital projects.

Pursuant to the 2006 agreement, these lines of credit were secured by the MRCA's collateral assignment of (a) a deed of trust for the Trebek Open Space (undeveloped open space owned by MRCA in the Nichols Canyon area of the Hollywood Hills) and (b) the pledge of the MRCA of applicable future grant revenues.

The 2006 agreement was modified and renewed in 2009 under largely the same terms. The MRCA's ability to draw down on these lines under the 2009 modifications has now expired and staff has been working on preparing for renewals. Since most of the grants utilized by the MRCA to complete projects are reimbursable grants - that is, the MRCA must pay vendors and then request reimbursement from the grantor agency, rather than having cash advanced at the time of the grant award - these lines of credit are essential to this agency's ability to manage cash flow and operate in a consistent manner.

The firm of Richards, Watson & Gershon is providing legal advice and is serving as bond counsel on the renewal of these lines. On the advice of bond counsel, each of the member agencies of the MRCA must hold a public hearing and find that modification and renewal of the lines of credit will provide a significant public benefit. It is important to note that by holding the public hearings and making the required findings, the member agencies will not incur any liability under the promissory note and will not be responsible for further securing or repayment of the MRCA's lines of credit.

While the resolution before the Governing Board under this item is not a formal requirement under the applicable statutes, it will signal to the MRCA member agencies the MRCA's intent to move forward with the renewals and will provide a foundation for the formal approval of the Governing Board at the October regular meeting.

Staff recommends approval of the proposed resolution.