

City of Visalia
Oversight Board of the
Successor Agency of the Redevelopment Agency of Visalia

Thursday, March 29, 2012
5:30 p.m.

City Hall, Council Chambers
707 West Acequia, Visalia CA

AGENDA

- 5:30 p.m. 1. Welcome and public comment
(Remind board members that these meetings are subject to the Brown Act)
- 5:35 p.m. 2. Self-Introduction of Oversight Board Members and staff
- 5:40 p.m. 3. Review of duties of the Oversight Board
(Eric Frost, City of Visalia appointee, will review the sections of AB 26 x1 as it pertains to oversight board member responsibilities.)
- 6:00 p.m. 4. Election of Chair and Vice-Chair
- 6:10 p.m. 5. Receive preliminary explanation of Required Obligations Payment Schedule
(ROPS)
(Ruth Pena, Financial Analysts to the Oversight Board, will review with the board the preliminary ROPS, proposed to be approved by the board at their next meeting subject to Oversight Board changes)
- 6:25 p.m. 6. Additional Direction on meetings from the Oversight Board
(CAC has one open position and three alternate positions to fill)
- Next meeting: April 12, 2012
City Council Chambers

Any written materials relating to an item on this agenda submitted to the Successor Agency after distribution of the agenda packet are available for public inspection at City Hall West, 707 W. Acequia, Visalia, CA 93291, during normal business hours.

City of Visalia
Oversight Board of the
Successor Agency of the Redevelopment Agency of Visalia

MEETING
DATE: 3/29/12

TO: Successor Agency Oversight Board

FROM: Eric Frost, Administrative Services Director

SUBJECT: Duties of Successor Agency Oversight Board Members

AGENDA
ITEM #: 3

Review: Dept. Head <u>ef</u> (Initials & date required) City Atty <u>kr</u> (Initials & date required or N/A)

Recommendation:

That the Oversight Board receive this report and clarify any questions as to their responsibilities as oversight board members.

Discussion:

When the State of California dissolved redevelopment agencies, the state needed to create a mechanism for the orderly payment of outstanding debts and disposal of assets. To assure this was done in an orderly manner and in the interest of all the taxing jurisdictions, the State ordered the creation of oversight boards to authorize actions proposed by redevelopment successor agencies.

Attached are excerpts from the law which specifies the duties of oversight boards. In summary, these duties are:

- Approve the recognized obligations payment schedule the successor agency submits to the Auditor/Controller;

Successor agency staff will prepare a schedule showing what debt service payments are due. The oversight board approves the payments. The auditor/controller then releases property tax revenues to the successor agency sufficient to pay all debt service payments approved by the oversight board.

- Authorize the disposal of assets as proposed by the successor agency;

To the extent the successor agency has non-cash assets to dispose of, the oversight board will approve the method of the disposal of these assets.

- Approve actions as proposed by the successor agency;

The successor agency is directed to perform certain actions outlined in the law. In most cases, these actions require approval of the oversight board.

- Any oversight board only exists as long as there is outstanding debt; and,

Oversight boards exist only as long as debt needs to be repaid. The boards purpose is to repay this debt and then close down the agency.

- May direct staff in the furtherance of their duties.

If there are other actions which will assist in closing down the agency, the board may so direct.

Further, the law states that oversight board members:

- Serve without compensation; and,
- Serve with personal immunity

Attachment: Excerpts from AB 26 1X

AB 26 excepts

(This is how the law defines enforceable obligations which may receive property tax to pay former RDA debt.)

34171

(d) (1) “Enforceable obligation” means any of the following:

(A) Bonds, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency.

(B) Loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.

(C) Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183, or legally enforceable payments required in connection with the agencies’ employees, including, but not limited to, pension payments, pension obligation debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement.

(D) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183. Along with the successor agency, the OVERSIGHT board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(E) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. However, nothing in this act shall prohibit either the successor agency, with the approval or at the direction of the OVERSIGHT board, or the OVERSIGHT board itself from terminating any existing agreements or contracts and providing any necessary and required compensation or remediation for such termination.

(F) Contracts or agreements necessary for the administration or operation of the successor agency, in accordance with this part, including, but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134.

(G) Amounts borrowed from or payments owing to the Low and Moderate Income Housing Fund of a redevelopment agency, which had been deferred as of the effective date of the act adding this part; provided, however, that the repayment schedule is approved by the OVERSIGHT board.

(2) For purposes of this part, “enforceable obligation” does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations.

(Note: The legislature is considering a bill, AB 1585, which would do the following according to the State Legislative Analyst’s Office:

2) Requires the OVERSIGHT Board to do the following in order to deem other loan agreements from the city, county, or city and county to the former RDA an enforceable obligation:

a) Makes a finding that the loan was for legitimate redevelopment purposes; and,

b) Conditions its approval on the loan being repaid to the city, county, or city and county based on a defined schedule over a reasonable term, at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund.

