

Culver
CITY
REDEVELOPMENT
AGENCY

FINANCIAL
MONITORING
REPORT

October
Supplemental

FY 2008-09

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**POSITIVE or
BELOW BUDGET**

= Revenues greater than 5% ABOVE Adjusted Budget; or
 Expenditures greater than 5% BELOW Adjusted Budget

NORMAL

= Actual within 5% of Adjusted Budget

**NEGATIVE or
EXCEED BUDGET**

= Revenues greater than 5% BELOW Adjusted Budget; or
 Expenditures greater than 5% ABOVE Adjusted Budget

**MIXED or
WARNING**

= Category contains both positive and negative financial results; or
 Financial activity currently normal; however, there are potential factor(s) that may impact future financial activity

Notable Economic News

State Budget Update

In November, the governor called a special legislative session to address the \$14 billion deficit in the current budget year. The governor's initial proposal included a combination of spending cuts and revenue increases. His proposal did not include any increase or extension of the ERAF payment from California Redevelopment Agencies beyond the **\$350 million already approved (CCRA share is \$2.25 million)**. However, the Legislative Analysts Office released their own recommendations on how to close the budget gap, **which included making the ERAF shift permanent**. To date, no agreements have been reached. Staff will keep the Agency Board apprised of new developments as information becomes available.

Economic Overview

As economic conditions continue to deteriorate, a national recession has officially been declared by the National Board of Economic Research. The stock market has lost more than 30% of its value since the beginning of the year, unemployment is above 6.5% nationally (above 8% in CA) and increases monthly, GDP and consumer spending decrease monthly, and loan defaults and foreclosures continue to plague the real estate market. It is almost unanimous among economists recession will most likely last through the end of 2009.

The credit crunch continues to impact all financial markets and the \$700 billion Federal bail-out plan has yet to loosen bank lending practices and get money flowing again. The Federal Reserve Bank has also cut the federal funds rate to a historical low of 0% to 0.25% in an attempt to spur lending. However, due to other fundamental problems in the economy such as drastic reductions in consumer spending and increasing unemployment, banks are maintaining tight lending restrictions despite the governments best efforts otherwise.

Notable Development News

- *9900 Culver Blvd* is under construction and is expected to be completed by summer/fall 2009.
- *Westfield Fox Hills Mall* is on schedule to be completed by October 2009.
- *Sony Studios* construction of an additional studio is also underway and moving along as scheduled.

FIRST QUARTER AT-A-GLANCE

Executive Summary

Due to the timing of the Agency's major revenues and expenditures, there typically is **not much activity through October to gauge the fiscal year to date finances of the RDA** (i.e. the first Tax Increment payment is not received until November and Debt Service payments are not made until November). However, the economic crunch has effected the RDA in a number of ways. The most direct impact is the state requiring the RDA to make a **\$2.25 million ERAF payment** to relieve some of the state's obligation to fund public schools. The California Redevelopment Association estimates that this means the loss of 200 jobs in Culver City as a result of that money not being available for investment in the community.

Another consequence of the tight credit market is the **delay of a number of projects**, most notably Parcel B and the Baldwin Site, due to developers' inability to secure financing because of the tight credit restrictions. In addition to **delaying any tax increment** that will be generated by these projects, this will **delay receipt of the land sale proceeds** from both of those projects (the Agency currently owns the land for both of those projects). This, in turn, will impact the Agency's ability to fully repay the loan to the City in this fiscal year, as anticipated in the budget.

Revenue & Expenditure Summary

The Agency's primary source of revenue is **Property Tax Increment**, which the Agency **begins receiving in November of each year**. Also, the **Agency did not close escrow on any land sales in the first quarter**. At this point in the fiscal year, there are only a few small revenue sources, such as the Pacific Theaters, parking revenue, and the Farmer's Market. **Pacific Theater outperformed budget projections by more than \$400,000** due mainly to a strong movie season with blockbusters such as Batman, Iron Man, and Indiana Jones. **Parking revenues were right on budget projections** and the **Farmers' Market continues to be a popular program and outperformed budget projections** by about \$4,000.

The Agency made **no large land purchases** or other expenditures through October. Therefore, **expenditures are primarily related to administrative reimbursements to the City**. In November, the Agency will make a large debt service expenditure.

