

TO: Tulare Redevelopment Successor Agency Oversight Board

FROM: Oversight Board Staff

DATE: October 28, 2015

RE: Adopt Resolution 15-07 approving a Loan Agreement between the City of Tulare (“City”) and the Successor Agency to the Tulare Redevelopment Agency (“Successor”) Agency

SUMMARY

The Oversight Board of the Successor Agency to the Tulare Redevelopment Agency (“Oversight Board”) will consider a resolution approving a loan agreement between the City of Tulare (“City”) and the Successor Agency to the Tulare Redevelopment Agency (“Successor Agency”).

BACKGROUND/EXPLANATION

At the time that its redevelopment agency was dissolved pursuant to ABx1 26, the City elected to become the Successor Agency. The Successor Agency is responsible for winding down the affairs of the former Tulare Redevelopment Agency (“Redevelopment Agency”) with oversight from the Oversight Board of the Successor Agency (“Oversight Board”). The bulk of the Successor Agency’s responsibility lies in paying off all debts and obligations of the former Redevelopment Agency. This process is documented in the previously bi-annual and soon-to-be annual adoption of a Recognized Obligation Payment Schedule (“ROPS”).

Health & Safety Code (“HSC”) Sections 34177(l) and 34177(m) require the Successor Agency to prepare a ROPS before each six-month fiscal period through the January to June 2016 (“15-16B”) period. Each ROPS lists the Successor Agency’s enforceable obligations, accounts for prior expenditures, and represents the Successor Agency’s cash balances for the previous two periods. The passage of Senate Bill (“SB”) 107 amended the ROPS submission process. Among other changes, SB 107 added HSC Section 34177(o), which specifies that starting in January 1, 2016, the Successor Agency must submit ROPS covering estimated expenditures for the following fiscal year.

To date, the Successor Agency has adopted nine ROPS. The Oversight Board reviewed and approved all nine previously submitted ROPS, which were subsequently sent to the State Department of Finance (“DOF”) for review. The most recent ROPS, covering estimated expenditures for the 15-16B period and representing cash balances for the January to June 2015 (“14-15B”) and July to December 2015 (“15-16A”) periods, is currently under DOF review.

The Successor Agency recently realized that its cash balance was negative. The ROPS process requires the use of all available funds before additional property tax increment revenue from the Redevelopment Property Tax Trust Fund (“RPTTF”) can be requested. Available funds were overstated due to a misinterpretation of revenue

deposited into the Successor Agency's fund. The Successor Agency believed that certain revenue received during the January to June 2013 period was a loan payment reversal from the City to the Successor Agency. In fact, that revenue was the RPTTF distribution for the July to December 2013 period.

Upon a detailed review of previous revenues, expenditures, and ROPS, the Successor Agency identified several specific factors that contributed to an overstatement of available funds and thereby led to a negative cash balance.

1. Coding corrections, reclassifications, and other accounting adjustments made retroactively were not properly incorporated into the report of cash balances on the ROPS.
2. RPTTF revenue associated with any given six-month period is received early, in the previous period. Therefore, the Successor Agency inadvertently overstated its available cash balance on the ROPS for July to December 2014 ("14-15A"), leading to RPTTF underfunding in that period.
3. To ensure adequate funding for debts and avoid defaults, the City General Fund has been used to pay the Successor Agency's enforceable obligations.

At their meetings on October 20, 2015, the City and Successor Agency approved an agreement to formalize the debt obligation and provide for terms of repayment. The loan has been placed on the current ROPS, but still requires Oversight Board approval in order to receive DOF approval. If the loan is approved, the Successor Agency estimates there may be sufficient RPTTF to repay the entire loan in the 15-16B period. If there is not, the remaining loan balance will be fully repaid in the July to December 2016 period.

FISCAL IMPACT

With Oversight Board approval, the City's General Fund will receive \$1,480,504 in repayment estimated to take place within the next year.

RECOMMENDATION

Adopt OSB Resolution 15-07 approving a Loan Agreement between the City of Tulare ("City") and the Successor Agency to the Tulare Redevelopment Agency ("Successor") Agency.