CHAPTER 3. Successor Agencies

34177.

Successor agencies are required to do all of the following:

(a) Continue to make payments due for enforceable obligations.

(1) On and after October 1, 2011, and until a Recognized Obligation Payment Schedule becomes operative, only payments required pursuant to an enforceable obligations payment schedule shall be made. The initial enforceable obligation payment schedule shall be the last schedule adopted by the redevelopment agency under Section 34169. However, payments associated with obligations excluded from the definition of enforceable obligations by paragraph (2) of subdivision (e) of Section 34171 shall be excluded from the enforceable obligations payment schedule and be removed from the last schedule adopted by the redevelopment agency under Section 34169 prior to the successor agency adopting it as its enforceable obligations payment schedule pursuant to this subdivision. The enforceable obligation payment schedule may be amended by the successor agency at any public meeting and shall be subject to the approval of the **OVERSIGHT** board as soon as the board has sufficient members to form a quorum.

(2) The Department of Finance and the Controller shall each have the authority to require any documents associated with the enforceable obligations to be provided to them in a manner of their choosing. Any taxing entity, the department, and the Controller shall each have standing to file a judicial action to prevent a violation under this part and to obtain injunctive or other appropriate relief.

(3) Commencing on January 1, 2012, only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from the funds specified in the Recognized Obligation Payment Schedule. In addition, commencing January 1, 2012, the Recognized Obligation Payment Schedule shall supersede the Statement of Indebtedness, which shall no longer be prepared nor have any effect under the Community Redevelopment Law.

(4) Nothing in the act adding this part is to be construed as preventing a successor agency, with the prior approval of the **OVERSIGHT** board, as

described in Section 34179, from making payments for enforceable obligations from sources other than those listed in the Recognized Obligation Payment Schedule.

(5) From October 1, 2011, to July 1, 2012, a successor agency shall have no authority and is hereby prohibited from accelerating payment or making any lump-sum payments that are intended to prepay loans unless such accelerated repayments were required prior to the effective date of this part.

(b) Maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(c) Perform obligations required pursuant to any enforceable obligation.

(d) Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution to the taxing entities, including, but not limited to, the unencumbered balance of the Low and Moderate Income Housing Fund of a former redevelopment agency. In making the distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(e) Dispose of assets and properties of the former redevelopment agency as directed by the OVERSIGHT board; provided, however, that the **OVERSIGHT** board may instead direct the successor agency to transfer ownership of certain assets pursuant to subdivision (a) of Section 34181. The disposal is to be done expeditiously and in a manner aimed at maximizing value. Proceeds from asset sales and related funds that are no longer needed for approved development projects or to otherwise wind down the affairs of the agency, each as determined by the OVERSIGHT board, shall be transferred to the county auditor-controller for distribution as property tax proceeds under Section 34188.

(f) Enforce all former redevelopment agency rights for the benefit of the taxing entities, including, but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency.

(g) Effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.

(h) Expeditiously wind down the affairs of the redevelopment agency pursuant to the provisions of this part and in accordance with the direction of the OVERSIGHT board.

(i) Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties. Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds.

(j) Prepare a proposed administrative budget and submit it to the *OVERSIGHT* board for its approval. The proposed administrative budget shall include all of the following:

(1) Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period.

(2) Proposed sources of payment for the costs identified in paragraph (1).

(3) Proposals for arrangements for administrative and operations services provided by a city, county, city and county, or other entity.

(k) Provide administrative cost estimates, from its approved administrative budget that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Trust Fund, to the county auditor-controller for each six-month fiscal period.

(l) (1) Before each six-month fiscal period, prepare a Recognized Obligation Payment Schedule in accordance with the requirements of this paragraph. For each recognized obligation, the Recognized Obligation Payment Schedule shall identify one or more of the following sources of payment:

(A) Low and Moderate Income Housing Fund.

(B) Bond proceeds.

(C) Reserve balances.

(D) Administrative cost allowance.

(E) The Redevelopment Property Tax Trust Fund, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or by the provisions of this part.

(F) Other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the **OVERSIGHT** board in accordance with this part.

(2) A Recognized Obligation Payment Schedule shall not be deemed valid unless all of the following conditions have been met:

(A) A draft Recognized Obligation Payment Schedule is prepared by the successor agency for the enforceable obligations of the former redevelopment agency by November 1, 2011. From October 1, 2011, to July 1, 2012, the initial draft of that schedule shall project the dates and amounts of scheduled payments for each enforceable obligation for the remainder of the time period during which the redevelopment agency would have been authorized to obligate property tax increment had such a redevelopment agency not been dissolved, and shall be reviewed and certified, as to its accuracy, by an external auditor designated pursuant to Section 34182.

(B) The certified Recognized Obligation Payment Schedule is submitted to and duly approved by the **OVERSIGHT** board.