CASH AVAILABLE for CAPITAL INVESTMENT

FUND BALANCE AVAILABLE FOR PROJECTS/PROGRAMS:

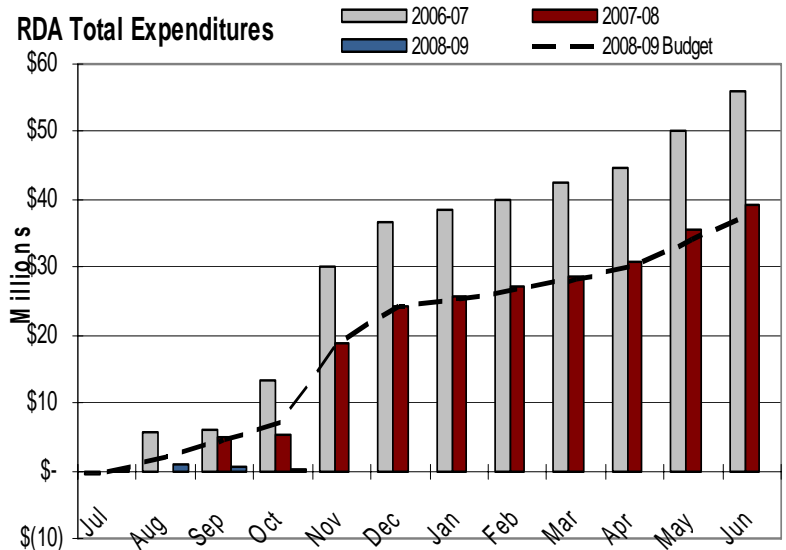
	<i>Actual Ending 2006-07</i>	<i>Preliminary Ending 2007-08</i>	<i>Estimated Ending 2008-09*</i>	<i>Estimated Ending 2009-10*</i>
Unrestricted Funds	\$13,700,000	11,300,000	6,500,000	10,800,000
Housing Set Aside	\$15,141,000	19,000,000	14,000,000	12,500,000
Tax Exempt Bonds	\$24,895,000	21,850,000	8,750,000	3,400,000

The estimated ending balance for each fund represents the approximate amount of cash capital available for investment in new projects or programs. **Mid-year budget adjustments will be necessary, which will change these estimated ending balances.** The unaudited balance for unrestricted funds as of June 30, 2008 (i.e. tax increment, parking revenues, theatre revenues, etc.) is approximately \$11.3 million.

Assumptions: The estimated ending balances above assume that an interest only payment on the \$9 million loan from the City was made in FY 2007-08, a \$4 million principal payment is made in FY 2008-09, and the remaining \$5 million principal balance is repaid in FY 2009-10. It also assumes that 100% of the adjusted budget is expended and \$5.9 million in land sale proceeds is received in FY 2008-09. The estimated ending balance in FY 2009-10 assumes that 100% of the approved budget is expended and \$11.5 million in land sale proceeds is received (i.e. Washington/Centinela and Baldwin Motel). Based on the current economic conditions, the land sale proceeds and, consequently, the RDA's ability to repay the City loan, may need to be reevaluated.

UNRESTRICTED EXPENDITURE SUMMARY thru October:

	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>
Jul	\$ (500,262)	\$ (49,291)	\$ (61,504)
Aug	6,215,095	(22,670)	229,232
Sep	441,704	4,950,808	1,799,684
Oct	7,136,304	282,921	2,559,747
Nov	16,966,460	13,615,577	-
Dec	6,551,911	5,526,037	-
Jan	1,524,960	1,602,987	-
Feb	1,551,627	1,441,268	-
Mar	2,681,795	1,279,876	-
Apr	2,123,695	2,277,211	-
May	5,550,786	4,804,443	-
Jun	5,665,612	3,488,150	-
TOT Y-T-D	55,909,687	39,197,317	4,527,159
Adj Budget	47,108,918	42,969,759	37,821,541



