

*Culver*  
**CITY**  
**REDEVELOPMENT**  
**AGENCY**

**FINANCIAL**  
**MONITORING**  
**REPORT**

**February**  
**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

### CRA ERAF Lawsuit

The **California Redevelopment Association** (CRA) has filed a lawsuit against the state alleging that taking local redevelopment agency funds is illegal under Proposition 1A approved by voters in November 2004. It is likely that the lawsuit will still be pending on May 1<sup>st</sup> (when the ERAF payment is due), so the CRA has recommended that agencies make the required ERAF payment to avoid any penalties. If the CRA is successful, current, and potentially future, ERAF payments will be invalidated under the California constitution. This will most likely be a long court battle that could take months, even years, to resolve. Staff will keep the Agency Board apprised of any new developments.

### Economic Overview

The economic contraction continued to worsen through February with no end in sight. The commercial and residential real estate markets continue to be very soft, unemployment continues to climb, and the new presidential administration is scrambling to implement an economic stimulus package that hopes to encourage job growth and stop the bleeding. The credit markets are still very tight despite the \$700 billion (and growing) federal bailout package enacted toward the end of 2008. This is effecting many businesses' (including the State of California) ability to make payroll and meet other obligations. It is also effecting many developers' ability to secure construction financing. As a result, many projects that were originally slated to be well underway by now have been delayed. To date, there are no significant signs that the current economic conditions will improve any time soon. In fact, most signs point to the economy getting worse before it gets better.

### 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.

# February 2009 AT-A-GLANCE

## Executive Summary

As we enter the FY 2009-10 and FY 2010-11 budget process, the economic contraction continued to worsen. As commercial construction and renovation slows due to economic conditions and the tight credit market, tax increment receipts are expected to grow at a much slower pace over the next few years than they have over the past five years.

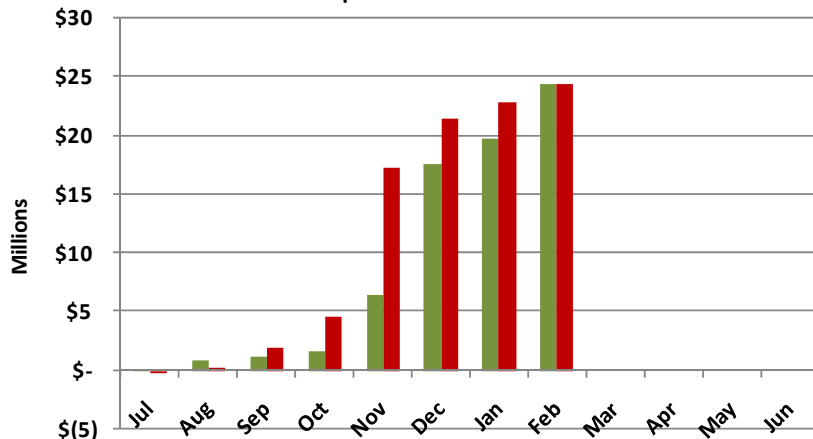
The Agency expects very strong tax increment receipts in the current fiscal year, due primarily to the lag in property tax revenues. Current year receipts are based on assessed values as of December 2007, prior to the major fall out of the commercial real estate market. FY 2009-10 tax increment receipts will be based on December 2008 values, which will be more telling as to the magnitude of the market conditions on tax increment revenues.

As the economic conditions play out, staff is remaining conservative and holding the line on expenditures in as many areas as possible in anticipation of slower TI growth in the near future.

## Revenue & Expenditure Summary

Through February, the Redevelopment Agency's revenues are essentially equal to expenditures. The Agency will continue to collect Tax Increment for this fiscal year through August 2009 (which includes the additional accrual period). The largest pending expenditure is the Agency's \$1,126 million ERAF obligation.