(C) A copy of the approved Recognized Obligation Payment Schedule is submitted to the county auditor-controller and both the Controller's office and the Department of Finance and be posted on the successor agency's Internet Web site.

(3) The Recognized Obligation Payment Schedule shall be forward looking to the next six months. The first Recognized Obligation Payment Schedule shall be submitted to the Controller's office and the Department of Finance by December 15, 2011, for the period of January 1, 2012, to June 30, 2012, inclusive. Former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, shall be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency.

CHAPTER 4. OVERSIGHT Boards

34179.

(a) Each successor agency shall have an *OVERSIGHT* board composed of seven members. The members shall elect one of their members as the chairperson and shall report the name of the chairperson and other members to the Department of Finance on or before January 1, 2012. Members shall be selected as follows:

(c) The *OVERSIGHT* board may direct the staff of the successor agency to perform work in furtherance of the *OVERSIGHT* board's duties and responsibilities under this part. The successor agency shall pay for all of the costs of meetings of the *OVERSIGHT* board and may include such costs in its administrative budget. *OVERSIGHT* board members shall serve without compensation or reimbursement for expenses.

(d) *OVERSIGHT* board members shall have personal immunity from suit for their actions taken within the scope of their responsibilities as *OVERSIGHT* board members.

(e) A majority of the total membership of the *OVERSIGHT* board shall constitute a quorum for the transaction of business. A majority vote of the total membership of the *OVERSIGHT* board is required for the *OVERSIGHT* board to take action. The *OVERSIGHT* board shall be deemed to be a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974.

(f) All notices required by law for proposed *OVERSIGHT* board actions shall also be posted on the successor agency's Internet Web site or the *OVERSIGHT* board's Internet Web site.

(g) Each member of an *OVERSIGHT* board shall serve at the pleasure of the entity that appointed such member.

(h) The Department of Finance may review an *OVERSIGHT* board action taken pursuant to the act adding this part. As such, all *OVERSIGHT* board actions shall not be effective for three business days, pending a request for review by the department. Each *OVERSIGHT* board shall designate an official to whom the department may make such requests and who shall provide the department with the

telephone number and e-mail contact information for the purpose of communicating with the department pursuant to this subdivision. In the event that the department requests a review of a given **OVERSIGHT** board action, it shall have 10 days from the date of its request to approve the **OVERSIGHT** board action or return it to the **OVERSIGHT** board for reconsideration and such **OVERSIGHT** board action shall not be effective until approved by the department. In the event that the department returns the **OVERSIGHT** board action to the **OVERSIGHT** board for reconsideration, the **OVERSIGHT** board shall resubmit the modified action for department approval and the modified **OVERSIGHT** board action shall not become effective until approved by the department.

(i) **OVERSIGHT** boards shall have fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188. Further, the provisions of Division 4 (commencing with Section 1000) of the Government Code shall apply to **OVERSIGHT** boards. Notwithstanding Section 1099 of the Government Code, or any other law, any individual may simultaneously be appointed to up to five **OVERSIGHT** boards and may hold an office in a city, county, city and county, special district, school district, or community college district.

(j) Commencing on and after July 1, 2016, in each county where more than one **OVERSIGHT** board was created by operation of the act adding this part, there shall be only one **OVERSIGHT** board appointed as follows:

- (1) One member may be appointed by the county board of supervisors.
- (2) One member may be appointed by the city selection committee established pursuant to Section 50270 of the Government Code. In a city and county, the mayor may appoint one member.
- (3) One member may be appointed by the independent special district selection committee established pursuant to Section 56332 of the Government Code, for the types of special districts that are eligible to receive property tax revenues pursuant to Section 34188.
- (4) One member may be appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.

(5) One member may be appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.

(6) One member of the public may be appointed by the county board of supervisors.

(7) One member may be appointed by the recognized employee organization representing the largest number of successor agency employees in the county.

(k) The Governor may appoint individuals to fill any *OVERSIGHT* board member position described in subdivision (j) that has not been filled by July 15, 2016, or any member position that remains vacant for more than 60 days.

(l) Commencing on and after July 1, 2016, in each county where only one *OVERSIGHT* board was created by operation of the act adding this part, then there will be no change to the composition of that *OVERSIGHT* board as a result of the operation of subdivision (b).

(m) Any *OVERSIGHT* board for a given successor agency shall cease to exist when all of the indebtedness of the dissolved redevelopment agency has been repaid.

34180. All of the following successor agency actions shall first be approved by the *OVERSIGHT* board:

(a) The establishment of new repayment terms for outstanding loans where the terms have not been specified prior to the date of this part.

(b) Refunding of outstanding bonds or other debt of the former redevelopment agency by successor agencies in order to provide for savings or to finance debt service spikes; provided, however, that no additional debt is created and debt service is not accelerated.

(c) Setting aside of amounts in reserves as required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Merging of project areas.