NORMAL

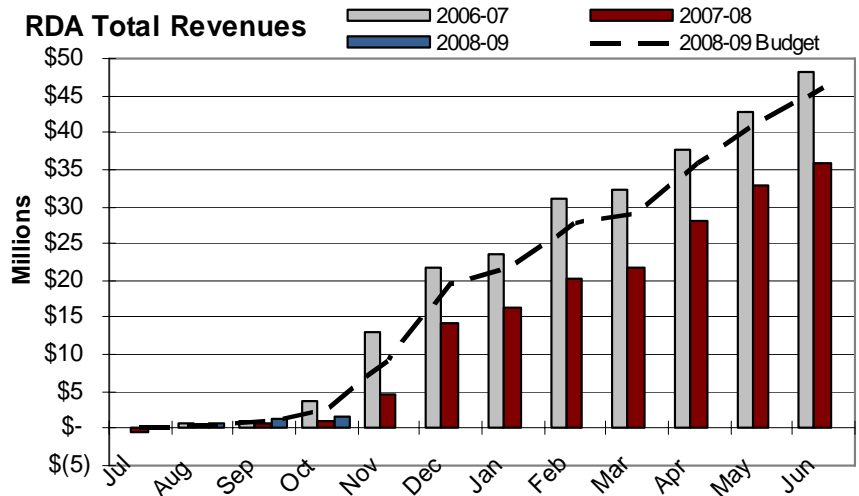
Through the first quarter, the RDA has expended approx. 11% of the adjusted budget compared to 12% in 2007-08. In the same period of both of the previous two fiscal years there were land acquisition related costs, which is not the case in FY 2008-09. **The two largest expenditures in October were a \$1.45 million payment to CCUSD per a statutory pass through agreement for Project Area #2 and a \$550,000 payment to the developer of 9900 Culver Blvd per an Agency approved agreement.** Other than those two payments, all of the other expenditures in October (approx. \$550,000) was related to normal program administration and operations expenses.

NOTE: RDA expenditures are relatively sporadic on a monthly basis as there are often spikes in expenditures due to land acquisition costs or other one-time development related costs. Generally, the month of November has the most cash going out the door as that is when the annual debt service payments for RDA bonds are due (i.e. principal and interest payments to bond holders).

UNRESTRICTED FUNDS REVENUE ANALYSIS

UNRESTRICTED REVENUE SUMMARY thru October:

	2006-07	2007-08	2008-09
Jul	\$ 7,104	\$ (395,530)	\$ 29,131
Aug	612,417	656,599	782,065
Sep	386,765	368,304	399,899
Oct	2,755,046	415,202	356,216
Nov	9,158,540	3,676,946	-
Dec	8,717,465	9,651,356	-
Jan	2,007,880	1,965,506	-
Feb	7,308,540	3,912,079	-
Mar	1,460,304	1,378,423	-
Apr	5,198,605	6,434,458	-
May	5,185,795	4,831,876	-
Jun	5,536,717	3,042,264	-
TOT Y-T-D	48,335,178	35,937,483	1,567,311
Adj Budget	28,192,644	33,006,077	46,119,775



UNRESTRICTED REVENUES — ↑ Since the first Tax Increment remittance is not received until November of each fiscal year, there is not much activity to report through October. The Redevelopment Agency did receive an updated Assessed Valuation Report from the County Assessor in August. Based on this updated AV report, estimated tax increment revenues for FY 2008-09 will be increased by approximately \$1.5 million. There are a few small revenue sources, such as the Pacific Theaters, parking revenue, and the Farmer’s Market, which all met or outperformed budget projections through October. However, other on-going revenue sources (excluding land sale proceeds) account for less than 10% of the RDA’s total ongoing revenue while tax increment accounts for more than 90% of total ongoing revenue.

LAND SALE PROCEEDS — ↓ The FY 2008-09 adopted budget included approximately \$11.5 million in land sale proceeds in anticipation of the sale of Baldwin Motel and Washington/Centinela sites. Additionally, \$5.9 million in land sale proceeds was expected to be received in FY 2007-08. Due to the current credit markets, all of those projects are having trouble securing financing. Depending on the status of the credit markets over the coming months, those revenues may need to be deferred to future years, which will impact the Redevelopment Agency’s ability to meet some current obligations, such as the remaining balance on the loan to the City.