OSB RESOLUTION 15-06

A RESOLUTION OF THE DISSOLVED TULARE REDEVELOPMENT AGENCY SUCCESSOR AGENCY'S OVERSIGHT BOARD, CONFIRMING THE APPROVAL OF THE SUCCESSOR AGENCY'S OVERSIGHT BOARD MINUTES

WHEREAS, pursuant to Health and Safety Code Section 34173(d), the City of Tulare ("RDA Successor Agency") is the successor agency to the dissolved Redevelopment Agency of the City of Tulare ("Agency"); and,

WHEREAS, the Oversight Board is the RDA Successor Agency's oversight board pursuant to Health and Safety Code Section 34179(a); and,

WHEREAS, Health and Safety Code Section 34179(e) requires that all actions taken by the Oversight Board be adopted by resolution; and,

WHEREAS, the Oversight Board Secretary or designee has prepared and submitted the Minutes for the Board Meeting(s) of September 23, 2015 for approval by resolution; and,

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF TULARE DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. CEQA Compliance. The approval of the Board Minutes through this Resolution does not commit the RDA Successor Agency or the Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act.

Section 3. Approval of the Minutes. The Oversight Board approves the Minutes for the Board Meetings of September 23, 2015, in substantially the form attached to this Resolution as Exhibit A.

Section 4. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or application of this Resolution that can be given effect without the invalid provision or application, and to this end, the provisions of this Resolution are severable. The Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Section 5. Certification. The City Clerk of the City of Tulare, acting on behalf of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

Section 6. Implementation and Transmittal of the Administrative Budget. The Successor Agency's designee and/or the Oversight Board Chairperson are hereby authorized and

directed to take any action necessary to carry out the purposes of this Resolution and comply with applicable law regarding the administrative budget.

Section 7. Effective Date. This pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance. An action of the Oversight Board shall not become effective five business days after notice of said action to the Department of Finance.

PASSED, APPROVED AND ADOPTED at a special meeting of the Oversight Board of the Successor Agency to the dissolved Redevelopment Agency of the City of Tulare, on the **28th** day of **October, 2015**.

Chair of the Oversight Board of Successor Agency
to City of Tulare Redevelopment Agency

ATTEST:

STATE OF CALIFORNIA)
COUNTY OF TULARE) ss.
CITY OF TULARE)

I, Roxanne Yoder, Chief Deputy City Clerk of the City of Tulare, Oversight Board Secretary, certify the foregoing is the full and true Resolution 15-06 passed and adopted by the Oversight Board of Successor Agency to City of Tulare Redevelopment Agency at a special meeting held on October 28, 2015, by the following vote:

Aye(s) _____

Noe(s) _____ Absent/Abstention(s) _____.

Dated:

OVERSIGHT BOARD SECRETARY

Roxanne Yoder

EXHIBIT A

TULARE OVERSIGHT BOARD – ACTION MINUTES SESSION INFORMATION

| | | | |
|-------------------|---|--|---|
| Objective: | <i>In accordance with the requirements of AB 1X 26 - Meeting of the Oversight Board specific to those actions and activities, as necessary, to facilitate the wind down of the former Tulare Redevelopment Agency</i> | | |
| Date: | 09/23/15 | Pete VanderPoel III – Tulare County | Kathy Melendez - City of Tulare |
| Time: | 5:30 PM | John Hess – County of Tulare | John Beck – Former Superintendent of Schools |
| Location: | Tulare City Hall Library Conference Room 411 East Kern Avenue Tulare, CA 93274 | Bill Postlewaite – City of Tulare | Ken Nunes – California Community Colleges TBD – Tulare Regional Medical Center |

AGENDA ITEMS

1. **Call to Order**
2. **Pledge of Allegiance**
3. **Roll Call**

PRESENTER

5:32 p.m.

Present: Kathy Melendez, John Beck, John Hess, Bill Postlewaite, Ken Nunes^{5:35 p.m.}

Absent: Pete VanderPoel

Staff Present: Darlene Thompson, Roxanne Yoder

4. **Citizen's Comments & Communications**
Comments from the public are limited to items listed on the agenda (GC 54654.3a). Speakers will be allowed three (3) minutes. Please begin your comments by stating and spelling your name and providing your city of residence.
5. **Presentations:**
6. **Approval of Previous Meeting Minutes**

None

None

- A. Adopt OSB Resolution 15-03 approving the Action Minutes of February 25, 2015.

Moved by Board Member Hess, seconded by Board Member Beck and carried 4 - 0 to adopt Resolution 15-03 as presented.