(e) Continuing the acceptance of federal or state grants, or other forms of financial assistance from either public or private sources, where assistance is conditioned upon the provision of matching funds, by the successor entity as successor to the former redevelopment agency, in an amount greater than 5 percent.

(f)

(1) If a city, county, or city and county wishes to retain any properties or other assets for future redevelopment activities, funded from its own funds and under its own auspices, it must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to Section 34188, for the value of the property retained.

(2) If no other agreement is reached on valuation of the retained assets, the value will be the fair market value as of the 2011 property tax lien date as determined by the county assessor.

(g) Establishment of the Recognized Obligation Payment Schedule.

(h) A request by the successor agency to enter into an agreement with the city, county, or city and county that formed the redevelopment agency that it is succeeding.

(i) A request by a successor agency or taxing entity to pledge, or to enter into an agreement for the pledge of, property tax revenues pursuant to subdivision (b) of Section 34178.

34181. The **OVERSIGHT** board shall direct the successor agency to do all of the following:

(a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided, however, that the **OVERSIGHT** board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, and fire stations, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements

relating to the construction or use of that asset. Disposal shall be done expeditiously and in a manner aimed at maximizing value.

(b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

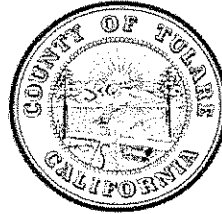
(c) Transfer housing responsibilities and all rights, powers, duties, and obligations along with any amounts on deposit in the Low and Moderate Income Housing Fund to the appropriate entity pursuant to Section 34176.

(d) Terminate any agreement, between the dissolved redevelopment agency and any public entity located in the same county, obligating the redevelopment agency to provide funding for any debt service obligations of the public entity or for the construction, or operation of facilities owned or operated by such public entity, in any instance where the **OVERSIGHT** board has found that early termination would be in the best interests of the taxing entities.

(e) Determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities, and present proposed termination or amendment agreements to the **OVERSIGHT** board for its approval. The board may approve any amendments to or early termination of such agreements where it finds that amendments or early termination would be in the best interests of the taxing entities.

AUDITOR-CONTROLLER

221 South Mooney Blvd., Room 101-E Visalia, Ca 93291-4593 FAX (559) 730-2547



COUNTY OF TULARE

RITA A. WOODARD
Auditor-Controller/
Treasurer-Tax Collector
(559) 636-5200

Via Email

March 8, 2012

RDA Successor Agencies

RE: Recognized Obligation Payment Schedule (ROPS)

Dear Agencies:

After reviewing all current information on the AB 26, the Auditor's Office is requesting that you have your ROPS reviewed and certified by your outside auditors (H&S 34177(I)(2)(A)(B)(C).

As a reminder, the deadlines to submit the ROPS to this office are as follows:

March 15, 2012 – Draft ROPS (January – June 2012) certified by outside auditor

April 15, 2012 – Final ROPS (January-June 2012) Oversight Board approved

April 15, 2012 – Draft ROPS (July – December 2012)

May 15, 2012 – Final ROPS (July – December 2012) Oversight Board approved

Please forward this office the name and contact for your outside auditors. For your outside auditors, the State Controller has guidelines available at their website at the following link:
http://www.sco.ca.gov/ard_local_info_resources.html.

In addition, you must schedule your own agency's financial audit. We are currently working on a contract for the Agreed-upon Audit Procedures (AUP), which is different than the agency financial audit.

Thank you for your cooperation. If you have any questions on this matter, please contact the Property Tax Accounting Division by email at taxdiv@co.tulare.ca.us.

Sincerely,

RITA A WOODARD,
Auditor Controller/Treasurer Tax Collector / Registrar of Voters

City of Visalia
Oversight Board of the
Successor Agency of the Redevelopment Agency of Visalia

MEETING
DATE: 3/29/12

TO: Successor Agency Oversight Board

FROM: Eric Frost, Administrative Services Director

SUBJECT: Appointment of a chair and a vice-chair

AGENDA
ITEM #: 4

Review:

Dept. Head ef
(Initials & date required)

City Atty na
(Initials & date required
or N/A)

Recommendation: That the board selects a chair, vice chair and secretary to conduct the meetings and do so by resolution.

Discussion: Although staff does not expect the oversight board to have a great number of meetings, a chair and a vice-chair need to be selected. Staff has not recommended by-laws or other governing documents due to the limited number of duties the oversight board has and because relatively few meetings are expected.

Staff recommends that the board consider Mike Olmos, one of the City's representatives as the chair because he is knowledgeable about Redevelopment, understands the City's issues and could most efficiently complete the administrative chair's duties of the board. Further, the board could change chairs if they felt that such an action is needed in the future.

Further, staff recommends that Ruth Pena, Financial Analyst assigned to Visalia's Successor Agency, be appointed Secretary to the Oversight Board to attest to the actions of the board.

Attachment: Resolution #2012-1 of the Oversight Board of the Successor Agency of the Visalia Redevelopment Agency of the City of Visalia.