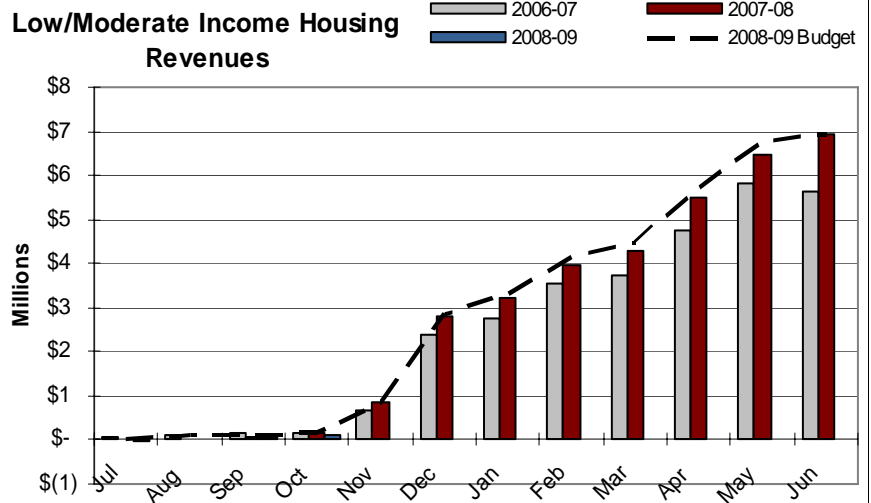
AGENCY LOAN FROM CITY — As mentioned above, a consequence of potentially delaying receipt of approximately \$17.4 million in land sale proceeds will impact the Agency’s ability to repay the outstanding balance of the \$9 million loan. Staff will continue to monitor the Agency’s cash flow position throughout the fiscal year to determine the Agency’s ability to repay at least a portion of the outstanding principal (currently \$7 million outstanding).

SUMMARY — Due to the timing of the Agency’s major revenues, there is not much activity in through October to gauge the fiscal year to date finances of the RDA. However, the smaller sources of revenue have outperformed budget projections to date. Staff will continue to monitor the state of the economy and the impacts to the Agency financial position.

LOW/MODERATE INCOME HOUSING FUND ANALYSIS:

HOUSING FUND: Revenues and Expenditures

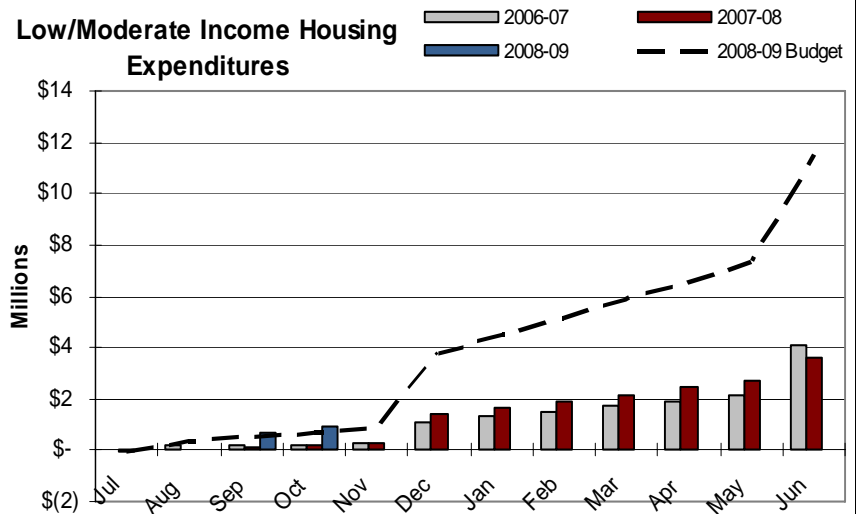
	2006-07	2007-08	2008-09
Jul	\$ 52,839	\$ 6,332	\$ (6,882)
Aug	71,101	33,466	19,162
Sep	18,974	21,952	41,097
Oct	27,025	87,573	38,840
Nov	514,441	705,449	-
Dec	1,707,662	1,939,384	-
Jan	344,616	422,836	-
Feb	802,183	747,414	-
Mar	212,713	338,554	-
Apr	1,011,680	1,194,032	-
May	1,049,063	960,582	-
Jun	(170,393)	478,963	-
TOT Y-T-D	5,641,904	6,936,537	92,217
Adj Budget	\$ 5,166,000	\$ 6,865,000	\$ 6,943,000



REVENUES — The Low/moderate Income Housing funds primary revenue source is tax increment housing set aside funds, which the Agency begins collecting in November. Therefore, **there is very little activity to report.** The only revenues received through October is interest income.

EXPENDITURES — Other than routine administration and on-going program expenses, there was not much activity in the housing fund through October. The primary expenditures were on Rental Assistant Program Grants (about \$20,000 per month) and administrative charges. The Housing Division is working toward identifying development opportunities for low/moderate income housing projects. Approximately \$6 million is budgeted in 2008-09 for implementation/construction of low/moderate income housing projects.

