
MEMORANDUM

DATE: June 17, 2019

TO: Honorable Mayor and Council Members

FROM: Kim Juran-Karageorgiou

SUBJECT: A Resolution Authorizing a Sixth Amendment to the Loan Agreement with the Chamber of Commerce to Convert the Outstanding Loan Balance to a Grant



RECOMMENDATION

Adopt the Resolution.

RESULT OF RECOMMENDED ACTION

Adoption of the Resolution will authorize the City Manager to execute a Sixth Amendment to the Loan Agreement between the City and the Chamber of Commerce. That Amendment would convert the outstanding loan balance of \$192,079.94 to a Grant and terminate the Loan Agreement.

BACKGROUND

In 2008, the City Council authorized a loan to the Rancho Cordova Chamber of Commerce in the amount of \$201,882.04. The purpose of the loan was to allow the Chamber to pay then-current debt and provide it with 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. Over the years, the Loan Agreement has been amended five times: Pursuant to those amendments, the Loan amount was increased an additional \$36,832.52, for a total loan amount of \$228,912.46, the loan term was extended from March 2018 to October 1, 2028, and the interest rate has been reduced to zero. (A more detailed description of each amendment to the Loan Agreement is set forth in the Recitals to the attached Resolution, Attachment 2).

Although the Chamber has made some progress toward repayment over the term of the loan, the outstanding loan amount is still \$192,079.94. The amended Loan Agreement requires the Chamber to make monthly payments of \$1,550. In April 2018, the Chamber made a request to the City Manager to cease loan payments due to financial hardship until the question of loan forgiveness could be discussed.

In March 2019, the Chamber made a formal request to the City to forgive the outstanding balance of the loan. This request included information demonstrating that it has insufficient revenues to both make the required loan payments and continue to carry out activities which are important to supporting a strong business community in the City.

The Chamber is often a first line of contact for local businesses and potential businesses seeking information about the City. The Chamber's activities in providing that information and its marketing and outreach to potential businesses actively supports the City's economic development goals. The Chamber's activities and programs are vital for maintaining and attracting businesses to the City. Without the Chamber's services to the local business community, businesses may choose not to remain or locate in the City, leading to the loss of current and potential tax revenues and resulting in adverse impacts to the local economy.

FISCAL IMPACT

Forgiveness of the loan to the Chamber of Commerce will result in the write off of an outstanding receivable to the General Fund and result in an expense in the amount of \$192,079.94. If approved by the City Council, this action will be incorporated into the City's 2018-19 year-end budget amendment.

ATTACHMENT

1. Resolution
2. Sixth Amendment – Loan Termination Agreement