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE VISALIA REDEVELOPMENT AGENCY OF THE CITY OF VISALIA APPOINTING A CHAIR, VICE CHAIR AND SECRETARY FOR THE BOARD.

WHEREAS, pursuant to Health and Safety Code section 34173(d), the City of Visalia (“Successor Agency”) elected to become the successor agency to the Redevelopment Agency of the City of Visalia by Resolution No. ___ on _____, 2012; and

WHEREAS, Health and Safety Code section 34179, requires that the City of Visalia’s Successor Agency create an oversight board to perform certain duties; and

WHEREAS, the efficient operation of the board requires the appointment of certain officers;

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE VISALIA’ REDEVELOPMENT AGENCY, DOES HEREBY RESOLVE AS FOLLOWS:

To appoint as chair of the board _____;

To appoint as vice chair of the board _____;

To appoint as secretary to the board, Ruth Pena.

PASSED, APPROVED AND ADOPTED at a meeting of the Oversight Board of Successor Agency to Visalia’s Redevelopment Agency of the City of Visalia, on the ___ day of _____, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Chair

ATTEST:

Board Secretary

City of Visalia
Oversight Board of the
Successor Agency of the Redevelopment Agency of Visalia

MEETING

DATE: 3/29/12

TO: Successor Agency Oversight Board

FROM: Eric Frost, Administrative Services Director
Ruth Peña, Financial Analyst

SUBJECT: Review of the Preliminary Recognized Obligation Payment Schedule
(ROPS)

AGENDA

ITEM #: 5

Review:

Dept. Head ef
(Initials & date required)

City Atty na
(Initials & date required
or N/A)

Recommendation:

That the Oversight Board reviews the Preliminary Recognized Obligation Payment Schedule (ROPS) for the periods covering July 2011 through January 2012 and February 2012 through June 2012, as displayed in Attachment 1.

Discussion:

Before February 1, 2012, all tax increment generated within a redevelopment project area was allocated to the redevelopment agency, which then paid for its programs, pass-through payments and other obligations. However, now that redevelopment agencies are dissolved, only the amount of former tax increment revenue needed to retire the annual payments required for enforceable obligations is to be paid to the successor agency by the county auditor-controller.

Existing contracts and agreements with the former redevelopment agency qualify to be entered on the ROPS, which is required to be approved by the Oversight Board and audited/certified by the county.

The Successor Agency of the Redevelopment Agency of the City of Visalia is required to continue to make payments due for all of its enforceable obligations. Attachment 1 - Recognized Obligation Payment Schedule, lists the Agency's obligations displayed by the former redevelopment project areas: East Visalia, Mooney, Downtown, and Central and was adopted by the Visalia City Council as enforceable obligations at their March 5, 2012 meeting.

The schedule contains the following information:

- Project Name/Debt Obligation
- Payee
- Description
- Total outstanding debt and obligations
- Total due during the fiscal year
- Total paid from July 2011 through January 2012
- Total due from February 2012 through June 2012 (Successor Agency)

The total outstanding debt and obligations is, summarize in Table I, Required Obligation Payment Schedule, shows \$32 million of which \$10 million is for interest payments. The amount due during the 2011-12 fiscal year is \$2.7 million, with \$2.0 million to be paid during the period of February 1, 2012 through June 30, 2012. The time periods in the schedule coincide with the dissolution date of the Redevelopment Agency and immediate designation of the Successor Agency.

The various categories of the recognized obligations in the schedule include Bonds, Loans, Advances, Developer Agreements, Pass-through Agreements, County Administration Fees, and Successor Agency Administration.

Recognized Obligations

1. 2003 Tax Allocation Refunding Bonds (East)

Debt as of 6/30/11: \$3,530,000

End date of debt: January 1, 2026

On June 18, 2003, the Redevelopment Agency issued \$5,185,000 of 2003 Tax Allocation Refunding Bonds (2003 Bonds) to retire the outstanding variable rate 1990 Tax Allocation Revenue Bonds. A portion of the Community Redevelopment Agency tax increment revenues are pledged for the repayment of the 2003 Bonds. Interest ranges from 2.0% to 4.375% and is due semiannually each July 1 and January 1. Commencing 2004, principal is payable each July and January through 2026. The balance due at June 30, 2011 was \$3,530,000.

2. 2004 West America Bank Loan (Mooney and Central)

Debt as of 6/30/11: \$3,699,593

End date of debt: August 1, 2028

On November 2, 2004, the Redevelopment Agency borrowed \$4,550,000 from Stockmen's Bank to retire the outstanding variable rate 1993 Tax Allocation Revenue Bonds. Interest ranges from 4.3% to 6.0% and is due semiannually each February 1 and August 1. Commencing 2005, principal is payable each January through August 2028. The City could not determine the amount of economic gain generated by the refunding due to the variable interest rate of the refunded debt. The amount due at June 30, 2011 was \$3,699,593.

