

**CITY OF RANCHO CORDOVA**

**RESOLUTION NO. XX-2019**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RANCHO CORDOVA, STATE OF CALIFORNIA, AUTHORIZING THE CITY MANAGER TO EXECUTE THE SIXTH AMENDMENT TO AND TERMINATION OF THE LOAN AGREEMENT BETWEEN THE CITY OF RANCHO CORDOVA AND THE RANCHO CORDOVA CHAMBER OF COMMERCE IN ORDER TO CONVERT THE OUTSTANDING LOAN BALANCE TO A GRANT**

**WHEREAS**, On January 22, 2008, the City Council authorized the City Manager to help the Chamber by providing the Chamber with a loan to be used to pay its current debt and provide short-term operational funding. Payment of the Chamber's debt allowed it to proceed with events aimed at helping local businesses, while providing positive revenues to the Chamber; and

**WHEREAS**, Pursuant to the direction of the City Council, on March 5, 2008 the Parties entered into a loan agreement with the Chamber ("Loan Agreement") whereby the City made a loan to the Chamber in the amount of Two Hundred and One Thousand, Eight Hundred Eighty Two Dollars and Four Cents (\$201,882.04); and

**WHEREAS**, On March 5, 2008, the Parties entered into a First Amendment to the Loan Agreement, which amended Sections 1.3, 1.4 and 4.1 of the Loan Agreement relating to the applicable interest rate, loan repayment and establishment of an escrow account; and

**WHEREAS**, On July 1, 2009, the Parties entered into a Second Amendment to the Loan Agreement, in which the City agreed to loan the Chamber an additional Thirty-Four Thousand Thirty-Six Dollars and Eight Cents (\$34,036.08) ("Additional Loan"). The Additional Loan was used by the City to pay the Bank of Sacramento monthly payments of Two Thousand Eight Hundred Thirty-Six Dollars and Thirty-Four Cents (\$2,836.34) for the period of April 2009-March 2010. The Second Amendment also extended the deferral period for the repayment of the Loan to the City by the Chamber for an additional year; and

**WHEREAS**, On March 1, 2012, the Parties agreed to enter into a Third Amendment to the Loan Agreement in order to amend Sections 1.1 through 1.4, 3.1 and 7.3 of the Loan Agreement. These amendments extended the loan term to January 1, 2025, and provided that the interest rate commencing March 1, 2012 shall be equal to the Local Agency Interest Fund ("LAIF") interest rate plus one percent (1%) for the quarter ending on December 31st of the preceding year, with a minimum interest rate of two percent (2%). The amendments further provided that commencing March 1, 2012, the Chamber shall be obligated to make monthly Loan payments of principal and interest in the amount of Two Thousand Three Hundred Dollars (\$2,300) until the Loan is paid off or until January 1, 2025, when the entire remaining principal balance and all accrued interest shall be due. Finally, the Third Amendment added an additional Two Thousand Seven Hundred Ninety-Six Dollars and Forty-Four Cents (\$2,796.44) to the total Loan amount in order to reflect interest payments made by the City to the Bank of Sacramento between April 2008 and March 2009, which were not reflected in earlier amendments to the Loan Agreement; and

**WHEREAS**, On August 1, 2013, the Parties agreed to enter into a Fourth Amendment to the Loan Agreement in order to amend Sections 1.3, and 1.4, of the Loan Agreement. These amendments provided that the interest rate, commencing August 1, 2013, shall be equal to

## ATTACHMENT 1

three percent (3%) but in the event that the LAIF interest rate rises above 3%, the interest rate shall automatically increase to the LAIF interest rate plus 1% . The amendments also provided that the Chamber's monthly payment to the City, commencing August 1, 2013, would be seven hundred dollars (\$700) until June 30 2017, and, commencing July 1, 2017, the Chamber's monthly payments shall be One thousand five hundred dollars (\$1,500) until the loan is paid off or until January 1, 2025, the date when the entire remaining principal balance and all accrued interest shall be due; and

**WHEREAS,** On June 1, 2016, the Parties entered into a Fifth Amendment to the Loan Agreement in order to amend Sections 1.2, 1.3 and 1.4 of the Loan Agreement. These amendments extended the term of the loan to October 1, 2028. The amendments also provided that the unpaid principal of the loan as of July 1, 2015, shall not accrue any interest until the loan is paid off or the end of the loan term, whichever is earlier and provided that commencing September 1, 2017, the Chamber shall make monthly payments to City of One thousand five hundred and fifty dollars (\$1,550); and

**WHEREAS,** The Chamber has made some of the payments required pursuant to the Loan Agreement, bringing the total outstanding balance to \$192,079.94, but has not made any payments since April, 2018; and

**WHEREAS,** The Chamber has requested that the City forgive the remaining loan balance and has demonstrated to the City that it has insufficient revenues to repay the loan and that if the Loan terms are enforced, the Chamber will be unable to continue to carry out activities which are important to supporting a strong business community in the City.

**NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF RANCHO CORDOVA THAT:**

**Section 1.** The City Council hereby finds that:

- a. The Chamber's operations in the City are vital for maintaining and attracting businesses to the City and for serving as a link between local business and local government;
- b. The Chamber is often a first line of contact for local businesses and potential businesses seeking out information about the community; and
- c. Without the Chamber's operations and services to the City and the local business community, local businesses may leave the City and potential new businesses may choose not to locate in the City, leading to the loss of current and potential tax revenues and resulting in adverse impacts to the local economy.

**Section 2.** The City Manager is hereby authorized to execute the Sixth Amendment to and Termination of the Loan Agreement with the Rancho Cordova Chamber of Commerce, Contract No. 43-2008, in order to convert the outstanding loan amount of \$192,079.94 to a grant.

# ATTACHMENT 1

**PASSED AND ADOPTED** by the City Council of the City of Rancho Cordova on the 17<sup>th</sup> day of June, 2019 by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

**ATTEST:**

\_\_\_\_\_  
Robert J. McGarvey, Mayor

\_\_\_\_\_  
Stacy Leitner, CMC  
City Clerk