

# Memorandum

To : The Conservancy  
The Advisory Committee

Date: August 26, 2019

From :   
Joseph T. Edmiston, FAICP, Hon. ASLA, Executive Director

Subject: **Agenda Item 14: Public Hearing and adoption of Resolution No. 19-47 making a finding of significant public benefit and other findings in connection with a Proposed Revolving Credit Agreement for, and issuance of related promissory notes by, the Mountains Recreation and Conservation Authority to finance the Authority's grants and annual operating costs.**

## Staff Recommendation:

After holding a public hearing, adopt Resolution No. 19-47, "A Resolution of the Board of Directors of the Santa Monica Mountains Conservancy Making a Finding of Significant Public Benefit and Other Findings in Connection with a Proposed Revolving Credit Agreement for, and Issuance of Related Promissory Notes by, the Mountains Recreation and Conservation Authority to Finance the Authority's Grants and Annual Operating Costs."

## Discussion:

The MRCA was established in 1985 as a Joint Powers Authority (JPA). MRCA is a local partnership among its member agencies, which consist of the Santa Monica Mountains Conservancy (a state agency established by the Legislature) and the Rancho Simi Recreation and Park District and the Conejo Recreation and Park District (both of which are local park agencies that were established by a vote of the people in the communities they now serve).

The MRCA currently utilizes two lines of credit from Zions First National Bank in conducting its business operations; these two lines are expiring. Following a request for proposals process with potential lenders, MRCA proposes to replace the two lines with an \$8 million Revolving Credit Agreement with a new lender, BBVA USA, to finance grants and annual operating costs, including the issuance of three promissory notes representing three lines of credit under the new Revolving Credit Agreement in the respective amounts of \$3,000,000, \$3,000,000 and \$2,000,000. MRCA's legal counsel has requested that each member agency hold a public hearing on this action. A legal notice of this public hearing was published at least five (5) days prior to August 26, 2019. The SMMC Board should now receive any public input, and then consider approval of the attached resolution.

In the formation of the MRCA, each member agency made findings that the land within the Santa Monica Mountains Zone, and contiguous watersheds and other open space recreation

resources in Southern California, constitute unique and valuable economic, environmental, agricultural, scientific, educational and recreational resources which should be held in trust for present and future generations. The Santa Monica Mountains Conservancy and the two Districts found and determined that there is a need to expand, enhance, and restore these resources and that doing so would be to their mutual advantage and the public benefit. This led them to coordinate their power and authority and expertise in the context of a JPA to facilitate the acquisition, development, and conservation of such lands and resources with special emphasis on recreation and conservation projects, protection and conservation of watersheds, and the development of river parkways.

Since its formation, the MRCA has remained dedicated to the preservation and management of local open space and parkland, watershed lands, trails, and wildlife habitat. It now manages and provides ranger services for over 69,000 acres of public lands and parks that it owns and those owned by the Santa Monica Mountains Conservancy or other agencies and provides comprehensive education and interpretation programs for the public.

In its operations, the MRCA actively uses lines of credit to fund necessary expenditures, as a large number of its activities are undertaken pursuant to reimbursable grants awarded to the MRCA - that is, the MRCA must pay vendors and then request reimbursement from grantor agencies, rather than having cash advanced at the time of the grant award.

The two Zions lines are expiring, and MRCA proposes to replace them with 3 lines of credit with BBVA USA: an operating line in the amount of \$2,000,000 (up from \$1,000,000) for temporary, short-term cash flow deficits; a \$3,000,000 capital line to finance, on a tax-exempt basis, grant-funded land acquisition and construction projects for open space and park and recreation facilities (which may include such projects to be located within the service area of the Conservancy); and a new working capital projects line of \$3,000,000, to finance grant-funded projects for the benefit of the public that do not qualify for tax-exempt funding, such as recreational programs and maintenance of open space and park and recreation facilities, as well as incurring preliminary expenditures and conducting feasibility activities for proposed open space and park and recreation facilities (which may include such programs, maintenance activities, and projects to be offered, undertaken, or located within the service area of the Conservancy).

Repayments on the MRCA promissory notes will be primarily secured by a pledge of the MRCA's general fund revenues, as well as grant funds relating to each project financed, and a deed of trust on a parcel of real property of the MRCA. Similar to the existing, expiring credit facility, the MRCA promissory notes and the Revolving Credit Agreement with BBVA USA will be an obligation of the MRCA and are not an obligation of the Conservancy or any other member agency of the MRCA. As noted above, the member agencies of the MRCA are the Conservancy, the Rancho Simi Recreation and Park District, and the Conejo Recreation and Park District.

Since 2006, the MRCA lines of credit have facilitated, and if the new lines of credit are approved, will continue to facilitate the more efficient delivery of open space and park and recreation facilities and services to the constituents of the Conservancy. Draws on the revolving lines of credit assist the MRCA during periods of uneven receipt of operating revenues or grant funding for projects, thereby providing for more efficient project administration and helping to avert disruptions in open space and park services.

As the Conservancy is a member agency of the MRCA, adoption by the Board of Directors of the attached Resolution, after a public hearing, will facilitate the proposed Revolving Credit Agreement between MRCA and BBVA USA, the issuance of the related MRCA Notes, and the significant public benefits described above.

The MRCA Board approved the Revolving Credit Agreement, together with the issuance of the related promissory notes and other related financing documents, at its August 7, 2019 Board meeting. The MRCA's approval is conditioned on the three partner agencies holding public hearings and making the required findings. The Rancho Simi and Conejo Recreation and Park Districts held their respective public hearings and made the required findings at their July 18, 2019 Board meetings.