Table I

RECOGNIZED OBLIGATION PAYMENT SCHEDULE							
Per AB 26 - Section 34267 and 34169							
	Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Total Paid July 2011 through January 2012	Total Due February 2012 through June 2012
East Visalia Project Area							
1	2003 Tax Allocation Bond Principal	US Bank Trustee	Bonds issued for non-housing projects	3,530,000	245,000	-	245,000
2	2003 Tax Allocation Bond Interest	US Bank Trustee	Bonds issued for non-housing projects	1,166,803	126,366	63,166	63,200
3	City of Visalia General Fund Advance	City of Visalia General Fund	Payment for advance of funds for purchase of property	3,416,649	-	-	-
4	Developer Agreement	Willow Street Development Co	Parking Garage Participation Agreement	-	12,816	-	12,816
Mooney Blvd Project Area							
5	2004 West America Bank Loan Principal	West America Bank	Loan for public works projects	2,201,258	78,359	35,259	43,100
6	2004 West America Bank Loan Interest	West America Bank	Loan for public works projects	968,631	89,478	42,078	47,400
7	2007 Citizens Bank Loan - Principal	Citizens Bank	Loan for public works projects	6,244,700	-	-	-
8	2007 Citizens Bank Loan - Interest	Citizens Bank	Loan for public works projects	5,266,622	408,404	204,202	204,202
9	Developer Note - Costco	Costco	Tax increment reimbursement	1,042,287	98,000	-	98,000
Downtown Project Area							
10	2003 West America Bank Loan Principal	West America Bank	Loan for public works projects	911,022	80,228	37,228	43,000
11	2003 West America Bank Loan Interest	West America Bank	Loan for public works projects	200,306	36,946	17,946	19,000
Central Project Area							
12	2004 West America Bank Loan Principal	West America Bank	Loan for public works projects	1,498,336	53,400	24,000	29,400
13	2004 West America Bank Loan Interest	West America Bank	Loan for public works projects	659,320	60,941	28,641	32,300
14	2009 General Fund Loan - Principal	City of Visalia General Fund	Loan for public works projects	3,420,929	77,124	-	77,124
15	2009 General Fund Loan - Interest	City of Visalia General Fund	Loan for public works projects	1,519,585	87,560	-	87,560
OTHER OBLIGATIONS PAYMENT SCHEDULE							
16	Pass Through Agreement	US Bank	Per Agreement with Visalia Unified School District	-	855,559	-	855,559
17	County Admin Fees	Tulare County	County administration fee	-	103,318	103,318	-
18	Delta Vector Agreement	Delta Vector Control District	Delayed payment of prior pass through payment	28,295	28,295	-	28,295
19	Agency Administration	Employees & Contracts	Agency administration	-	261,682	125,263	136,419
Totals -				32,074,743	2,703,476	681,101	2,022,375
				Less Interest	(9,781,267)	(809,695)	(453,662)
				Principal, Pass Thru and Admin	22,293,476	1,893,781	1,568,713

3. **2004 West America Bank Loan (Downtown)**

Debt as of 6/30/11: \$911,023

End date of debt: June 30, 2019

On December 30, 2002, Stockmen's Bank loaned the Redevelopment Agency \$1,500,000 to repay the West America Bank Loan and to fund redevelopment projects within the Downtown Redevelopment Project area. Interest accrues at the five year treasury constant index to be fixed five years at a time, ranging from 4.30% to 5.20%. The loan is secured by a pledge of the Downtown Redevelopment Project Area property tax increment. Commencing June 30, 2003, interest payable payments are due each June 30 and December 30 with final payment due on June 30, 2019. The balance due at June 30, 2011 was \$911,023.

4. **2007 Citizen Bank Loan (Mooney)**

Debt as of 6/30/11: \$6,244,700

End date of debt: June 29, 2028

On June 29, 2007, the Redevelopment Agency borrowed \$6,244,700 from Citizen Business Bank to provide funds to aid in financing the Mooney Redevelopment Project Area. Interest ranges from 6.54% to 7.50% and is due semiannually each June 29 and December 29. Interest payments commenced on June 29, 2007 and principal payments will not commence until December 29, 2013, with final payment due on June 29, 2028. The amount due at June 30, 2011 was \$6,244,700.

The following two General Fund loans to the former Redevelopment Agency are specifically excluded as enforceable obligations. Here is the AB 26 X1 excerpt regarding this matter:

(2) For purposes of this part, "enforceable obligation" does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations.

(Note: The legislature is considering a bill, AB 1585, which would do the following according to the State Legislative Analyst's Office:

2) Requires the OVERSIGHT Board to do the following in order to deem other loan agreements from the city, county, or city and county to the former RDA an enforceable obligation:

a) Makes a finding that the loan was for legitimate redevelopment purposes; and,

b) Conditions its approval on the loan being repaid to the city, county, or city and county based on a defined schedule over a reasonable term, at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund.