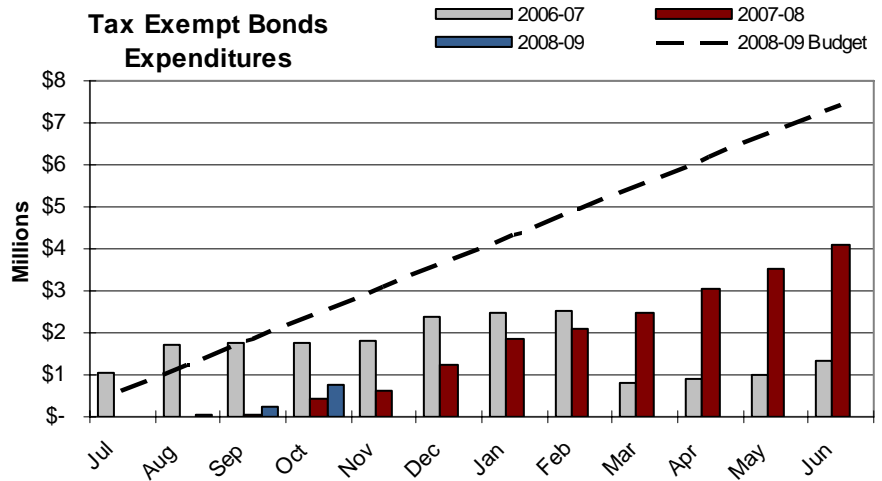
	2006-07	2007-08	2008-09
Jul	\$ 25,943	\$ (52,060)	\$ 31,277
Aug	136,033	114,800	37,276
Sep	57,686	87,763	609,316
Oct	(15,895)	82,561	239,685
Nov	90,339	52,196	-
Dec	791,918	1,114,943	-
Jan	279,861	234,455	-
Feb	112,394	290,272	-
Mar	266,838	238,400	-
Apr	153,937	284,597	-
May	250,670	280,090	-
Jun	1,930,740	915,689	-
TOT Y-T-D	4,080,464	3,643,706	917,554
Adj Budget	\$ 13,813,454	\$ 12,330,046	\$ 11,481,422



TAX EXEMPT BOND FUNDS

FISCAL YEAR TO DATE:

	2006-07	2007-08	2008-09
Jul	\$1,048,465	\$ -	\$ -
Aug	655,910	-	37,323
Sep	57,845	40,031	182,198
Oct	12,076	397,032	518,843
Nov	57,834	161,740	-
Dec	548,342	642,128	-
Jan	110,054	639,181	-
Feb	27,131	237,320	-
Mar	(1,697,158)	356,464	-
Apr	94,006	574,914	-
May	94,341	462,252	-
Jun	307,535	600,315	-
TOT Y-T-D	1,316,381	4,111,377	738,364
Adj Budget	\$9,885,012	\$8,019,086	\$7,416,529



REVENUES — Tax exempt bond fund revenue is primarily interest income earned on the fund balance. \$800,000 in interest income is budgeted in FY 2008-09; \$182,000 has been earned to date. As investments mature at different times throughout the year, interest income is recognized.

EXPENDITURES — In October, \$518,843 was expended on Fire Station #3 construction costs. This project is nearing completion and almost all of the allocated bond funds should be expended by the end of December (see table below to total project allocation and total expended to date). No other bond funds were expended in October.

NOTE: Tax exempt bond funds are restricted and can only be used for public improvements and public infrastructure. Bond funded projects are often similar to Capital Improvement Projects as they are typically larger projects that may take more than one fiscal year to complete. Typically, the entire project budget is allocated in the first year and any unspent bond funds are typically carried over to the following year.

CURRENT BOND FUNDED PROJECTS

	Total Budget	Total Bond Funding	Bond Funds Expended to Date	Estimated Completion
1. Fire Station #3* (93700)	\$6,527,000	\$3,000,000	\$2,806,621	Dec. 2008
2. Town Plaza (93400)	\$3,100,000	\$3,100,000	\$300,000	FY 2009-10

All of the current bond funded projects have been completed or are scheduled for completion in FY 2008-09, except for Town Plaza. Town Plaza will be constructed concurrently with the Parcel B mixed use office development. Therefore, that project will commence once the developer is able to secure construction financing.

In the FY 2008-09 and FY 2009-10 budget process, most of the remaining \$20 million in bond funds has been allocated for various public improvement projects, including the General Plan update, parking improvements, area improvement plans on Washington Blvd and Sepulveda Blvd, and contributions toward the EXPO light rail project. Through the first quarter, there have been no expenditures related to newly allocated money. As those projects become active, they will be added to the current bond funded projects table above.

*The total budget for Fire Station #3 includes \$3 million in Agency Bond funding and \$3.5 million in City funding.