7. Old Business

None

8. New Business

- A. Adopt OSB Resolution 15-04 approving the Recognized Obligation Payment Schedule (ROPS 15-16B) for the period of January 1, 2016 to June 30, 2016 pursuant to Health and Safety Code §34177(I), subject to minor, clarifying changes deemed necessary as proposed by staff and approved by the Oversight Board.

Tulare City Finance Director Darlene Thompson provided background information on the ROPS 15/16B and addressed questions and comments posed by the Board. Following discussion, it was moved by Board Member Postlewaite, seconded by Board Member Beck and carried 5 – 0 to adopt Resolution 15-04 as presented.

- B. Adopt OSB Resolution 15-05 approving the second revised Long-Range Property Management Plan pursuant to Health and Safety Code §34191.5.

Tulare City Finance Director Darlene Thompson provided background information on the LRPMP and addressed questions and comments posed by the Board. Ms. Thompson advised the Board that she would verify the appraisal amount of Property 16 and if a change is noted, will email the correct list. Following discussion, it was moved by Board Member Hess, seconded by Board Member Nunes and carried 5 – 0 to adopt Resolution 15-05 as presented and upon verification of appraisal amount of Property 16.

9. Chairperson and Board Members' Items of Interest

Chairperson and Board Members

10. Adjournment

5:48 p.m.

In compliance with the Americans with Disabilities and Brown Act, if you need special assistance to participate in the meeting, including the receipt of the agenda and documents in the agenda package in an alternate format, please contact the City Clerk's Office (559) 684-4200. Notification 48-hours prior to the meeting will enable the Successor Agency to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35. 102-35, 104 ADA Title II), and allow for the preparation of documents in the appropriate alternate format.

OSB RESOLUTION 15-07

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE TULARE REDEVELOPMENT AGENCY APPROVING A LOAN AGREEMENT BETWEEN THE CITY OF TULARE AND THE SUCCESSOR AGENCY TO THE TULARE REDEVELOPMENT AGENCY

WHEREAS, the City of Tulare ("City") elected to serve as the Successor Agency to the Tulare Redevelopment Agency ("Successor Agency") pursuant to Assembly Bills x1 26 and 1484 ("Dissolution Law") as codified in the California Health and Safety Code ("HSC"); and

WHEREAS, among the duties of successor agencies under Dissolution Law is the preparation of a Recognized Obligation Payment Schedule ("ROPS") for the ensuing six-month period (through the January to June 2016 period, annual after that) for consideration by a local oversight board and the California Department of Finance ("DOF") for purposes of administering the wind-down of financial obligations of the former Redevelopment Agency; and

WHEREAS, the ROPS includes a report of cash balances reflecting the Successor Agency's available cash; and

WHEREAS, in accordance with HSC section 34177 (l), the ROPS identifies a source of payment for each enforceable obligation; and

WHEREAS, HSC section 34177 (l)(1)(E) stipulates that the Redevelopment Property Tax Trust Fund (RPTTF) can be used as a funding source only to the extent no other funding source is available; and

WHEREAS, due to accounting corrections and the early receipt of RPTTF revenue, the Successor Agency overstated its available cash on the July to December 2014 ("14-15A") ROPS, resulting in an RPTTF underfunding in that period; and

WHEREAS, subsequently the City General Fund was used to pay the Successor Agency's enforceable obligations to ensure adequate funding for debts and avoid defaults; and

WHEREAS, HSC Section 34173(h) provides that the City may loan funds to the Successor Agency for administrative costs, enforceable obligations, or project-related expenses at the City's discretion, and such a loan must be reflected on the Successor Agency's ROPS, which is subject to the approval of the Successor Agency's Oversight Board; and

WHEREAS, the Successor Agency estimates that the amount of Successor Agency enforceable obligations paid by the City totals \$1,823,379; and

WHEREAS, the City and Successor Agency entered into a loan agreement on October 20, 2015 in order to fully recoup City funds expended to fund Successor Agency enforceable obligations; and

WHEREAS, the Oversight Board desires to approve the loan agreement for submittal to DOF for its review and approval.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER TULARE REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, ORDER, AND DETERMINE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated herein by this reference.

Section 2. Approval of Loan Agreement. The Oversight Board hereby approves the Loan Agreement between the City of Tulare and the Successor Agency to the Tulare Redevelopment Agency attached to this Resolution as Exhibit A.