The City contends that these obligations were lawfully entered into and should be recognized. The oversight board will need to eventually decide whether to approve them as enforceable obligations or not. Further, the City also contends that if the notes are not honored, then any asset provided for the note should be returned. In the case of one note, none of the loan proceeds have been spent.

5. 2009 General Fund Loan (Central)

Debt as of 6/30/11: \$3,420,928

End date of debt: June 30, 2040

On October 19, 2009, the City Council authorized a loan from the City General Fund to the Agency in the amount of \$3.6 million for future projects in the Agency's Central Redevelopment Project Area. The loan is a 32 year loan starting on November 1, 2009, bearing a nominal interest rate of 2.53%. The Agency will repay the loan using tax increment proceeds. The amount outstanding at June 30, 2011 was \$3,420,928. An annual payment of principal and interest, in accordance with the payment schedule, is due June 30 of each year with the final payment due on June 30, 2040.

6. General Fund Advance (East)

Debt as of 6/30/11: \$3,632,723

End date of debt: June 30, 2029

The City and Agency entered into the Original Agreement dated as of June 14, 1999 for purposes of sustaining redevelopment activities for the Agency's East Visalia Redevelopment Project. Subsequently, the Agency was unable to secure a loan with commercial lenders at favorable interest rates and the impending deadline for issuance of debt for the Agency's East Project Area was July 7, 2006. The City agreed to loan funds from its General Fund reserve to the Agency to continue redevelopment activities, prior to the end of the project's debt issuance period. It was anticipated that the Agency's East Visalia Redevelopment Project Area would generate enough tax increment funds over the remaining authorization period to repay the City's loan.

Due to changed circumstances and further decisions of the parties, on March 7, 2011 the City and Agency amended the Original Agreement, whereby the City agreed to loan to Agency \$3,632,723 for use in the Agency's East Visalia Redevelopment Project Area. An annual payment of principal and interest, in accordance with the payment schedule, is due June 30 of each year with the final payment due on June 30, 2029.

7. Developer Agreement with Willow Street Development Company (East)
50% of operating cost for pedestrian mall
End date of debt: End of project life

On August 17, 1995, the Visalia Community Redevelopment Agency and the Willow Street Development Company entered into a Development and Disposition Agreement (DDA) for the development of a commercial office building with parking facilities, a pedestrian mall, pedestrian bridge, public art, landscaping, and related improvements on the site. While most of the agreement has been satisfied, the Pedestrian Mall Agreement remains an obligation of the Agency, specifically the section regarding Agency reimbursement for maintenance of the mall. The agreement states that the "Agency shall reimburse the developer 50% of the actual and reasonable costs of maintaining and operating the Pedestrian Mall." These payments are due quarterly "during the life of the Redevelopment Agency and the Redevelopment Plan for the East Visalia Redevelopment Project Area".

8. Developer Agreement with Costco (Mooney)
Annual property tax for the building, about \$110,000 annually
End date of debt: June 14, 2017

In August 1989, the Visalia Redevelopment Agency and Paynter-Willsey (Costco) entered an Owner Participation Agreement (OPA) for the development of a two-phase Community Shopping Center. The Agency's obligation is payable out of the sole source of "net property tax increment revenues from phase 1 of the site" received by the Agency for the fiscal year. This includes one hundred percent (100%) of the property tax revenues derived from phase 1, less any prior existing Agency obligations by statute or agreement entered to pay other taxing entities. Semi-annual payments are due on or before February 28 and June 30 of each fiscal year. This agreement is in effect until June 14, 2017.

9. Pass-through Agreement with Visalia Unified School District (East, Central, Mooney)
All pass through tax up to the annual debt service amount
End date of debt: Sept. 21, 2021

The school district has directed that Visalia Redevelopment Agency directly pay for a lease debt of the school district. The City has made this payment which is the limit of the tax increment pass through due the school district. The amount, however, is not sufficient to fully cover the lease obligation.

Because this may be considered a pass-through, the County may end up administering this debt payment.

10. Pass-through Agreement with Delta Vector Control District (East and Mooney)

This amount represents the final pass through payments collected through this fiscal year. Future amounts will be paid by the County.

This obligation is for a delayed payment of prior pass-through agreements. The total due is \$25,935.25 to be paid by June 30, 2012.

11. County Administration Fee (All)

This is for past amounts due. No future payments.

Prior to the dissolution of the Redevelopment Agency, the County of Tulare charged a fee for administering the property tax collection and distribution to the Agency and some of the taxing agencies with pass-through agreements. As of February 1, 2012 the County will no longer charge this fee.

12. Successor Agency Administration (All)

Up to \$250,000 a year, based upon reasonable expenses.

AB 26 provides for an administrative cost allowance, up to \$250,000 annually of appropriate costs, to provide funds for successor agencies to wind down the affairs and administer the debt repayment of the former redevelopment agency.