Cumulative RDA Revenues vs. Expenditures ■ 2008-09 Revenue ■ 2008-09 Expenditure



# CASH AVAILABLE for CAPITAL INVESTMENT

## FUND BALANCE AVAILABLE FOR PROJECTS/PROGRAMS:

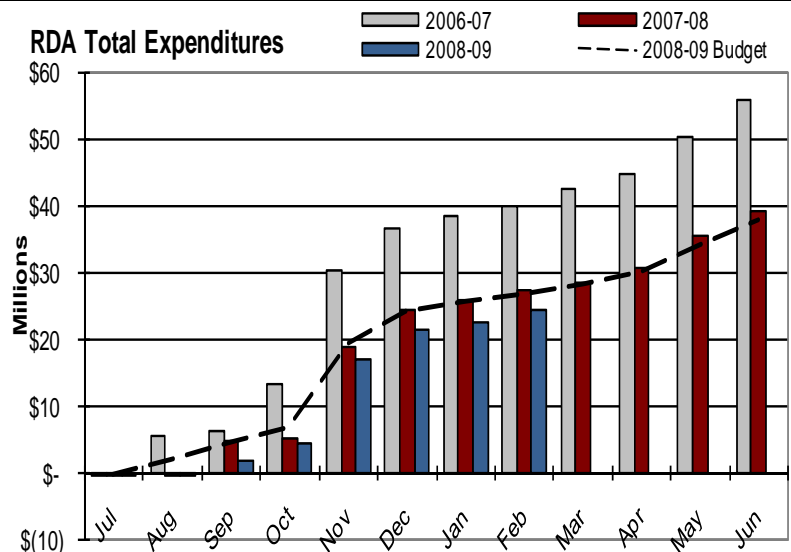
	<i>Actual Ending 2006-07</i>	<i>Actual Ending 2007-08</i>	<i>Estimated Ending 2008-09*</i>	<i>Estimated Ending 2009-10*</i>
Unrestricted Funds	\$13,700,000	10,770,000	<b>6,375,000</b>	1,500,000
Housing Set Aside	\$15,141,000	19,000,000	20,900,000	20,600,000
Tax Exempt Bonds	\$24,895,000	21,850,000	7,800,000	2,500,000

The estimated ending balance for each fund represents the approximate amount of cash capital available for investment in new projects or programs. **The estimated balances include the recommended mid-year budget adjustments.** The audited beginning balance for unrestricted funds as of June 30, 2008 (i.e. tax increment, parking revenues, theatre revenues, etc.) is approximately \$10.8 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 \$2.5 million principal and interest payment is made in FY 2008-09, and the remaining \$7 million will be repaid in FY 2009-10 and FY 2010-11 (\$3.5 million per year with interest). It also assumes that 100% of the adjusted budget is expended and no land sale proceeds are received in FY 2008-09. The estimated ending balance in FY 2009-10 assumes that 100% of the approved budget is expended and no land sale proceeds are received. 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 February:

	<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	12,656,746
Dec	6,551,911	5,526,037	4,245,202
Jan	1,524,960	1,602,987	1,250,661
Feb	1,551,627	1,441,268	1,627,557
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	-
<b>TOT Y-T-D</b>	<b>55,909,687</b>	<b>39,197,317</b>	<b>24,307,325</b>
<b>Adj Budget</b>	<b>47,108,918</b>	<b>42,969,759</b>	<b>37,821,541</b>



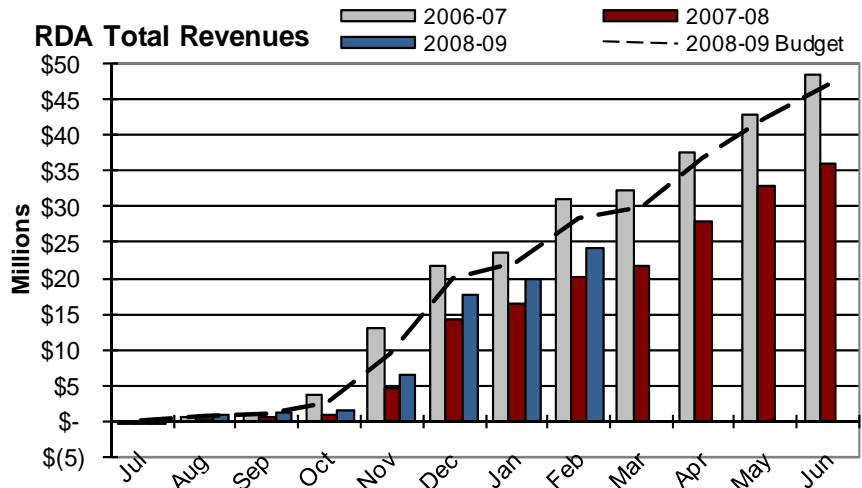
**BELOW BUDGET** Through February (8 months), the RDA has expended approx. 61% of the adjusted budget compared to 63% in 2007-08 and 85% in 2006-07 (the same period in the previous two fiscal years included land acquisition related costs, which is not the case in FY 2008-09). **The Agency is slightly under budget in expenditures through February; however, once the ERAF payment is made in May, expenditures will be on budget.** In December, the agency approved a number of budget amendments, most notably were an increase in statutory pass through payments to taxing agencies, increase in Low/Moderate Income Housing Set Aside transfers (both due to a projected increased in Tax Increment revenues), and allocation of \$1,126,000 for the Agency's ERAF obligation to be paid in May 2009.

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). The following sections will provide more detail on RDA expenditures by category.