Section 3. Direction to Successor Agency Staff. The City Manager, serving as Successor Agency staff, is hereby authorized and directed to take such other and further action consistent with this resolution, including submittal to DOF, and sign any documents, as necessary, in order to implement this Resolution on behalf of the Successor Agency and Oversight Board.

Section 4. Severability. The Oversight Board hereby declares that if any provision, sentence, clause, section or part of this Resolution is found to be unconstitutional, illegal or invalid, such finding shall affect only such provision, sentence, clause, section or part, and shall not affect or impair any of the remaining parts.

PASSED, APPROVED, AND ADOPTED at a regular meeting of the Oversight Board of the Successor Agency to the Tulare Redevelopment Agency, on this **28th** day of **October 2015**.

Chair of the Oversight Board of the Successor Agency to the
Tulare Redevelopment Agency

ATTEST:

STATE OF CALIFORNIA)
COUNTY OF TULARE) ss.
CITY OF TULARE)

I, Roxanne Yoder, Chief Deputy City Clerk of the City of Tulare and Oversight Board Secretary, certify the foregoing is the full and true OSB Resolution 15-07 passed and adopted by the Oversight Board of the Successor Agency to the Tulare Redevelopment Agency at a regular meeting held on October 28, 2015, by the following vote:

Aye(s): _____

Noe(s): _____ Absent/Abstention(s): _____

Dated: _____ OVERSIGHT BOARD SECRETARY

Roxanne Yoder

**LOAN AGREEMENT BETWEEN THE CITY OF TULARE
AND THE SUCCESSOR AGENCY TO THE TULARE
REDEVELOPMENT AGENCY**

This **LOAN AGREEMENT** ("Agreement") is entered into and effective as of October 20th, 2015 and is made by and between the **CITY OF TULARE**, a municipal corporation ("City") and the **SUCCESSOR AGENCY TO THE TULARE REDEVELOPMENT AGENCY**, a public body corporate and politic ("Successor Agency").

RECITALS

A. The City is a municipal corporation organized and operating under the laws of the State of California.

B. The Successor Agency is a public entity corporate and politic, organized and operating under Part 1.85 of Division 24 of the California Health and Safety Code ("HSC").

C. The Successor Agency's activities and actions are subject to review by the Oversight Board to the Successor Agency ("Oversight Board") as prescribed in HSC Section 34179.

D. The Oversight Board's actions are subject to review by the State Department of Finance ("DOF").

E. HSC Section 34177(a) requires the Successor Agency to make payments due for enforceable obligations.

F. HSC Section 34177(l) requires the Successor Agency to prepare a Recognized Obligation Payment Schedule ("ROPS") before each six-month fiscal period (through the January to June 2016 period, annual after that) that lists its enforceable obligations and reports on its cash balances for the preceding two periods.

G. The Successor Agency adopted a ROPS for the July to December 2014 period ("14-15A"), which was approved by the Oversight Board on February 26, 2014 and by DOF on April 14, 2014.

H. The 14-15A ROPS reported a January 1, 2014 cash balance of \$2,201,335. The Successor Agency believes that this cash balance was overstated due to early receipt of Redevelopment Property Tax Trust Fund ("RPTTF") revenue and delayed accounting corrections.

I. Due to the reported available cash balance, the Successor Agency was allocated insufficient RPTTF for the 14-15A period.

J. Since City and Successor Agency money is held in a pooled account, the City General Fund was used to pay the Successor Agency's enforceable obligations to

ensure adequate funding for debts and avoid defaults. The Successor Agency estimates the City spent \$1,823,379 in total on Successor Agency enforceable obligations.

K. HSC Section 34173(h) provides that the City may loan funds to the Successor Agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, and that the loan must be reflected on the ROPS, which is subject to the approval of the Successor Agency's Oversight Board. HSC Sections 34178 and 34180 also authorize certain contracts to be entered into between the Successor Agency and the City, as its sponsoring entity.

L. Relying on this authority, the City is prepared to approve retroactively a temporary loan ("Loan") to the Successor Agency in an amount not to exceed ONE MILLION, EIGHT HUNDRED TWENTY-THREE THOUSAND, THREE HUNDRED SEVENTY-NINE DOLLARS AND ZERO CENTS (\$1,823,379.00) ("Loan Amount"), having been used to pay for debt service costs and other enforceable obligations incurred since July 1, 2014.

