

TO: Finance and Personnel Committee

DT: February 26, 2009

FM: Herbert L. Pike, Finance Director

RE: Authorizing to Increase
Line of Credit with
Collateralization

In the mid-1990's, the Committee authorized the establishment of a \$1,000,000 line of credit (LOC) at Bank of the West. It is a revolving LOC with a term of 1 year and a floating rate of interest equal to the Bank's prime lending rate, with a minimum (floor) rate of 4%. Repayment is interest only monthly, with principal at maturity, and there is no penalty for prepayment. The original objective of the LOC was to provide ABAG an emergency source of cash. In 2000, the Committee expanded the purpose of the LOC to serve all ABAG affiliated entities as well, subject to the approval of the terms of the LOC by the board of the borrowing entity.

In spite of the suspension of several projects by the State, ABAG's fund balance remains healthy. However, because of delays in State-related reimbursements for work completed, ABAG receivables have climbed approximately \$1 million over the prior year which constricts the Agency's cash balance. To be cautious, ABAG inquired as to the availability of increasing the line of credit to \$2,000,000. In consultation with Bank of the West, they sought some collateralization to commit a full \$2 million. Collateral would be a second deed of trust on ABAG's interest in the real property located at 101 Eighth Street in the commitment amount of \$2,000,000. The direct cost to secure the line of credit would be a \$1500 fee, title insurance costs, completion of an Environmental Assessment of the property, recording costs, and any ancillary legal fees. Total direct cost is estimated to be between \$3,500 to \$4,000.

Staff Recommendation

Finance and Personnel Committee is requested to forward this item to the Executive Board for passage of the attached resolution to authorize increasing ABAG's line of credit to \$2,000,000 collateralized by a second deed of trust on ABAG's interest in the real property at 101 Eighth Street, and to authorize access to said line of credit if and when needed to meet cash flow needs.

ATTACHMENT

ADGENDA ITEM 5

**ASSOCIATION OF BAY AREA GOVERNMENTS
EXECUTIVE BOARD**

RESOLUTION NO. 07-09

**RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR
TO INCUR DEBT ON BEHALF OF THE AGENCY**

WHEREAS, the Association of Bay Area Governments (ABAG) has an existing secured credit facility (line of credit) with Bank of the West with a limit of One Million Dollars (\$1,000,000); and

WHEREAS, the Bank of the West, East Bay Commercial Banking Office has made a written commitment to increase the limit on the exiting line of credit to Two Million Dollars (\$2,000,000) subject to certain conditions, including but not limited to, ABAG providing collateral in the form of a Second Deed of Trust on the ABAG Condominium Unit located at 101 8th Street, Oakland, California; and

WHEREAS, in December 2008, the State of California suspended all activities under specified state grants, including several which fund ABAG programs such as the Bay Trail and the San Francisco Estuary Project; and

WHEREAS, the State of California does not anticipate authorizing resumption of most activities under the suspended grants until June 2009, and delayed reimbursement for those resumed, which is likely to cause cash flow problems in the near term,

NOW THEREFORE BE IT RESOLVED: the Executive Board of the Association of Bay Area Governments hereby authorizes the Executive Director to:

- 1) negotiate, execute, deliver and record any and all documents reasonably necessary to increase the limit on ABAG's existing line of credit with Bank of the West to Two Million Dollars (\$2,000,000), including, without limitation, a Second Deed of Trust on the ABAG Condominium Unit located at 101 8th Street, Oakland, California; and
- 2) draw on the line of credit in such amounts and at such times as may be prudent to ensure the continuing operation of ABAG's programs and projects, with the understanding that all draws will be reported to the Finance and Personnel Committee.

The foregoing adopted by the Executive Board this 19th day of March 2009.

Rose Jacobs Gibson
President

Certification of Executive Board Approval

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 07-09**

I, the undersigned, the appointed and qualified Secretary-Treasurer of the Association of Bay Area Governments (Association), do hereby certify that the foregoing resolution was adopted by the Executive Board of the Association at a duly called meeting held on the 19th day of March 2009.

Henry L. Gardner
Secretary-Treasurer

Approval as To Legal Form

Kenneth K. Moy
Legal Counsel