# UNRESTRICTED FUNDS REVENUE ANALYSIS

## UNRESTRICTED REVENUE SUMMARY thru February:

	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	4,841,495
Dec	8,717,465	9,651,356	11,134,413
Jan	2,007,880	1,965,506	2,200,152
Feb	7,308,540	3,912,079	4,585,415
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	-
<b>TOT Y-T-D</b>	<b>48,335,178</b>	<b>35,937,483</b>	<b>24,328,786</b>
<b>Adj Budget</b>	<b>28,192,644</b>	<b>33,006,077</b>	<b>46,990,775</b>



**UNRESTRICTED REVENUES** — ↑ The Redevelopment Agency received an updated Assessed Valuation Report from the County Assessor in August indicating an increase in assessed values higher than what was originally projected for the budget. Based on this updated AV report, estimated tax increment revenues for FY 2008-09 were increased by approximately \$2.4 million at mid-year. Pacific Theater, film parking, and the Farmer's Market receipts all remained strong through February and are expected to meet budget projections.

**LAND SALE PROCEEDS** — ↓ The FY 2008-09 adopted budget included approximately \$11.5 million in land sale proceeds in anticipation of the sale of Parcel B, Baldwin Site, and Washington/Centinela site. Due to the current credit markets, all of these projects are having trouble with securing financing and are not expected to close escrow prior to the end of this fiscal year. During the mid-year review, budget estimates were amended to include only the sale of Parcel B. However, due to the aforementioned credit crunch, the receipt of Parcel B funds is also doubtful and will be deferred into future years. **This will impact the Redevelopment Agency's ability to repay the entire remaining balance on the loan to the City in this fiscal year. It is likely that the loan will need to be extended an additional two years.** Staff will bring an agenda item to the Agency Board/City Council as the June expiration of the current loan term approaches.

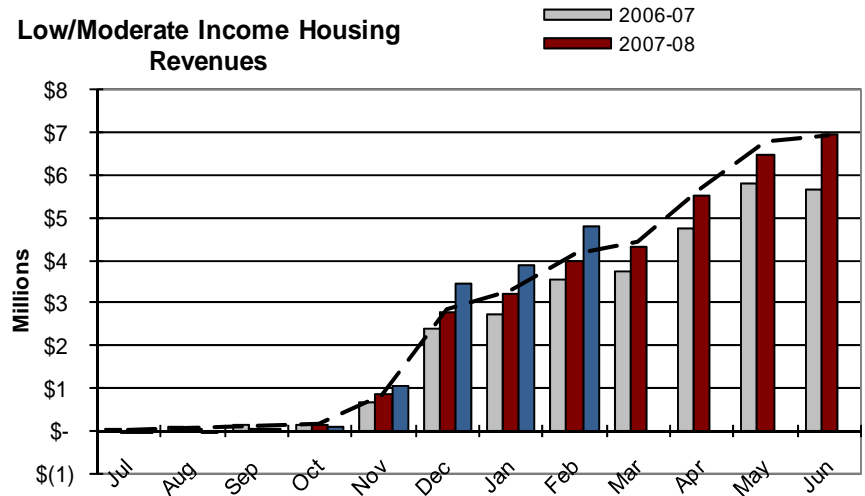
**SUMMARY** — Overall, the Redevelopment Agency's revenues, especially tax increment receipts, remain solid. To date, some smaller revenue sources have met or exceeded budget projections, such as Pacific Theaters, film parking, and the Farmers' Market, while others have fallen below budget projections, such as long term parking at the parking structures. At this point, the biggest variable continues to be the state of the credit market and developers' ability to secure financing and purchase Agency owned land. 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	969,393
Dec	1,707,662	1,939,384	2,408,680
Jan	344,616	422,836	410,277
Feb	802,183	747,414	921,693
Mar	212,713	338,554	-
Apr	1,011,680	1,194,032	-
May	1,049,063	960,582	-
Jun	(170,393)	478,963	-
<b>TOT Y-T-D</b>	<b>5,641,904</b>	<b>6,936,537</b>	<b>4,802,260</b>
<b>Adj Budget</b>	<b>\$ 5,166,000</b>	<b>\$ 6,865,000</b>	<b>\$ 6,943,000</b>