M. The Successor Agency, in preparing the Recognized Obligation Payment Schedule for the January to June 2016 period ("ROPS 15-16B"), listed the Loan as an enforceable obligation to be repaid during the 15-16B period.

N. To receive DOF approval for repayment, the Loan must be formalized and approved by the City and Successor Agency and approved by the Oversight Board.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the City and Successor Agency agree as follows:

Section 1. *Recitals.* The City and Successor Agency represent and warrant to each other that each of the respective recitals is true and correct and is hereby incorporated into this Agreement by reference as if fully set forth.

Section 2. *Loan.* Provided that the loan conditions set forth in Section 4 are satisfied, the City and Successor Agency shall recognize City general funds previously used to pay Successor Agency enforceable obligations as constituting the Loan in an amount not to exceed \$1,480,504.00.

Section 3. *Use of Loan.* The Successor Agency affirms that the money being reimbursed was spent exclusively on enforceable obligations incurred since July 1, 2014.

Section 4. *Loan Conditioned on Oversight Board and DOF Approval.* This contract shall be presented to the Oversight Board and DOF for their review and approval in conformity with HSC Sections 34179(h) and 34180. Should either entity approve a loan amount different from the Loan Amount specified herein, the City and Successor

Agency agree to recognize the Oversight Board- or DOF-approved loan amount and to reconcile the difference based on mutual agreement and in accordance with the HSC.

Section 5. *Source of Repayment; Limited Subordination.*

(A) Except as provided in paragraph (B) below of this Section 5, the Loan shall be repaid on par with any enforceable obligations falling within HSC Section 34183(a)(2)(C) (debts not qualifying as tax allocation bonds and certain revenue bonds).

(B) The City hereby agrees to defer payment, in whole or in part, on the Loan during a ROPS period to the extent that repayment in that period would leave insufficient funds to the Successor Agency to satisfy other contractual obligations covered by HSC Section 34183(a)(2)(C) which: (i) are due in that six-month period; and (ii) were in existence as of the date of this Agreement.

(C) Unless legally prohibited or waived by the City, any portion of the unpaid Loan shall also be repaid from other revenues available to the Successor Agency, such as the proceeds of asset sales and rents. These payments shall augment and supplement the required payments described in paragraph (A).

Section 6. *Placement of Loan Obligation on the Successor Agency's ROPS 15-16B.*

The City and Successor Agency recognize that Item 18 on the ROPS 15-16B represents the Loan as a listed enforceable obligation. The Successor Agency designated the Loan as "Unfunded Liabilities" in the obligation type column on the ROPS form. After the Successor Agency submitted the ROPS to DOF, however, DOF instructed the Successor Agency to formalize the Loan. On future ROPS forms, the Successor Agency will designate the Loan as "City/County Loans After 6/27/11."

The requested amount of Item 18 is different from the Loan Amount because the ROPS was completed before the Successor Agency could finalize its calculation of the Loan Amount. The Loan, as represented by Item 18, shall be included on each successive ROPS for the Successor Agency until the City is repaid the full Loan Amount.

Section 7. *Term.* This Agreement shall be in full force and effect from the date hereof until such time as the entire amount of the Loan has been repaid in full.

Section 8. *Entire Agreement.* This Agreement constitutes the entire agreement by and between the parties with respect to the subject matter of this Agreement, and may be amended only in writing.

Section 9. *Remedies.* In the event of a default, the parties hereto shall be entitled to pursue any and all remedies available at law or equity under California law for purposes of enforcing the terms and conditions of this Agreement.

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APPROVED AND EXECUTED by signature of the authorized representatives of each of the parties on October 20, 2015.

CITY:

CITY OF TULARE, a municipal corporation

By: Rob Hunt
~~Don Dorman~~ **ROB HUNT**
City Manager **ACTING CITY Manager**

ATTEST:

By: [Signature]
Roxanne Yoder, Chief Deputy City Clerk

APPROVED AS TO FORM:

By: [Signature]
Martin D. Koczanowicz, City Attorney

SUCCESSOR AGENCY:

SUCCESSOR AGENCY TO THE TULARE REDEVELOPMENT AGENCY, a public body, corporate and politic

By: Rob Hunt
~~Don Dorman~~ **ROB HUNT**
City Manager **ACTING**

ATTEST:

By: [Signature]
Roxanne Yoder, Chief Deputy City Clerk

APPROVED AS TO FORM:

By: [Signature]
Martin D. Koczanowicz, City Attorney