Summary

Items 5 and 6 may be disputed by the County when they review the list because they are loans between the City and the defunct Redevelopment Agency, loans the State has declared no longer enforceable. The City, however, contends these loans were allowable at the time of their inception and should be honored. As a result, they are listed on the schedule.

The school district obligation also deserves further consideration. However, the remaining items appear to meet the laws definition of enforceable obligations of the Redevelopment Agency.

ATTACHMENT 1
RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Name of Agency:		RDA Successor Agency of the City of Visalia				Page 1 of 4 Pages	
Project Area(s):		East Area					
RECOGNIZED OBLIGATION PAYMENT SCHEDULE							
Per AB 26 - Section 34267 and 34169							
Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Total Paid July 2011 through January 2012	Total Due February 2012 through June 2012	
1 2003 Tax Allocation Bond Principal	US Bank Trustee	Bonds issued for non-housing projects	3,530,000	245,000	-	245,000	
2 2003 Tax Allocation Bond Interest	US Bank Trustee	Bonds issued for non-housing projects	1,166,803	126,366	63,166	63,200	
3 City of Visalia General Fund Advance	City of Visalia General Fund	Payment for advance of funds for purchase of property	3,416,649	-	-	-	
4 Developer Agreement	Willow Street Development Co		-	12,816	-	12,816	
5 Pass Through Agreement	US Bank	Per Agreement with Visalia Unified School District	-	142,125	-	142,125	
OTHER OBLIGATIONS PAYMENT SCHEDULE							
7 County Admin Fees	Tulare County	County administration fee	-	22,067	22,067	-	
8 Delta Vector Agreement	Delta Vector Control District	Delayed payment of prior pass through payment	11,801	11,801	-	11,801	
9 Agency Administration	Employees & Contracts	Agency administration	-	65,573	33,332	32,241	
10							
Totals - This Page			8,125,253	625,748	118,565	507,183	
Totals - Page 2			15,739,992	1,053,012	351,195	701,817	
Totals - Page 3			1,111,328	177,865	83,409	94,456	
Totals - Page 4			7,098,170	846,851	127,932	718,919	
Totals - All Pages			32,074,743	2,703,476	681,101	2,022,375	

Name of Agency:		RDA Successor Agency of the City of Visalia				Page 2 of 4 Pages	
Project Area(s):		Mooney Boulevard Area					
RECOGNIZED OBLIGATION PAYMENT SCHEDULE							
Per AB 26 - Section 34267 and 34169							
	Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Total Paid July 2011 through January 2012	Total Due February 2012 through June 2012
1	2004 West America Bank Loan Principal	West America Bank	Loan for public works projects	2,201,258	78,359	35,259	43,100
2	2004 West America Bank Loan Interest	West America Bank	Loan for public works projects	968,631	89,478	42,078	47,400
3	2007 Citizens Bank Loan - Principal	Citizens Bank	Loan for public works projects	6,244,700	-	-	-
4	2007 Citizens Bank Loan - Interest	Citizens Bank	Loan for public works projects	5,266,622	408,404	204,202	204,202
5	Developer Note - Costco	Costco	Tax increment reimbursement Per Agreement with Visalia Unified School District	1,042,287	98,000	-	98,000
6	Pass Through Agreement	US Bank	Unified School District	-	257,135	-	257,135
7							
8	OTHER OBLIGATIONS PAYMENT SCHEDULE						
9	County Admin Fees	Tulare County	County administration fee	-	37,076	37,076	-
10	Delta Vector Agreement	Delta Vector Control District Employees & Contracts	Delayed payment of prior pass through payment	16,494	16,494	-	16,494
11	Agency Administration		Agency administration	-	68,066	32,580	35,486
12							
	Totals - This Page			15,739,992	1,053,012	351,195	701,817
	Totals - Page 2						
	Totals - Page 3						
	Totals - Page 4						
	Totals - All Pages						

Name of Agency:		RDA Successor Agency of the City of Visalia				Page 3 of 4 Pages	
Project Area(s):		Downtown Area					
RECOGNIZED OBLIGATION PAYMENT SCHEDULE							
Per AB 26 - Section 34267 and 34169							
	Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Total Paid July 2011 through January 2012	Total Due February 2012 through June 2012
1	2003 West America Bank Loan Principal	West America Bank	Loan for public works projects	911,022	80,228	37,228	43,000
2	2003 West America Bank Loan Interest	West America Bank	Loan for public works projects	200,306	36,946	17,946	19,000
3							
4	OTHER OBLIGATIONS PAYMENT SCHEDULE						
5	County Admin Fees	Tulare County Employees & Contracts	County administration fee	-	2,769	2,769	-
6	Agency Administration		Agency administration	-	57,922	25,466	32,456
7							
	Totals - This Page			1,111,328	177,865	83,409	94,456
	Totals - Page 2						
	Totals - Page 3						
	Totals - Page 4						
	Totals - All Pages						