Low/Moderate Income Housing Revenues

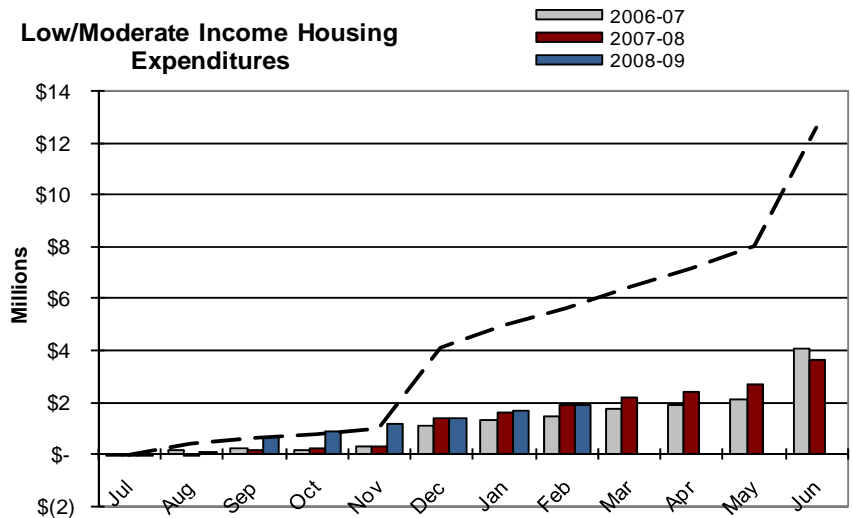


**REVENUES** — The Low/moderate Income Housing funds primary revenue source is tax increment housing set aside funds, which is calculated as 20% of the gross tax increment received. A budget amendment increasing overall Tax Increment receipts by \$2.4 million was adopted at mid-year resulting from the updated Assessed Valuation Report received in August. Consequently, housing set aside funds for FY 2008-09 were also increased by \$524,000.

**EXPENDITURES** — The primary Low/Moderate Income Housing expenditures through February were on Rental Assistant Program Grants (about \$20,000 per month), Rehab Grant Incentives (\$180,000 through Feb.), 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	236,242
Dec	791,918	1,114,943	268,073
Jan	279,861	234,455	237,563
Feb	112,394	290,272	231,223
Mar	266,838	238,400	-
Apr	153,937	284,597	-
May	250,670	280,090	-
Jun	1,930,740	915,689	-
<b>TOT Y-T-D</b>	<b>4,080,464</b>	<b>3,643,706</b>	<b>1,890,655</b>
<b>Adj Budget</b>	<b>\$ 13,813,454</b>	<b>\$ 12,330,046</b>	<b>\$ 12,607,422</b>

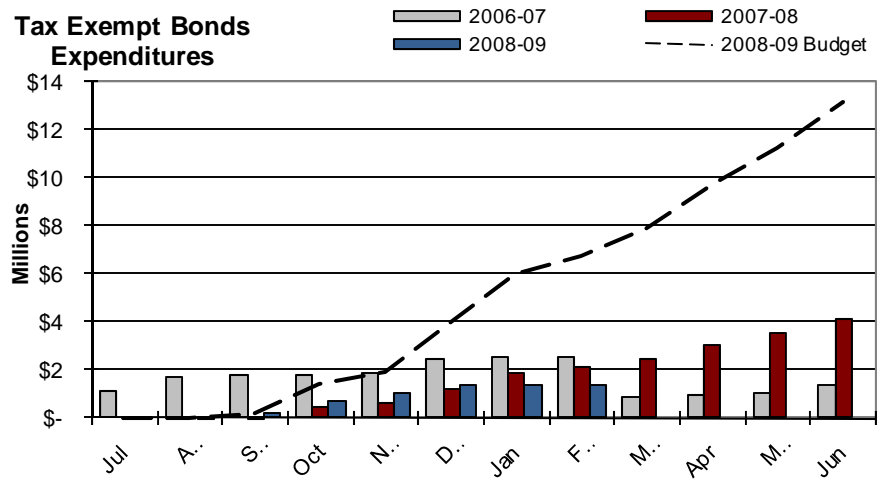
Low/Moderate Income Housing Expenditures



# 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	294,138
Dec	548,342	642,128	322,106
Jan	110,054	639,181	16,970
Feb	27,131	237,320	35,873
Mar	(1,697,158)	356,464	-
Apr	94,006	574,914	-
May	94,341	462,252	-
Jun	307,535	600,315	-
<b>TOT Y-T-D</b>	<b>1,316,381</b>	<b>4,111,377</b>	<b>1,407,451</b>
<b>Adj Budget</b>	<b>\$9,885,012</b>	<b>\$8,019,086</b>	<b>\$13,135,061</b>



**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; \$317,000 has been earned to date. As investments mature at different times throughout the year, interest income is recognized.

**EXPENDITURES** — The Tax Exempt Bond expenditures through February were primarily related to demolition expenses in the Washington/National triangle (\$114,000), continuing construction costs for Fire Station #3 (\$891,000), and closing out completed projects such as the realignment of Washington Blvd and plunge locker room improvements.

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	\$3,000,000	FY 2008-09
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 February, 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.